



IPO Note

Gala Precision Engineering Limited

Recommendation: **APPLY!**

Company Background -

- Gala Precision Engineering Limited was originally incorporated on Feb 23, 2009. The registered office is located at Mumbai, Maharashtra.
- The company is mainly engaged in the manufacturing of technical springs like disc & springs (DSS) including wedge lock washers (WLW), coil & springs (CSS) and special fastening solutions (SFS).
- The company had 294 permanent employees and 390 contract employees as of June 30, 2024.

Objects of the Issue -

- Setting up a new facility at Vallam-Vadagal, SIPCOT, Sriperumbudur, 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
- General Corporate Expenses.

Promoters Name -

Kirit Vishanji Gala and Smeet Kirit Gala

Rationale for recommendation -

- ✓ The PE for the company is 24.08 times lower than the industry average P/E.
- ✓ The top line and bottom line have increased.
- ✓ The company is planning to install new facility for manufacturing high tensile fasteners and hex bolts.
- ✓ The company is also using its net proceeds for buying machinery for the existing facility.
- ✓ The company is engaged in exports as well and has created a strong global presence.
- ✓ The overall manufacturing industry is growing.
- ✓ The company has good experience in this industry.
- ✓ The management overview is satisfactory.

IPO Details

Opening Date	Sep 02, 2024
Closing Date	Sep 04, 2024
Allotment Date	Sep 05, 2024
Listing Date	Sep 09, 2024
Stock Exchange	BSE, NSE
Lot Size	28 Shares
Issue Price Per Share	₹503 to ₹529
Issue Size	167.93 Cr.
Fresh Issue	135.34 Cr.
Offer for Sale	32.59 Cr
	₹ 14,812 -
Application Amt	₹ 1,92,556 (28 to 364 shares)

INDUSTRY - Manufacturing Sector

P/E Average - 39.59

KPI's	KPIs (In Cr)		
	FY 22	FY 23	FY 24
Revenue	145.28	165.47	202.55
EBITDA	19.67	27.32	38.76
Net Profit	6.63	24.21	21.99
RoCE	15.03%	18.64%	26.36%
ROE	11.18%	28.94%	21.06%
P/E	82.14	24.09	24.08

Promoter Share Holding Pattern

Pre-Issue	Post Issue
74.56%	54.64%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	21.97	17.36
BVPS	103.30	189.26
P/E	24.08	30.48
P/BV	5.12	2.80
Mkt Cap (In Cr)	534.90	670.24

Lead Managers -

PL Capital Markets Private Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Gala Precision Engineering Limited is involved in manufacturing of technical springs like disc & strip springs (“DSS”) including wedge lock washers; coil & spiral springs (“CSS”) and special fastening solution (“SFS”).

They supply these to original equipment manufacturers (OEMs), Tier 1 and channel partners; used in sectors like renewable energy including wind turbine and hydro power plants, various industrial sectors such as electrical, off highway equipment, infrastructure and general engineering, mobility segments such as automotive and railways.

Manufacturing Units and capacity utilization -

The company has two manufacturing facilities located in Wada, Palghar, Maharashtra. The capacity utilization stood at 84.84% for DSS facility, 77.8% for CSS facility and 69.64% for SFS facility. They intend to set up an additional manufacturing facility at Vallam-Vadagal, SIPCOT, Sriperumbudur, Tamil Nadu for developing various high tensile fasteners to add to existing product portfolio and new products like bolts.

Subsidiaries -

- Gala Springs LLP** is engaged in the business to manufacture, fabricate, assemble, install in all types of springs, spring plates, disc springs, valves, valve plates etc. Gala Precision Engineering Limited has 92% shareholding.
- Gala Precision Components Shanghai Limited** is importing and selling of disc & strip spring of various sizes to local customers in China. Gala Springs LLP has 100% shareholding.

Products -

- Disc Springs** play a crucial role in ensuring stable electrical connections in medium-voltage switchgear and **Wedge Lock Washers** ensures that the bolted joints remain secure even in high vibration environments. These are majorly used in railway industry, off-highway industry and electrical & power equipment.



