



GSM Foils Limited

IPO Note

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IPO Details	
Opening Date	May 24, 2024
Closing Date	May 28, 2024
Stock Exchange	NSE SME
Lot Size	4,000 Shares
Issue Price	₹32 per share
Issue Size	Aggregating up to 11.01 Cr.
Fresh Issue	Aggregating up to 11.01 Cr.
Offer for Sale	-
Application Amount	₹1,28,000

IPO Objective	
1.	Funding of capital expenditure towards the purchase of Plant and machinery.
2.	Funding Working Capital Requirements of the company.
3.	General corporate purposes.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	93,70,959	99.99%
Public	690	0.01%

Promoters of the Company	
1.	Sagar Girish Bhanushali
2.	Mohansingh L Parmar

Competitive Strengths	
1.	Cost Effective Production and Timely Fulfilment of Orders
2.	Skilled Promoters and Management Team
3.	Product Portfolio
4.	Well Equipped Manufacturing Facility
5.	Quality Assurance and Standards

Company Background	
○	GSM Foils Limited was incorporated in August 2019 as an LLP with its registered office in Thane, Maharashtra.
○	The company manufactures Blister Foils and Aluminium Pharma Foils which are mostly used in the packing of capsules, tablets, etc.
○	The Company has a wide presence by serving across 13 States and 1 Union Territory.
○	As of February 28, 2024, the company had a total of 39 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 30	₹ 41

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
Total Assets	720.58	1,050.66	1,438.20	2,208.16
Net Assets	657.82	659.06	835.73	126.99
Total Borrowing	-	219.20	242.43	1,412.95
Total Revenue	3,646.23	7,185.04	6,588.68	2,717.87
Profit After Tax	33.92	63.65	142.97	124.79

Tentative Timeline	
Opening Date	May 24, 2024
Closing Date	May 28, 2024
Basis of Allotment	May 29, 2024
Initiation of Refunds	May 30, 2024
Credit of Shares to Demat	May 30, 2024
Listing Date	May 31, 2024



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Company Background and Analysis

Incorporation and Introduction

Incorporated in August 2019 as an LLP, GSM Foils Limited specializes in manufacturing Blister Foils and Aluminium Pharma Foils (Strip Foils) used for packaging capsules and tablets in the pharmaceutical industry. These foils act as primary packaging material, directly in contact with the medication, so quality is paramount. The company has gained expertise in various pharmaceutical foil types over the years. As of June 27, 2023, the company got a new incorporation for converting from LLP.

GSM offers aluminum foils in various sizes, shapes, and thicknesses to cater to diverse client needs. Their product range includes plain and printed options and alu-alu base foils, with thicknesses ranging from 0.020 to 0.040 microns for coated, laminated, and printed blister/strip foils.

Functionality and Benefits of Foils

Aluminium foils provide a crucial packaging solution for sensitive pharmaceutical products. They shield medication from factors like oxygen, moisture, and other environmental influences. Blister foils, commonly used for unit-dose packaging of tablets, offer a suitable hard packaging solution. They feature a heat-sealed bright side and a print-treated matte side. The formed pockets created from these foils hold the product while lidding seals the package hygienically.

Quality and Service Focus

GSM prioritizes quality, offering products that are rigorously tested according to industry standards. As an ISO 9001:2015 certified company, they strive to deliver competitively priced solutions. Investments in suitable manufacturing techniques and a diverse product portfolio ensure they meet high client demand. With support from reliable vendors, they source quality raw materials to create products that enhance their brand image. In-house coating, laminating, and printing capabilities allow them to provide clients with quick and cost-effective services, minimizing downtime and streamlining packaging processes.

Manufacturing Infrastructure and Distribution Network

The company operates a manufacturing facility spanning 7,973 square feet across four floors in Thane, Maharashtra. This facility is equipped with the necessary tools, machinery, and amenities to support seamless production, quality testing, research, storage, and packaging. They prioritize regular machinery upgrades and maintenance to ensure consistent production rates. Finished products are stored securely within the manufacturing unit itself. An efficient warehousing unit, linked to a major shipment network, allows the logistics team to deliver orders promptly to client locations. An interactive team maintains client relationships, understanding their specific requirements and ensuring exceptional service. GSM boasts a Pan-India presence, serving clients across 13 states and 1 union territory.



