IPO NOTE

Standard Glass
Customer Inspired Excellence

STANDARD GLASS LINING TECHNOLOGY LIMITED

03.01.2025

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- The Company was incorporated as "Standard Glass Lining Technology Pvt. Ltd" in Hyderabad on September 6, 2012. Subsequently, upon converting to a public limited company, the name was changed to "Standard Glass Lining Technology Ltd" on June 17, 2022.
- They are one of the top five specialised engineering equipment manufacturers for pharmaceutical and chemical sectors in India, in terms of revenue in Fiscal 2024, with in-house capabilities across the entire value chain.
- Their capabilities include designing, engineering, manufacturing, assembly, installation and commissioning solutions and establishing standard operating procedures for pharmaceutical and chemical manufacturers on a turnkey basis.
- They are also one of India's top three manufacturers of glass-lined, stainless steel, and nickel alloy-based specialised engineering equipment, in terms of revenue in Fiscal 2024.
- They were also one of the top three suppliers of polytetrafluoroethylene ("PTFE")- lined pipelines and fittings in India in terms of revenue in Fiscal 2024.
- They have been the fastest-growing company in the industry in which they operate during the past three completed Fiscals in terms of revenue.
- They 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.
- The company has eight manufacturing units situated in Hyderabad, Telangana.
- The company's sales offices are situated in Vadodara, Gujarat, Ankleshwar, Gujarat, Mumbai, Maharashtra and Vishakhapatnam, Andhra Pradesh and sales team members are in Jhagadia, Gujarat, Chennai, Tamil Nadu, New Delhi, Bengaluru, Karnataka and Vijayawada, Andhra Pradesh with pan-India reach.
- As of September 30, 2024, the company had 460 full-time employees and 731 contract labourers.

Issue Details

Price Band (in ₹ per share)	133.00-140.00
Issue size (in ₹ Crore)	400.05-410.05
Fresh Issue (in ₹ Crore)	210.00
OFS (in ₹ Crore)	190.05-200.05
Issue open date	06.01.2025
Issue close date	08.01.2025
Tentative date of Allotment	09.01.2025
Tentative date of Listing	13.01.2025
Total number of shares (lakhs)	300.79-292.89
No. of shares for QIBs (50%) (lakhs)	150.39-146.45
No. of shares for NII (15%) (lakhs)	45.12-43.93
No. of shares for S-HNI (33%) (lakhs)	15.04-14.64
No. of shares for B-HNI (66%) (lakhs)	30.08-29.29
No. of shares for retail investors (35%) (lakhs)	105.28-102.51
No of shares for Employee Reservation (lakhs)	NA
Minimum order quantity	107
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	14231-14980
Maximum no. of shares for Retail investors at Lower Band	1498 (14 lots)
Maximum no. of shares for Retail investors at Upper Band	1391 (13 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	199234-194740
Minimum no. of shares for sHNI (2 Lakhs) at upper band	1498 (14 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	7062 (66 lots)
Minimum number of shares for bHNI at upper band	7169 (67 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- NAGESWARA RAO KANDULA
- KANDULA KRISHNA VENI
- KANDULA RAMAKRISHNA
- VENKATA MOHANA RAO KATRAGADDA

Objects of the Offer

- Funding of capital expenditure requirements of the Company towards the purchase of machinery and equipment up to Rs. 10 crores
- Repayment or prepayment, in full or in part, of all or a portion of certain outstanding borrowings availed by the Company and investment in the wholly owned Material Subsidiary, S2 Engineering Industry Private Limited, for repayment or prepayment, in full or in part, of all or a portion of certain outstanding borrowings availed by S2 Engineering Industry Private Limited, from banks and financial institutions up to Rs. 130 crores
- Investment in the wholly owned Material Subsidiary, S2 Engineering Industry Private Limited, for funding its capital expenditure requirements towards the purchase of machinery and equipment up to Rs.30 crores
- Funding inorganic growth through strategic investments and/or acquisitions up to Rs.20 crores
- General corporate purposes.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	H1FY25	FY24	FY23	FY22
Share Capital^^	181.63	18.16	15.78	15.30
Net Worth	447.80	409.92	156.66	69.90
Revenue from Operations	307.19	543.66	497.58	240.18
EBITDA	62.70	100.91	88.25	41.77
EBITDA Margin (%)	20.09	18.36	17.65	17.30
Profit/(Loss) After Tax	36.26	60.01	53.42	25.14
EPS (in Rs.)	1.89	3.52	3.49	2.22
Net Asset Value (in Rs.)	24.40	24.55	10.17	6.08
Total borrowings	173.79	129.32	81.96	69.80
P/E#	37.04^	39.77	NA	NA
P/B#	5.74	5.70	NA	NA

