

## GM Polyplast Ltd.

SSIS IPO GRADE 3/5 (Average)  
29<sup>th</sup> September, 2020

### Rating Overview

Incorporated in 2003, GM Polyplast is a Mumbai-based manufacturer of high-grade sheets such as PVC sheets, HIPS sheets, HDPE sheets, A.B.S. sheets, and others. The company not just manufactures various types of sheets but also manufactures raw material used to prepare the sheets called granules.

Since establishment, it has added innovative products to its product portfolio and currently it includes Acrylonitrile Butadiene Styrene (ABS) plastic sheets, High Impact Polystyrene (HIPS) sheets, PET sheets, A-PET sheets, R-PET sheets, HDPE sheets, PP sheets, ESD material, etc.

If we attribute FY20 earnings on fully diluted post issue equity, then asking price is at a P/E of around 13.25, making it a reasonably priced offer. Our overall fundamental rating of GM Polyplast is Average Financials. The offer price is fair and the company has decent growth prospects. We initiate a subscribe recommendation for short and long term gains.

Note: The analyst has no plans of subscribing to the offer and does not hold any shares in the company prior to, or at the time of writing this review.

### Business Overview

G M Polyplast Ltd. (GMPL) is in the business of manufacturing of H.I.P.S, A.B.S & P.E.T sheets, along with sheets it also manufactures the raw material used to manufacture the sheets called as granules. The company is known in the industry for manufacturing and supplying of high-grade Sheets and Granules in India. It has been keeping pace with modernization in all spheres of development, manufacturing, and marketing, emphasis on product quality & client satisfaction. A professional approach and constant interaction ensure client requirement is met with a high standard within the agreed guideline of time and cost. Its impressive growth has been largely due to confidence in its own capability and impressive infrastructure it has created over the years.

GMPL has been steadily diversifying as well as adding new products to its portfolio, besides adding additional infrastructure for increasing its manufacturing capability for its existing products. Its product range includes

Acrylonitrile Butadiene Styrene (ABS) Plastic Sheets, High Impact Polystyrene (HIPS) Sheets, PET (Polyethylene Terephthalate) Sheets / Rolls, Amorphous Polyethylene Terephthalate (A-PET) Sheet, Recycled Polyethylene Terephthalate (R-PET) Sheet, HDPE (High-Density Polyethylene) Sheets / Rolls, PP (Polypropylene) Sheets / Rolls, Electrostatic discharge materials (ESD materials).

## Financial Performance

On the financial performance front, for the last three fiscals, GMPL has posted turnover/net profits of Rs. 55.51 cr. / Rs. 0.92 cr. (FY18), Rs. 68.35 cr. / Rs. 1.38 cr. (FY19) and Rs. 63.43 cr. / Rs. 2.32 cr. (FY20). While the company has suffered a setback in top line for FY20, it has maintained growth in bottom lines for all these three fiscals.

For the last three fiscals, GMPL has posted an average EPS of Rs. 11.31 and an average RoNW of 26.28%. The issue is priced at a P/BV of 3.22 on the basis of its NAV of Rs. 49.64 as on March 31, 2020, and at a P/BV of 2.35 on the basis of post-issue NAV of Rs. 68.03.

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Summary of financial Information			
Particulars	For the year/period ended (Rs in Million)		
	31-Mar-20	31-Mar-19	31-Mar-18
Total Assets	2,482.68	2,537.03	2,533.25
Total Revenue	6,342.98	6,834.50	5,551.24
Profit After Tax	231.80	138.04	92.20

## Issue Details

To meet its plans for working capital (Rs.3.70 cr.) and general corpus fund (Rs. 1.18 cr.) needs, GMPL is coming out with a maiden combo IPO of 508800 equity shares of Rs.10 each at a fixed price of Rs. 159 per share to mobilize Rs. 8.09 cr. The issue consists of fresh equity issue of 322800 equity shares (Rs. 5.13 cr.) and offer for sale of 186000 equity shares (Rs. 2.96cr.). The issue opens for subscription on September 30, 2020, and will close on October 06, 2020. Minimum application is to be made for 800 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE SME platform.

The issue constitutes 26.46% of the post issue paid-up capital of the company. The company will be spending Rs. 0.25 cr. (for Rs. 5.13 cr. fresh issue) and Rs. 0.40 cr. for the entire IPO process. The issue is solely lead managed by Gretex Corporate Services Pvt. Ltd. and Bigshare Services Pvt. Ltd. is the registrar to the issue. **Gretex Share Broking Pvt. Ltd. is acting as a Market Maker for this company.** Having raised entire equity so far at par, GMPL issued bonus shares in the ratio of 15 shares for 1 share held in June 2020.

The average cost of acquisition of shares by the promoters is Rs. 0.63 per share. Post issue, GMPL's current paid-up equity capital of Rs. 1.60 cr. will stand enhanced to Rs. 1.92 cr. With this IPO, the company is looking for a market cap of Rs. 30.72 cr.

<b>Application Dates</b>	<b>Sep 30, 2020 – Oct 6, 2020</b>
<b>Issue Type</b>	Book Built Issue IPO
<b>Face Value</b>	₹10 per equity share
<b>IPO Price</b>	₹159 per equity share
<b>Market Lot</b>	800 Shares
<b>Listing At</b>	BSE SME
<b>Issue Size</b>	[.] Eq Shares of ₹10 (Up to ₹8.09 Cr)

### Issue Timeline

<b>Basis of Allotment Date</b>	Oct 9, 2020
<b>Initiation of Refunds</b>	Oct 13, 2020
<b>Credit of Shares to Demat Account</b>	Oct 13, 2020
<b>IPO Listing Date</b>	Oct 14, 2020

## Investment Strategy

GMPL has posted steady growth in bottom lines. Issue appears reasonably priced considering P/E and P/BV parameters. Investors may consider investment with a long term perspective. (Subscribe for long term).