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The Product Portfolio and Revenue Bifurcation of The Company are given below –

1. Blister Foils
 - a) 20 Micron Plain Blister Foils
 - b) 20 Micron Printed Blister Foils
 - c) 25 Micron Plain Blister Foils
2. Aluminium Foils
 - a) 30 Micron Plain Strip Foils
 - b) 30 Micron Printed Strip Foils
 - c) 40 Micron Plain Strip Foils
 - d) 40 Micron Printed Strip Foils

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Blister Foils	2,434.45	66.77	3,746.18	52.14	4,139.68	62.83	1,850.11	68.05
Pharma Foils	1,211.78	33.23	3,438.85	47.86	2,448.67	37.17	868.76	31.95
Total	3,646.23	100.00	7,185.03	100.00	6,588.35	100.00	2,718.87	100.00

To summarize, GSM Foils makes high-quality aluminium foils for pharmaceutical packaging. They offer various sizes, thicknesses, and printing options to suit client needs. Their foils protect medication and ensure quality. With in-house capabilities and a wide network, they deliver across India.

The company wants to use its Net Proceeds to majorly fund its working capital requirement and also use around 10% of Net Proceeds to Fund the Capital Expenditure towards Purchase of Plant and Machinery which we believe should have a positive impact on the company's performance in the long run.



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Business Strategies

1. Expanding Clientele Network by Geographic Expansion –

The company currently has a strong presence in Dadra & Nagar Haveli, Gujarat, and Maharashtra. They recognize the potential for growth in other Indian states and plan to expand their operations into new locations. This expansion strategy aims to broaden their client base, increase revenue, and leverage attractive opportunities in these new markets.

2. Enhancing Brand Image –

The company prioritizes clients, top-quality products, and a strong brand. They recognize the value of brand recognition and loyalty and plan to strengthen their brand through marketing and competitive offerings.

3. Widen product portfolio –

The company plans to expand and diversify its product portfolio by introducing new lines and exploring new offerings within its existing aluminium foil business. This diversification aims to cater to a wider range of customers and strengthen their market position.

4. Focus on Dealing in Quality Standard Products –

The company prioritizes product quality, understanding its importance for both customer satisfaction and the company's long-term growth. They strictly adhere to relevant regulatory standards and focus on delivering high-quality products. This commitment not only enhances their brand image but also fosters strong, lasting relationships with their customers.

5. Improving Functional Efficiency –

The company recognizes the need for cost competitiveness beyond just revenue growth. Their three-shift, 24-hour manufacturing process demonstrates a commitment to efficiency. However, they are also planning further process improvements to streamline operations, optimize inventory management, and enhance logistics. These efforts, combined with potential credit extensions to vendors to secure more orders, aim to strengthen their financial performance and attract investors seeking robust operational efficiency.

**Competitive Scenario and Peer Mapping****Competition**

GSM Foils Limited operates in a competitive market with fair competition from both organized and unorganized players. The threat of new entrants might be moderate due to the specialized knowledge required, but the bargaining power of buyers (pharmaceutical companies) is likely high due to their ability to switch suppliers based on price and reliability. The bargaining power of suppliers is also moderate as Aluminium is a widely available commodity.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	GSM Foils Limited	Synthiko Foils Limited	MMP Industries Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	2.17%	0.66%	3.94%
EBITDA Margin	4.30%	2.77%	7.14%
Return on Capital Employed	28.31%	8.04%	11.51%
Return on Equity	17.11%	2.93%	8.29%
EPS (INR)	28.25	0.98	8.39
P/E	1.13	175.46	13.42

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	GSM Foils Limited	Synthiko Foils Limited	MMP Industries Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	0.89%	3.06%	6.40%
EBITDA Margin	1.83%	6.49%	10.37%
Return on Capital Employed	16.12%	26.52%	15.96%
Return on Equity	9.66%	16.13%	12.19%
EPS (INR)	12.58	5.23	11.42
P/E	2.54	8.19	17.15

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	GSM Foils Limited	Synthiko Foils Limited	MMP Industries Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	0.93%	1.48%	7.47%
EBITDA Margin	1.98%	5.19%	12.30%
Return on Capital Employed	9.55%	16.83%	11.10%
Return on Equity	5.16%	8.26%	8.35%
EPS (INR)	6.71	2.24	6.87
P/E	4.77	11.34	12.53