**Restated consolidated financials; #Calculated at upper price band; ^Annualised; ^^issuance of 163,471,068 equity shares by way of bonus issuance in the ratio of nine Equity Shares for every one Equity Shares held*

Profit & Loss Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
INCOME			
Revenue from operations	240.19	497.59	543.67
Other Income	1.32	2.49	6.01
Total Income	**241.50**	**500.08**	**549.68**
YoY Growth (%)	*-*	*107.17%*	*9.26%*
Cost of Materials Consumed	139.19	299.67	351.66
Cost of Materials Consumed-% of Revenue	*0.58*	*59.92%*	*63.98%*
Changes in inventories of stock in trade	-24.04	-14.17	-33.99
Changes in inventories of stock in trade-% of Revenue	*-0.10*	*-2.83%*	*-6.18%*
Employee benefit expenses	13.52	15.75	20.77
Employee Expenses-% of Revenue	*5.60%*	*3.15%*	*3.78%*
Other expenses	71.06	110.58	110.33
EBIDTA	**41.78**	**88.26**	**100.92**
EBIDTA Margin (%)	*0.17*	*17.65%*	*18.36%*
Depreciation and amortisation expense	4.24	7.71	9.33
EBIT	**37.54**	**80.55**	**91.59**
EBIT Margin (%)	*0.16*	*16.11%*	*16.66%*
Finance costs	3.77	8.70	11.79
Profit before tax	**33.77**	**71.85**	**79.80**
Tax expenses			
Current tax	9.08	18.21	19.78
Deferred Tax	-0.45	0.22	0.01
Total tax expenses	**8.63**	**18.43**	**19.79**
Profit for the year	**25.15**	**53.42**	**60.01**
PAT Margin (%)	*0.05*	*10.74%*	*24.99%*
Earnings per share			
Basic earnings per share (₹)	2.22	3.49	3.52

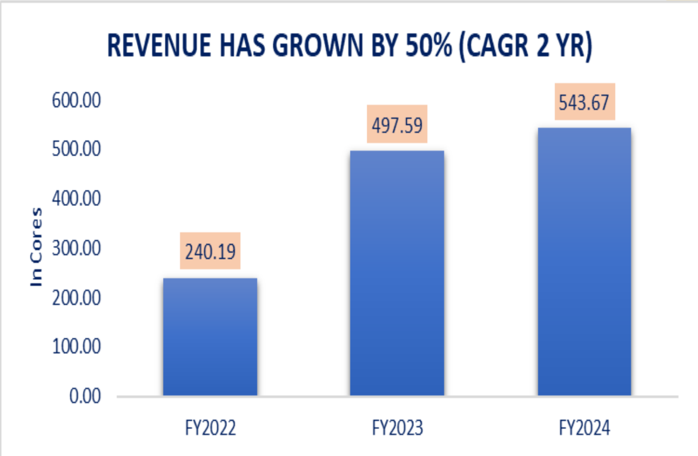
Cashflow Statement

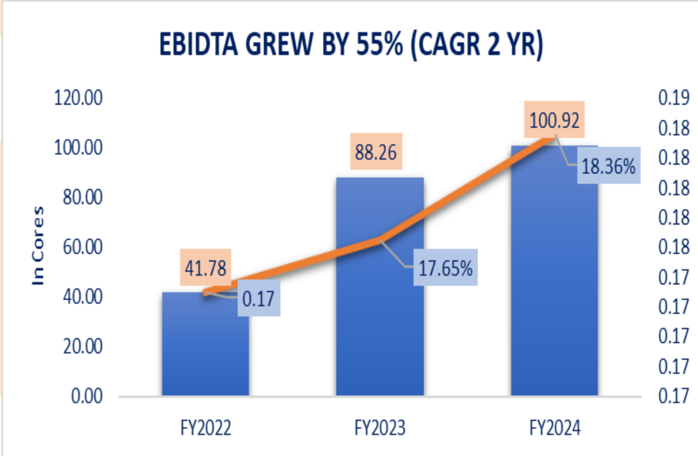
Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operating activities	1.36	22.24	-46.18
Income tax paid (net of refunds)	-8.51	-20.49	-18.85
Net cash generated from operating activities	-7.15	1.75	-65.03
Net cash used in investing activities	-29.74	-29.02	-156.83
Net cash used in financing activities	37.00	32.57	231.90
Net increase/ (decrease) in cash and cash equivalen	**0.11**	**5.30**	**10.03**
Cash and cash equivalents at the beginning of the ye	0.01	0.12	5.42
Cash and cash equivalent as at year end	**0.12**	**5.42**	**15.46**

