

Retail Research	IPO Note
Sector: Capital Goods	Price Band (Rs): 133 – 140
1st January 2025	Recommendation: Subscribe for long-term investment horizon

Standard Glass Lining Technology Ltd.

Company Overview:

Standard Glass Lining Technology Ltd (SGLTL) is amongst the top 5 specialized engineering component manufacturer in India for the pharmaceutical & chemical sector in terms of FY24 revenue, with in-house capabilities across the entire value chain. Its product portfolio comprises of core engineering equipment categorized into: (i) Reaction systems; (ii) Storage, separation & drying systems; and (iii) Plant, engineering and services (including other ancillary parts).

Key Highlights:

1. Market leader in the specialized engineering equipment segment with in-house capabilities: The company is amongst the top 5 specialized engineering component manufacturer in India for pharmaceutical & chemical sector, in terms of FY24 revenue. Further SGLTL is among the top 3 manufacturer of glass-lined, stainless steel & nickel alloy based specialized engineering equipment. The company possess 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. 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.

2. Customized and innovative product offerings: 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. As of Sep'24, the company's comprehensive product portfolio consists of 65+ product & offerings across the pharma and chemical industries and is also developing 15 more products. Further, the company also possess capabilities to cater to customized processes and needs of end users and to deliver large and complex projects with a wide range of equipment working as a single point of contact. The company can manufacture process equipment using alloys with 1 to 60 MM thickness applied in Food, Pharma and chemicals.

3. Strategically located manufacturing facilities: 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. SGLTL also has the capacity to manufacture 300-350 equipment per month across the product portfolio and has a dedicated facility to produce 30 Agitated Nutsche Filter Dryer (ANFD) per month. 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.

4. Long term relationships with marquee clients: SGLTL's ability to provide customised products and processes and its track record of timely fulfilment of customer orders, has helped it establish long-standing client relationships. As of Sep'24, it has 347 clients including marquee names like Aurobindo Pharma, CCL Foods & Beverages, Laurus Labs, Granules India, Natco Pharma etc. The company has been able to obtain repeat orders from more than 80% of its Top 20 customers in FY22, FY23, FY24 and 1HFY25 period.

Valuation: The company is valued at FY24 P/E and EV/EBITDA multiples of 47.8x/28.6x respectively based on the upper price band on the post-issue capital. The company has delivered strong performance with Revenue/EBITDA/PAT growing at 50.5%/53.1%/54.5% CAGR to Rs 543.7 cr/Rs 94.9 cr/ Rs 60.0 cr respectively between FY22-FY24. The growth outlook is robust as company is likely to grow its revenue between 20-25% in medium term with geographical and product expansion. The company is targeting 20% of revenue from export by 2026 v/s present 0.5%. While comparing with its close peers, the issue is fairly valued with superior margin profile. We recommend subscribing to the issue for long-term investment horizon.

Issue Details	
Date of Opening	06 th January 2025
Date of Closing	08 th January 2025
Price Band (Rs)	133 – 140
Offer for sale (shares)	1,42,89,367 (Rs 200 cr at upper price band)
Fresh Issue (Rs cr)	210
Issue Size (Rs cr)	400 – 410
No. of shares	3,00,78,841 – 2,92,89,367
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	2,664 – 2,793
BRLMs	IIFL Capital Services, Motilal Oswal Investment Advisors
Registrar	KFin Technologies Ltd
Bid Lot	107 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	Estimated utilization from net proceeds (Rs cr)
Repayment/prepayment of certain outstanding borrowings availed by the company and investment in wholly owned material subsidiary(S2 Engineering Industry Pvt Ltd), for repayment/prepayment of certain outstanding borrowings availed by the subsidiary from banks and financial institutions	130.0
Investment in material subsidiary S2 Engineering Industry Pvt Ltd for funding capex requirements towards purchase of Machinery and Equipment	30.0
Funding inorganic growth through strategic investments and/or acquisitions	20.0
Funding capex requirements of the company towards purchase of Machinery and Equipment	10.0
General Corporate Purposes [^]	[.]
Total proceeds from fresh issue	210.0

