



GEM Enviro Management Limited

IPO Note
Recco – **APPLY**



IPO Details	
Opening Date	June 19, 2024
Closing Date	June 21, 2024
Stock Exchange	BSE SME
Lot Size	1,600 Shares
Issue Price	₹71 to ₹75 per share
Issue Size	Aggregating up to 44.93 Cr.
Fresh Issue	Aggregating up to 11.23 Cr.
Offer for Sale	Aggregating up to 33.70 Cr.
Application Amount	₹1,20,000 (1,600 shares)

IPO Objective	
1.	To meet the Working Capital requirements of the company
2.	General corporate purposes

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	2,10,52,800	100.00%
Public	-	-

Promoters of the Company	
1.	Sachin Sharma
2.	Dinesh Pareekh
3.	Sangeeta Pareekh
4.	Sarthak Agarwal
5.	BLP Equity Research Private Limited

Competitive Strengths	
1.	Expertise
2.	Innovation
3.	Sound understanding of the regulatory landscape
4.	Commitment to transparency
5.	Relationship with other stakeholders in the value chain

Company Background	
○	GEM Enviro Management Limited was incorporated in 2013 with its Registered Office in Bara Hindu Rao, Delhi.
○	The company is engaged in trading plastic waste material and trading of merchandise manufactured out of waste recycling. It provides services like EPR and ESG consultancy, collection & recycling of industrial plastic waste, and sales & marketing of recycled products.
○	GEM Enviro Management has a diverse portfolio with over 100 clients across various industries, including F&B, FMCG, Cement, Fertilizers, Packaging, and Consumer Goods. Some prominent clients are Bengal Beverages Private Limited and Varun Beverages Limited.
○	The company employs 51 people on various levels on its payroll as of June 5th, 2024.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹158	₹169

Financial Summary (In Lacs.)				
For the Period Ended	FY 21	FY 22	FY 23	Dec-23
Total Assets	1,895.51	2,684.52	3,574.93	3,994.75
Net Assets	1,015.14	1,713.57	2,411.51	3,103.32
Total Borrowing	2.00	2.00	-	-
Total Revenue	2,560.58	3,291.48	4,280.57	2,639.11
Profit After Tax	583.38	745.23	1,001.82	840.42

Tentative Timeline	
Opening Date	June 19, 2024
Closing Date	June 21, 2024
Basis of Allotment	June 24, 2024
Initiation of Refunds	June 25, 2024
Credit of Shares to Demat	June 25, 2024
Listing Date	June 26, 2024



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Company Background and Analysis

Founded in 2013, GEM Enviro Management Limited (GEM) is a waste management company focused on plastic waste recycling and sustainability solutions.

Core Services:

- **EPR (Extended Producer Responsibility) Consultancy & Fulfilment:** GEM helps organizations comply with Plastic Waste Management Rules (PWM Rules) by establishing and implementing EPR programs for recycling plastic waste. This is their largest revenue generator (82.41% in FY 2022-2023).
- **Industrial Plastic Waste Collection & Recycling:** GEM collects and recycles plastic waste generated by industries. (17.42% of FY 2022-2023 revenue)
- **Sales & Marketing of Recycled Products:** GEM sells products made from recycled plastic materials. (This segment is a minor contributor to revenue - 0.18% in FY 2022-2023)

New Services (as of 2023-2024):

- ESG Consulting & BRSR (Business Responsibility and Sustainability Reporting)