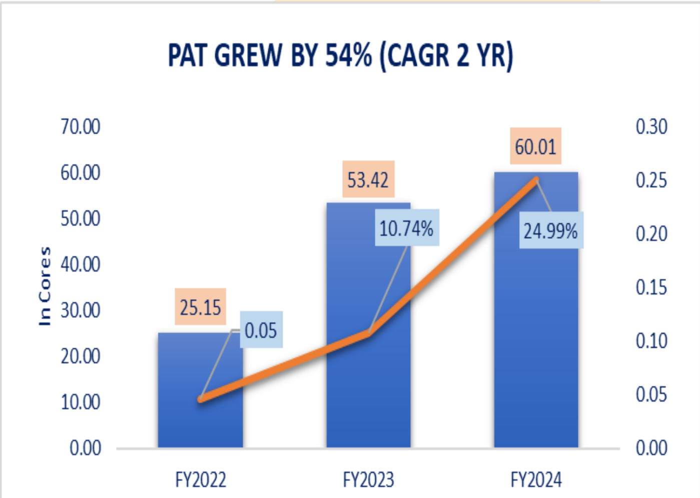
Balance Sheet

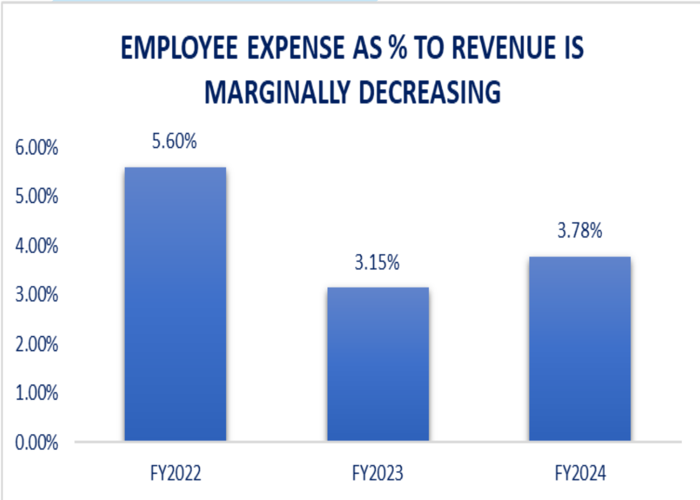
Particulars (In Crores)	FY2022	FY2023	FY2024
Assets			
Non-current assets			
Property, Plant and Equipment	31.93	54.68	82.21
Capital work in progress	0.70	3.29	4.47
Right of use assets	19.67	19.74	12.97
Goodwill	0.00	0.00	0.00
Other intangible assets	0.39	0.62	0.97
Financial assets			
Loans	0.25	0.00	0.00
Other financial assets	3.55	2.13	1.42
Income tax assets (net)	0.00	0.69	0.00
Other non-current assets	4.06	3.52	4.56
Total non- current assets	**60.55**	**84.66**	**106.60**
Current assets			
Inventories	125.93	143.41	224.80
Financial Assets			
Trade Receivables	82.17	91.28	154.78
Cash and Cash Equivalents	0.12	5.42	15.46
Bank balances other than Cash and Cash Equivalents	0.00	0.00	36.49
Other financial assets	1.22	5.20	95.53
Other current assets	28.12	17.82	31.73
Total current assets	**237.56**	**263.13**	**558.78**
Total assets	**298.11**	**347.79**	**665.38**
Equity and liabilities			
Equity			
Equity Share Capital	15.30	15.79	18.16
Other Equity	53.66	139.94	389.18
Non controlling interest	0.00	0.00	1.64
Total equity	**68.96**	**155.72**	**408.98**
Liabilities			
Non-Current liabilities			
Financial Liabilities			
Borrowings	6.79	3.03	0.58
Lease liabilities	18.25	18.47	12.43
Provisions	1.42	2.08	0.89
Deferred tax liabilities (net)	0.38	0.59	0.61
Total Non-Current liabilities	**26.84**	**24.17**	**14.50**
Current liabilities			
Financial liabilities			
Borrowings	42.36	57.03	113.20
Lease liabilities	2.41	3.43	3.11
Trade payables	0.00	0.00	0.00
Due to MSME	6.13	8.26	6.91
Due to other than MSME	56.35	66.71	81.80
Other financial liabilities	2.05	0.77	1.76
Provisions	0.59	0.83	0.89
Other current liabilities	89.32	29.36	32.49
Current tax liabilities (net)	3.10	1.50	1.75
Total current liabilities	**202.31**	**167.89**	**241.90**
Total liabilities	**229.15**	**192.07**	**256.40**
Total equity and liabilities	**298.11**	**347.79**	**665.38**

