



Company Overview

Standard Glass Lining Technology Ltd. is amongst India's top five specialized engineering component manufacturers for the pharmaceutical & chemical sector in terms of FY24 revenue, with in-house capabilities across the entire value chain. The company's capabilities include designing, engineering, manufacturing, assembly, installation and commissioning solutions and establishing standard operating procedures for pharmaceutical and chemical manufacturers on a turnkey basis. Its product portfolio comprises core engineering equipment categorized into (i) Reaction systems, (ii) Storage, separation & drying systems, and (iii) Plant, engineering and services (including other ancillary parts). The company is also one of India's top three manufacturers of glass-lined, stainless steel, and nickel alloy-based specialized engineering equipment as well as the top three suppliers of polytetrafluoroethylene (PTFE) lined pipelines and fitting in terms of revenue in FY24 (Source: F&S Report). Over the past three fiscals, they have been the fastest-growing company in their industry, supplying over 11,000 products in the last decade. Their engineered solutions are utilized across various sectors, including pharmaceutical, chemical, food and beverage, biotechnology, and fertilizer industries. They have a diversified customer base, including end users operating in various sectors across pharmaceutical, chemicals, paint, biotechnology and food and beverages. The company's marquee customer base includes 30 out of approximately 80 pharmaceutical and chemical companies in the NSE 500 index as of June 30, 2024. They operate through eight manufacturing facilities in Hyderabad, Telangana, covering over 400,000 sq. ft. Hyderabad, known as the Pharma Hub of India, accounted for 40% of India's total bulk drug production in FY24.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment/Prepayment of certain outstanding borrowings;
- ⇒ Investment in material subsidiary S2 Engineering Industry Pvt. Ltd. for funding capex requirements towards purchase of machinery and equipment;
- ⇒ Funding inorganic growth through strategic investments and/or acquisitions;
- ⇒ General corporate purposes.

Investment Rationale

Market leader in the specialized engineering equipment segment with in-house capabilities

Standard Glass Lining Technology is among India's top five specialized engineering component manufacturers for the pharmaceutical and chemical sectors. It is also among the top 3 glass-lined, stainless steel, and nickel alloy-based specialized engineering equipment manufacturers. The company possesses in-house capabilities across the value chain, including design, engineering, manufacturing, assembly, installation, and commissioning solutions, as well as establishing standard operating procedures for manufacturers on a turnkey basis. The company's leading market position is attributed to several factors, such as a diverse product portfolio with a focus on customization, technical abilities and technically qualified employees, the promoters' presence in the industry for over two decades, the high quality of products, the ability to deliver highly customized solutions in a timebound manner, and an extensive distribution network. Further, the company has leveraged its market position through strategic arrangements with HHV Pumps Private Limited to supply vacuum pumps and GL Hakko to supply to the glass lining division. These collaborations have increased competitive advantage, scalability, and broader customer reach across diverse segments by cross-selling to existing customers. The company has also entered into an exclusive partnership with GL Hakko to purchase glass-lined tubes, which will be used to manufacture and sell shell and heat tube exchangers under the GL Hakko name in India and abroad, except Japan. Primarily catering to end users in the pharmaceutical and chemical industries, the company foresees further growth due to its in-house capabilities to manufacture all core specialized engineering equipment required in these sectors, which will drive revenue growth in the future.

Issue Details

Offer Period	06 th Jan, 2025 - 08 th Jan, 2025
Price Band	Rs. 133 to Rs. 140
Bid Lot	107
Listing	BSE & NSE
Issue Size (no. of shares in mn)	29.2
Issue Size (Rs. in bn)	4.1
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%
BRLM	IIFL Capital Services Ltd., Motilal Oswal Investment Advisors Ltd.

Registrar	KFin Technologies Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	72.5%	60.4%
Public	27.5%	39.6%
Total	100%	100%

(Assuming issue subscribed at higher band)

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Standard Glass Lining Technology Ltd.

Long-term relationships with marquee clients to aid business performance

Standard Glass Lining Technology has established long-standing relationships with some of the marquee clientele in the pharmaceutical and chemical industries in a relatively short time. The company's ability to cater to customized processes addressing customers' requirements, technical know-how, and track record of timely fulfilment of customer orders has helped establish these long-standing relationships in each product category. As of September 2024, it has 347 clients, including marquee names like Aurobindo Pharma, CCL Foods & Beverages, Laurus Labs, Granules India, and Natco Pharma. The company has obtained repeat orders from over 80% of its top 20 customers in the FY22, FY23, FY24 and 1HFY25 periods. The company also constantly explores new technologies, materials, and manufacturing processes to improve products and offer customers cutting-edge solutions. Further, they monitor capacity utilization levels at manufacturing facilities to maintain optimum capacities, reducing customer delivery turnaround time. Additionally, the location of manufacturing facilities in and around Hyderabad, Telangana, provides proximity to the facilities of key clients, enabling regular interaction with them to understand their needs further and the operational performance of equipment or designs. Long-term relationships and ongoing active engagements with customers also allow for capital expenditure planning and enhance the ability to benefit from increasing economies of scale, which will improve operational performance and profitability.

