

Type of Issue	Issue size Rs. Mn
Fresh Issue	2,100
Offer for Sale	2,001
Total	4,101
Post issue mkt cap (Rs. mn)*	27,929
Lot size	107 shares

***At Upper Price Band**

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%
Indicative Offer Timeline	
	Indicative Date
Bid/Offer Opening Date	Jan 6, 2025
Bid/Offer Closing Date	Jan 8, 2025
Finalization of the Basis of Allotment	Jan 9, 2025
Credit of shares	Jan 10, 2025
Initiation of refunds	Jan 10, 2025
Listing Date	Jan 13, 2025
Use Of Proceeds	
Capex towards PP&E	Rs 100 Mn
Repayment of borrowings	Rs 1,300 Mn
Investment in subsidiary	Rs 300 Mn
Capex towards acquisition	Rs 200 Mn
General Corporate Purposes	-
Lead Bankers	
Manager	IIFL Capital and Motilal Oswal Investment Ltd
Registrar	KFin Technologies Ltd.

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Set to benefit from rising pharma & chemical capex; SUBSCRIBE

Company Overview:

- Standing Glass Lining Technology specializes in fabrication and precision engineering for India’s pharmaceutical and chemical sectors.
- They manufacture products such as filtration and drying equipment, glass-lined equipment, heat exchangers, storage systems, PTFE-lined pipes and fittings, and vacuum pumps. They offer over 65 unique designs across their range of products.
- They have in-house capabilities to produce customizable core equipment for API and fine chemical manufacturing; and offer turnkey automated solutions for vacuum distillation, solvent recovery, and gas dispersion.
- Their portfolio comprises: **1. Reaction Systems (54% of sales); 2. Storage, Separation & Drying Systems (33% of sales); 3. Plant, Engineering & Service (13% of sales)** as of Q2FY25.
- **Segment mix (As on Sept-24): Pharmaceuticals - 75%, Chemicals - 13%, Others (Paint, Biotech, F&B) - 12%.**
- They supplied over 11K products in the last decade.
- The company operates out of 8 manufacturing facilities across 400k sq ft in Hyderabad, which contributes to 40% of India’s bulk drug production in FY24.
- Their marquee clients include approx. 30 of 80 pharma and chemical companies in NSE 500 as of June 30, 2024.
- They have sales offices in west and south India, plus Haryana, with pan-India reach, agreements for product marketing in Bangladesh and resale in North America, South America, Europe, Asia, and Africa.
- The company has agreement with HHV Pumps for vacuum pumps supply. They have also signed purchase arrangements with Japan-based Asahi Glassplant Inc. and GL Hakko for specific glass grades and exclusive collaboration with GL Hakko for glass-lined tubes for shell and tube heat exchangers sold in India and abroad (excluding Japan).

Valuation and View: At the upper price band of Rs 140, the IPO is priced at a Post-IPO dilutive FY24 P/E of 47.8x, which is ~13% discount to industry avg. The company has achieved strong growth with a Rev/EBITDA/APAT CAGR of 50%/53%/52% over FY22-24 and managed to clock impressive FY24 ROE of 14.3% and ROCE of 17.5%. The company specializes in fabrication and precision engineering equipment for pharmaceutical and chemical companies and is well-positioned to benefit from increasing global demand driven by the China+1 strategy and government support through the PLI scheme. The Indian chemical manufacturing industry is projected to grow at a 9% CAGR, reaching Rs 70 bn by FY26, while pharma capital spending is expected to remain at Rs 120-150 bn annually until FY27. We assign a “SUBSCRIBE” rating to the IPO.

Standard Glass Lining Technology Ltd

Shareholding Structure

Particulars	No. of Shares	% of Total Equity Capital	No. of shares*	% of Total Equity Capital
	Pre-IPO		Post-IPO	
Promoter	13,37,31,717	72.5%	12,24,15,350	61.4%
Public	5,07,59,945	27.5%	7,70,76,312	38.6%
Total	18,44,91,662	100.0%	19,94,91,662	100.0%

*At upper price band

List of Selling Shareholders

Selling shareholders	Shareholder Type	No. of shares
Kandula Ramakrishna	Promoter	28,70,651
Kandula Krishna Veni	Promoter	24,01,716
Nageswara Rao Kandula	Promoter	7,65,000
Kudaravalli Punna Rao	Promoter	75,000
M/s S2 Engineering Services	Promoter	52,04,000
M/s Standard Holdings	Public	5,04,000
Katragadda Venkata Ramani	Public	5,80,000
Venkata Siva Prasad Katragadda	Public	3,50,000
Krishna Kanth Kudaravalli	Public	2,00,000
Kudaravalli Srikanth	Public	2,00,000
Balabhavani K	Public	75,000
Likitha Katragadda	Public	3,50,000
Mahitha Katragadda	Public	3,50,000
Katragadda Harini	Public	3,50,000
Shirish Nilkantharao Dhamnekar	Public	14,000

Issue Structure

(Rs. Mn)	Cap
Net Offer	4,101
QIB Portion (50% of Offer)	2,050
Non Institutional portion (15% of Offer)	615
Retail portion (35% of Offer)	1,435

Key Financial Summary

(Rs. Mn)	FY22	FY23	FY24
Revenue	2,402	4,976	5,437
EBITDA	405	858	949
EBITDA margin	16.8%	17.2%	17.5%
Adj. PAT	251	534	584
Adj. PAT margin	10.5%	10.7%	10.7%

