

Global Surfaces Ltd

The Strength of Natural Stone and Quartz



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Not Rated
The Strength of Natural Stone and Quartz

Global Surfaces Ltd was incorporated in the year 1991 in Jaipur and provides natural and engineered stone products. It is involved in the mining, production, and export of natural stones and engineered quartz. The company offers products made of granite, marble, and quartz. The product range includes slabs and countertops that can be used in flooring, indoor wall cladding, vanity tops, reception desk, table tops, and staircases. etc.

The products can be customized as per different shapes, sizes, colors and forms. Since its inception, the company has progressed and created new growth avenues in the international markets.

The products have application in the flooring, wall cladding, countertops, cut-to size and other items. The products are used in both commercial and residential industry and are sold within and outside India. The majority of the operational revenues comprise export sales. Approximately 99% of revenues from operations have been derived from exports during the Fiscals 2020, 2021, and 2022.

Approximately 98% of the revenues from operations have been derived from exports during the period ending September 30, 2022. The company is focused on exporting its products to the United States of America, Canada, Australia, and the Middle East.

Their Natural Stone products segment may be further divided into:

- Marble
- Granite
- Quartzite and others

Industry Sanitaryware
Issue Details

Listing	BSE & NSE
Open Date	13 th March 2023
Close Date	15 th March 2023
Price Band	INR 133-140
Face Value	INR 10
Market Lot	100 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	23.03%
Fresh Issue	76.97%
Issue Size (Amt)	INR 155cr
Issue Size (Shares)	8,520,000
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	33,861,818
Post issue sh (nos)	42,381,818
Post issue M Cap	₹564cr – ₹593 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	73.55	55.46
Promoter group	25.80	17.90
Public	0.65	26.64
TOTAL	100	100

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY20	163.2	40.3	20.9	24.6	12.8	6.1	24.6	32.5	32.9	28.0	9.1	1.4
FY21	175.3	47.4	33.9	27.0	19.3	10.0	72.3	34.4	35.7	17.3	6.0	1.2
FY22	190.3	41.8	35.6	21.9	18.7	10.5	83.9	26.5	20.8	16.5	4.4	1.6

Business Model

- Global Surfaces Limited (“Global Surfaces”) is engaged in the business of processing natural stones and manufacturing engineered quartz. Natural stones are produced by complex geological processes and include a number of products such as granite, limestone, marble, slate, quartzite, onyx, sandstone, travertine, and others that are quarried from the earth.
- Natural stones are widely known for their uniqueness, aesthetic appeal, texture, color, and composition as no two natural stones are the same. Engineered quartz, on the other hand, is an example of engineered stone used in the countertop industry, which is a composite material made up of crushed stone bonded by an adhesive. For instance, for countertops, the slabs are made from quartz crystals bonded with a resin binder.
- Global Surfaces has 2 units, Unit-I located at RIICO Industrial Area, Jaipur and the Unit-II at Mahindra World City SEZ, Jaipur, both in Rajasthan for processing and manufacturing of their products.
- Their Unit-I which is admeasuring 20,488 sq. mtrs. and exclusively dedicated to processing natural stones such as marble, granite and quartzite is strategically located in close proximity of the key raw material (i.e. blocks of natural stones) which helps them in sourcing their raw materials and also minimize the logistics and transportation cost.
- Prior to the acquisition of Unit I in 2004, the company was engaged in the real estate construction business which they have since ceased to undertake. From FY 2017-18 onwards, the company has further diversified its business into manufacturing of engineered quartz and for this purpose, Unit II was set up by them.
- This Unit II is spread across 24,139.08 sq. mtrs. also equipped with R&D facility to develop, improve and test their products which assists them in keeping pace with the market trends and demands. Both their Units are located in close proximity of each other i.e., within a range of 20 Kms. from one another.

Products	2022			2021			2020		
	Capacity	Production	Utilization	Capacity	Production	Utilization	Capacity	Production	Utilization
Natural Stone	4,74,164	1,35,393	28.7%	4,74,164	2,69,780	57.2%	4,74,164	2,96,935	63.0%
Quartz	5,21,643	3,59,783	68.9%	5,21,6433	3,33,950	64.0%	3,89,608	2,72,117	70.4%

Strengths

Consistent Growth

Global Surfaces has grown from a single category to multi-category stone manufacturing company. Their revenue from operations has grown from ₹ 23.29 crore in Fiscal 2011 to ₹ 190.31 crore in Fiscal 2022, registering a CAGR of 21.04% in the last 11 years. The recognition of their product quality and established goodwill has enabled them to penetrate the engineered quartz market and cater to new customers in addition to the Company's existing customer network.