Industry Overview

Exhibit 1: Quarterly Estimates of GVA at Current Prices of Manufacturing Industry

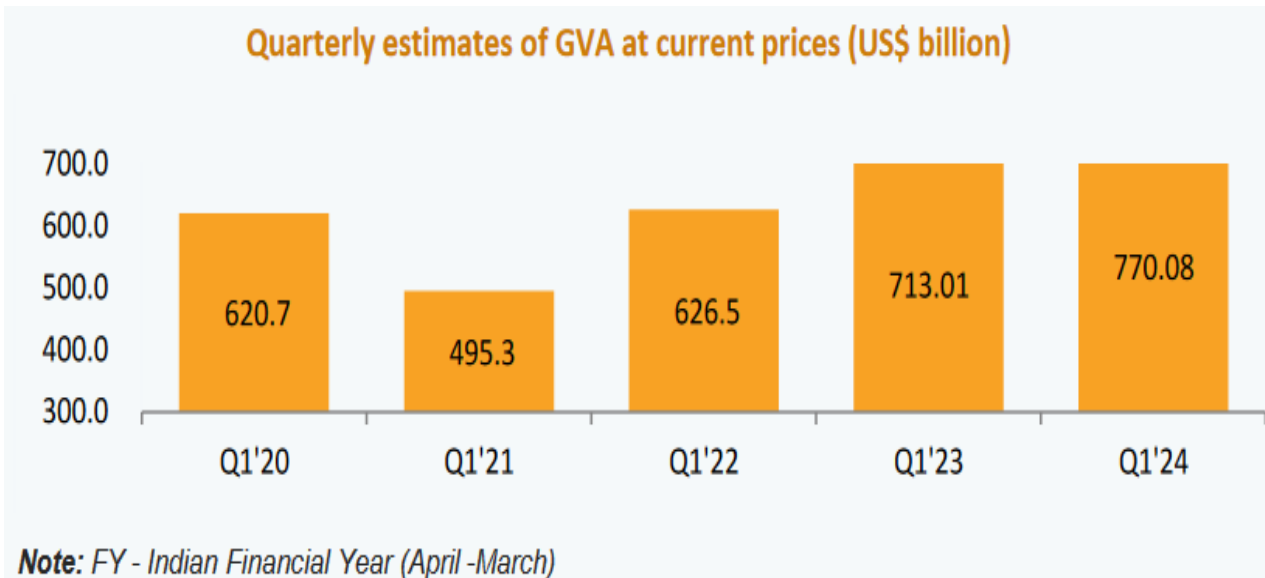
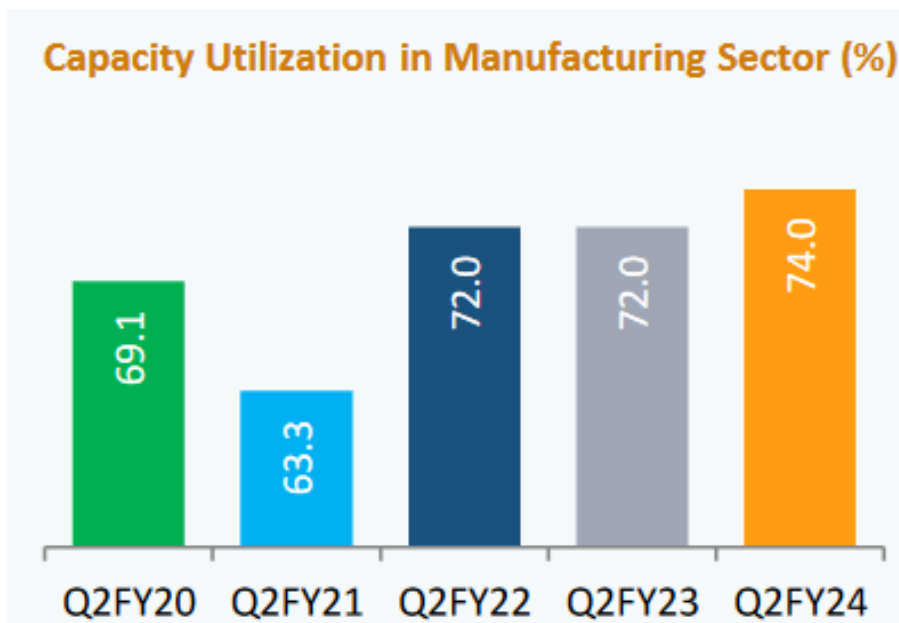