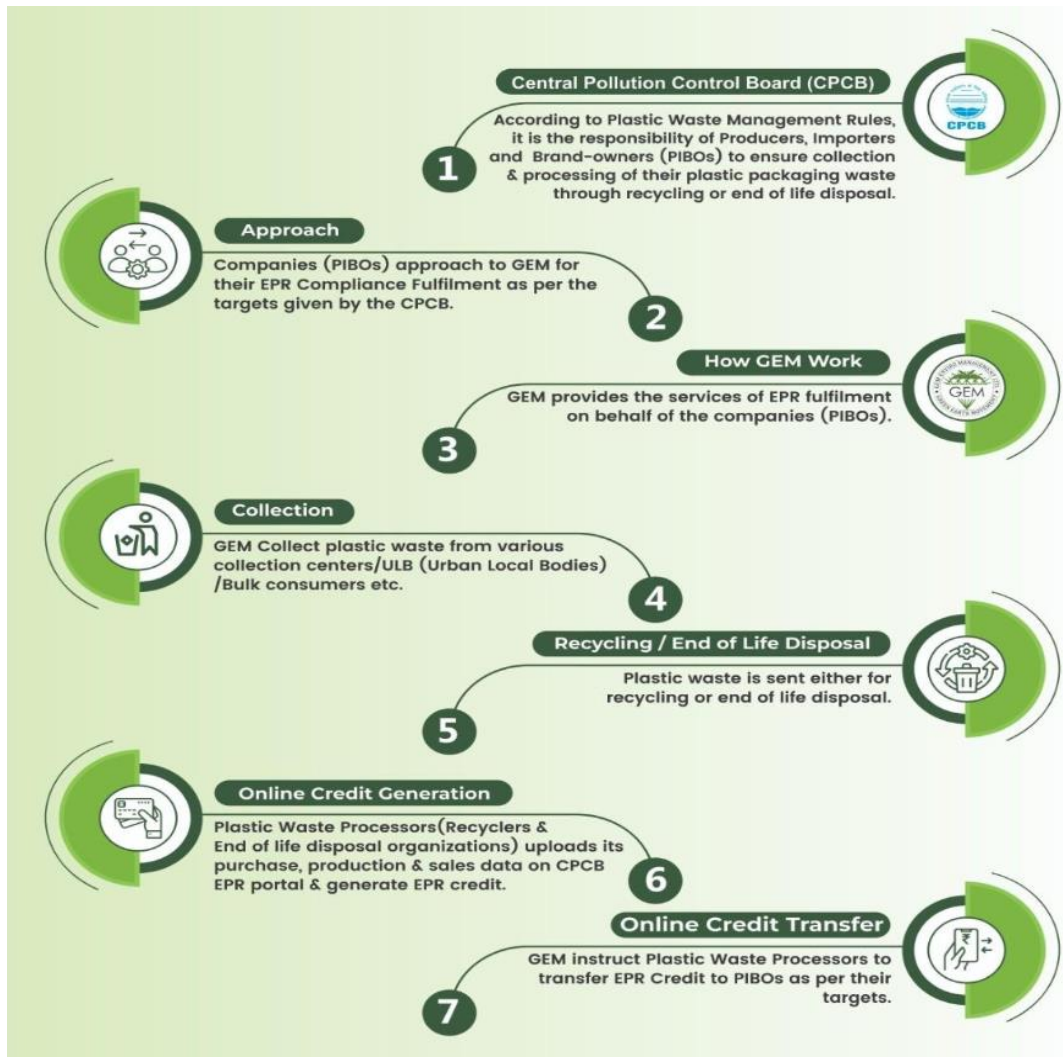
The percentage of revenue derived from the company's three different segments is given below –

(Amount in Lacs)

Particulars	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
EPR Consultancy and Fulfilment for Plastic Waste	2,067.47	81.03	2,939.60	89.62	3,504.74	81.46	2,535.59	96.74
Collection and Recycling of Industrial Plastic Waste	475.93	18.65	319.60	9.74	729.08	16.95	81.14	3.10
Sales and Marketing of Recycled Products	8.01	0.31	20.79	0.63	68.71	1.60	4.21	0.16
Total	2,551.41	100.00	3,279.99	100.00	4,302.53	100.00	2,620.94	100.00

Evolution of Services:

- Initially (2013-2018), GEM dealt with plastic waste trading and merchandise made from recycled materials.
- With the implementation of PWM Rules in 2016, GEM strategically registered as a Producer Responsibility Organisation (PRO) to bridge the gap between regulatory requirements and waste management solutions.
- Following the discontinuation of the PRO recognition scheme in 2019, GEM continues to support clients with EPR implementation as per the PWM Rules.



GRAPHICAL PRESENTATION of WORKFLOW of the BUSINESS

Clientele:

- GEM boasts a diverse clientele of over 100 companies across various industries like FMCG, F&B, packaging, and more.
- Some prominent clients include Bengal Beverages (Coca-Cola bottlers) and Varun Beverages.
- GEM works closely with clients to develop customized EPR programs that align with their sustainability goals.

Additional Initiatives:

GEM conducts awareness programs to educate people about proper plastic waste disposal and the importance of recycling.

