

IPO Snapshot

August 30, 2024

Gala Precision Engineering Limited





Issue Snapshot:

Issue Open: September 02 – September 04, 2024

Price Band: Rs. 503 – 529

*Issue Size: Up to 3,174,416 eq sh (Fresh issue of upto Rs 2,558,416 eq sh + Offer for sale of upto 616,000 eq sh)

Reservation for:

QIB	atleast	50% eq sh
Non-Institutional	upto	15% eq sh
((including 1/3 rd for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	upto	35% eq sh

Face Value: Rs 10

Book value: Rs 103.30 (March 31, 2024)

Bid size: - 28 equity shares and in multiples thereof

100% Book built Issue

Capital Structure

Pre Issue Equity:	Rs.	10.11 cr
*Post issue Equity:	Rs.	12.67 cr

Listing: BSE & NSE

Book Running Lead Managers: PL Capital Markets Private Limited

Sponsor Bank: HDFC Bank Ltd

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	74.56	55.44
Public & Employees	25.44	44.56
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Gala Precision Engineering Limited (GPEL) is a precision component manufacturer of technical springs like disc & washers, coil & spiral springs ("CSS") and special equipment manufacturers (chance masters, used tire sectors like renewable energy including wind turbine and hydro power plants, various industrial sectors such as electrical, off highway equipments, infrastructure and general engineering, mobility segments such as automotive and railway listed competitors include Harsha Engineers International Limited, SKF India Limited, Sundram Fasteners Limited, Rolex Rings Limited, Sterling Tools Limited and Ratnaveer Precision Engineering Limited. Its technical springs and high tensile fasteners have been supplied to customers in countries such as Germany, Denmark, China, Italy, Brazil, USA, Sweden, Switzerland etc.

Business of GPEL primarily comprises of (i) springs technology division, under which it manufactures DSS including wedge lock washer, it manufactures anchor bolts, studs and nuts. Its DSS products find applications in renewable energy, railways, automobiles, off highway vehicles, heavy machinery, electrical and power equipments. It is major disc springs manufacturer in domestic market and has ~10% market share in the Indian disc springs market. The Company has a significant presence in the DSS market for renewable industry with ~70% share in the domestic market and ~3% share in the global market. It manufactures strip springs customised for high fatigue applications. It is mainly competing with Muhr und Bender KG, Schnorr GmbH, Christian Bauer GmbH + Co. KG in the global disc springs market and with International Industrial Springs in disc springs in India. Its CSS products are used in commercial vehicles, passenger vehicles, railways and industrial infrastructure. The Company has positioned itself as a key import substitution for European springs suppliers and multinationals looking at PLI Schemes and other incentives offered by the Government. It has also entered in a new related product category called retractor springs. These springs are a critical component for safety of the passenger. It is mainly competing with Stumpp Schuele & Somappa Springs Private Limited, NHK Springs India Limited, and Muhr und Bender KG in the CSS market.

Under GPEL'S, it manufacture make to order fasteners in the form of studs, anchor bolts and nuts which has end use applications in renewable energy, railways, off-highway vehicles, electrical and heavy machinery industries. It operates from two manufacturing facilities located in Wada, Palghar, Maharashtra. Its manufacturing facilities at Wada, Palghar, Maharashtra are certified with international standards such as IATF 16949 for manufacturing of disc springs, spring band clamp, stamped components, coil springs and spiral springs and ISO 9001:2015 certification for manufacturing and supply of disc springs, brush springs, spiral springs, retractor springs and spring cassette assemblies, special fasteners, anchor stud, stud, kit set, Belleville washers, conical springs, plate springs, serrated washers, disc washers, wedge lock washers (Gallock), spring assemblies, spring packs, bearing series. Further, it is setting up new manufacturing facility in Vallam-Vadagal, SIPCOT, Sriperumbudur, Tamil Nadu for developing various high tensile fasteners in order to add to its existing product portfolio and new products like bolts.

GPEL design and development capabilities include engineering and precision machining like use of wire cut machines, CNC turning and grinding machines, inspection instruments, fatigue testing machines and load testing machines. It has the ability to design and develop precision engineering solutions for OEMs and tier1 customers meeting precise design, technical and quality specifications, enabling its customer to enhance equipment or vehicle safety, performance, durability and overall efficiency. Its ability to develop products suited to



its customers' requirements has fostered strong a the Company to gain e r higher margins for its products. Further, it has been successful in diversifying its product portfolio and improve its current processes in variety of springs and fasteners manufacturing mainly due to its design, development and technological capabilities. As of March 31, 2024, GEPL has annual production capacity of 246.46 million units of springs and washers and 0.42 million fasteners for customers in the renewable energy including wind turbine and hydro power plants, in various industrial sectors such as electrical, off highway equipments, infrastructure and general engineering, in mobility segments such as automotive and railways, allowing it to meet changing customer requirements. With a global clientele exceeding 175 customers, GEPL exports to over 25 countries, encompassing major markets such as Germany, Denmark, China, Italy, Brazil, USA, Sweden, Switzerland, contributing 37.53% to total sales as of March 31, 2024. Further, it is adding new customers for springs and fasteners in high potential markets such as Europe and USA.