- Coil springs** are used in the engine, suspension, clutch & transmission of both 4-wheelers a 2-wheelers in the automobile industry.
- Spiral Springs** performs the basic function of storing & releasing energy spiral & linear springs, stabilizer plate, & lever are used to enable seat reclining and **Strip springs** are precision stamped and formed metal components made either from spring steel or stainless steel that store and release energy when deflected by an external load.



4. Special Fastening Solutions -

Fastener is a hardware device that mechanically joins or affixes two or more objects together. In general, fasteners are used to create non-permanent joints; that is, joints that can be removed or dismantled without damaging the joining components.



Revenue Bifurcation for FY 2022, 2023, and 2024 are as follows -

(Amt in crores)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Spring Technology	113.32	78.01	138.85	83.92	162.26	80.11
Fastening Solutions	21.47	14.78	22.63	13.68	39.18	19.34
Surface Engineering Solutions	10.47	7.21	3.97	2.40	1.09	0.54
Total	145.27	100.00	165.46	100.00	202.54	100.00

Competition -

- **Market Competition:** The manufacturing industry in India is very competitive. The competition depends on various factors, such as product quality, technology, cost, delivery and service, as well as quality and depth of senior level relationships as well as the operating level relationships.
- **Domestic Competition:** The company faces competition from variety of independent suppliers and distributors, as well as the in-house operations of certain OEMs.
- **Barriers to entry:** Moderate barriers to entry as does not require significant upfront capital investment. The company has high threat of substitutes.
- **Bargaining Power of Suppliers:** The bargaining power is slightly low with the suppliers.
- **Bargaining Power of Buyers:** The bargaining power is slightly high with the customers.

Business Strategies -

Leverage in-house design and development capabilities to grow product offerings: The company intends to continue expanding their development, engineering, tool design and manufacturing, process improvements, lean manufacturing techniques, and automate them to optimize manpower to ensure zero defect products.

Moving up the value chain from niche markets to large addressable markets: The company was into manufacturing disc springs which is a niche market and later introduced coil and spiral springs manufacturing which has much larger market size than disc springs.

Expand manufacturing capacity at existing facilities and set-up additional strategically located facility: The company intends to set up an additional manufacturing facility at Vallam-Vadagal, SIPCOT, Sriperumbuddur, Tamil Nadu for developing various high tensile fasteners to add to existing product portfolio and new products like bolts and intends to increase manufacturing capacity of DSS and CSS products at existing manufacturing facilities.

Risk Factors -

The company's products are utilized in majorly three segments which include industrial segment (40.49%), renewable energy segment (30.98%) and mobility segment (28.53%).

The company is majorly deriving its revenue from springs technology segment contributing to 80.11%, 83.92% and 78.01% for FY 2024, 2023 and 2022 respectively.

There are 7 outstanding cases filed against the company for tax matters amounting to Rs. 4.81 Cr.

The company has contingent liabilities amounting to Rs. 9.83 Cr for FY 2023-24.

