

Standard Glass Lining Tech Ltd.

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Nifty: 24,005

Sensex: 79,223

IPO Note

04th January 2025

Sector: Capital Goods

Price Range: ₹133 - ₹140

Glass-Lined equipment manufacturer for pharma & chemical sectors

Standard Glass Lining Technology Ltd (SGLTL) is a Hyderabad-based engineering equipment manufacturer for the pharmaceutical (82% of FY24 revenue) and chemical sectors (13%). Established in 2012, SGLTL offers design, engineering, manufacturing, assembly, installation, and commissioning services. Its product portfolio includes reaction systems (57% of FY24 revenue), storage, separation & drying systems (30%), and plant engineering and services (13%). The company operates 8 manufacturing facilities in Telangana and serves 347 clients with over 65 products as of September 30, 2024. It had a ~ 17% market share in India's glass lined equipment market as of FY24.

- ◆ The Indian Glass Lined Equipment Market, valued at ~₹11.5 bn in FY24, is projected to grow at a 10.1% CAGR to ₹18.6 bn by FY29P. Globally, the market is valued at USD 21 bn in CY23, expected to reach USD 34 bn by CY28, driven by pharmaceutical and chemical sector expansion (*Source: F&S Report*)
- ◆ SGLTL's revenue grew from ₹240.2cr in FY22 to ₹543.7cr in FY24 (CAGR 50.5%), while PAT rose from ₹25.1cr to ₹60.0cr (CAGR 55%), aided by its strategic partnerships and inorganic acquisitions.
- ◆ SGLTL has an Avg. EBITDA margin of 17.2% and PAT Margin of 10.7%, and the RoE of 28.5%, in FY22-24 period indicating strong financial stability. As of September 30, 2024, the company's net debt-to-equity ratio stood at 0.3x.
- ◆ The company has agreements with industry leaders like HHV Pumps for vacuum pumps and with Asahi Glassplant Inc. (AGI Japan) and GL Hakko for glass procurement, strengthening its position in the Glass Lining and Vacuum Pumps market in India.
- ◆ SGLTL did Pre-IPO placement of 28.6 lakh shares (₹40cr) to Amansa Investments at a price of ₹140 per share in December 2024.
- ◆ The company plans to invest in expanding capacities for existing and new products. It has begun constructing an additional facility in Hyderabad, Telangana to enhance its offerings in glass lining equipment and stainless steel and nickel alloy equipment.
- ◆ The company plans to diversify its product offerings to oil and gas, paint and coatings, edible oils, flavors and fragrances, aerospace, and heavy engineering.
- ◆ At the upper price band of Rs.140, SGLTL is available at a P/E of 38.5x (on FY25 Annualised), which appears fairly priced compared to peers. The growing demand for glass-lined equipment in pharmaceuticals and chemicals offers significant growth potential. SGLTL's healthy margins, consistent revenue growth robust growth outlook, a diverse product portfolio with a focus on customization, and inorganic growth plans support a "Subscribe" rating for the stock on a medium to long-term basis.

Issue Details

Date of opening	January 06, 2025
Date of closing	January 08, 2025
Total No. of shares offered (cr.)	2.93
Post Issue No. of shares (cr)	19.9
Face Value	₹10
Bid Lot	107 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,980
Maximum application for retail (upper price band for 13 lot)	₹ 1,94,740
Listing	BSE,NSE
Lead Managers	liff Securities Ltd, Motilal Oswal Investment Advisors Limited
Registrar	Kfin Technologies Limited

Issue size (upper price)

	Rs.cr
Fresh Issue	210.0
OFS	200.05
Total Issue	410.05

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	72.5	60.4
Public & others	27.5	39.6
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	143.52
Non-Institutional	15	61.50
QIB	50	205.03
Total	100	410.05