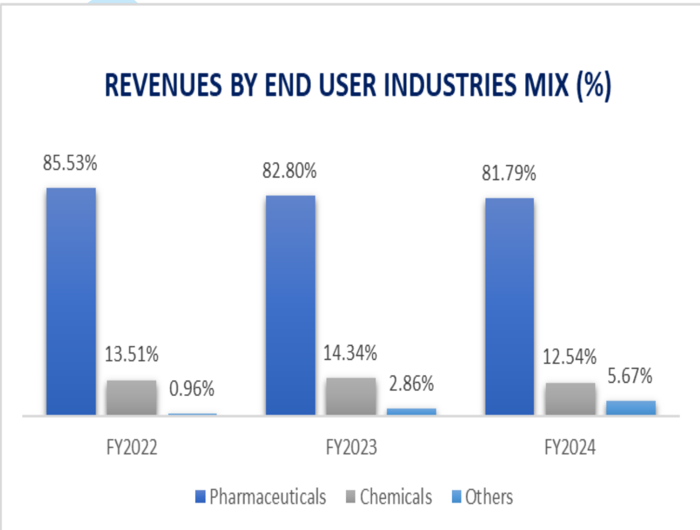
PERFORMANCE THROUGH CHARTS

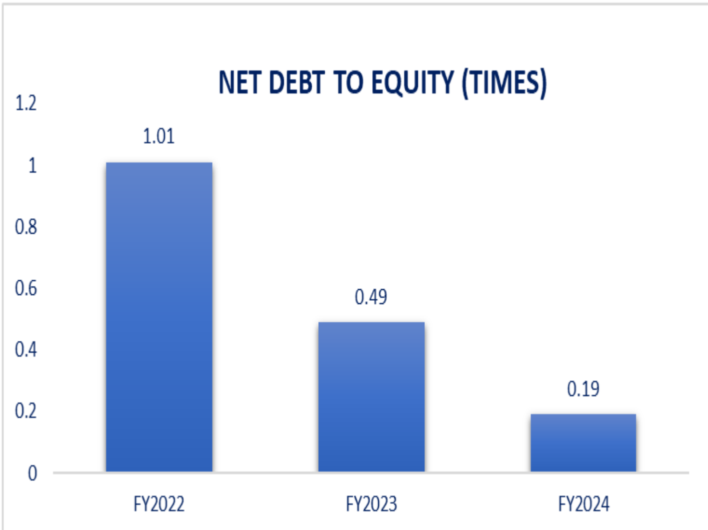












INDUSTRY REVIEW

Pharmaceutical Sector Outlook;

- The Pharma industry is one of the largest sectors of the Indian economy, contributing to both revenues and employment.
- Both domestic and foreign markets will continue to drive demand for select antivirals, antimalarials, and antibiotics from the sector.
- New product releases would drive the demand for Indian pharmaceuticals on the global market, helping to boost Indian pharmaceutical exports.
- It is anticipated that medicine demand will remain consistent, which will help the industry's earnings in the future.
- Technology will play a major role in the pharmaceutical industry moving forward, and any new developments must be patient-centred.
- The combination of biotech, AI, and R&D will enable people to have individualized healthcare plans that will extend their lives and enable them to be successful.
- Bulk drug manufacturing is a capital-intensive industry with a rapid technological turnaround.
- The overall industry has been buoyed by the increasing government and private equity investment in API manufacturers.
- It gives manufacturers access to capital to invest in new technology, implement high-quality standards, and expand manufacturing capacity.