Overall, GEM Enviro Management Limited positions itself as a comprehensive solution provider for sustainable plastic waste management and EPR compliance. From the net proceeds of the fresh equity issue, the company wishes to utilize Rs. 7.00 cr. for working capital, and the rest for general corporate purposes.



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Business Strategies

1. Diversification and Comprehensive Sustainability Services –

The Company's strategy involves diversifying its service portfolio beyond its initial focus on scrap management for beverage giants. The company now offers a range of sustainability services, including EPR compliance, ESG consulting, BRSR reporting, and project advisory. This approach positions the company as a one-stop solution provider for clients seeking holistic environmental solutions.

2. Broaden Presence in Current Markets and Explore Entry into New Geographical Markets –

Currently, the company has a presence, particularly in Metros and Tier I cities. They aim to deepen their penetration in existing markets and increase their presence by expanding services to new cities and states. The company intends to expand its footprint in Tier-2 cities and Tier-3 cities as there are untapped opportunities in these cities for it to grow its business operations.

3. Promotion of Environmental Awareness and Acceptance of Recycled Merchandise –

The company's initiatives actively promote environmental awareness. The company aims to encourage recycling, ensure EPR compliance, and advocate for the acceptance of recycled products among the masses. This strategy aligns with GEM's mission to transform society's approach to plastic waste and positions the company as an advocate for sustainable practices.

4. Prominent Leadership and Strong Industry Relationships –

GEM's business strategy centres around harnessing the expertise and dedication of its promoters, Mr. Sachin Sharma, Mr. Dinesh Pareekh, and Mrs. Sangeeta Pareekh. Their extensive experience in business, finance, and sustainability is instrumental in steering GEM toward effective and sustainable plastic waste management. The company's strong ties with stakeholders, including recyclers, NGOs, and regulatory bodies, are crucial for the successful implementation of their initiatives. Additionally, maintaining robust relationships with brand owners across diverse industries, such as F&B, FMCG, and manufacturing, further enhances GEM's market influence and growth trajectory.

5. Innovation and Technology –

The company aims to explore and implement cutting-edge technologies for waste tracking, recycling, and material recovery, ensuring that its processes are efficient, transparent, and environmentally sustainable.



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Competitive Scenario and Peer Mapping

Competition

India's plastic recycling industry faces a dynamic competitive landscape. While the bargaining power of buyers (recyclers) is moderate due to fragmented demand, competition is intensifying with new small-scale plants emerging (high threat of new entrants). Suppliers (waste generators) have some power due to limited sorting infrastructure, but this is countered by a large and growing waste stream (low supplier power). The biggest threat lies in substitute materials like paper or glass (high threat of substitutes). Government regulations promoting recycling and restrictions on virgin plastic (moderate bargaining power of government) can create opportunities, but overall, the industry requires innovation and efficient waste management systems to thrive.

Peer Analysis –

According to the Offer Document, the Company doesn't have any listed PEERS.

Industry Overview

Exhibit 1: Contributors to Worldwide Plastic Consumption for the year 2022-2023



(Source: Prospectus)

Indian Plastic Industry Overview:

The Indian plastic industry is a well-established and significant contributor to the country's economy. Its roots trace back to 1957 with the production of polystyrene, and since then, it has grown rapidly into a major player. The industry boasts a national presence with over 2,000 plastic exporters and employs a massive workforce exceeding 4 million people. Interestingly, 85-90% of its processing units, which number around 30,000, are small and medium enterprises (SMEs).

This sector offers a diverse range of plastic products, catering to various needs. From houseware and medical items to packaging solutions and raw materials, the industry's production is well-diversified. Exports are a key driver of growth, with India focusing on plastic raw materials, films and sheets, woven sacks, fabrics, and tarpaulin. India's plastic exports reached US\$11.96 billion in FY23, with significant growth observed in writing instruments, stationery, and medical items.

The Indian government recognizes the industry's potential and has ambitious plans to propel its growth. They aim to double the industry's economic value from the current ₹3 lakh crore (US\$37.8 billion) to a staggering ₹10 lakh crore (US\$126 billion) within the next 4-5 years. This ambitious target highlights the government's confidence in the plastic industry's ability to be a major driver of economic activity in the years to come.