Y.E March (Rs cr) Consol.	FY23	FY24	6MFY25
Sales	497.6	543.7	307.2
Growth YoY(%)	107.2	9.3	-
EBITDA	85.8	94.9	57.8
Margin(%)	112	11	-
PAT Adj.	53.4	60	36.3
Growth (%)	112.7	12.3	-
EPS	2.7	3.0	1.8
P/E (x)	52.3	46.5	38.5*
EV/EBITDA (x)	33.5	30.8	25.7*
P/BV(x)	17.9	6.8	6.3*

*Annualised

Purpose of IPO

The IPO includes a fresh issue of ₹210cr and an OFS of ₹200.0cr. Proceeds from fresh issue will fund capital expenditure(₹10cr), repay borrowings,(₹130cr) invest in subsidiary S2 Engineering (₹30cr), Funding inorganic growth (₹20cr) and cover general corporate purposes.

Key Risks

- Depends on limited number of suppliers for key raw materials like stainless steel, chemicals and polytetrafluoroethylene powder etc.
- Revenue depends heavily on pharmaceutical and chemical sectors.
- Operates in a competitive market with established players.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Standard Glass Lining Tech	2,793	544	17.5	11.0	3.0	14.7	46.5	30.8	6.8	5.1	140
HLE Glascoat Ltd	2,493	967.9	11.6	3.1	5.1	8.0	72	27.8	6.0	2.6	365
Thermax Ltd	46,870	9,243	8.3	7.0	52.2	15.5	75.4	63.7	13.3	5.1	3,933
GMM Pfaudler Ltd	5,306	3,424.6	13.9	5.2	39.6	20.2	98.3	12.9	5.5	1.5	1,180
Praj Industries	15,525	3,466	10.7	8.2	15.4	24.1	54.8	25.1	12.2	4.5	845

Source: Geojit Research, Bloomberg; Valuations of SGLTL are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



Business Description:

Standard Glass Lining Technology is a specialized engineering equipment manufacturer for the pharmaceutical and chemical sectors in India with in-house capabilities across the entire value chain. 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).

- SGLTL is one of the few companies in India offering end-to-end customized solutions in the specialised engineering equipment used in the pharmaceutical and chemical sector. The company operates out of 8 manufacturing facilities spread across 4 lakh sqft. in Hyderabad and has the capability to manufacture reactors, receivers, and storage tanks ranging from 30 litres to 40,000 litres in size.
- The company's comprehensive product portfolio consists of 65+ product & offerings across the pharma and chemical industries and is also developing 15 more products.
- The company can manufacture process equipment using alloys with 1 to 60 MM thickness applied in Food, Pharma and chemicals.
- The company is further looking to expand capacity and is venturing into 150 MM thickness segment which will provide gateway to sectors like Oil & Gas, Edible oil and Heavy engineering etc.
- The company has entered into an agreement with HHV Pumps Private Limited ("HHV"), for supply of vacuum pumps along with a private label arrangement. The company also has a supply and purchase arrangement for India with Japan based Asahi Glassplant Inc. and GL Hakko Co. Ltd ("GL Hakko") for procurement of specified grades of glass for its glass lining division.
- The company has also entered into an exclusive collaboration with GL Hakko for exclusively purchasing glass lined tubes manufactured by GL Hakko using which the Company will manufacture and sell shell and heat tube exchangers under the name of GL Hakko in India and abroad except Japan.

Revenues from various lines of business were as follows:

Particulars	Six months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations
Reaction Systems	1,653.62	53.83%	3,083.09	56.71%	3,047.86	61.25%	1,638.78	68.23%
Storage, Separation and Drying Systems	1,011.97	32.94%	1,635.49	30.08%	1,540.98	30.97%	626.22	26.07%
Plant, Engineering and Services	406.36	13.23%	718.11	13.21%	387.04	7.78%	136.87	5.70%
Total	3,071.95	100.00%	5,436.69	100.00%	4,975.88	100.00%	2,401.87	100.00%