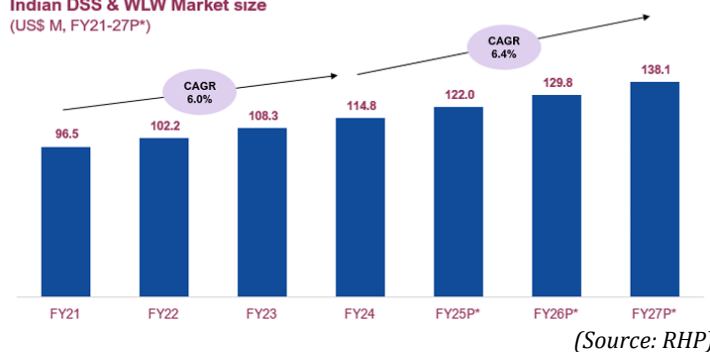
PEER ANALYSIS

Particulars	Gala Precision Engineering Limited			Harsha Engineers International Limited			SKF India Limited			Sundram Fasteners Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	5%	15%	11%	7%	9%	8%	11%	12%	12%	9%	9%	9%
EBITDA Margin	14%	17%	19%	14%	16%	14%	16%	18%	17%	17%	16%	16%
RoCE	22%	18%	26%	22%	17%	13%	28%	31%	27%	21%	21%	20%
ROE	11%	29%	21%	18%	12%	9%	21%	22%	21%	17%	16%	15%
EPS (INR)	6.44	21.96	21.97	14.45	14.65	12.24	79.95	106.25	111.70	21.74	23.54	24.83
P/E	82.14	24.09	24.08	-	22.87	32.77	44.25	39.45	37.23	42.04	41.55	44.04

Indian Market for Disc & Strip Springs and Wedge Lock Washers -

The Indian DSS & WLW market is valued at ~ US\$ 115M in FY24 witnessing a CAGR of ~6% during FY21-24. Gala Precision Engineering is a major DSS manufacturer & has ~10% market share in the Indian disc spring market as of FY24.

Indian DSS & WLW Market size (US\$ M, FY21-27P*)

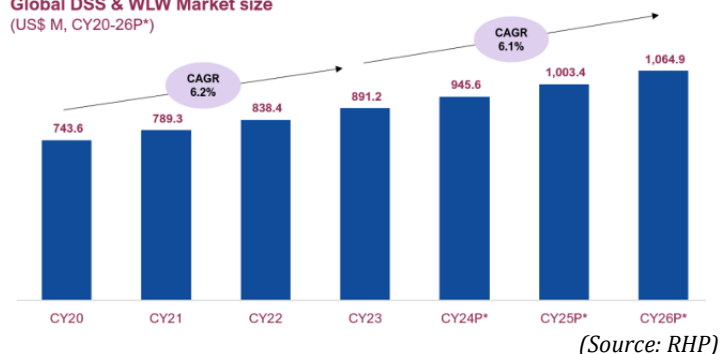


The Indian DSS & WLW market is expected to reach a value of ~ US\$ 138M in FY27 witnessing a growth of ~6% during FY24-27P. The end-user industry growth will be the key growth driver for the DSS & WLW market. Renewable energy, automobile & infrastructure are some of the key industries showing good growth potential.

Global Market for Disc & Strip Springs and Wedge Lock Washers -

The global DSS & WLW market is valued at ~ US\$ 891M in CY23 witnessing a CAGR of ~6% during CY20-23. Gala Precision Engineering has a market share of ~2% in the global DSS market as of CY23*. In this, WLW is contributing ~ US\$ 260M as of CY23.

Global DSS & WLW Market size (US\$ M, CY20-26P*)

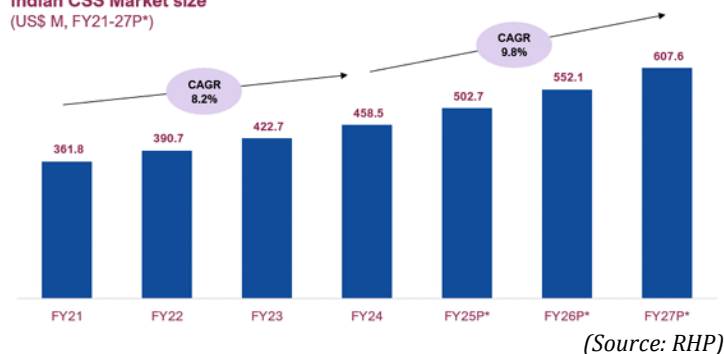


The DSS & WLW market is expected to reach a value of ~ US\$ 1,065M in CY26 witnessing a growth of 6.1% during CY23-26P. The end-user industry growth will be the key growth driver for the DSS & WLW market. Renewable energy, automobile & infrastructure are some of the key industries showing good growth potential.