Indian Plastic Recycling Industry Overview:

India grapples with a significant plastic waste problem, generating a colossal 26,000 tonnes of plastic waste every single day. This equates to roughly the weight of 26,000 small cars! While the country



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produces 3.4 million tonnes of plastic waste annually, only 30% is recycled, highlighting a vast gap between generation and responsible disposal.

Growth Potential in Plastic Recycling

Despite the current challenges, the plastic recycling industry in India exhibits promising signs of growth. An estimated market size of 5.7 million tonnes in FY 2023 is projected to rise steadily at a CAGR of 5.84% by FY 2030. This growth is attributed to several factors, including:

- **Rise of Small-Scale Recycling Plants:** The emergence of numerous small-scale recycling plants across the country is increasing recycling capacity.
- **Focus on Secondary Use Economy:** Non-governmental organizations (NGOs) are increasingly emphasizing promoting a "secondary use economy," where used plastic is given a new life.
- **Government Policies:** The Indian government's implementing plastic waste management rules is driving positive change. These rules aim to curb plastic pollution by prohibiting problematic single-use plastics.

Additional Drivers of Growth

Several other factors contribute to the potential growth of the plastic recycling industry in India:

- **Growing Environmental Awareness:** As environmental consciousness rises, the demand for sustainable solutions like recycled plastic products increases.
- **Viability of Recycled Plastic Products:** Recycled plastic products are becoming increasingly viable across various industries, such as packaging and automotive, further propelling the market.

Challenges of Plastic Waste Management (PWM) in India

Adding to the existing challenge of plastic waste generation, India faces significant hurdles in managing this waste effectively. Here's a closer look at two key challenges:

- **Limited Infrastructure:** India lacks sufficient well-managed plastic waste disposal and recycling facilities. This makes it difficult to handle plastic waste in an environmentally responsible manner.
- **Lack of Awareness:** Many people in India are unaware of the detrimental environmental impacts of plastic waste. This lack of knowledge hinders efforts to change public behaviour regarding proper plastic waste disposal and encourages the widespread adoption of recycling practices.

(Source: Prospectus)



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Key Managerial Personnel

Dinesh Pareekh, aged 54, is one of the promoters, Chairman, and Non – Executive Director. He holds a degree in Higher Secondary Class and has 30 years of experience in the recycling and waste management sector.

Sachin Sharma, aged 47 years, is one of the promoters and the Managing Director. He holds the qualifications of Bachelor of Technology in Textiles Technology, and Post Graduate Diploma in Computer Aided Management from IIM Calcutta. He has 20 years of experience in diverse fields such as engineering, business management, and entrepreneurship. He currently oversees operations and strategic collaborations.

Sangeeta Pareekh, aged 54 years, is one of the promoters of the company. She holds a degree in Higher Secondary Class. She has 25 years of experience in the capital and finance market.

Sarthak Agarwal, aged 21 years, is one of the promoters of the company. He is pursuing a Bachelor's degree in Mechanical Engineering.

Mamta Gupta, aged 51 years, is a Non – Executive Independent Director of the company. She holds the qualifications of a Master in Technology from IIT Kharagpur and a Master in Science (Chemistry). She has a total of 20 years of experience and possesses both technical and scientific knowledge. She currently explores innovative solutions to pressing challenges within the organization.

Anil Kumar Behl, aged 65 years, is a Non – Executive Independent Director of the company. He is a member of the Institute of Chartered Accountant of India. He has 40 years of experience in the field of audit & taxation.

Amar Jeet, is the Chief Financial Officer of the Company. He holds a bachelor's degree in commerce. He has 10 years of experience in the field of accounting and finance and currently oversees the financial activities and financial planning in consultation with the Board of Directors.

Vijay Kumar Sharma, is the Company Secretary and Compliance Officer of the firm. He is a B. Com Graduate and holds a Master's Degree in Financial Management. He is a Member of the Institute of Company Secretaries of India (ICSI) and has 20 years of post-qualification experience in the field of corporate laws.

To conclude, the company has 4 Individual Promoters and 1 Corporate Promoter. The Individual Promoters of the company do have a good amount of experience in the Business as well as the Industry. The overall Board of the Company also looks satisfactory along with its Key Managerial Personnel having relatable experience in their respective fields.