[^] To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with RoC. The amount to be utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	13,37,31,717	72.5
Public & Others	5,07,59,945	27.5
Total	18,44,91,662	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	12,05,06,350	60.4
Public & Others	7,89,85,312	39.6
Total	19,94,91,662	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY22	FY23	FY24	1HFY25
Revenue from operation	240.2	497.6	543.7	307.2
EBITDA	40.5	85.8	94.9	57.8
PAT	25.1	53.4	58.4	34.3
EBITDA Margin (%)	16.8	17.2	17.5	18.8
PAT Margin (%)	10.5	10.7	10.7	11.2
ROE (%)	36.5	34.3	14.3	-
ROCE (%)	27.1	33.9	17.1	-
P/E (x)*	101.1	47.6	43.6	-

Source: RHP, SSL Research

*Pre-issue based on upper price band

Risk Factors

- Raw material sourcing risk:** The company is dependent on a limited number of suppliers for key raw materials like stainless steel, carbon/ mild steel, nickel alloy, forgings, castings, chemicals and polytetrafluoroethylene powder etc. Further, due to the precise requirement of customers, 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 in a cost-effective manner may have an adverse impact on business, financial conditions and result of operations.
- Manufacturing facility risk:** The company conducts its operations through its 8 manufacturing facilities concentrated in Hyderabad. This concentration exposes the company to adverse economic or political conditions that may affect the demand for products in the region.
- Customer specific industry risk:** The company derives a substantial portion of its revenue from the pharmaceutical industry and thus is heavily dependent on long & short trends in the sector, especially the capital expenditure cycle. As of FY22/FY23/FY24/1HFY25, the company derived 85.5%/82.8%/81.8%/75.1% of its revenue from the pharmaceutical industry respectively. Any slowdown or downturn in the pharmaceutical industry may have an adverse impact on business, financial conditions and result of operations.
- Customer retention risk:** The company's arrangements with customers is generally based on a purchase order basis and doesn't have any long-term contracts with customers. Any failure to retain customers in a cost-effective manner, or any cancellations or reductions in orders by customers may have an adverse impact on business, financial conditions and result of operations.

Growth 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.

Revenue Mix – Industry Wise

Particulars	FY22		FY23		FY24		1HFY25	
	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue
Pharmaceuticals	205.4	85.5	412.0	82.8	444.7	81.8	230.7	75.1
Chemicals	32.4	13.5	71.3	14.3	68.2	12.5	40.2	13.1
Others	2.3	1.0	14.3	2.9	30.8	5.7	36.2	11.8
Total	240.2	100.0	497.6	100.0	543.7	100.0	307.2	100.0

Source: RHP, SSL Research

Revenue Mix – Business segment Wise

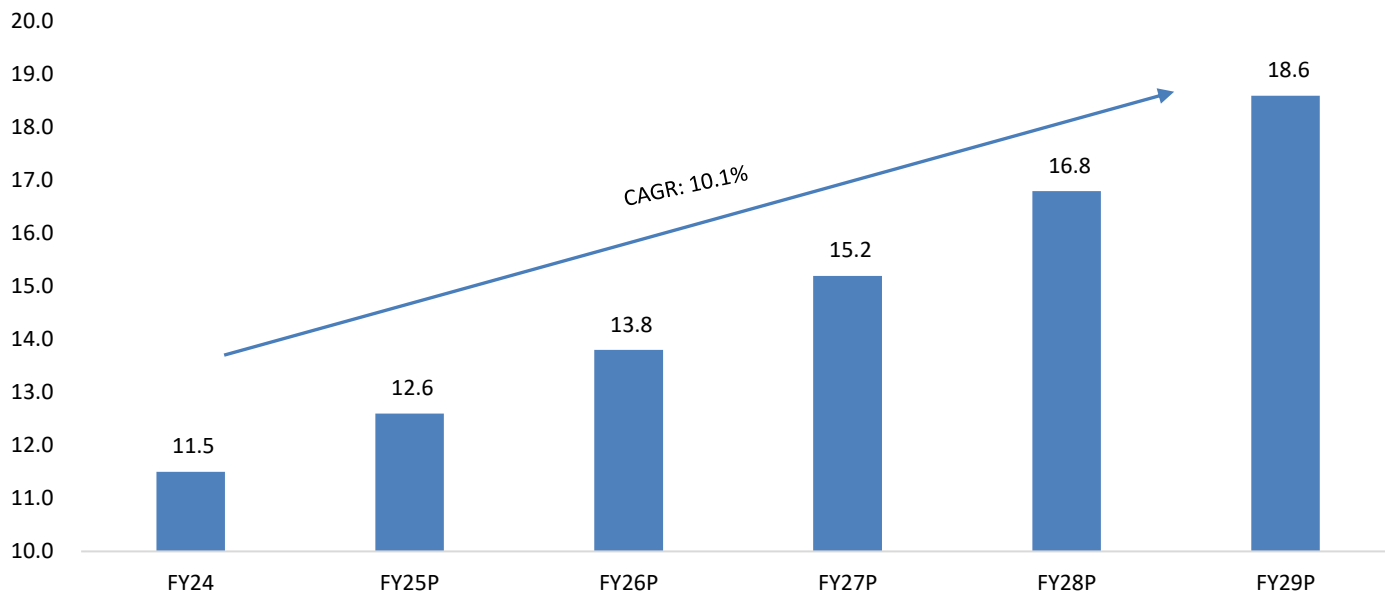
Particulars	FY22		FY23		FY24		1HFY25	
	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue	Rs cr	% of Total Revenue
Reaction Systems	163.9	68.2	304.8	61.3	308.3	56.7	165.4	53.8
Storage, Separation & Drying Systems	62.6	26.1	154.1	31.0	163.5	30.1	101.2	32.9
Plant, Engineering & Services	13.7	5.7	38.7	7.8	71.8	13.2	40.6	13.2
Total	240.2	100.0	497.6	100.0	543.7	100.0	307.2	100.0