Indian Market for Coil & Spiral Spring-

The Indian CSS market is valued at ~ US\$ 459M in FY24 witnessing a CAGR of ~9.8% during FY24-27P.

Indian CSS Market size (US\$ M, FY21-27P*)

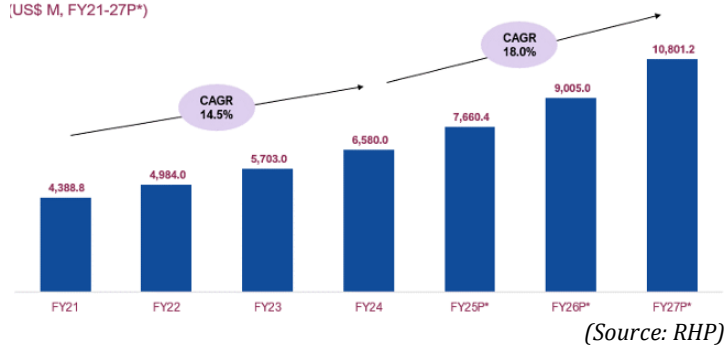


The end-user industry growth will be the key growth driver for the CSS market. Automobile, construction & agriculture mechanization are some of the key industries showing good growth potential.

Indian Market for Special Fasteners -

The fastener industry in India is vital for renewable, construction, and electrical equipment. The Indian SFS market size stands at ~US\$ 6.6B as of FY24, growing at a CAGR of 18% between FY24-27. This market consists of renewables, mobility, Industrials & others.

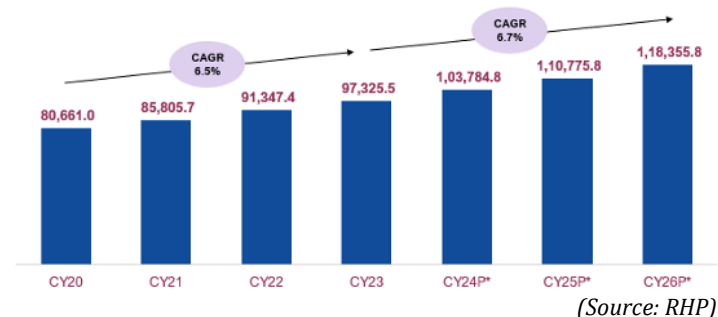
Indian SFS Market size (US\$ M, FY21-27P*)



Global Market for Special Fasteners -

The global market size for SFS currently stands at ~US\$ 97B as of CY23 and is growing at a CAGR of 6.7% between CY23-26. This market comprises of renewables, Industrials and mobility industry along with others.

Global SFS Market size (US\$ M, CY20-26P*)



Key Management -

Key Management Persons Name -	Kirit Vishanji Gala
Age	61
Designation	Promoter, Chairman and Managing Director
Qualification	Bachelor's in engineering (mechanical) and master's degree in management studies
Roles and Responsibility	Currently oversees business strategies and marketing in the Company
Other Directorships	Kutchi Angel Network Private Limited and Deltecs Infotech Private Limited

Key Management Persons Name -	Balkishan Jalan
Age	53
Designation and No. of years of experience	Whole-Time and Executive Director, 25 years of experience in operations
Qualification	B. Com degree, qualified CA
Roles and Responsibility	Currently oversees operations, finance and overall management of the Company
Other Directorships	-

Key Management Persons Name -	Satish Kotwani
Age	51
Designation and No. of years of experience	Whole-time Director (Marketing), 30 years of experience in marketing
Qualification	Diploma in Mechanical engineering, diploma in management (materials), diploma in marketing management, participated in executive education programmes
Roles and Responsibility	Currently oversees global business development, marketing and sales in the Company.
Previous Associations	Born Marketers Private Limited

Key Management Persons Name -	Rajendra Gogri
Age	64
Designation	Non-Executive Director
Qualification	Bachelor degree in chemical engineering, Masters of science degree with a major in chemical engineering.
Roles and Responsibility	-
Other Directorships	Aarti Industries Limited, Relacion Trusteeship Services Private Limited, Gloire Trusteeship Services Private Limited, Kutchi Angel Network Private Limited etc.