On the financial performance front, for the last three fiscals, the company has posted a total income/net profit of Rs. 204.38 cr. / Rs. 22.33 cr. (FY24), Rs. 167.08 cr. / Rs. 24.21 cr. (FY23), and Rs. 147.96 cr. / Rs. 6.63 cr. (FY22). The company reported PAT margins of 10.93% (FY24), 14.49% (FY23), 4.48% (FY22), and RoCE margins of 19.91%, 22.93%, 13.85% for the referred periods, respectively.

Objects of Issue:

The Offer comprises a Fresh Issue GEPL and an Offer for Sale by the Selling Shareholders.

Offer for Sale

The Selling Shareholders will be entitled to its respective portion of the proceeds of the Offer for Sale after deducting its proportion of the Offer related expenses and relevant taxes thereon. The Company will not receive any proceeds from the Offer for Sale. Further, the proceeds received from the Offer for Sale will not form part of the net proceeds, i.e., gross proceeds of the Fresh Issue less the Offer related expenses applicable to the Fresh Issue.

Fresh Issue

The Company proposes to utilise the Net Proceeds towards funding the following objects:

- < Setting up a new facility at Vallam-Vadagal, SIPCOT, Sriperumbuddur, Tamil Nadu for manufacturing high tensile fasteners and hex bolts;
- < Funding capital expenditure requirements towards purchase of equipment, plant and machinery at Wada, Palghar, Maharashtra;
- < Repayment/ prepayment, in full or part, of certain borrowings availed by the Company; and
- < General corporate purposes

In addition, GEPL expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges including enhancement of the Company's visibility to its existing and potential customers and creation of a public market for its Equity Shares in India.

Utilisation of Net Proceeds

S.No	Particulars	Estimated amount from Net Proceeds and the IPO Placement
1	Setting up a new facility at Vallam-Vadagal, SIPCOT, Sriperumbuddur, Tamil Nadu for manufacturing high tensile fasteners and hex bolts	370.00
2	Funding capital expenditure requirements towards purchase of equipment, plant and machinery at Wada, Palghar, Maharashtra	110.69
3	Repayment/ prepayment, in full or part, of certain borrowings availed by the Company; and	454.30
4	General corporate purposes	*
	Total	*

Competitive Strengths

- < Well established manufacturer of precision engineering components with diversified product portfolio and diverse market.
- < Long-standing customer relationships with both Indian and global OEM and Tier 1 players.
- < Well-equipped manufacturing facilities along with in-house design and other capabilities which offer scale, flexibility, and comprehensive solutions.
- < Experienced management team supported by large, diverse and skilled work force.
- < Track record of consistent financial growth and performance characterized by operational efficiency and high repeat business.



Business Strategy:

- ◁ Strengthening core capabilities in precision engineering for sustainability.
- ◁ Moving up the value chain from niche markets to large addressable markets.
- ◁ Leverage in-house design and development capabilities to grow product offerings and capitalize on future trends
- ◁ Strengthen relationships with existing customers and expand customer base
- ◁ Expand manufacturing capacity at existing facilities and set-up additional strategically located facility

Key Concerns

- ◁ The loss of any of the key customers or significant reduction in its productions and sales of, or demand for its products from significant customers may adversely affect the business, results of operations and financial condition.
- ◁ Business and revenue of operations of the Company is dependent on demand of customer's products. Any loss of, or a significant reduction in purchases by such customers due to the reduction in demand of the customer products could adversely affect the business.
- ◁ GPEL do not have any Exclusivity Arrangements with the customers and with the suppliers.
- ◁ GPEL is involved in a patent infringement suit, and an adverse outcome in this proceeding may adversely affect the business, financial condition and growth strategy.
- ◁ Revenue is dependent on the springs technology segment of the business. Any downturn in the spring technology segment can adversely impact the business, results of operations, cash flow and financial condition of the Company.
- ◁ GPEL do not have long term contracts or exclusive arrangements with any of its suppliers, and a significant increase in the cost of, or a shortfall in the availability, or deterioration in the quality, of such input materials could have an adverse effect on the business and results of operations.
- ◁ Business is dependent on the performance of the application industries with a large portion of revenue being derived from a select few of application industries. Any downturn in the application industries can adversely impact the business, results of operations, cash flow and financial condition of the Company.
- ◁ Company is involved in certain legal proceedings, and an adverse outcome in any such proceedings may adversely affect the business, financial condition and growth strategy.
- ◁ GPEL has entered into transactions with related parties. These or any future related party transactions may potentially involve conflicts of interest and there can be no assurance that it could not have achieved better terms, had such arrangements been entered into with unrelated parties.
- ◁ Company's operations are subject to varied business risks and the Company's insurance cover may prove inadequate to cover the economic losses of the Company.



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