Key Risks

- **Geographical concentration of manufacturing facilities:** With all manufacturing facilities located in Hyderabad, Telangana, the company is exposed to risks from potential regulatory changes or trade restrictions imposed by the state government, which could halt production and impact revenue generation.
- **Challenges in raw material sourcing and supply chain:** The company relies on raw materials like stainless steel, nickel alloy, chemicals, and PTFE powder, with the top 10 suppliers contributing 53% of supplies. Raw materials are purchased based on customer orders, and the 90–180-day order-to-delivery cycle limits the company's ability to predict material needs or enter long-term supplier agreements. Due to this any disruptions or price increases from suppliers could raise costs and disrupt operations.
- **Dependency on pharmaceutical industry:** 75% of the company's revenue comes from the pharmaceutical industry. Changes in laws and regulations could affect demand for their products in the industry, leading to a loss of revenue.
- **Negative operating cashflows:** The company reported negative operating cash flows of Rs 650 mn due to higher inventory levels aimed at reducing delivery time. Additionally, trade receivables increased, with receivable days rising from 67 days in FY23 to 104 days in FY24, indicating delayed payments. This increase in inventory and receivables may strain cash flow, limit working capital, disrupt operations, and elevate financial risk, potentially hindering growth.
- **Underutilization of capacity:** The decline in capacity utilization in S2 Unit 4 in FY24 compared to FY23 is due to one-time bulk orders for heat exchangers in FY23. Continued underutilization could result in lost revenue and negatively impact profitability ratios.
- **Royalties agreement with AGI Japan:** As per management, the company has agreements with Japan-based Asahi Glassplant Inc. for procuring specific glass grades. As part of these agreements, it will pay royalties of 4% on India sales and 7% on export sales to AGI Japan.

Strengths:

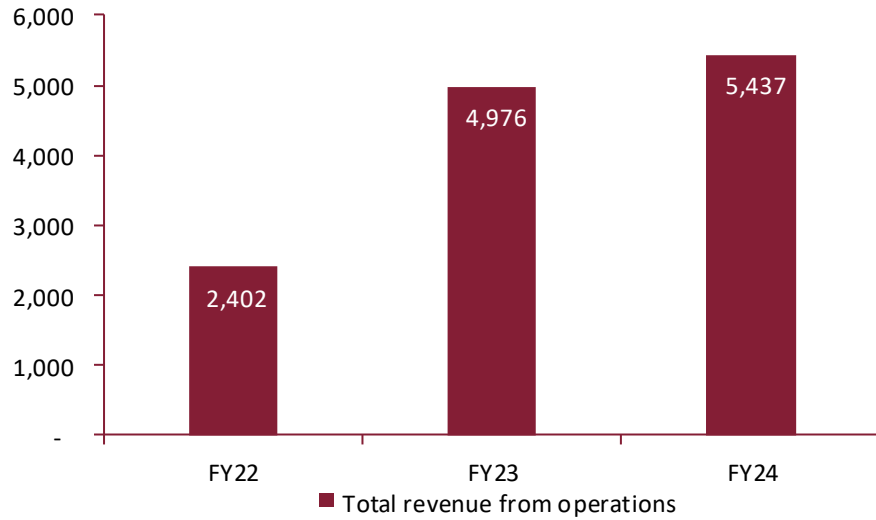
- **Customized and innovative product offering across sectors:** They offer customized and innovative process equipment using alloys with thicknesses from 1 mm to 60 mm, providing turnkey solutions including design, engineering, manufacturing, assembly, installation, and commissioning. Their products, like No Stain Glass, Smart Seal, and Stanglass, address global chemical and pharma industry challenges, offering cost-effective and specialized solutions that enhance market appeal.
- **Strategic manufacturing capabilities:** Their manufacturing facilities in Hyderabad, Telangana-India's pharma hub, accounting for 40% of bulk drug production-enable cost-effective and efficient solutions by reducing transport time and costs. They produce reactors, receivers, and storage tanks ranging from 30 to 40,000 liters, with a capacity of 100 reactors and 30 ANFDs per month. Additionally, they manufacture up to 9,000 units of PTFE-lined pipes and fittings monthly.
- **Strong customer base:** As of September 30, 2024, the company served 347 customers, with over 3-year relationships with 13 of its top 20 clients, including leading NSE-listed pharma and chemical firms like Aurobindo Pharma, Laurus Labs, and Natco Pharma. Repeat orders from 90% of its top 20 customers in FY24 highlight its reliability and strong market presence.

Strategies:

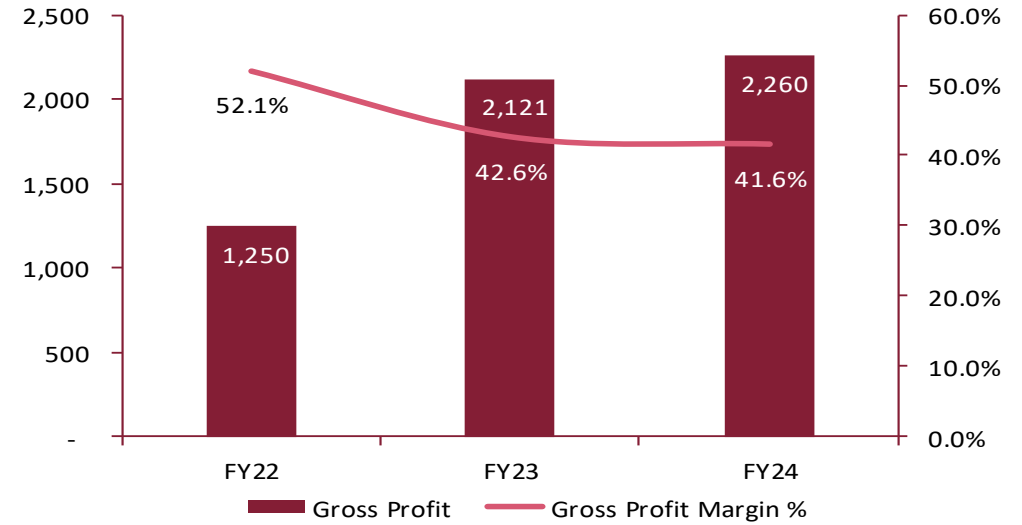
- **Expansion into new industries:** They plan to expand into new end-user industries such as oil and gas, paint and coatings, edible oils, flavors and fragrances, and aerospace. Leveraging their in-house manufacturing facilities, they aim to offer customized products tailored to customer needs.
- **Expansion of manufacturing facilities:** The company plans to use Rs 400mn from the fresh issue to expand existing facilities and towards the new S2 Unit 5 in Hyderabad. The funds will be used to purchase new machinery, including welding machines, cranes, and laser cutting machines, to enhance capacity for glass lining and stainless steel/nickel alloy equipment. This expansion will reduce delivery times and enable the company to increase orders.
- **International market expansion:** The company aims to expand its international presence by leveraging its diverse portfolio and exporting products. This strategy will increase its addressable market, diversify its customer base, and boost profitability by commanding higher prices in international markets.
- **Acquisition opportunities:** With existing agreements with Asahi Glassplant Inc. and GL Hakko, along with recent acquisitions of M/s Higenic Flora Polymers, M/s Yashasve Glass Lining Industries, and C.P.K Engineers Pvt. Ltd., the company plans to pursue further acquisitions that complement its current business or facilitate entry into new industries or geographies. This strategy aims to boost revenue and improve operational efficiency, enhancing profitability margins.

Standard Glass Lining Technology Ltd

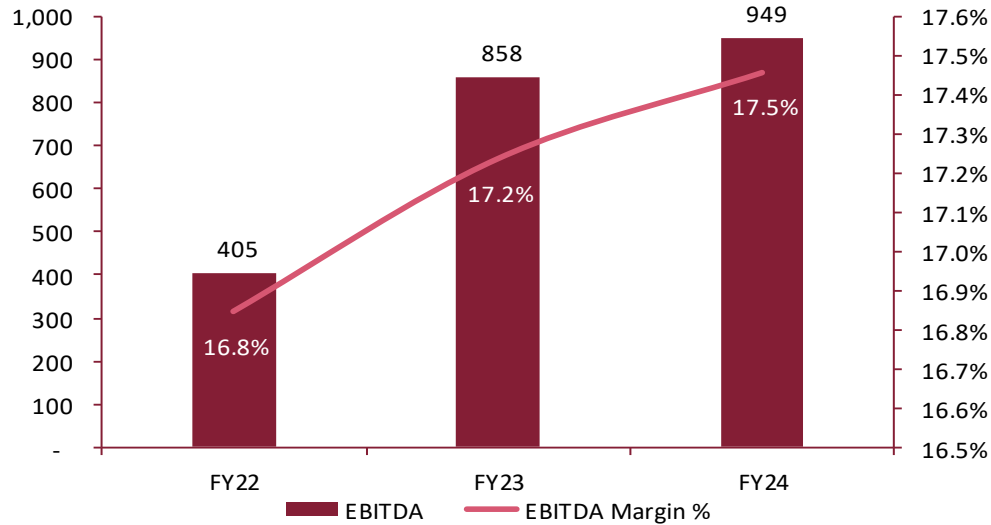
Revenue (Rs In Mn)



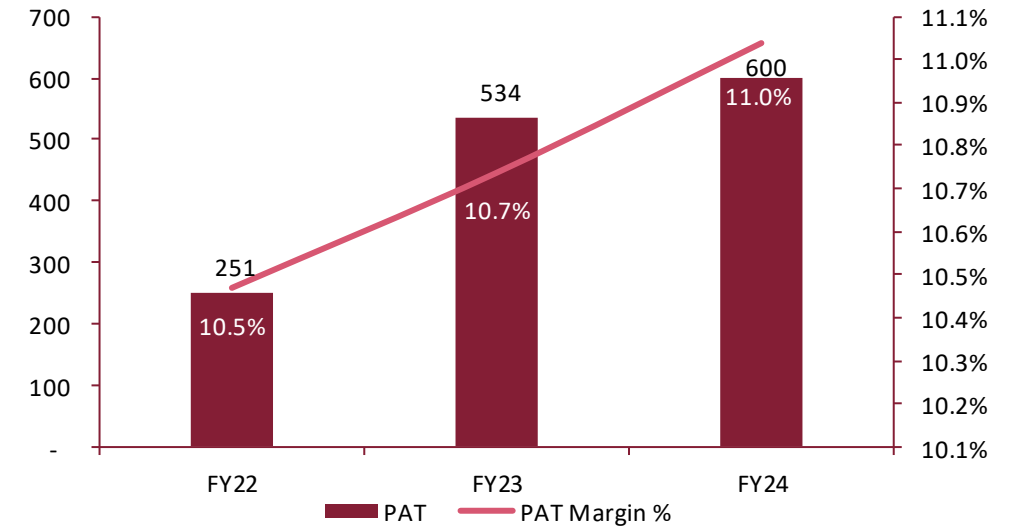
Reported gross profit & gross profit margin (Rs In Mn)