Source: RHP, Geojit Research

Market opportunity

The company possess in-house capabilities to manufacture all the core specialised engineering equipment required in the active pharmaceutical ingredient ("API") and fine chemical products manufacturing process (Source: F&S Report). The engineered solutions are used in processes across pharmaceutical, chemical, food and beverage, biotechnology and fertilizer sectors. SGLTL also provide turnkey automated equipment solutions, optimising processes like vacuum distillation, solvent recovery and gas dispersion. Standard glass lining technology have a diversified customer base including end users operating in a range of sectors across pharmaceutical, chemicals, paint, bio technology and food and beverages. Further, it is also amongst the top 3 suppliers of polytetrafluoroethylene (PTFE) lined pipelines and fittings in India, in terms of FY24 revenue. It manufactures 80% of equipment in-house.

The following table sets forth the revenues by end user industries

Particulars	Six months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations
Pharmaceuticals	2,307.04	75.10%	4,446.70	81.79%	4,119.79	82.80%	2,054.33	85.53%
Chemicals	402.45	13.10%	681.72	12.54%	713.37	14.34%	324.48	13.51%
Others*	362.47	11.80%	308.27	5.67%	142.72	2.86%	23.06	0.96%
Total	3,071.95	100.00%	5,436.69	100.00%	4,975.88	100.00%	2,401.87	100.00%

*Others includes: (i) paint; (ii) bio technology; (iii) food and beverages and (iv) other industries

Source: RHP, Geojit Research

Key strengths:

- ◆ One of the top five specialised engineering equipment manufacturers for pharmaceutical and chemical sectors in India with products across entire value chain.
- ◆ Company offers Customized and innovative product offering across the entire pharmaceutical and chemical manufacturing value chain.
- ◆ Strategically located manufacturing facilities with advanced technological capabilities.

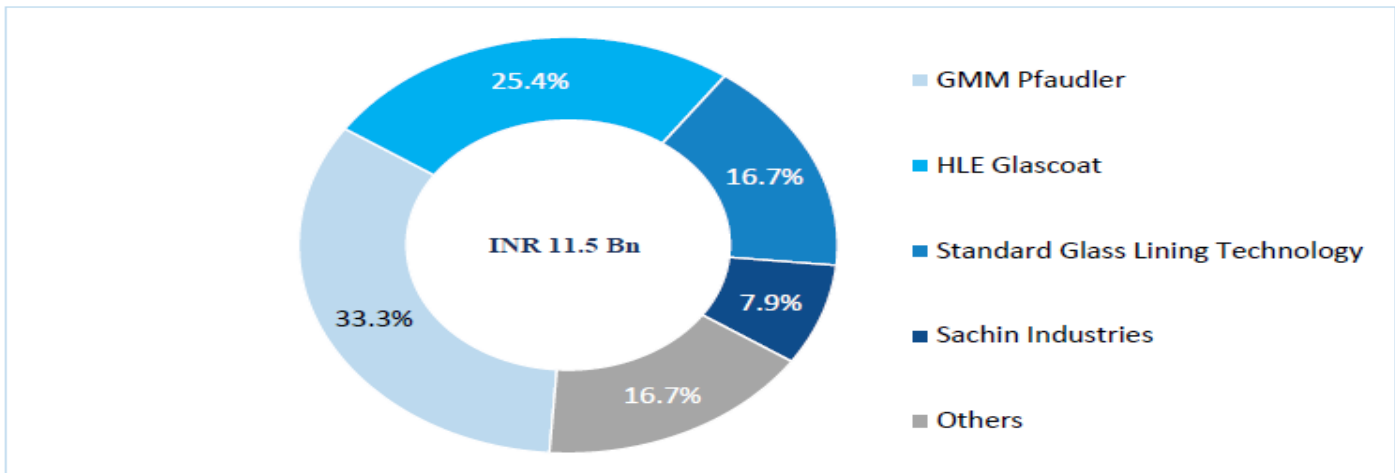
Key strategies:

- ◆ Continue to expand and improve existing product portfolio and enter into additional end-user industries.
- ◆ Expand capacity by increasing the capabilities of existing manufacturing plants as well as setting up new manufacturing plants.
- ◆ Capitalize on increasing demand from international markets to grow exports.
- ◆ Grow inorganically through strategic acquisitions and alliances.