Source: RHP, SSL Research

Industry Overview

The **Indian Glass Lined Equipment Market** was valued at ~Rs 11.5 bn in FY24 and is expected to grow at a CAGR of 10.1% between FY24-FY29P to reach Rs 18.6 bn by FY29P while **Global Glass Lined Equipment Market** is current valued at USD 21 bn as of CY23 and is expected to grow at 10.1% CAGR between CY23-CY28 to USD 34 bn. The industry is expected to grow rapidly driven by robust expansion in the pharmaceutical and chemical sector. Further, the glass lined equipment is currently consolidated in the country and is witnessing robust growth in the reactor and agitator segment due to their critical application in the pharmaceutical and chemical industry.

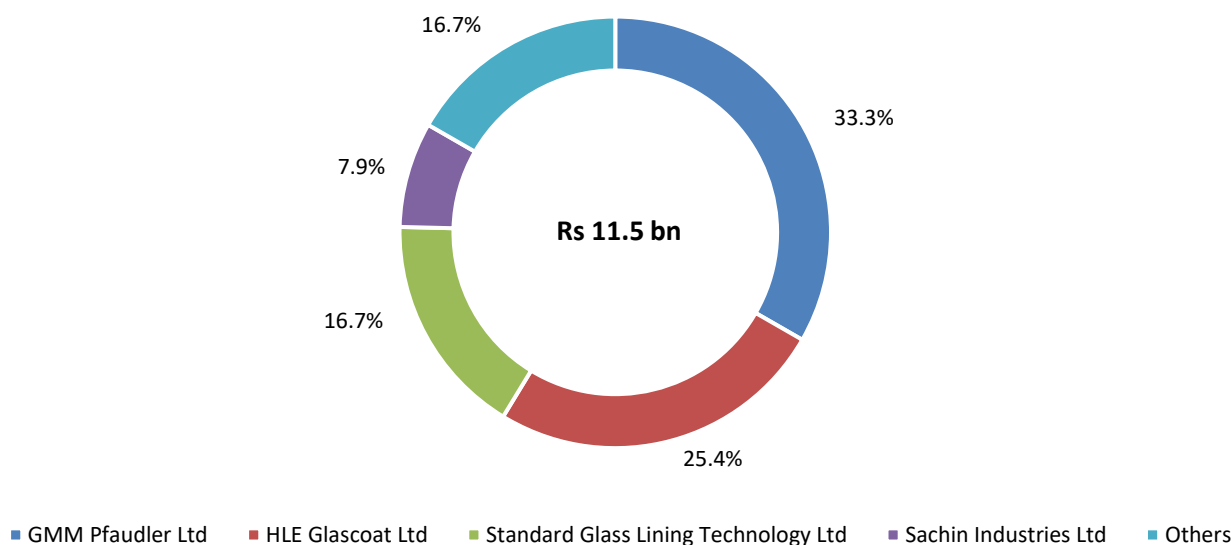
Indian Glass Lined Equipment Market (Rs bn)