Reported EBITDA & EBITDA margin (Rs In Mn)



Reported PAT & PAT margin (Rs In Mn)



Revenue by end user industries

Particulars	FY24		FY23		FY22	
	Amt (Rs Mn)	% of total revenue	Amt (Rs Mn)	% of total revenue	Amt (Rs Mn)	% of total revenue
Pharmaceuticals	4,447	81.8%	4,120	82.8%	2,054	85.5%
Chemicals	682	12.5%	713	14.3%	324	13.5%
Others	308	5.7%	143	2.9%	23	1.0%
Total	5,437	100.0%	4,976	100.0%	2,402	100.0%

Revenue from different lines of business

Particulars	FY24		FY23		FY22	
	Amt (Rs Mn)	% of total revenue	Amt (Rs Mn)	% of total revenue	Amt (Rs Mn)	% of total revenue
Reaction Systems	4,447	81.8%	4,120	82.8%	2,054	85.5%
Storage, Separation and Drying Systems	682	12.5%	713	14.3%	324	13.5%
Plant, Engineering and Services	308	5.7%	143	2.9%	23	1.0%
Total	5,437	100.0%	4,976	100.0%	2,402	100.0%

Annual production and utilization

Particular	As of Sept 30, 2024			FY24			FY23			FY22		
	Amt (Rs Mn)	% of total revenue	Capacity Utilization	Amt (Rs Mn)	% of total revenue	Capacity Utilization	Amt (Rs Mn)	% of total revenue	Capacity Utilization	Amt (Rs Mn)	% of total revenue	Capacity Utilization
SGL Unit	805	576	71.6%	1,609	1,345	83.6%	1,609	1,166	72.5%	1,609	1,274	79.2%
S2 Unit 1	229	204	89.1%	458	332	72.5%	458	382	83.4%	115	99	86.5%
S2 Unit 2	190	182	95.8%	380	326	85.8%	380	223	58.7%	95	86	90.5%
S2 Unit 3	220	214	97.3%	440	440	100.0%	440	323	73.4%	110	41	37.3%
S2 Unit 4	342	221	64.6%	684	484	70.8%	684	684	100.0%	171	95	55.6%
SFPL Unit	54,000	35,558	65.9%	90,000	57,484	63.9%	-	-	-	-	-	-
CPK Unit 1	90	39	43.3%	-	-	-	-	-	-	-	-	-
CPK Unit 2	30	14	46.7%	-	-	-	-	-	-	-	-	-