Exhibit 2: Capacity Utilization in the Manufacturing Sector over the Past Few Years (%)



(Source: Ibef.org)



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Indian Manufacturing Industry –

The Indian manufacturing sector is rapidly emerging as a cornerstone of the nation's economic growth. Key sectors like automobiles, engineering, chemicals, pharmaceuticals, and consumer durables are driving this rise. Pre-pandemic, manufacturing contributed a significant 16-17% to India's GDP, and it's projected to be one of the fastest-growing sectors.

Technology is a game-changer. Digital transformation is crucial for gaining a competitive edge. It fosters innovation and propels the industry towards more automated, process-driven manufacturing, enhancing efficiency and productivity. With a vision of becoming a major global hub by 2030, India has the potential to export goods worth US\$ 1 trillion.

A strong workforce of over 27.3 million fuels the industry. The government actively supports its growth through various programs and policies. The goal: a 25% share of GDP from manufacturing by 2025. India's robust physical and digital infrastructure positions it strategically to participate in global supply chains.

Several factors contribute to India's potential in global value chains. These include its advantages in raw materials, industrial expertise, and a burgeoning entrepreneurial spirit. Additionally, expanding exports, localizing imports, robust domestic demand, and contract manufacturing present lucrative opportunities.

The "Make in India" program, launched by Prime Minister Narendra Modi, aims to position India as a global manufacturing hub. This initiative, coupled with the government's support for start-ups and MSMEs through tax benefits, aims to create 100 million new jobs in the sector by 2022.

Positive signs abound. Manufacturing exports reached record highs (\$447.46 billion in FY23), and capacity utilization is on the rise (72% in Q2 FY22). India's middle class is projected to have the second-largest share in global consumption by 2030 (17%).

Overall, the Indian manufacturing industry presents a promising outlook. With a continued push for growth strategies, a focus on technological advancements, and efforts to address existing challenges, the sector is poised to be a significant driver of the Indian economy in the coming decade.

Indian Packaging Industry –

The Indian packaging industry is booming, projected to reach \$204.81 billion by 2025 (from \$50.5 billion in 2019). This rapid growth (22-25% annually) positions India as a preferred global hub. Lower processing and packaging costs compared to Europe, along with skilled labour, make it an attractive investment destination.

The industry exports items like cans, sheets, and machinery while importing materials like tinplate. Laminates and flexible packaging, particularly PET and woven sacks, are the fastest-growing segments. This sector is a key driver of innovation and value addition for various manufacturing sectors like FMCG and agriculture. The industry's growth mirrors the rise of related sectors like pharmaceuticals and food processing in India and other emerging economies.

(Source: Prospectus)



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Key Managerial Personnel

Sagar Girish Bhanushali, aged 28 years is one of the Promoters, Chairman, Whole Time Director, and CFO of the Company. He has completed his Bachelor's Degree in Commerce in the year 2015. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India. He has 4 years of experience in the Company in the pharmaceutical packaging industry. He is involved in formulating business strategies and effective implementation of the same. He is responsible for the entire management and administration of the Company.

Mohansingh L Parmar, aged 42 years, is one of the Promoters and Managing Director of the Company. He has completed his First Year of Junior College. He has 4 years of experience in the Company in the pharmaceutical packaging industry and 16 years of experience in his sole proprietorship firm which is engaged in the Scrap business. In the Company, He is involved in Purchasing raw materials at reasonable rates and marketing in new areas to bring in more clients across different areas. He looks at managing funds and the effective movement of working capital.

Mahesh Virchand Mehta, aged 62 years, is the Non-Executive Independent Director of the Company. He has completed his Bachelor's Degree in Commerce in the year 1984. He has an experience of 22 years with the Cosmos Co-operative Bank Limited of working as an Assistant Manager.

Vijay V Pandya, aged 65 years, is the Non-Executive Independent Director of the Company. He completed his Secondary Education from Maharashtra State Board of Secondary Education in the year 1975. He has an experience of 38 years with the Cosmos Co-operative Bank Limited of working as an Assistant Manager.