Wide product portfolio and multiple designs

Global Surfaces had started their business activities with processing of natural stones and have since branched out to manufacturing engineered quartz which has enabled them to diversify their product portfolio manifold. Their constant efforts are focused towards identifying new market trends and introducing high quality products which are in demand. For the Fiscal 2021-22, engineered quartz generated revenues of ₹ 157.48 crore which represents about 82.75% of their operating revenue.

Established presence in international markets

Currently, various regions of the USA are the company's primary focus in international markets. Their exports business constitutes 99.13% of operating revenue in the Fiscal 2021-22 and has grown at 21.60% CAGR over the last 11 years. They have, in the recent past, sold their products in the United States of America, Canada, Australia and Middle East.

Synergy of young and experienced management team with a committed employee base

The company has an experienced management team with considerable industry experience. The Board of Directors includes a combination of management executives and independent members who bring in significant business expertise including in the areas of administration and management, manufacturing, finance, compliance, and audit.

Key Growth Strategies

Increasing the global footprint and augmenting growth in current geographies

The company has consistently expanded the customer network across the North American continent and this continues to be one of the core strategies of the company for the future. Their growth strategy in these markets will be to create local presence and connect and expertise with required development capabilities to exploit growth potential offered by these markets. Their focus will remain on acquiring new customers, retaining existing customers and offering good quality products.

Setting up a strategically located manufacturing facility

The company is in the process of setting up a manufacturing facility in Dubai, UAE through their wholly-owned subsidiary, which is scheduled to commission production by FY 2023-24. The companies and production facilities, located in Free Trade Zones, are exempt from income tax. The income tax exemption and free trade privileges serve as key factors in attracting investments.

Continue to add to the product portfolio by introducing new designs

The company's strategy is focused towards introducing new product designs to meet the ever-changing demands of the market as well as garnering the attention of more end-users. This helps in strengthening the relationship with the existing customer network through a wide range of products while also onboarding new customers from untapped segments and regions.

Technology integration and plant automation to improve productivity

The company has invested in the latest technology for manufacturing and processing and strives to continuously upgrade to the latest technology which ensures delivery of high-quality products. They have also adopted SAP for efficient and easy maintenance of the records.

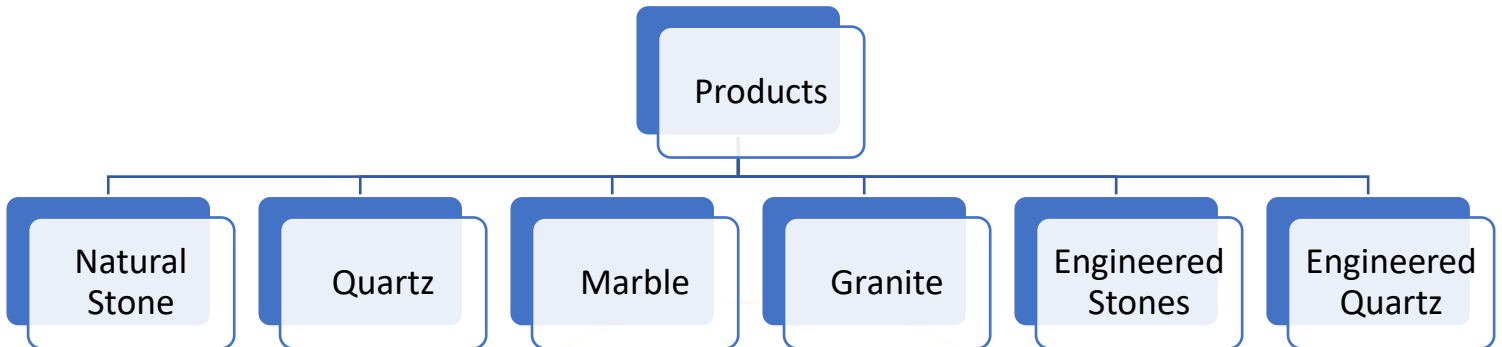
Proposed Expansion Plans

To aid their growth efforts and expand their presence in the international markets Global Surfaces propose to set up a new facility in Dubai, UAE for manufacturing engineered quartz. This proposed facility will be set up through their wholly owned subsidiary Global Surfaces FZE incorporated in UAE. Global Surfaces FZE has taken on lease a parcel of land measuring 39,657.63 square meters situated at The Jebel Ali Free Zone, Dubai, UAE for a period of 20 years where it has been granted a rent-free lease period till June 13, 2023.