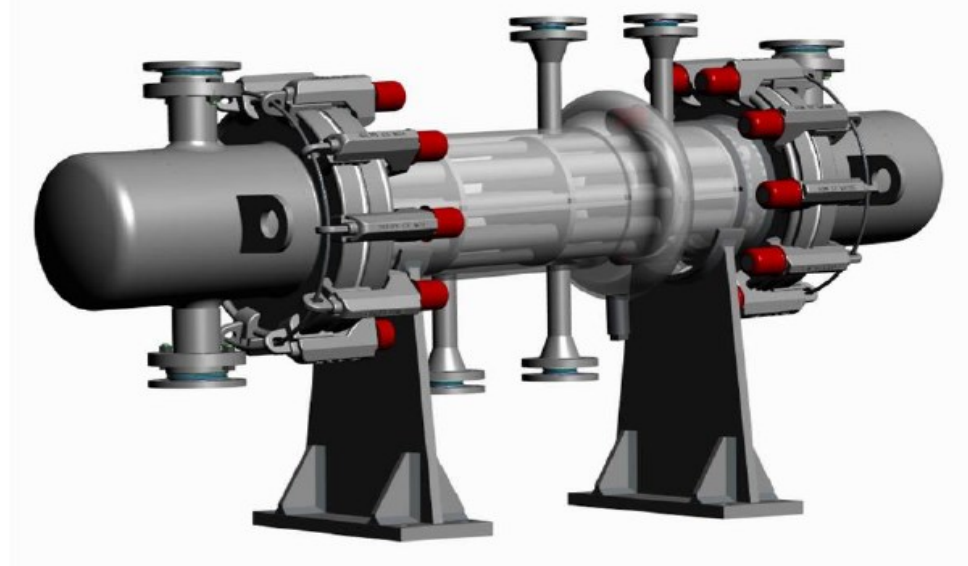
Storage Tanks



BE Reactor



Heat Exchangers



RCVD



AE Reactor



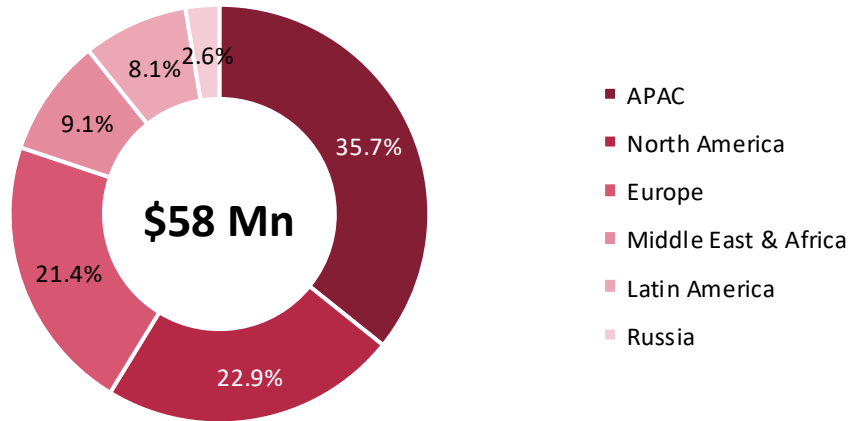
Peer comparison

Particulars	FY24				
	Standard Glass Lining Technology	GMM Pfaudler Ltd	HLE Glascoat Ltd	Thermax Ltd	Praj Industries
Revenue	5,437	34,465	9,679	93,235	34,663
EBITDA	949	4,968	1,209	10,300	4,313
EBITDA Margin (%)	17.5%	14.3%	12.4%	10.8%	12.3%
PAT	600	1,741	409	6,432	2,834
PAT Margin (%)	10.9%	5.0%	4.2%	6.7%	8.1%
ROCE(%)	17.5%	23.7%	12.7%	23.0%	35.1%
ROE (%)	14.3%	20.2%	8.0%	15.5%	24.1%
RoA (%)	11.9%	5.3%	3.9%	6.8%	10.3%
Total D/E	0.3	0.9	0.9	0.3	0.1
Net D/E	0.2	0.6	0.8	0.1	0.0
Net Fixed Asset Turnover Ratio	6.1	2.8	2.2	4.5	8.4
P/E (x)	47.8*	30.6	56.5	81.2	52.5

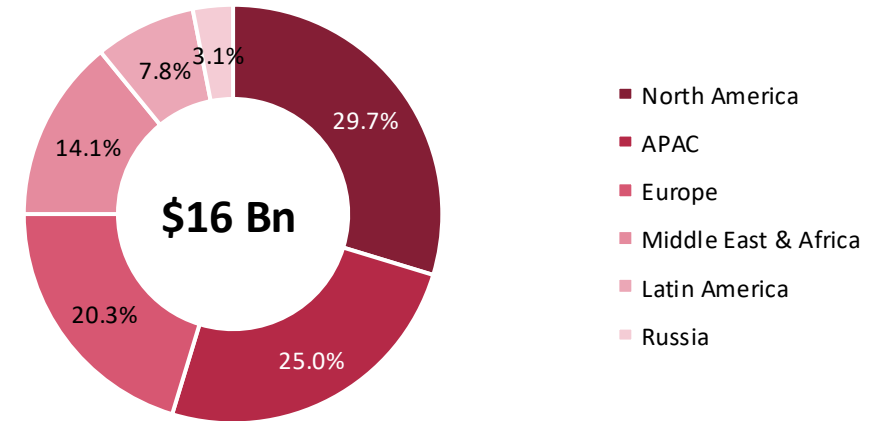
*Equity share capital as of post IPO

Industry Overview

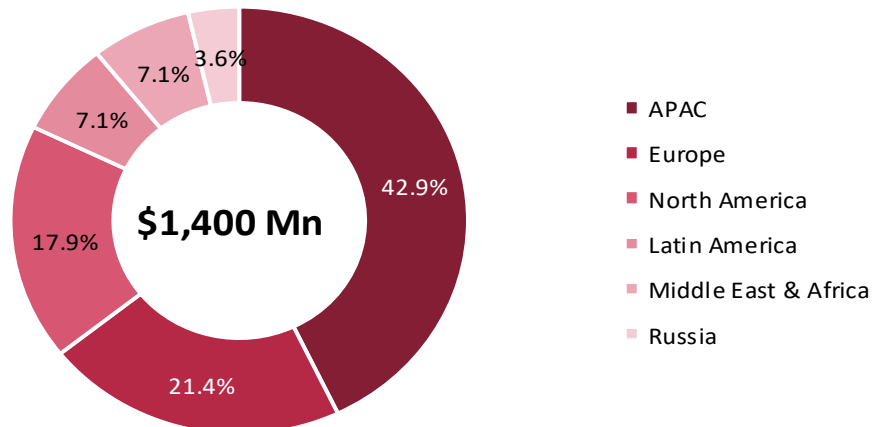
Reactors (Pressure Vessels) Market, Global, Split by Region, CY23 (%)



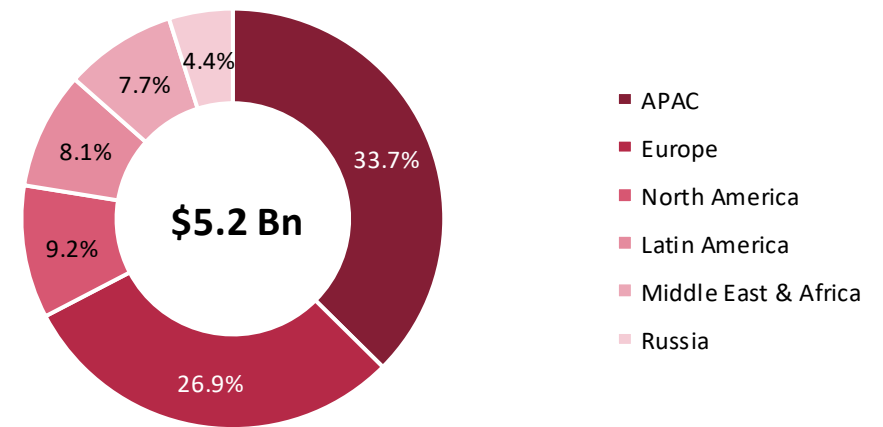
Storage Tanks Market, Global, Split by Region, CY23 (%)