Chemical Sector Outlook;

- India's per capita chemical consumption is about 1/10th of the World average, indicating the growth potential of the industry.
- In the subsequent years, India is anticipated to emerge as a consumer-driven economy and as a hub for the manufacturing of value-added goods.
- The business is anticipated to gain from the improved investment climate, projects being approved more quickly, and the proposed reform initiatives, all of which would increase industrial activity and, consequently, the need for chemicals.
- The chemicals sector is predicted to develop due to several variables, including the growing demand for specialized chemicals and pharmaceuticals, low per capita use of agrochemicals, a potential rise in demand from paints and textiles, and a diverse manufacturing base.
- The Indian chemical industry is still not as competitive as its Asian peers.
- India needs to address the basic problems of insufficient infrastructure and a shortage of affordable production feedstock if it hopes to compete on a global scale.
- To address the problem of feedstock supply, the industry can investigate alternate feedstock choices such pet coke, syngas, and coal gasification, as well as innovative technologies.

Global Glass-Lined Equipment Industry Outlook;

- The global Glass Lined Equipment market was estimated to be worth US$2,100.0 Mn in 2023.
- The market is expected to grow at a compound annual growth rate (CAGR) of 10.1% and generate US$3,400.0 Mn in revenue during the forecast period.
- This growth is primarily attributed to the exceptional corrosion resistance and durability of glass-lined equipment, making them highly favoured across industries such as pharmaceuticals, chemicals, and food processing.
- The market encompasses a variety of equipment types, including reactors, agitators, and heat exchangers, serving diverse applications in sectors like pharmaceuticals, chemicals, and agriculture.
- The market is anticipated to be driven by the increasing adoption of GLE in numerous industries, including pharmaceutical, chemical, food & beverage, and so forth.
- Due to its resistance to corrosion and lack of reactivity with the majority of compounds, GLE is indispensable in the chemical industry.
- GLE has a substantial market share in the pharmaceutical and chemical industries, and also substantial growth potential in the food and beverage and agriculture sectors.

COMPETITIVE STRENGTHS OF THE COMPANY

Continue to expand and improve their existing product portfolio and enter into additional end-user industries;

- They have consistently sought to diversify their portfolio of products that could cater to their customers across various segments and geographies, and they are well positioned to capitalize on industry opportunities.
- They intend to continue to strengthen their existing product portfolio in line with their capabilities and further diversify into products with prospects for increased growth and profitability.
- They are presently in the process of setting up additional manufacturing facilities. Further, they also plan to consolidate certain of their existing facilities to achieve cost efficiencies.
- The demand for pharmaceutical and chemical equipment engineering products is expected to continue to grow from Fiscals 2025 to Fiscals 2027 (Source: F&S Report).
- Capital spending is likely to remain at the current level or perhaps increase to between ₹120 billion and ₹ 150 billion per year up to Fiscal 2027, owing to local and export demand from semi-regulated markets (Source: F&S Report).
- Further, it is predicted that the players' capex will increase by 7% to 9% CAGR until FY2025-26, to reach INR 70 Bn per year in FY2025-26(Source: F&S Report).
- They anticipate that this will allow them to increase their operations through sales of existing products as well as newer products.
- They will continue to pursue new products within their existing segments as well as explore the use of their engineering capabilities to diversify their product offerings, especially in products from related segments.

Expand their capacity by increasing the capabilities of their existing manufacturing plants as well as setting up new manufacturing plants;