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Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	2,551.42	3,280.00	4,253.02	2,620.94
Other Income	9.16	11.48	27.55	18.17
Total Income	2,560.58	3,291.48	4,280.57	2,639.11
Expenses				
Purchases	379.24	240.19	651.05	75.79
Operating Expenses	1,009.22	1,521.60	1,767.63	1,086.56
Changes in Inventories of WIP, Finished Goods & Stock in Trade	1.87	43.10	4.08	-1.45
Employee benefits	148.70	184.52	241.33	201.27
Finance costs	0.07	-	-	-
Depreciation and Amortization expense	30.10	5.90	5.04	4.16
Other expenses	212.53	298.58	261.42	138.48
Total Expenses	1,781.73	2,293.89	2,930.55	1,504.81
Earnings Before Interest, Taxes, Depreciation & Amortization	799.86	992.01	1,327.51	1,120.29
EBITDA Margin	31.35%	30.24%	31.21%	42.74%
Profit/(Loss) before exceptional items and tax	778.85	997.59	1,350.02	1,134.30
Exceptional Items	-	-	-	-
Profit/(Loss) before tax	778.85	997.59	1,350.02	1,134.30
Tax Expense				
Current tax	203.14	253.11	345.72	288.81
Deferred tax	-7.67	0.08	-0.26	-0.60
Income tax for earlier years	-	-0.83	2.74	5.67
Total Tax Expense	195.47	252.36	348.20	293.88
Profit/(Loss) for the year	583.38	745.23	1,001.82	840.42
Net Profit Margin	22.78%	22.64%	23.40%	31.84%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	36.00	36.00	30.96	1,052.64
Reserves and surplus	979.14	1,677.57	2,380.55	2,050.68
Total Equity	1,015.14	1,713.57	2,411.51	3,103.32
2. Non-current liabilities				
Long Term Borrowings	2.00	-	-	-
Long Term Provisions	13.06	15.47	19.58	22.86
Total Non-current liabilities	15.06	15.47	19.58	22.86
3. Current liabilities				
Short-term borrowings	-	2.00	-	-
Trade payables				
(i) MSME	-	34.30	20.86	28.92
(ii) Other than MSME	446.24	662.06	855.32	606.83
Other current liabilities	365.93	185.88	157.54	90.94
Short-term provisions	53.14	71.24	110.12	141.88
Total Current liabilities	865.31	955.48	1,143.84	868.57



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Balance Sheet				(In Lacs)
Total Liabilities	880.37	970.95	1,163.42	891.43
Total Equity and Liabilities	1,895.51	2,684.52	3,574.93	3,994.75
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	29.30	24.06	26.54	26.07
Intangible Assets	0.25	0.11	4.39	5.42
Capital Work In Progress	4.02	6.26	1.24	0.83
Non-Current Investment	-	-	61.28	61.28
Deferred Tax Assets (Net)	3.60	3.53	3.79	4.39
Long Term Loans and Advances	71.50	50.50	54.59	54.59
Total Non-Current assets	108.67	84.46	151.83	152.58
2. Current assets				
Inventories	55.61	12.51	8.43	9.88
Trade receivables	1,303.73	1,832.44	2,189.33	2,456.46
Cash and cash equivalents	386.30	688.40	1,187.69	1,325.07
Short-term loans and advances	39.76	64.90	35.13	49.57
Other Current Assets	1.43	1.81	2.52	1.19
Total Current assets	1,786.83	2,600.06	3,423.10	3,842.17
Total Assets	1,895.50	2,684.52	3,574.93	3,994.75

Cash Flow Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Dec-23
Net Cash Flow from Operating Activities	22.77	345.18	845.73	272.53
Net Cash Flow from Investing Activities	4.23	3.73	-40.55	13.46
Net Cash Flow from Financing Activities	-24.71	-46.80	-305.89	-148.61