Filters & Dryers Market, Global, Split by Region, CY23 (%)

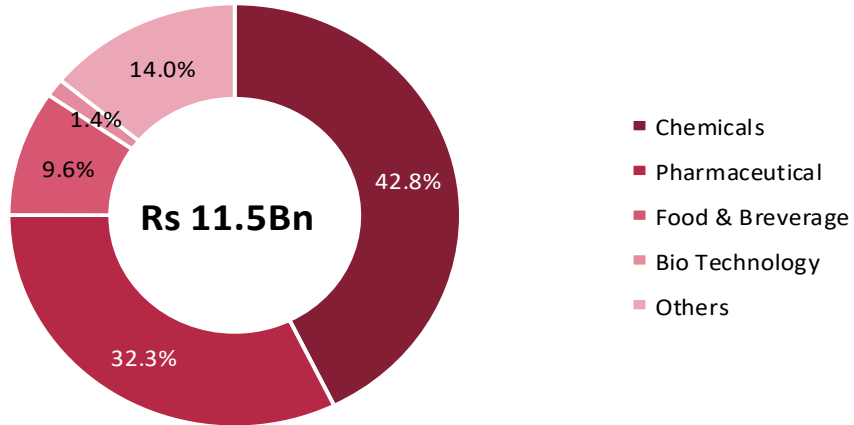


Vacuum Pumps Market, Global, Split by Region, CY23 (%)

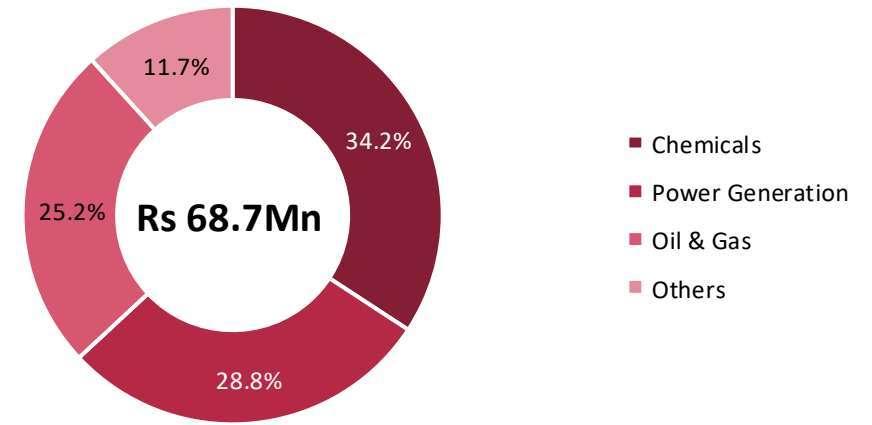


Industry Overview

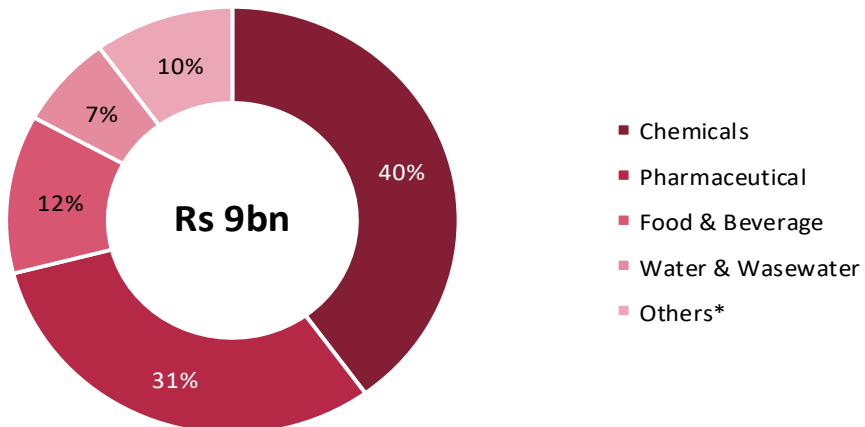
Glass Lined Equipment Market, India, Split by End-user Segment, FY24 (%)



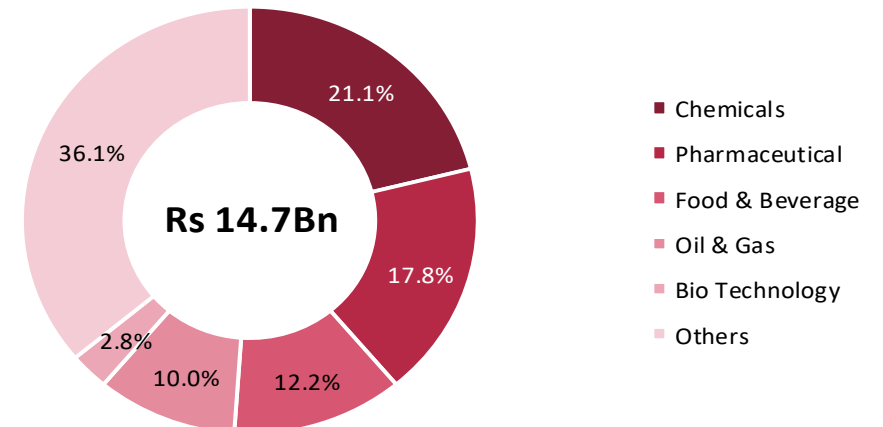
Reactors and Storage Market, India, Split by End-user Segment, FY24 (%)