- Their capacity expansion is largely driven by customer demand and the growth of the end-use industries.
- To cater to the growing demand from their existing customers and to meet the requirements of new customers, they intend to expand their manufacturing capacities for existing products.
- As part of their growth strategy, they intend to continue to invest in the creation of additional capacities, both for their existing products as well as for the creation of new products.
- Towards this end, they intend to utilise an amount of up to ₹ 400.00 million from the Net Proceeds towards the expansion of their existing manufacturing units and upcoming facilities through funding of capital expenditure requirements of their Company towards the purchase of machinery and equipment.
- They propose to purchase new machinery and equipment to build up additional capacity for their glass lining and stainless steel and nickel alloy equipment operations from the Offer Proceeds.
- Some of the machinery and equipment that they intend to purchase are (i) welding machines, (ii) cranes; (ii) laser scanning cutting machines, etc.
- The installation of new machinery and equipment as well addition of a new facility will enable them to increase their production capacity, scale their operations, onboard new customers, introduce new products, better serve their existing customers, enable them to better address the business requirements of large customers, further improve their customer service and facilitate their growth strategy.
- Expansion in their capacity will also lead to a reduction in their delivery time which in turn would allow them to increase their orders in hand.

Capitalise on increasing demand from international markets to grow their exports;

- While their revenue from operations has grown at a CAGR of 50.45% between fiscal 2022 and Fiscal 2024, they have been predominantly focused on the domestic market with exports contributing to less than one per cent of their revenue from operations in each of Fiscal 2024, Fiscal 2023 and Fiscal 2022.
- To increase their share of revenues from international markets and to capitalise on increasing demand from international markets, they have agency arrangements for the sale and marketing of their products in Bangladesh as well as agency and distribution agreements for the sale, marketing and distribution of their products in Russia.
- They have also entered into an exclusive supply and purchase agreement of glass-lined equipment and related parts, accessories and components manufactured by them, across identified territories globally, including North America (excluding Cuba), South America, Europe (excluding Belarus and Russia) and certain countries in Asia and Africa.
- They aim to leverage their diverse product portfolio, customer acceptance in domestic markets and end-to-end offerings for specialised engineering equipment for pharmaceutical and chemical sectors to expand into international markets.
- They believe that as they increase their exports to international markets, they will be able to increase their addressable market, expand their geographical footprint and augment their revenues.
- Furthermore, their strategy of diversifying their customer base and expanding their geographical footprint will help them mitigate the risks associated with economic fluctuations in any one region and their high dependence on select customers.
- They have also received accreditations for the U symbol from The American Society of Mechanical Engineers, the NB mark from the National Board of Boiler & Pressure Inspectors and the R symbol from the National Board of Boiler & Pressure Vessel Inspectors.

RISK FACTORS

They are dependent on their manufacturing facilities, all of which are situated in Telangana, India. They are subject to risks in their manufacturing process.

- They conduct their operations through their eight manufacturing facilities located across Hyderabad, Telangana, India (their "Manufacturing Facilities").
- Their business is dependent upon their ability to manage and operate their manufacturing facilities, which are subject to various operating risks, including those beyond their control, such as obsolescence, industrial accidents, failure of power supply, severe weather conditions and natural disasters.
- In addition, they may be required to carry out planned shutdowns of their facilities for maintenance, and statutory inspections or may shut down certain facilities for capacity expansion and equipment upgrades.
- Their facilities and equipment would be difficult and costly to replace on a timely basis.
- Moreover, catastrophic events could also destroy any inventory located at their Manufacturing Facilities.
- Such concentration exposes them to adverse economic or political conditions that may affect the demand for their products in the region.
- Any changes in the policies of the state or local governments, political unrest, disruption, disturbance or downturn in the economy of Telangana, India could adversely affect their business, financial condition, results of operations, cash flows and prospects.

Their business is dependent on the availability and retainment of skilled labour and workforce, and if they are unable to hire and engage the appropriate personnel, their business, results of operations and financial condition shall be adversely affected.

- The success of their operations depends on the availability of skilled labour and maintaining a good relationship with their workforce.
- Their success also depends on their ability to attract, hire, train and retain skilled labour who are experienced in the manufacturing of glass lining equipment and other process equipment.
- As of September 30, 2024, March 31, 2024, March 31, 2023, and March 31, 2022, they employed 460, 378, 307 and 250 full-time employees and 731, 823, 550 and 489 contract labourers, respectively.
- Further, India has stringent labour and employment legislation that protects the interests of labourers/employees, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution, and employee removal, and legislation that imposes certain financial obligations on employers upon retrenchment.
- Their employees are not unionized.
- However, if their employees seek to unionize, it may impact their labour policies, which may increase their costs and adversely affect their business.

