

CMP: INR 217

Outlook: Not Rated

Stock Info

NSE SME: GSMFOILS

Sector Packaging

Face Value (INR) 10

Equity Capital (INR Mn) 128

Mkt Cap (INR Cr) 321

52w H/L (INR) 255/74

Avg Yearly Volume (in 000') 36

Shareholding Pattern %

(As on Jun, 2025)

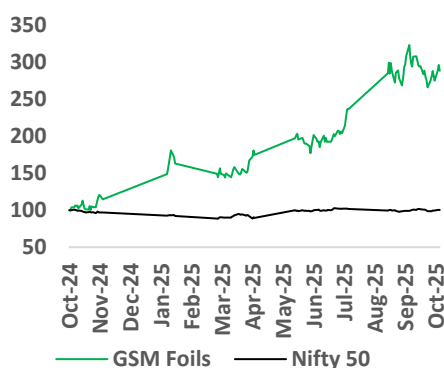
Promoters 73.14

Public & Others 26.86

Stock Performance (%)

| | 1m | 6m | 12m |
|-----------|------|-------|------|
| GSM Foils | 16 | 77 | 224 |
| NIFTY | 0.74 | 11.85 | 0.28 |

GSM Foils vs Nifty 50



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GSM Foils Ltd. is structurally positioned for robust growth in the domestic pharmaceutical packaging sector over the next 24–36 months, underpinned by disciplined working capital management, operational efficiency, and capital-light capacity augmentation through Vasai debottlenecking and greenfield expansion in Ahmedabad. With the imminent commissioning of the Ahmedabad facility and efficient utilization of the existing Vasai plant, management is on track to deliver a FY26 topline of INR 2.3–2.6 bn and is targeting annual revenue of INR 4.5–6 bn by FY28 as additional capacity ramps up. Margin stability, gradual forward integration into printing, and significant cost advantages in Gujarat create a solid foundation for scale-up, sustainable profitability, and strong returns on capital, with risk controls remaining central to the company’s strategy.

Key Takeaways From Interaction

Operations & Capacity Enhancement

- The Vasai facility currently operates at 65–70% utilization, with an output of 450–500 tons/month. Through targeted CAPEX (INR 15–20 mn for spares and upgrades), output can reach 600–650 tons/month, pushing towards full potential with minimal incremental overhead.
- The new Ahmedabad plant is scheduled for commissioning in December. This site offers lower operating costs: substantially lower rent coupled with meaningfully cheaper manpower and utilities (presence of natural gas, state electricity subsidies).
- Both factories will run in parallel with aggregate planned capacity exceeding 1,200 tons/month, allowing wide geographic reach—Vasai for Western India, Ahmedabad for the pharma hub in Gujarat.
- New machinery CAPEX of INR 50–60 mn is ring-fenced for Ahmedabad, supplemented by INR 120–150 mn banking lines for equipment and inventory.

Business Model, Working Capital & Financial Health

- GSM Foils rigorously avoids high-volume, long-credit customers (Tier 1 pharma) who demand 120–180 days credit. Instead, the client mix is oriented to Tier 2/3 clients, yielding cash realization in ~60–75 days while vendors are paid in 15–20 days—ensuring fund flow velocity and 6–7x working capital churn.
- The entire business model is built on capital discipline; non-seasonal pharma packaging demand produces steady collections, zero bad debts in 5 years, and smooth fund rotation.
- Current working capital lines stand at INR 250 mn at (at 8.5%), with a willingness to prudently lever up if fund turnover justifies.

Financial Performance:

| Financial Statement (In Mn) | FY24 | FY25 |
|-----------------------------|-------|-------|
| Revenue | 408 | 1,338 |
| Growth (YoY)(%) | | 228% |
| Gross profit | 78 | 219 |
| Gross Margin (%) | 19.0% | 16.4% |
| EBITDA | 27 | 152 |
| EBITDA Margin (%) | 6.6% | 11.4% |
| PAT | 14 | 97 |

Strategic Initiatives (Integration, Diversification, Cost Control)

- **Forward Integration:** Focus is on expanding printing capabilities, growing direct supply to large pharma accounts, and building the GSM Foils brand in specialty packaging. Currently, direct printed foils constitute 35–40% of revenues.
- **R&D and Sustainability:** Trials are underway for shifting plant fuel from diesel to biomass/husk pellets. If successful, this could halve the current fuel cost—subject to heating and dust mitigation performance in large-scale runs.