Market share

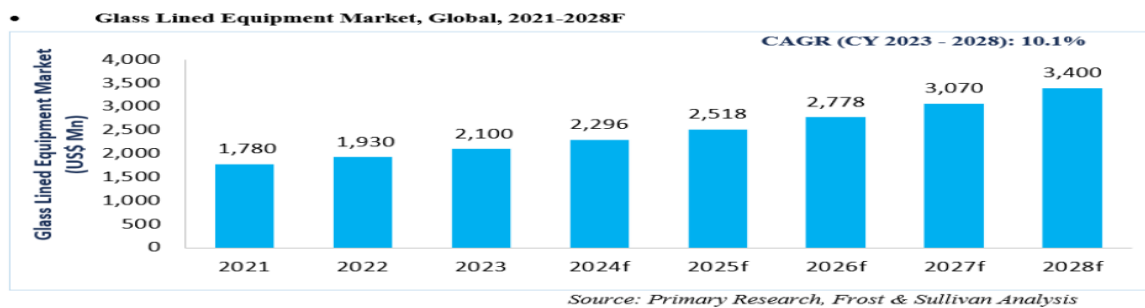
Glass Lined Equipment Market, India, Market Share, by Key Players FY24(%)



Source: RHP, Geojit Research

Industry Outlook

The Glass-Lined Equipment (GLE) industry is poised for significant growth, driven by multiple factors. GLE protects the contained media from exposure to water, other chemicals, alkalis, and corrosion, providing a desirable environment for storing the media. GLE is resistant to contamination and capable of operating in a variety of environments. Glass lining technology is extensively used in various industries for its corrosion resistance and durability. (Source: F&S Report) The market has grown at a CAGR of 8.6% during CY 2021 to CY 2023 and is expected to grow at a CAGR of 10.1% and generate US\$3,40cr in revenue during the forecast period shown below:



(Source: F&S Report)

Source: RHP, Geojit Research

Promoter and promoter group

The Promoters of the company are Nageswara Rao Kandula, Kandula Krishna Veni, Kandula Ramakrishna, Venkata Mohana Rao Katragadda, Kudaravalli Punna Rao and M/s S2 Engineering Services.

Brief Biographies of directors

- **Sambasiva Rao Gollapudi** is the Non-Executive Chairman and Independent Director of the Company. He has been associated with the Company since May 29, 2024. He has professional experience in accounting, auditing and consultancy of over two decades prior to joining our Company.
- **Nageswara Rao Kandula** is the Managing Director of the Company. He has been associated with the Company since incorporation. He has professional experience in glass lining industry of over 10 years.
- **Kandula Krishna Veni** is an Executive Director of the Company. She has been associated with the Company since incorporation.
- **Venkata Mohan Rao Katragadda** is an Executive Director of the Company. He has been associated with the Company since September 12, 2020.
- **Kandula Ramakrishna** is an Executive Director on the Board. He has been associated with the Company since October 1, 2021. He has professional experience in the field of engineering of over 14 years.
- **Sudhakara Reddy Siddareddy** is an Independent Director on the Board. He has been associated with the Company since June 4, 2022.
- **Yasuyuki Ikeda** is a Non-Executive Director on the Board. He has professional experience in glass lining industry of over 22 years.
- **Radhika Nannapaneni** is an Independent Director on the Board. She has been associated with the Company since May 29, 2024.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	6MFY25
Sales	497.6	543.7	307.2
% change	107.2%	9.3%	-
EBITDA	85.8	94.9	57.8
% change	112%	11%	-
Depreciation	7.7	9.3	5
EBIT	78.1	85.6	52.8
Interest	8.7	11.8	8
Other Income	2.5	6.0	4.9
Exceptional items	-	-	-
PBT	71.9	79.8	49.7
% change	113%	11.1%	-
Tax	18.4	19.8	13.5
Tax Rate (%)	26%	25%	27%
Reported PAT	53.4	60	36.3
Adj	-	-	-
Adj. PAT	53.4	60	36.3
% change	112.7%	12.3%	-
Post issue No. of shares (cr)	19.9	19.9	19.9
Adj EPS (Rs)	2.7	3.0	1.8
% change	112.7%	12.3%	-