They are dependent on a limited number of suppliers for their key raw materials. The loss of one or more of these suppliers could adversely impact their manufacturing processes and supply timelines, in turn adversely impacting their ability to comply with delivery schedules agreed with clients resulting in an impact on their financial condition and results of operations.

- They source key raw materials from their suppliers and they have limited ability to seek preferential rates or additional discounts including for bulk purchases from these suppliers.
- Further, due to the precise requirements of their customers, they are required to source raw materials from suppliers accredited with certain of their customers, thereby limiting their ability to source raw materials from sources that may offer them preferential rates.
- Further, for certain of their key raw materials, they are dependent on a limited number of suppliers.
- If their inventory holding periods do not align with their order on hand, they may face a shortage of key raw materials or they may be faced with excess inventory, leading to inefficient utilization of resources, including working capital and space at their Manufacturing Facilities and may also cause cash flow constraints.
- The loss of one or more of these suppliers could adversely impact their manufacturing processes and supply timelines, in turn adversely impacting their ability to comply with delivery schedules agreed with clients resulting in an impact on their financial condition and results of operations.

PEER COMPARISON

Name of the company	Total Income (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	P/E*	P/B*
Standard Glass Lining Technology Ltd	549.68	10.00	3.52	24.55	20.74	39.77	5.70
GMM Pfaudler Ltd	3466.50	2.00	39.79	215.22	20.23	29.62	5.48
HLE Glascoat Ltd	976.73	2.00	6.52	61.06	7.99	56.61	6.04
Thermax Ltd	9556.03	2.00	57.28	394.1	15.53	70.53	10.25
Praj Industries	3509.77	2.00	15.42	69.36	24.09	53.25	11.84

**P/E & P/B ratio based on closing market price as of December 31st, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.*

KEY BUSINESS INSIGHTS

Product Portfolio and Technology:

- The company provides a comprehensive range of products including reaction systems, storage systems, drying systems, and plant engineering services.
- Utilizes proprietary technology from AGI, a Japanese precision glassware company, to manufacture high-margin advanced equipment.
- Pays royalties of 4% and 7% on domestic and international heat exchanger sales, respectively.

Market and Client Base:

- Operates in a ₹1,500 crore annual growth market.
- Serves 800 out of India’s 6,000 potential clients.
- Aim for significant export revenue growth (20% in the next year) with margins double those of domestic sales.
- Holds a robust ₹450 crore order book supported by 20-30% advances.
- Sector contributions: Pharma (82%), Agrochemicals (13%), Other industries (5%).

Automation and Maintenance Services:

- Initiates automation, including robotics, to boost operational efficiency.
- Launched a maintenance services segment for comprehensive customer support, from manufacturing to installation and maintenance.

Expansion and Financial Projections:

- Plans a 36-acre greenfield expansion to scale capacity and improve margins.
- Projects a 20-25% revenue increase in FY25, driven by exports and strategic market penetration.

Revenue and Growth:

- Revenue from Operations on a consolidated basis increased by 50.45% between FY 2022 and FY 2024.
- Recognized as the fastest-growing company in the industry compared to peers over the past 3 years.

OUR VIEW

Standard Glass Lining Technology Limited (SGL), established in 2012, specializes in the manufacture of engineering equipment for pharmaceutical and chemical industries. The company provides comprehensive turnkey solutions encompassing design, manufacturing, installation, and maintenance services, thereby offering an end-to-end service model for clients.

SGL boasts a robust order book valued at ₹450 crore, emphasizing automation and operational efficiency. The company aims for a 20% contribution from export revenues in the next fiscal year by leveraging proprietary technology from its Japanese partner AGI, known for high-margin products. SGL’s strategic diversification into maintenance services significantly enhances customer retention, achieving 100% repeat business due to a superior product lifespan of 15 years compared to competitors' 4-5 years.

The company is currently valued at a price-to-earnings (P/E) ratio of 39.77x, which is favourable compared to the industry average of 52.50x. SGL exhibits a strong return on equity (RoE) of 20.74%, surpassing the sector's average of 16.96%. Anticipated capacity expansion and export-driven growth are projected to further bolster the company’s financial ratios.

Given SGL’s market leadership, extensive client base, and strategic growth initiatives, We recommend to **SUBSCRIBE** to this issue for listing & long-term gains.

Sources: Company website and red herring prospectus

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(A Wholly Owned Subsidiary of Canara Bank)

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Analyst Certification

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