Swati Dhaval Mirani, aged 35 years, is the Non-Executive Independent Director of the Company. She has completed her Bachelor's Degree in Commerce, and Master of Commerce, and also completed Diploma Degree in Computer Science in the years 2006, 2012, and 2010 respectively. She has an experience of 2 years of working as an accountant.

Pratik M Makwana, aged 31 years, is the Company Secretary and Compliance Officer of the Company. He is an Associate member of the Institute of Company Secretaries of India. He has a work experience of 3 years and is responsible for the Secretarial, Legal, and Compliance Division of the company.

To conclude, the company has 2 promoters, but none of them have vast experience in the industry, which is a major concern. The Remaining Directors and Key Management Personnel also have relatively good experience but the board is not diversified enough. They all have experience in the field of Finance and this can be problematic when it comes to the overall growth of the business.



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Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	3,646.23	7,185.04	6,588.35	2,717.87
Other Income	-	-	0.33	-
Total Income	3,646.23	7,185.04	6,588.68	2,717.87
Expenses				
Cost of Material Consumed	3,413.78	6,933.83	5,960.20	2,549.68
Changes in Inventories of WIP, Finished Goods & Stock in Trade	-55.22	-227.15	-45.57	-410.94
Employee benefits	68.33	115.91	118.81	67.03
Finance costs	12.00	27.95	37.76	27.08
Depreciation and Amortization expense	9.24	7.76	14.53	8.88
Other expenses	147.27	230.87	271.41	309.38
Total Expenses	3,595.40	7,089.17	6,357.14	2,551.11
Earnings Before Interest, Taxes, Depreciation & Amortization	72.07	131.58	283.50	202.72
EBITDA Margin	1.98%	1.83%	4.30%	7.46%
Profit/(Loss) before exceptional items and tax	50.83	95.87	231.54	166.76
Exceptional items	-	-	-	-
Profit/(Loss) before tax	50.83	95.87	231.54	166.76
Tax Expense				
Current tax	16.54	32.61	88.27	42.36
Deferred tax	0.37	-0.39	0.30	-0.39
Total Tax Expense	16.91	32.22	88.57	41.97
Profit/(Loss) for the year	33.92	63.65	142.97	124.79
Net Profit Margin	0.93%	0.89%	2.17%	4.59%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	657.82	659.06	835.73	2.20
Reserves and surplus	-	-	-	124.79
Total Equity	657.82	659.06	835.73	126.99
2. Non-current liabilities				
Long Term Borrowings	-	109.14	114.17	38.27
Deferred tax liability/ (Assets) (Net)	0.37	-	0.28	-
Total Non-current liabilities	0.37	109.14	114.45	38.27
3. Current liabilities				
Short-term borrowings	-	110.06	128.26	1,374.68
Trade payables				
(i) MSME	-	-	-	-
(ii) Other than MSME	22.92	128.09	249.09	540.68
Other current liabilities	22.93	11.81	23.97	64.92
Short-term provisions	16.54	32.50	86.70	62.62
Total Current liabilities	62.39	282.46	488.02	2,042.90
Total Liabilities	62.76	391.60	602.47	2,081.17
Total Equity and Liabilities	720.58	1,050.66	1,438.20	2,208.16



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Balance Sheet					(In Lacs)
ASSETS					
1. Non-current assets					
Property, Plant, and Equipment					
i) Tangible Asset	42.73	34.97	91.81	86.32	
ii) Intangible Asset					
iii) Capital Work In Progress					
Deferred Tax Assets (Net)	-	0.03	-	0.32	
Long Term Loans and Advances					
Other Non-Current Assets	2.11	9.50	10.00	26.36	
Total Non-Current assets	44.84	44.50	101.81	113.00	
2. Current assets					
Inventories	270.71	527.85	551.48	1,102.90	
Trade receivables	308.52	399.98	681.64	700.59	
Cash and cash equivalents	77.40	41.11	49.10	41.26	
Short-term loans and advances	6.62	16.77	53.39	203.81	
Other Current Assets	12.48	20.44	0.77	46.61	
Total Current assets	675.73	1,006.15	1,336.38	2,095.17	
Total Assets	720.57	1,050.65	1,438.19	2,208.17	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23	
Net Cash Flow from Operating Activities	-98.19	-157.72	60.36	-231.37	
Net Cash Flow from Investing Activities	3.46	-7.39	-71.54	-16.36	
Net Cash Flow from Financing Activities	104.04	128.83	19.17	260.23	