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	6MFY25
PBT Adj.	71.9	79.80	49.74
<i>Non-operating & non cash adj.</i>	<i>17.4</i>	<i>19</i>	<i>10.2</i>
Changes in W.C	-67	-145	-69.3
C.F. Operating	2	-65	-19
Capital expenditure	-29.2	-33.1	-18
Change in investment	-	-124.9	-3.38
Sale of investment	-	-	-
Other invest.CF	0.2	1.1	-9.64
C.F - investing	-29	-156.8	-31.3
Issue of equity	33.4	193.2	-
Issue/repay debt	10.9	53.7	46
Dividends paid	-	-	-
Other finance.CF	-11.7	-15	-9.7
C.F - Financing	32.6	231.9	36.2
Change. in cash	5.4	10.1	-14.4
Opening Cash	0.1	5.4	15.46
Closing cash	5.5	15.5	1.0

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	6MFY25
Cash	5.4	51.9	39
<i>Accounts Receivable</i>	<i>91.3</i>	<i>154.8</i>	<i>191.5</i>
Inventories	143.4	224.8	254.9
<i>Other Cur. Assets</i>	<i>23</i>	<i>127.3</i>	<i>138.3</i>
Investments	-	-	-
Deff. Tax Assets	-	-	-
Net Fixed Assets	54.7	82.2	92.4
CWIP	3.3	4.5	5.2
Intangible Assets	20.4	13.9	21.6
Other Assets	6.3	6.0	13.5
Total Assets	348	665	757
Current Liabilities	104.3	121.2	127.2
Provisions	3.5	2.4	2.9
Debt Funds	82	129.3	173.8
Other Fin. Liabilities	0.8	1.8	0.5
Deferred Tax liability	1.5	1.7	5.2
Equity Capital	155.7	407.3	443.2
Reserves & Surplus	-	-	-
Shareholder's Fund	155.7	409.0	446.9
Total Liabilities	348	665	757
BVPS (Rs)	7.8	20.5	22.4

RATIOS

Y.E March	FY23	FY24	6MFY25
Profitab. & Return			
<i>EBITDA margin (%)</i>	<i>17.2</i>	<i>17.5</i>	<i>18.8</i>
<i>EBIT margin (%)</i>	<i>15.7</i>	<i>15.7</i>	<i>17.2</i>
<i>Net profit mgn.(%)</i>	<i>10.7</i>	<i>11</i>	<i>11.8</i>
ROE (%)	34.3	14.7	8.1
ROCE (%)	32.5	17.9	13.6
W.C & Liquidity			
Receivables (days)	64	83	28
Inventory (days)	172	212	69
Payables (days)	55	60	28
Current ratio (x)	2.4	4.5	4.8
Quick ratio (x)	0.9	1.7	1.8
Turnover & Levg.			
Net asset T.O (x)	11.5	7.9	3.3
Total asset T.O (x)	1.5	1.1	0.8
Int. covge. ratio (x)	9.0	7.3	6.6
Adj. debt/equity (x)	0.5	0.3	0.4
Valuation ratios			
EV/Sales (x)	5.8	5.4	9.7
<i>EV/EBITDA (x)</i>	<i>33.5</i>	<i>30.8</i>	<i>51.3</i>
P/E (x)	52.3	46.5	77
P/BV (x)	17.9	6.8	6.3

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