Source: RHP, SSL Research

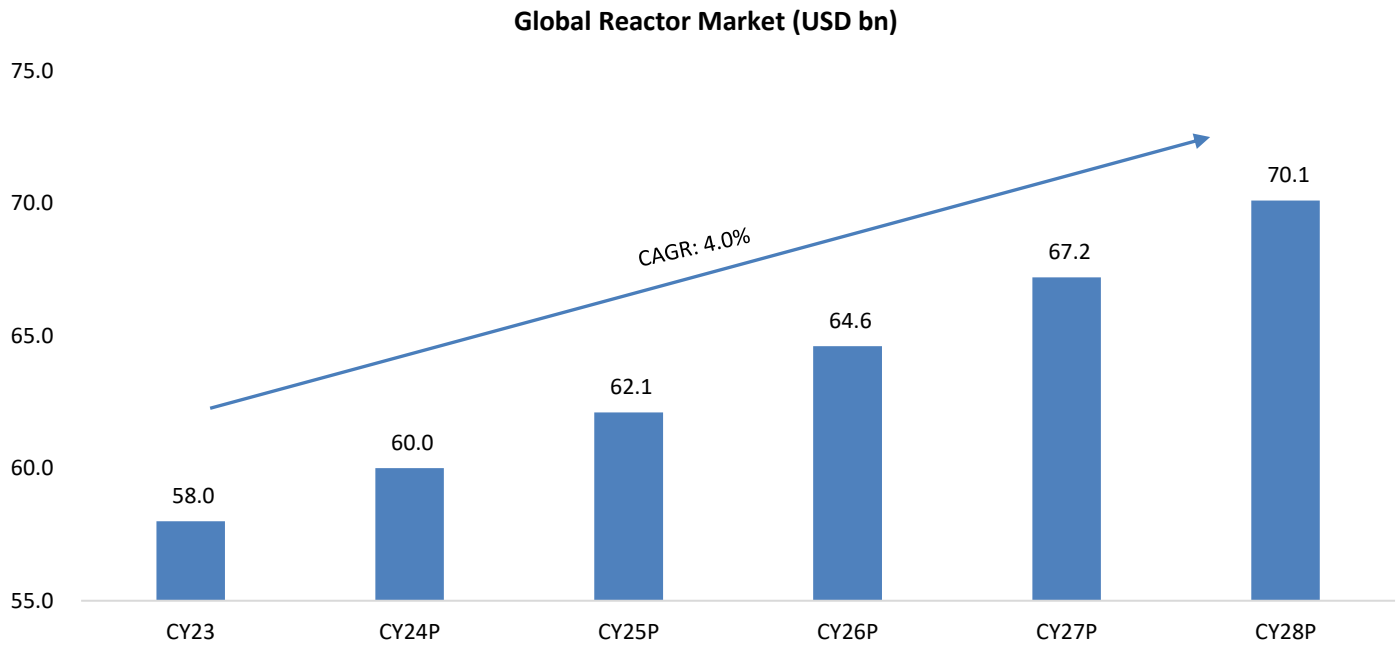
The market is highly concentrated with the Top 4 payers holding ~83% of the total market share. GMM Pfaudler Ltd is the market leader with 33.3% market share in FY24, followed by HLE Glascoat Ltd with 25.4% market share as of FY24. Standard Glass Lining Technology Ltd with 16.7% market share as of FY24 is amongst the Top 3 players in the market, with monthly capacity of 150-200 glass-lined vessels.

Indian Glass Lined Equipment Market - Market Share (FY24)



Source: RHP, SSL Research

The **Global Reactor (Pressure Vessel) Market** was valued at USD 58.0 bn in CY23 and is expected to reach USD 70.1 bn by CY28P, growing at a CAGR of 4.0% driven by significant growth in the chemical & petrochemical industry, along with the growing adoption of supercritical power generation industry.



