

IPO NOTE

STANDARD GLASS LINING TECHNOLOGY LIMITED

JAN 06th, 2024





Jan 06, 2024

Details of the Issue

Price Band	₹ 133 - ₹ 140
Issue Size	₹ 410.05 Cr
Face Value	₹ 10
Bid Lot	107
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,792.88 Cr
Investment Range	₹ 14,231 - ₹ 14,980

Important Indicative Dates (2024)

Opening	06 - Jan
Closing	08 - Jan
Basis of Allotment	09 - Jan
Refund Initiation	10 - Jan
Credit to Demat	10 - Jan
Listing Date	13 - Jan

Lead Manager

IIFL Capital Services Limited
Motilal Oswal Investment Advisors Limited

Offer Details

Offer Size	₹ 410.05 Cr
Fresh Issue	₹ 210 Cr
OFS	₹ 200.05 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	205	14.64	15.42	50
NIB	61.5	4.39	4.62	15
Retail	143.5	10.25	10.79	35
Em- ploy.	-	-	-	-
Total	410.05	29.28	30.83	100

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Company Profile

Standard Glass Lining Technology Limited manufactures engineering equipment for India's pharmaceutical and chemical sectors, with complete in-house production capabilities. The company offers turnkey solutions, including design, engineering, manufacturing, assembly, installation, and SOP support for its clients. Its product portfolio features Reaction Systems, Storage, Separation and Drying Systems, and Plant Engineering and Services. Products are crafted from glass-lined materials, stainless steel, and nickel alloy. Key customers include prominent names like Aurobindo Pharma, Laurus Labs, Natco Pharma, Granules India, Hetero Drugs, Piramal Pharma, and others. The company operates eight manufacturing units in Hyderabad, Telangana, and maintains sales offices in Gujarat, Maharashtra, and Andhra Pradesh, with a sales team positioned across key cities nationwide. As of September 30, 2024, the company employed 460 full-time staff and 731 contract laborers.

GEPL's Insight & Investment Thesis

- SGLTL, one of the top five manufacturers in India for engineering equipment catering to pharmaceutical and chemical companies, is well-positioned to benefit from the China+1 strategy and government support through PLI schemes. The chemical industry is projected to grow at a 9% CAGR, reaching INR 7,000 crore by FY26, while pharma capital expenditure is estimated to range between INR 120-150 billion by FY27.
- The company boasts a diverse product portfolio with 65 unique offerings across its range. It has a strong customer base, including marquee clients, with 30 pharmaceutical and chemical companies from the listed space as of June 2024.
- SGLTL is strategically expanding its presence into new industries such as Oil & Gas, Paint & Coating, Fragrance, and Aerospace. Additionally, the company plans to significantly increase its export revenue share, aiming a 20% contribution in FY25, from 0.5% in FY24. This growth is supported by planned capacity expansions and higher penetration into international markets. The expansion efforts are expected to enhance SGLTL's earnings visibility, positioning the company for a strong performance in FY25.
- The company has demonstrated robust financial growth, achieving a Revenue/EBITDA/PAT CAGR of 50%/53%/52% over FY22-FY24. It also delivered attractive returns in FY24, with an ROE of 14.3% and an ROCE of 17.5%.
- At the upper price band of INR 140, the IPO is valued at a PE of 43x FY24 earnings, which is attractive compared to its peers and supported by the company's strong profitability and margins. Hence, we recommend a "Subscribe" rating for the issue.

Business Highlights & Services

SGLTL is a leading player in the niche market of specialized engineering equipment for pharmaceuticals and chemicals in India, ranking among the top 5 manufacturers and holding a top 3 position in glass-lined stainless steel, nickel alloy-based equipment, and PTFE-lined pipelines. The company offers a diverse portfolio of over 65 products, including reaction systems, storage, separation, drying systems, and plant engineering services. With expertise in turnkey projects, SGLTL delivers end-to-end solutions, from design to commissioning, and excels in customization to meet complex client requirements. Its automated equipment optimizes critical processes like vacuum distillation, solvent recovery, and gas dispersion, enhancing operational efficiency. An integrated value chain ensures quality control, cost efficiency, and timely delivery, reinforcing its competitive edge. Positioned to benefit from growing investments in the pharmaceutical and chemical sectors, SGLTL is well-placed to capture rising demand for specialized engineering solutions.



As of September 30, 2024, the company had a diverse customer base of 347 companies, including prominent names such as Apitoria Pharma, Aurobindo Pharma, CCL Food and Beverages, Cohance Lifesciences, Cadila Pharmaceuticals, Deccan Fine Chemicals, Dasami Lab, Laurus Labs, Granules India, Macleods Pharmaceuticals, MSN Laboratories, Natco Pharma, Honour Lab, Hetero Drugs, Hetero Labs, Hazelo Lab, Piramal Pharma, Sanvira Biosciences, Suven Pharmaceuticals, Tagros Chemicals, Vamsi Labs, and Viyash Life Sciences. The company has established long-term relationships of over three years with 13 of its top 20 customers, With over 80% of its top 20 customers placing repeat orders, the company benefits from high switching costs due to its expertise in producing complex products. This ensures stable earnings visibility and a sustainable competitive advantage.