Filters & Dryers Market, India, Split by End-user Segment, FY24 (%)

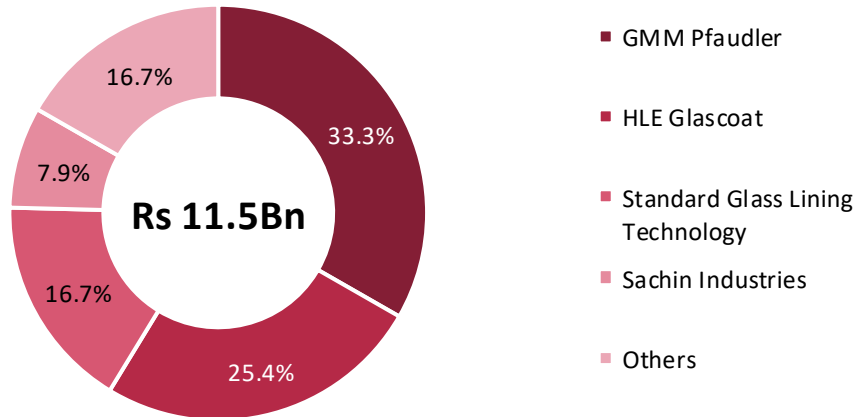


Vacuum Pumps Market, India, Split by End-user Segment, FY24 (%)

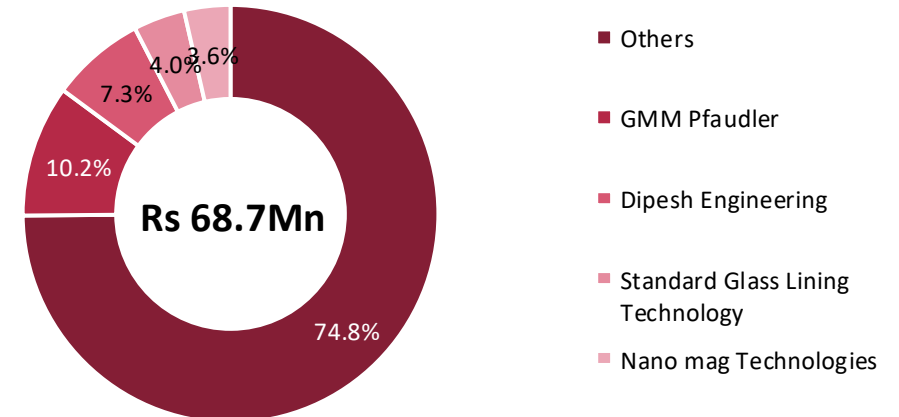


Industry Overview

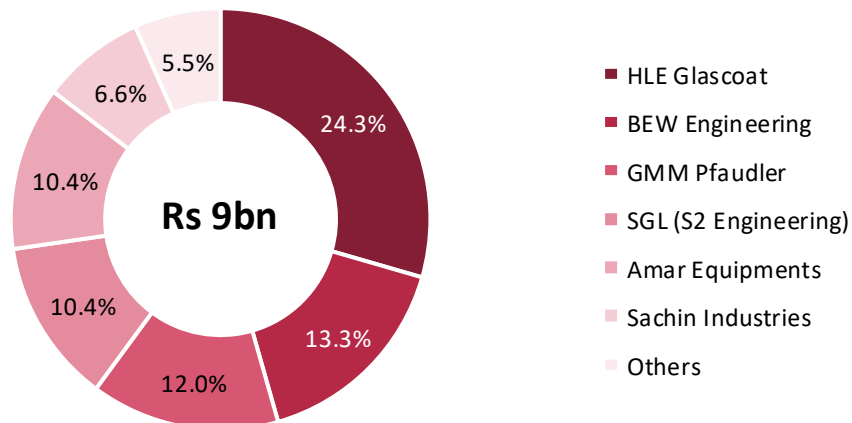
Glass Lined Equip Market, India, Market Share, by Key Players FY24(%)



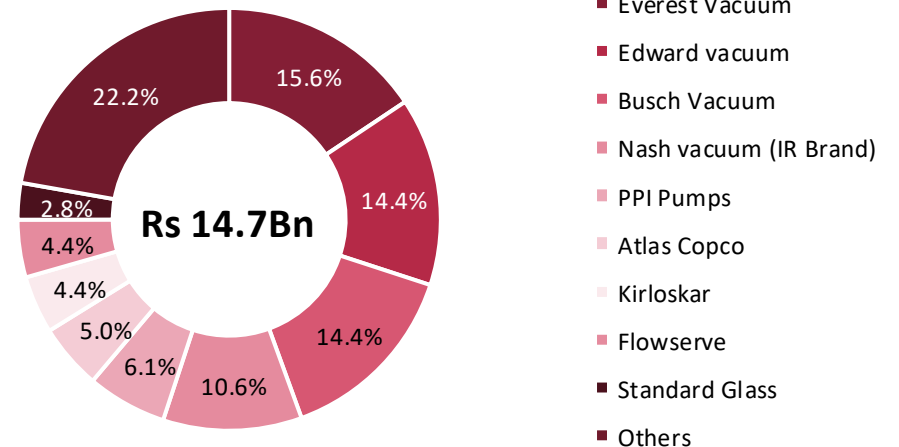
Reactors & Storage Tanks Market, Market Share, by Key Players FY24 (%)