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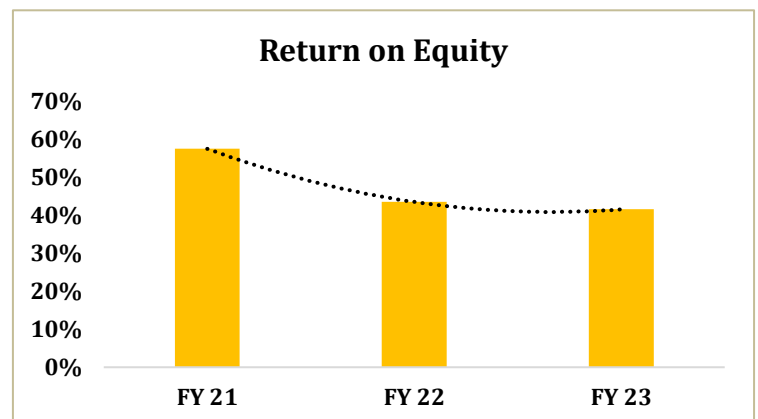
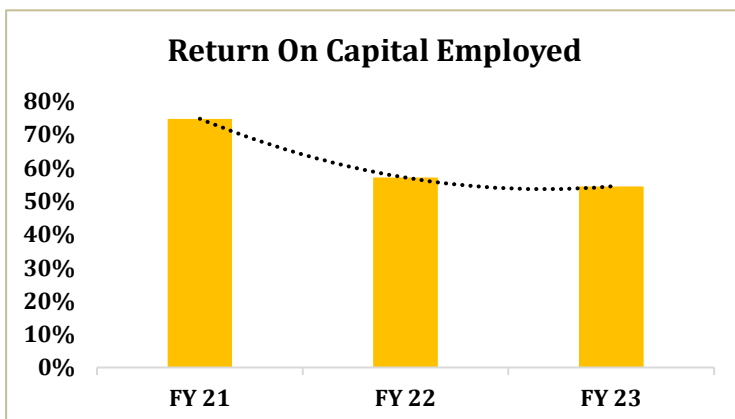
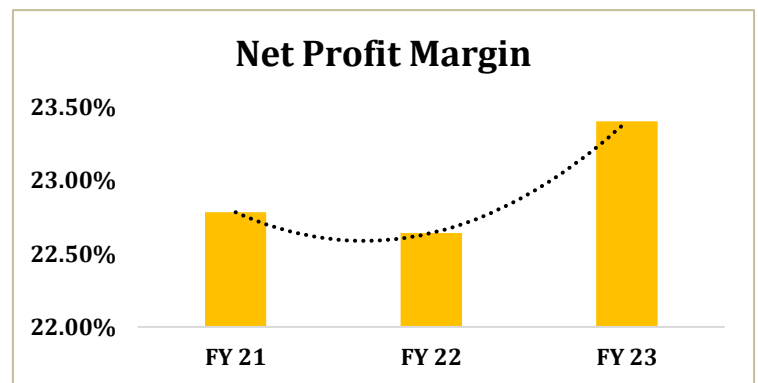
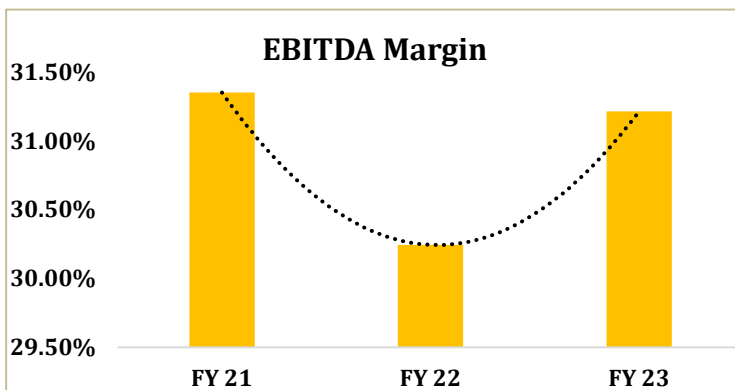


Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	2.76	3.53	4.75	5.01
BV per share	9.48	12.58	15.67	25.01
Operating Ratios				
EBITDA Margins	31.35%	30.24%	31.21%	42.74%
PAT Margins	22.78%	22.64%	23.40%	32.16%
Inventory days	7.96	1.39	0.72	1.04
Debtor days	186.51	203.91	187.89	257.74
Creditor days	117.31	144.27	132.22	150.41
Return Ratios				
RoCE	74.72%	57.03%	54.40%	32.90%
RoE	57.47%	43.49%	41.54%	25.02%
Valuation Ratios** (x)				
EV/EBITDA	0.79	1.04	0.92	2.14
Market Cap / Sales	6.63	5.16	3.98	4.85
P/E	27.17	21.25	15.79	14.97
Price to Book Value	7.91	5.96	4.78	3.00
Solvency Ratios				
Debt / Equity	-	-	-	-
Current Ratio	2.06	2.72	2.99	4.42
Quick Ratio	2.00	2.71	2.99	4.41
Asset Turnover	1.35	1.22	1.19	0.66
Interest Coverage Ratio	10,996.57	-	-	-