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY22	FY23	FY24
Revenue from Operations	240	498	544
<i>YoY growth (%)</i>	-	107.2	9.3
Cost Of Revenues (incl. Stock Adj.)	115	285	318
Gross Profit	125	212	226
Gross margin (%)	52.1%	42.6%	41.6%
Employee Cost	14	16	21
Other Operating Expenses	71	111	110
EBITDA	40	86	95
EBITDA margin (%)	16.8%	17.2%	17.5%
Other Income	1	2	6
Interest Exp.	4	9	12
Depreciation	4	8	9
PBT	34	72	80
Tax	9	18	20
PAT	25	53	58
PAT margin (%)	10.5%	10.7%	10.7%
EPS	1.4	2.9	3.2

BALANCE SHEET			
Particulars (Rs cr)	FY22	FY23	FY24
Assets			
Net Block	32	55	82
Capital WIP	1	3	4
Intangible Assets	-	1	1
Right of use assets	20	20	13
Other Non-current Assets	8	6	6
Current Assets			
Inventories	126	143	225
Trade receivables	82	91	155
Cash and Bank Balances	-	5	52
Other Current Assets	29	23	127
Total Current Assets	238	263	559
Current Liabilities & Provisions			
Trade payables	62	75	89
Other current liabilities	94	32	36
Short-term provisions	1	1	1
Total Current Liabilities	158	107	126
Net Current Assets	80	156	433
Total Assets	141	240	540
Liabilities			
Share Capital	15	16	18
Reserves and Surplus	54	140	389
Total Shareholders' Funds	69	156	407
Minority Interest	-	-	2
Total Debt	49	60	114
Long Term Provisions	1	2	1
Lease Liabilities	21	22	16
Net Deferred Tax Liability	-	1	1
Total Liabilities	141	240	540

Cashflows (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	(7)	2	(65)
Cash flow from Investing Activities	(29)	(29)	(157)
Cash flow from Financing Activities	37	33	232
Free Cash Flow	(12)	(27)	(98)

RATIOS			
Particulars	FY22	FY23	FY24
Profitability (%)			
Return on Assets	8.4	15.4	8.8
Return on Capital Employed	27.1	33.9	17.1
Return on Equity	36.5	34.3	14.3
Margin Analysis (%)			
Gross Margin	52.1	42.6	41.6
EBITDA Margin	16.8	17.2	17.5
Net Profit Margin	10.5	10.7	10.7
Short-Term Liquidity			
Current Ratio (x)	1.2	1.6	2.3
Quick Ratio (x)	0.6	0.7	1.4
Avg. Days Sales Outstanding	125	67	104
Avg. Days Inventory Outstanding	191	105	151
Avg. Days Payables	95	55	60
Fixed asset turnover (x)	4.7	6.7	5.7
Debt-service coverage (x)	0.7	1.2	0.7
Long-Term Solvency			
Total Debt / Equity (x)	0.7	0.4	0.3
Interest Coverage Ratio (x)	10.0	9.3	7.8
Valuation Ratios			
EV/EBITDA (x)	64.6	30.5	27.6
P/E (x)	101.1	47.6	43.6
P/B (x)	36.9	16.3	6.2
EV/Sales (x)	10.9	5.3	4.8

Source: RHP, SSL Research

Peer Comparison

Particulars (Rs cr)	Standard Glass Lining Technology Ltd.	GMM Pfaudler Ltd.	HLE Glascoat Ltd.	Thermax Ltd.	Praj Industries Ltd.
CMP	140.0	1,175.9	369.0	4,040.0	821.9
Sales	543.7	3,446.5	967.9	9,323.5	3,466.3
EBITDA	94.9	496.8	112.1	797.4	387.8
Net Profit	60.0	174.1	40.9	643.2	283.4
Mkt Cap.	2,792.9	5,286.5	2,412.4	48,139.2	15,107.6
Enterprise Value	2,717.6	5,678.9	2,741.6	48,908.5	14,939.2
EBITDA Margin (%)	17.5	14.4	11.6	8.6	11.2
Net Margin (%)	11.0	5.1	4.2	6.9	8.2
PE (x)	47.8	30.2	56.6	70.5	53.3
EV/EBITDA (x)	28.6	11.4	24.5	61.3	38.5
RoE (%)	14.3	18.0	9.8	14.5	22.2
RoCE (%)	17.1	19.7	12.1	15.5	30.4
EV/Sales	5.0	1.6	2.8	5.2	4.3

The data is based on FY24 financial data.

For Standard Glass Lining Technology Limited the Market cap, PE(x), and EV/EBITDA (x), EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 31st December, 2024.

Source: RHP, SSL Research

SBICAP Securities Limited

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