India Filters & Dryers Market, Market Share, by Key Players FY24E (%)

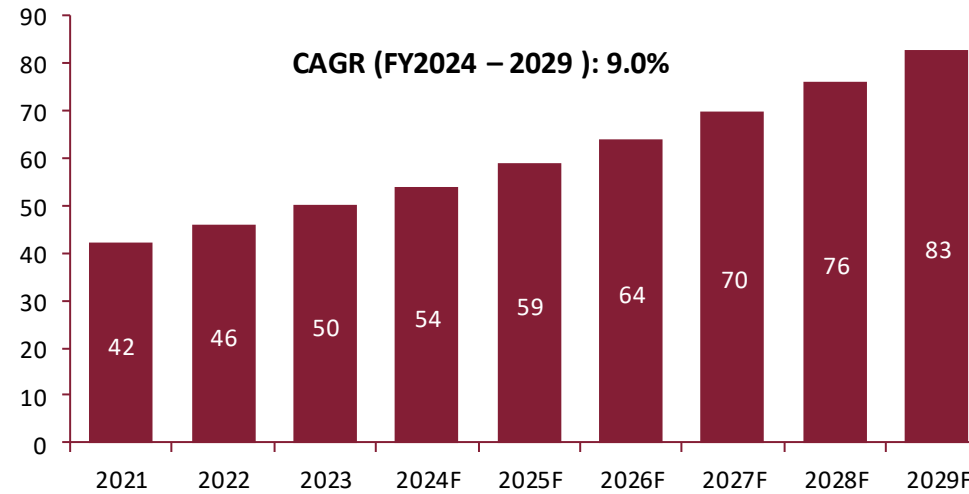


India Vacuum Pumps Market, Market Share, by Key Players FY24E (%)

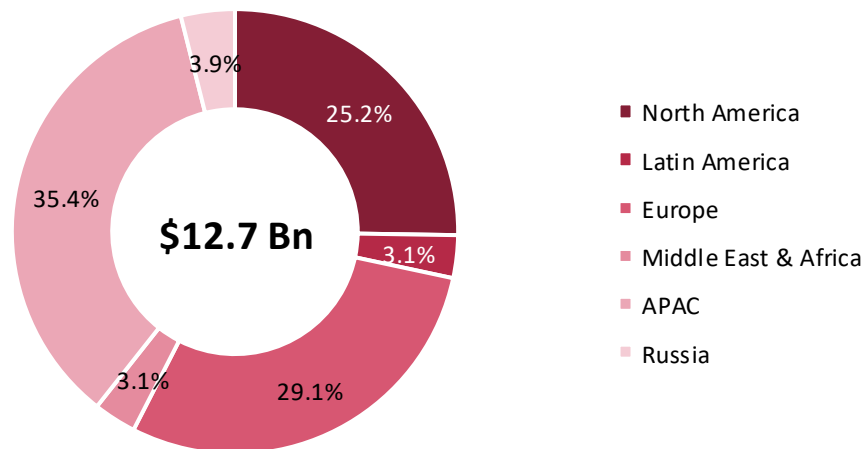


Industry Overview

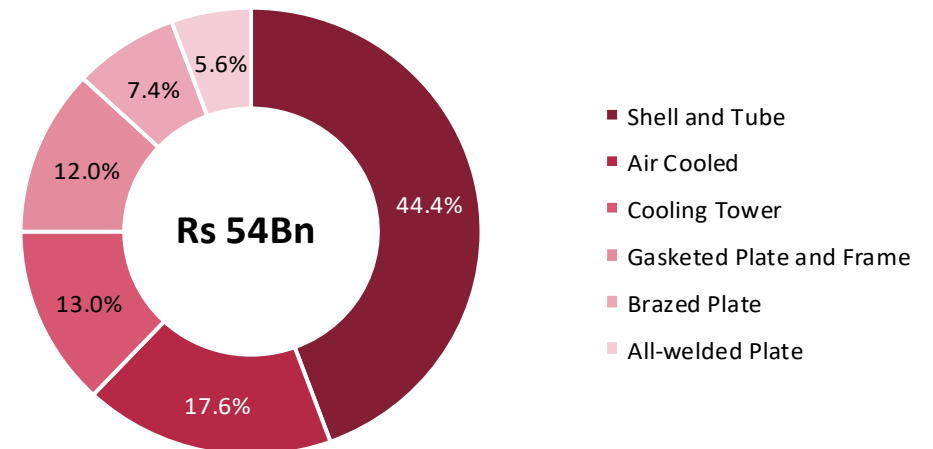
Heat Exchangers Market, Global, Split by Region, CY23 (%)



Heat Exchangers Market, Global, Split by Region, CY23 (%)



Heat Exchangers Market, India, Split by Product Type, FY24 (%)



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BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

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DISCLOSURE

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