Key Management Persons Name -	Snehal Shah
Age	54
Designation	Independent Director
Qualification	Bachelor's degree in engineering (electrical), Post graduate diploma in management
Roles and Responsibility	-
Previous Associations	Fairwinds Asset Managers Limited, ICICI Venture Funds Management Company Limited

Key Management Persons Name -	Varsha Galvankar
Age	57
Designation and No. of years of experience	Independent Director, 31+ years of experience in finance
Qualification	B. Com degree, Registered income tax practitioner
Roles and Responsibility	-
Other Directorships	Ghalla Bhansali Consultancy Private Limited etc.

Key Management Persons Name -	Neha Gada
Age	48
Designation	Independent Director
Qualification	B.Com degree, Qualified CA, Passed Limited Insolvency Examination
Roles and Responsibility	-
Other Directorships	Sejal Glass Limited, Asian Star Company Limited, Aarti Drugs Limited, Tamboli Industries Limited (formerly known as Tamboli Capital Limited) etc.

Key Management Persons Name -	Sudhir Gosar
Age	62
Designation and No. of years of experience	Independent Director, 33+ years of experience in technology
Qualification	Bachelor's degree in chemical engineering
Roles and Responsibility	-
Previous Association	Reliance Communications Limited, Sterlite Technologies Limited, IndusInd Media & Communications Limited and In2cable (India) Limited.

FINANCIAL SNAPSHOT

Statement of Profit and Loss			Amt in Crores
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	145.28	165.47	202.55
Other Income	2.69	1.62	1.83
Total Income	147.96	167.08	204.38
Expenses			
Cost of materials consumed	60.08	71.36	90.03
Changes in inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	-0.89	-4.58	-7.28
Employee benefits expense	21.51	23.23	24.78
Finance Cost	4.86	5.16	6.14
Depreciation and Amortization expense	6.26	6.08	6.86
Other expenses	44.91	48.12	56.27
Total Expenses	136.74	149.38	176.79
EBITDA	19.67	27.32	38.76
EBITDA Margin	13.54%	16.51%	19.14%
Profit/(Loss) before exceptional items and tax	11.23	17.70	27.59
Exceptional Items	-	9.76	-2.31
Profit/(Loss) before tax	11.23	27.46	25.28
Tax Expense			
Current tax	3.25	3.00	5.41
Deferred Tax (credit)/ charge	0.15	-0.62	-2.84
Tax adjustments of earlier years	1.20	0.86	0.72
Total Tax Expense	4.60	3.25	3.29
Profit/(Loss) for the year	6.63	24.21	21.99
Net Profit Margin	4.48%	14.49%	10.76%
Statement of Assets and Liabilities			Amt in Crores
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	2.53	2.52	10.11
Other Equity	56.79	81.13	94.67
Non-Controlling Interest	-	-	-0.34
Total Equity	59.32	83.65	104.45
2. Non-current liabilities			
Financial Liabilities			
(i) Borrowings	23.77	20.50	9.21
(i) Lease Liabilities	-	1.49	1.14
Provisions	3.96	4.60	5.26
Deferred tax liabilities	2.11	3.69	0.93
Total Non-current liabilities	29.85	30.28	16.53
3. Current liabilities			
Financial Liabilities			
(i) Borrowings	33.12	38.10	45.82
(ii) Lease Liabilities	-	0.29	0.35
(iii) Trade Payables			
(a) Outstanding Dues to MSME	0.31	0.68	0.33
(b) Outstanding Dues to other than MSME	13.49	7.43	13.34
(iv) Other Financial Liabilities	5.69	8.43	6.37
Other Current Liabilities	1.15	0.90	1.00