The company operates 8 strategically located manufacturing facilities in Hyderabad, Telangana, a key pharma hub accounting for 40% of India's bulk drug production. It has robust capabilities, including manufacturing reactors, receivers, and storage tanks (30-40,000 liters), producing 300-350 equipment monthly, and an exclusive capacity for 30 ANFDs per month. The company also manufactures 9,000 units of PTFE-lined pipes and fittings monthly and supplies pumps. Advanced technologies like 3D CAD, robotic welding, CNC machinery, and in-house CNC gasket manufacturing ensure customization, quality control, and operational efficiency. Initiatives like converting steel scrap into flanges further enhance sustainability and cost efficiency, supporting consistent quality, reduced defects, and reliable performance. SGLTL is poised for growth with a diversified product portfolio targeting high-demand industries like pharmaceuticals, chemicals, oil & gas, aerospace, and paints. Recent expansions include PTFE-lined pipes and vacuum pumps, complemented by investments in advanced manufacturing facilities and equipment to enhance capacity and efficiency. Strategic acquisitions and partnerships with industry leaders like Asahi Glass plant Inc. and GL Hakko have strengthened its product offerings and market presence. While traditionally focused on the domestic market, SGLTL is expanding internationally through agency agreements and exclusive supply arrangements, tapping into the global glass-lined equipment market, projected to grow at a 10.1% CAGR to \$3.4 billion by 2028. Backed by strong industry fundamentals, including rising capital expenditure and robust demand in pharmaceutical and chemical sectors, SGLTL is well-positioned to leverage its in-house expertise, certifications, and scalable operations to achieve sustained growth and profitability.

Business Segment Mix

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	63.23%
Storage, Separation and Drying Systems	1,011.97	32.94%	1,635.49	30.08%	1,540.96	30.97%	626.22	26.07%
Plant, Engineering and Services	406.36	13.21%	718.11	13.21%	387.04	7.78%	136.87	5.30%
Total	3,071.95	100.00%	5,436.69	100.00%	4,975.88	100.00%	2,401.87	100.00%

Industrial Mix

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%

Capex Details

Particulars	Six months period ended September 30, 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	₹ in million	% of total revenue from operations	₹ in million	% of total revenue from operations	₹ in million	% of total revenue from operations	₹ in million	% of total revenue from operations
Capital expenditure	140.43	4.57%	372.50	6.85%	300.76	6.04%	118.94	4.95%



Peers comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E
Standard Glass Lining Technology Limited	10	550	3.52	24.55	NA
Peers Group					
GMM Pfaudler Limited	2	3,467	39.80	215	30.64
HLE Glascoat Limited	2	977	6.52	61	56.54
Thermax Limited	2	9,556	57.30	394	81.24
Praj Industries Limited	2	3,510	15.42	69	52.54

Industry Outlook

India’s pharmaceutical market is one of the fastest-growing globally, with its value rising from INR 1,317.5 billion (USD 19.0 billion) in FY19 to INR 2,928.3 billion (USD 35.6 billion) by FY28. Contributing approximately 1.72% to the nation’s GDP, the market has seen a 9.0% CAGR over the past five years and is expected to continue growing at 9.5% annually over the next five years.

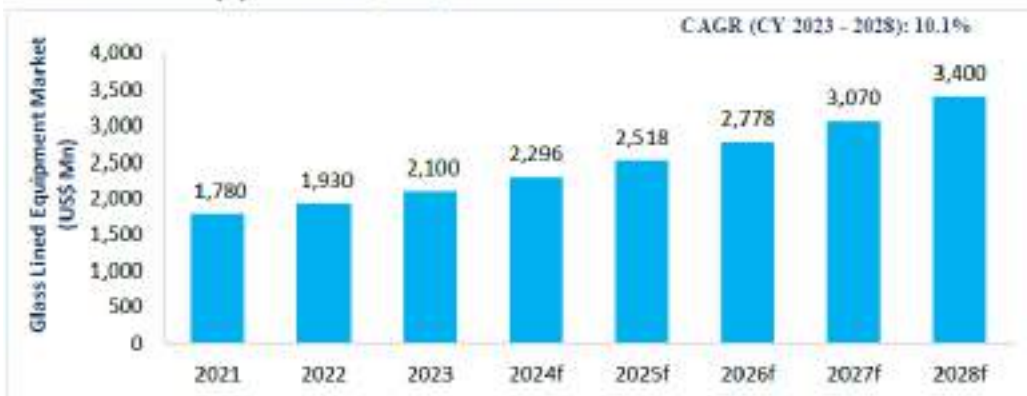
Domestic Pharma Market, India, FY19-FY28F



Capex in Indian Pharmaceutical Sector, FY2019 -FY2027 (Values in INR Bu.)



Glass Lined Equipment Market, Global, 2021-2028F





Companies Competitive Strength :

- One of the top five specialised engineering equipment manufacturers for pharmaceutical and chemical sectors in India with products across entire value chain.
- Customized and innovative product offering across the entire pharmaceutical and chemical manufacturing value chain.
- Strategically located manufacturing facilities with advanced technological capabilities.
- Long term relationships with marquee clientele across sectors.
- Select Case Studies of Enhancing Customer Relationships.
- Consistent track record of profitable growth.
- Experienced promoters and management team.

Strategies Implemented by Company

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

Financial Snapshot

Particular (INR in Cr)	Q2FY25	FY24	FY23	FY22
Equity Capital	182	182	16	15
Reserves and Surplus	262	389	140	54
Net Worth	447	409	156	69
Revenue	307	544	498	240
Growth (%)		9%	108%	
EBITDA	62	100	88	42
EBITDAM (%)	20%	18%	18%	17%
PAT	36	60	53	25
PATM (%)	12%	11%	11%	10%
ROE (%)	8%	21%	48%	55%
ROCE (%)	11%	25%	43%	42%



Notes

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