Cost Structure & Location Advantage

- Ahmedabad's entry is structurally margin accretive: rent is INR 2 mn vs. 4 mn in Vasai, labor rates are 20–30% lower, while power/fuel costs decline due to natural gas, subsidies and logistic efficiencies.
- Management expects margin lift of 3–4% on operating costs from the Ahmedabad facility, supporting improved blended margin as volumes rise.

Corporate Vision and Risk Management

- The stated ambition is to achieve INR 5–6 bn topline by FY28, driven by parallel plant run, value-added integration, and a multi-state client base (currently serves 65+ pharma convertors, no single client >4% revenue concentration).
 - Management remains resolutely cautious about backward integration (in-house rolling): citing poor industry ROCE (8–10%) and high fixed asset intensity (INR 700-800 mn); the strategy is to defer such moves until 1,000 tons/month throughput and consistent free cash flow is attained.
 - Risk mitigation pillars include strict payment terms, conservative leverage, transparent price pass-through mechanisms, and continuous product/process innovation to shield against margin erosion or counterparty risk.
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Company Overview

Business Profile

- GSM Foils Limited operates as a pharmaceutical packaging manufacturer, focusing exclusively on aluminum foil processing for the pharmaceutical industry. The company manufactures blister foils and aluminum pharma strip foils used for packaging tablets and capsules, serving as a critical tier-two player between raw aluminum foil suppliers (such as Hindalco, PG Foils) and pharmaceutical end-users.
- The company's integrated manufacturing process encompasses removal of aluminum impurities, chemical coating application for printability enhancement, lamination with plastic materials for strip foils, and comprehensive printing services. This positioning provides competitive advantages through technical barriers while avoiding capital-intensive backward integration into raw aluminum foil production.

Manufacturing Infrastructure

- GSM Foils operates from a facility in Vasai, Maharashtra, spanning 15,000-18,000 square feet with an installed annual capacity of over 10,000 metric tons. The facility features advanced machinery including coating machines, lamination equipment, and printing units. Current capacity utilization stands at approximately 68-70%, with plans to enhance throughput through targeted machinery upgrades.
- A second identical manufacturing facility in Ahmedabad, Gujarat is under development and scheduled for commissioning by December 2025. This greenfield expansion will effectively double the company's manufacturing capacity while providing cost advantages through lower rent, labor, and utility costs compared to the Maharashtra operation.

Product Portfolio

- The company's product range includes blister foils (20-25 microns) and aluminum strip foils with LDPE coating (30-40 microns), available in various specifications and thicknesses ranging from 20 to 40 microns. Revenue mix typically fluctuates between 60:40 to 45:55 for blister foils versus strip foils, with blister foils commanding premium pricing due to superior barrier properties.
- GSM Foils also offers value-added services including coating, lamination, and printing capabilities, with forward integration into printing comprising approximately 35-40% of current revenues. The company has recently ventured into Lamitube trading with plans for backward integration subject to market validation.

Market Presence and Client Base

- GSM Foils serves over 65 pharmaceutical clients across 14 states and one union territory in India, with no single client representing more than 4% of total revenues. This diversified client base reduces concentration risk while providing stable recurring business through established relationships with tier-2 and tier-3 pharmaceutical companies.

Management Team

- The company is led by Mr. Sagar Girish Bhanushali, who serves as Chairman, Whole Time Director, and Chief Financial Officer, and Mr. Mohansingh Laxmansingh Parmar, who serves as Managing Director.
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| Stock Rating Scale | Absolute Return |
|--------------------|-----------------|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

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