Particulars	FY 22	FY 23	FY 24
Provisions	1.00	0.62	0.50
Current Tax Liabilities (net)	1.69	0.01	-
Total Current liabilities	56.45	56.45	67.70
Total Liabilities	86.30	86.73	84.24
Total Equity and Liabilities	145.62	170.39	188.69
ASSETS			
1. Non-current assets			
Property, Plant and Equipment	38.35	38.15	41.27
Right of use assets	1.11	4.97	4.52
Capital Work-in-Progress	0.13	1.25	3.23
Goodwill	-	0.01	-
Other Intangible assets	16.84	17.68	18.60
Intangible assets under development	2.93	3.46	3.33
Other financial assets	0.61	0.90	1.11
Non-current Tax assets (net)	0.13	1.09	0.72
Other non-current Assets	0.44	0.69	1.57
Total Non-Current assets	60.54	68.19	74.36
2. Current assets			
Inventories	49.72	55.76	57.65
Financial Assets;			
Trade receivables	25.46	29.96	46.97
Cash and cash equivalents	0.53	0.53	1.38
Bank balances other than Cash and cash equivalents	2.14	11.47	2.72
Loans	0.30	0.63	0.12
Other financial assets	2.10	0.40	1.75
Other Current Assets	4.83	3.44	3.74
Total Current assets	85.07	102.19	114.33
Total Assets	145.62	170.39	188.69

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	11.59	16.02	15.65
Net Cash Flow from Investing Activities	-6.63	-12.40	-2.99
Net Cash Flow from Financing Activities	-6.93	-3.62	-11.81

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	6.44	21.96	21.97	EV/EBITDA	5.77	4.77	4.01
BV per share	58.66	82.73	103.30	Market Cap / Sales	4.61	4.05	3.31
Operating Ratios				P/E	82.14	24.09	24.08
EBITDA Margins	13.54%	16.51%	19.14%	Price to Book Value	9.02	6.39	5.12
PAT Margins	4.48%	14.49%	10.76%	Solvency Ratios			
Inventory days	124.93	122.99	103.89	Debt / Equity	0.96	0.70	0.53
Debtor days	63.96	66.10	84.64	Current Ratio	1.51	1.81	1.69
Creditor days	73.33	41.16	59.19	Quick Ratio	0.63	0.82	0.84
Return Ratios				Asset Turnover	1.00	0.97	1.07
RoCE	15.03%	18.64%	26.36%	Interest Coverage Ratio	2.76	3.33	6.33
RoE	11.18%	28.94%	21.06%				

LEAD MANAGER TRACK RECORD -

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

PL Capital Markets Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rajshree Polypack Limited	35.52	120.00	Sep 24, 2018	83.09
2.	Raj Oil Mills Limited	114.00	120.00	Aug 12, 2009	56.70

The company has handled 0 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 30th Aug 2024.

As per the offer document, from the above-mentioned mandates all have opened at a discount on the listing day.

Recommendation -

Gala Precision Engineering Limited has been in the industry since 2009 and has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO is 30.48 times which makes it fairly priced by looking at the performance of the company and its peers. The peer's average PE is 39.59 times.

Although, the company has seen a sudden increase in the top line, bottom line and profitability margins in FY 2023 due to incremental sales of DSS on account of adding new customers and because of increased demand from renewable energy, railways and industrial sectors; and from CSS on account of increased demand from the automobile industry and start of supplies to the railways. For FY 2024, there was a slight dip in the top and bottom lines which should not be a major concern.

The company is utilizing its net proceeds for setting up a new facility for manufacturing high-tensile fasteners and hex bolts which will help improve the top line in future. Also, they are using funds towards purchase of equipment, plant and machinery for their existing facility.

The company is involved in exports and is a key link in the global supply chain for OEMs.

The manufacturing industry is growing, and the government has taken good initiatives towards this industry. The disc & Strip Springs and Wedge Lock Washers, Coil & Spiral Springs and special fasteners market cater to various industries like Renewable, mobility and industrials.

Thus, investors can **APPLY** to this IPO.

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