Post completion of their proposed expansion plans, the new unit is expected to have an estimated installed capacity of 622,896 Sq. M/ annum and is expected to be operational from FY 2023-24 onwards. Consistent with their past practices, be the capacity of the Proposed Facility will increased in a phased manner to ensure optimum utilization.

The information on their proposed facility is indicative and remains subject to the potential difficulties and uncertainties that construction projects face including cost overruns or delays. The company is in the process of obtaining various consents, approvals, and acknowledgments from regulatory authorities that are routine in nature in relation to the proposed expansion at the New Unit.

Products Offered



Source: Ventura Research

Key Risks

- Company’s sales are concentrated on a few customers with the top 4 customers contributing 67.38%, 73.08%, 65.41%, and 60.11% respectively
- Global surfaces does not have long-term agreements with its suppliers for raw materials and an inability to procure the desired quality, and quantity of its raw materials in a timely manner and at reasonable costs, or at all, may have a negative impact on the business, results of operations, financial condition, and cash flows.
- The company is in the process of expanding its operations and establishing a network of customers, particularly for the engineered stone product category, in regions where it does not have a significant presence or prior experience. Any failure to expand into these new regions could adversely affect its sales, financial condition, result of operations, and cash flows.
- The continuing impact of the COVID-19 pandemic on the business and operations is uncertain and it may be significant and continue to have an adverse effect on the business, operations, and future financial performance.
- They are in the process of expanding their operations and establishing a network of customers, particularly for the engineered stone product category, in regions where they do not have a significant presence or prior experience. Any failure to expand into these new regions could adversely affect the sales, financial condition, result of operations, and cash flows.

Company and Directors,

The company was incorporated as “Swastic Niwas Private Limited” on August 23, 1991. It was promoted by Mayank Shah and currently, he holds 24,906,368 Equity Shares, representing 73.55% of the pre-offer issued and paid-up Equity Share capital of the company.

Global Surfaces Key Managerial Personnel

Key Person	Designation	Details
Mayank Shah	CEO	He has about 18 years’ experience in the natural and engineered stone industry. He looks after various aspects of the Company’s business including planning, procurement, finance, monitoring and execution.
Rajesh Gattani	CFO	He has been associated with the company since June 07, 2018. He has an overall experience of nearly 8 years in accounts and finance industry.
Sweta Shah	Executive Director	She has been associated with the company since September 11, 2021. She has an experience of approximately 2 years.
Sudhir Baxi	Independent Director	He has over 40 years of experience in teaching, mining, geological exploration, preparation of geological & structural mapping.
Yashwant Kumar Sharma	Independent Director	He has worked for over 3 decades with the India Trade Promotion Organisation.
Sanjeev Bansal	Vice President – Marketing	He has been associated with the company since July 2018. He has an overall experience of 30 years in various industries.

Source: Company Reports

Issue Structure and Offer Details

The net proceeds of the Fresh Issue are proposed to be utilised as:

- Investment in Global Surfaces FZE for part-financing its capital expenditure requirements in relation to the setting up of the proposed facility. The amount being utilized is ₹90Cr.
- General Corporate Purposes.

Issue Structure

Investor Category	Allocation	No. of shares offered
QIB	Not more than 50% of the Offer	55,35,000
NIB	Not less than 15% of the Offer	16,60,500
Retail	Not less than 35% of the Offer	38,74,500