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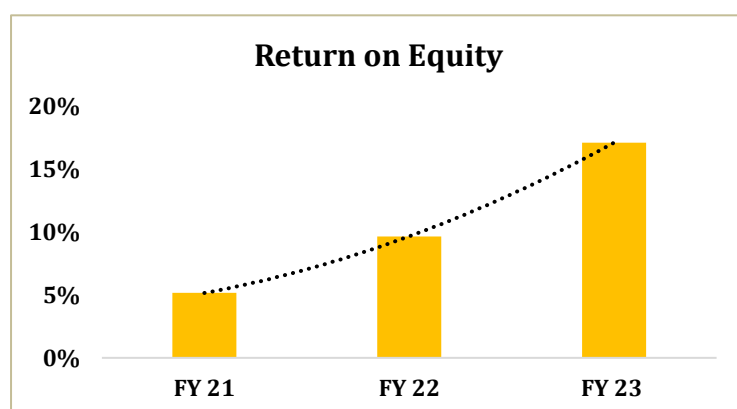
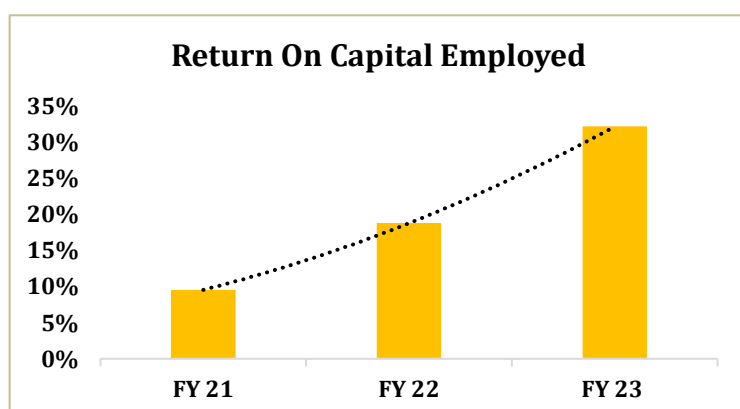
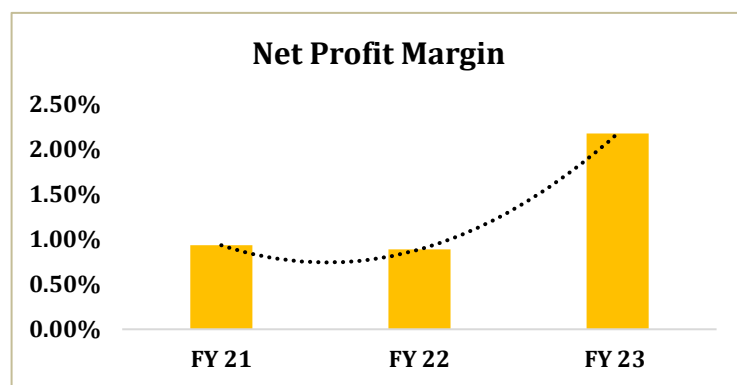
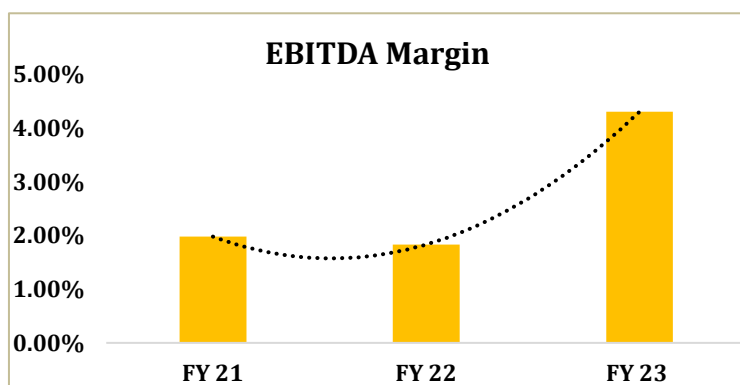


Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	6.71	12.58	28.25	1.30
BV per share	5.13	5.14	6.52	9.91
Operating Ratios				
EBITDA Margins	1.98%	1.83%	4.30%	7.46%
PAT Margins	0.93%	0.89%	2.17%	4.59%
Inventory days	27.10	26.81	30.55	111.59
Debtor days	30.88	20.32	37.76	70.89
Creditor days	2.44	6.71	15.31	55.53
Return Ratios				
RoCE	9.55%	18.79%	32.18%	20.32%
RoE	5.16%	9.66%	17.11%	13.08%
Valuation Ratios** (x)				
EV/EBITDA	8.05	6.36	3.63	9.70
Market Cap / Sales	1.12	0.57	0.62	1.13
P/E	4.77	2.54	1.13	24.69
Price to Book Value	6.23	6.22	4.91	3.23
Solvency Ratios				
Debt / Equity	-	0.33	0.29	11.13
Current Ratio	10.83	3.56	2.74	1.03
Quick Ratio	6.49	1.69	1.61	0.49
Asset Turnover	5.06	6.84	4.58	1.23
Interest Coverage Ratio	5.24	4.43	7.12	7.16

*Annualized Figures

** Valuation Figures are calculated using the Issue Price

Financial Charts



For additional information and risk profile please refer to the company's Offer Document



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Key Risk Factors

1. Majority of state-wise revenue is contributed from Maharashtra contributed 77.78 %, 66.41%, 66.79 %, and 87.87 % of total revenue for the period ended December 31, 2024, and for the year ended March 31, 2023, March 31, 2022, and March 31, 2021. Any adverse impact can affect the operations undertaken by the business in this area.
2. The supplier concentration is High, as the Top 10 suppliers of the company contribute to 86.27%, 85.12%, 89.41%, and 95.60% of purchases for the period ended December 31, 2023, and for the year ended March 31, 2023, March 31, 2022, and March 31, 2021. Failure to negotiate with any one of them could have a significant impact on the production of the business.
3. The company has a Financial Litigation against the Promoter regarding a taxation matter that involves an amount of Rs. 00.32 Lakhs.
4. The company has high short-term borrowings in Secured and Unsecured Loans totalling the amount outstanding of Rs. 1,374.98 Lakhs.
5. The company has had a negative cash flow from operating activities and may have the same in the future.



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Track Record of Lead Manager

The lead manager to the issue is Shreni Shares Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

Shreni Shares Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Silkflex Polymers (India) Limited	18.11	52.00	May 15, 2024	53.00
2.	Refractory Shapes Limited	18.60	31.00	May 14, 2024	95.60
3.	Yash Optics & Lens Limited	53.15	81.00	Apr 08, 2024	96.50
4.	Gabriel Pet Straps Limited	8.06	101.00	Feb 07, 2024	140.00
5.	DelaPlex Limited	46.08	192.00	Feb 02, 2024	240.00
6.	AIK Pipes And Polymers Limited	15.02	89.00	Jan 02, 2024	129.00
7.	Net Avenue Technologies Limited	10.25	18.00	Dec 08, 2023	19.20
8.	Swashthik Plascon Limited	40.76	86.00	Dec 05, 2023	79.00
9.	KK Shah Hospitals Limited	8.78	45.00	Nov 06, 2023	53.60
10.	Marco Cables & Conductors Limited	18.73	36.00	Sep 28, 2023	48.00

The company has had 29 mandates in the past three years.

*CMP for the above-mentioned companies is taken as of 20th May 2024.

As per the offer document, from the above-mentioned mandates, all of them opened at a premium on the listing date.



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Recommendation

The company has been in the industry since 2019 and has less experience in the industry. The management overview of the company is also not satisfactory.

The P/E on a post-IPO and annualized basis is around 24.69 times which makes it fairly priced by looking at the performance of the company and the Industry. The Sector P/E is 24.40 times.

The Top Line Financials of the company don't show any stability, which means that the company doesn't seem to be sustainable in the long run. The EBITDA and PAT Margins also have shown a sudden increase for FY23 hence is a concern. In addition, the company has not been consistent in generating profits from its operating activities, but since it is relatively new, this point can be forgone.

The revenue for the period ending on 31st December 2024 has halved compared to the previous year which again questions its sustainability. Also, the company has shown exponential growth for FY23 as compared to its Peers which is concerning.

The industry in which the company operates is also competitive and fragmented in nature including local and international players. Thus, at the current P/E, we recommend to **AVOID** this IPO.



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