* Annualized Basis

** Valuation Figures are calculated using the Issue Price

Financial Charts





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Key Risk Factors

1. Litigations-

The promoters have 3 litigations against them for taxation amounting to a total of ₹106.65 lakhs. There are 4 litigations for taxation matters against the Group Company amounting to a total of ₹6.51 lakhs.

2. Top Customers-

A major portion of their revenue comes from their top customers. For the year ended March 31, 2021, March 31, 2022, March 31, 2023, and the period ended on Dec 31, 2023, the company's top 10 customers contributed 62%, 66%, 57% and 57.35% respectively.

3. Top Suppliers-

The company's top ten Suppliers contributed to 80.17% of total purchases for the year ended March 31, 2021, 64.17% for the year ended March 31, 2022, 69.23% for the year ended March 31, 2023, and 88.63% for the period ended December 31, 2023.

4. Trade Receivables-

The company's current assets and net worth are majorly influenced by trade receivables. For the year ended March 31, 2021, March 31, 2022, March 31, 2023, and the period ended on Dec 31, 2023, the company's trade receivables as a percentage of revenue from operations were 50.92%, 55.67%, 51.15% and 93.08% respectively.

5. Violation of Section 185 of the Companies Act, 2013-

Their Promoter Company, BLP Equity Private Limited, and Promoter Group Company, Securocrop Securities India Private Limited, have extended loans to related parties, thereby violating Section 185 of the Companies Act, 2013.



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Track Record of Lead Manager

The lead managers to the issue are Share India Capital Services Private Limited and Fintellectual Corporate Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Share India Capital Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	AVP Infracon Limited	52.34	75.00	Mar 20, 2024	122.00
2.	Pune E-Stock Broking Limited	38.23	83.00	Mar 15, 2024	161.00
3.	Wise Travel India Limited	94.68	147.00	Feb 19, 2024	254.00
4.	New Swan Multitech Limited	33.11	66.00	Jan 18, 2024	69.30
5.	Krishca Strapping Solutions Limited	17.93	54.00	May 26, 2023	228.00
6.	De Neers Tools Limited	22.99	101.00	May 11, 2023	185.00
7.	Quicktouch Technologies Limited	9.33	61.00	May 02, 2023	122.00
8.	A G Universal Limited	8.72	60.00	Apr 24, 2023	52.00
9.	Exhicon Events Media Solutions Limited	21.12	64.00	Apr 17, 2023	255.00
10.	Maiden Forgings Limited	23.84	63.00	Apr 06, 2023	95.00

The company has had 6 mandates in the past year (2023) and has 4 Mandates till now in the current Year.

As per the offer document, this is Fintellectual Corporate Advisors Private Limited's First Mandate.

*CMP for the above-mentioned companies is taken as of 11th June 2024.

As per the offer document, from the above-mentioned mandates, all the mandates except Maiden Forgings Limited have opened at premiums on the listing date.



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Recommendation

The company has been operating in the Industry since 2013 and has a good amount of experience in it. The management overview of the company is also decent.

The P/E of the Company on a Post-Issue and Annualized basis is 14.97 Times, making it fairly priced.

The company is reporting a steady growth in its Top Line Financials. Along with this, the company enjoys high PAT and EBITDA margins. However, the company has high debtor days of around 180-240, which means the company is receiving actual money hardly twice a Financial Year, which can impact its long term growth.

The company is not at all utilizing its Debt Opportunities. The company has a Violation of Section 185, under the Companies Act, 2013 which raises slight concerns about the firm's adherence to regulations. Continuation of such non-compliance would lead to hampering the going concern status of the company.

The Industry in which the company operates is fragmented, but bound to grow which is a positive sign for the company. A new line of business was also introduced by the company for ESG consulting, which will help them diversify their revenue streams, thus, at the current P/E, we recommend that informed investors can **APPLY** for this IPO.



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