Number of shares based on a higher price band of INR 140

Details of the selling shareholders

Promoter Selling shares	Amount offered	No of shares
Mayank Shah	Not more than 19.6Cr	14,00,000
Sweta Shah	Not more than 16.1Cr	11,50,000

the amount is based on a higher price band of INR 140

Source: Company Reports

Global Surfaces financial summary and analysis

Fig in INR Cr (unless specified)	FY20	FY21	FY22	Fig in INR Cr (unless specified)	FY20	FY21	FY22
Income Statement				Per share data & Yields			
Revenue	163.3	175.4	190.3	Adjusted EPS (INR)	5.0	8.1	8.5
YoY Growth (%)	#N/A	7.4	8.5	Adjusted Cash EPS (INR)	9.0	11.2	11.1
Raw Material Cost	71.2	71.9	86.7	Adjusted BVPS (INR)	15.4	23.4	31.9
RM Cost to Sales (%)	43.6	41.0	45.5	Adjusted CFO per share (INR)	5.6	7.7	6.7
Employee Cost	9.0	9.4	11.9	CFO Yield (%)	4.0	5.5	4.8
Employee Cost to Sales (%)	5.5	5.4	6.2	Adjusted FCF per share (INR)	#N/A	5.9	5.3
Other Expenses	42.8	46.7	50.0	FCF Yield (%)	#N/A	4.2	3.8
Other Exp to Sales (%)	26.2	26.6	26.3	Solvency Ratio (X)			
EBITDA	40.3	47.3	41.8	Total Debt to Equity	0.8	0.4	0.3
Margin (%)	24.7	27.0	22.0	Net Debt to Equity	0.8	0.3	0.2
YoY Growth (%)	#N/A	17.4	(11.7)	Net Debt to EBITDA	1.3	0.7	0.6
Depreciation & Amortization	16.9	13.0	10.8	Return Ratios (%)			
EBIT	23.5	34.3	31.0	Return on Equity	32.5	34.5	26.6
Margin (%)	14.4	19.6	16.3	Return on Capital Employed	20.1	24.8	17.9
YoY Growth (%)	#N/A	46.3	(9.6)	Return on Invested Capital	20.1	26.5	19.6
Other Income	2.5	3.6	8.0	Working Capital Ratios			
Finance Cost	5.2	3.4	3.0	Payable Days (Nos)	18	34	36
Interest Coverage (X)	4.5	10.1	10.5	Inventory Days (Nos)	53	72	90
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	63	83	75
PBT	20.7	34.5	36.1	Net Working Capital Days (Nos)	98	121	129
Margin (%)	12.7	19.7	19.0	Net Working Capital to Sales (%)	26.8	33.0	35.3
YoY Growth (%)	#N/A	66.6	4.6	Valuation (X)			
Tax Expense	(0.2)	0.6	0.5	P/E	28.0	17.3	16.5
Tax Rate (%)	(1.2)	1.7	1.3	P/BV	9.1	6.0	4.4
PAT	21.0	33.9	35.6	EV/EBITDA	15.9	13.1	14.6
Margin (%)	12.8	19.3	18.7	EV/Sales	3.9	3.5	3.2
YoY Growth (%)	#N/A	61.9	5.0	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	20.7	34.5	36.1
Net Profit	21.0	33.9	35.6	Adjustments	14.2	12.3	1.7
Margin (%)	12.8	19.3	18.7	Change in Working Capital	(11.7)	(14.1)	(9.2)
YoY Growth (%)	#N/A	61.9	5.0	Less: Tax Paid	0.2	(0.6)	(0.5)
Balance Sheet				Cash Flow from Operations	23.5	32.1	28.2
Share Capital	6.5	6.5	33.9	Net Capital Expenditure	(9.8)	(7.8)	(9.8)
Total Reserves	58.0	92.0	100.2	Change in Investments	(0.7)	(0.2)	(18.3)
Shareholders Fund	64.5	98.4	134.0	Cash Flow from Investing	(10.5)	(8.0)	(28.1)
Long Term Borrowings	13.8	6.5	10.8	Change in Borrowings	(40.5)	(15.9)	(0.5)
Deferred Tax Assets / Liabilities	(6.6)	(12.1)	(18.0)	Less: Finance Cost	(5.2)	(3.4)	(3.0)
Other Long Term Liabilities	0.2	0.7	42.2	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.3	0.6	0.4	Dividend Paid	0.0	0.0	0.0
Total Liabilities	72.1	94.0	169.3	Cash flow from Financing	(45.7)	(19.3)	(3.5)
Net Block	60.1	53.5	88.2	Net Cash Flow	(32.7)	4.9	(3.4)
Capital Work in Progress	0.0	1.3	7.1	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	1.3	0.6	5.4
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	0.6	5.4	2.0
Long Term Loans & Advances	3.1	4.4	7.0				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	9.0	34.8	67.1				
Total Assets	72.1	94.0	169.3				

Source: Ventura Research

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