Valuation

Standard Glass Lining Technology is one of the few companies in India offering end-to-end customized solutions in the specialized engineering equipment used in the pharmaceutical and chemical sectors. As of September 2024, the company's comprehensive product portfolio consists of 65+ products & offerings across the pharma and chemical industries and is also developing 15 more products. The company can also manufacture 300-350 pieces of equipment per month across the product portfolio. The company is further looking to expand capacity and is venturing into the 150 MM thickness segment, providing a gateway to sectors like Oil & Gas, Edible oil, Heavy engineering, etc. The company's revenue has grown at a compound annual growth rate (CAGR) of 7% during FY2022-24 period. The company intends to continue strengthening its existing product portfolio in line with its capabilities and further diversify into products with prospects for increased growth and profitability. The company is targeting 20% of revenue from exports by 2026 v/s present 0.5% contribution. **The issue is valued at a P/E of 39.8x on the upper price band based on FY24 earnings. Compared to its peers, we believe that the issue is fairly valued with a superior margin profile. Therefore, we recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company depends on a limited number of suppliers for key raw materials due to customers' precise requirements. The company is required to source raw materials from accredited suppliers, thereby limiting the ability to source raw materials at preferential rates. Any loss of suppliers or failure to procure raw materials cost-effectively may harm business, financial conditions and the result of operations.
- ⇒ The company operates through eight manufacturing facilities, concentrated in Hyderabad. This concentration exposes the company to adverse economic or political conditions that may affect production in the region.
- ⇒ The company's arrangements with customers are generally based on purchase orders and do not include long-term contracts. Failure to retain customers cost-effectively or customer cancellations or reductions in orders may adversely impact business, financial conditions, and the result of operations.

Standard Glass Lining Technology Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Revenue				
Revenue from Operations	2,402	4,976	5,437	3,072
Total Revenue	2402	4,976	5,437	3,072
Expenses				
Cost of raw materials consumed	1,392	2,997	3517	1,895
Purchase of stock in trade				
Changes in inventory	-240	-142	-340	-218
Employee benefit expenses	135	158	208	136
Other expenses	711	1,106	1,103	680
Total Operating Expenses	1,997	4,118	4,488	2,494
EBITDA	405	858	949	578
Depreciation and Amortization expenses	42	77	93	50
Other income	13	25	60	49
EBIT	375	805	916	577
Finance costs	38	87	118	80
Exceptional Item	0	0	0	0
PBT	338	719	798	497
Total tax	86	184	198	135
PAT	251	534	600	363
Diluted EPS	2.2	3.5	3.5	1.9

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Cash Flow from operating activities	-71	18	-650	-193
Cash flow from investing activities	-297	-290	-1,568	-315
Cash flow from financing activities	370	326	2,319	362
Net increase/(decrease) in cash and cash equivalents	1	53	100	-146
Cash and cash equivalents at the beginning of the period	0	1	54	155
Cash and cash equivalents at the end of the period	1	54	155	9

Source: RHP, BP Equities Research

Standard Glass Lining Technology Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	H1FY25
Assets				
Non-Current Assets				
Property, plant and equipment	319	547	822	924
Capital work in Progress	7	33	45	52
Right of Use assets	197	197	130	129
Intangible Assets	0	0	0	77
Other intangible assets	4	6	10	10
Loans	2	0	0	0
Other financial assets	36	21	14	35
Non-Current Tax Assets	0	7	0	0
Deferred tax assets (net)	0	0	0	0
Other non current assets	41	35	46	101
Total Non current assets	606	847	1,066	1,328
Investments				
Inventory	1,259	1,434	2,248	2,549
(i) Trade Receivables	822	913	1,548	1,915
(ii) Cash and cash equivalents	1	54	155	9
(iii) Other Bank Balance	0	0	365	382
(iv) Other Current Financial Assets	12	52	955	993
Other current assets	281	178	317	390
Total Current Assets	2,376	2,631	5,588	6,237
Total Assets	2,981	3,478	6,654	7,565
Equity and Liabilities				
Equity Share Capital	153	158	182	1,816
Other Equity	537	1,399	3,892	2,616
Total Equity	690	1,557	4,090	4,469
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	68	30	6	57
(ii) Lease Liabilities	182	185	124	120
Provisions	14	21	9	11
Deferred tax liabilities (net)	4	6	6	7
Current Liabilities				
Financial Liabilities				
(i) Borrowings	424	570	1,132	1,525
(ii) Lease Liabilities	24	34	31	37
(iii) Trade Payable	625	750	887	959
(iv) Other financial liabilities	21	8	18	5
Current tax liabilities	31	15	17	52
Provisions	6	8	9	12
Other current liabilities	893	294	325	313
Total Current Liabilities	2,023	1,679	2,419	2,902
Total liabilities	2,291	1,921	2,564	3,097
Total Equity and Liabilities	2,981	3,478	6,654	7,565

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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