

IPO REPORT



STANDARD GLASS LINING TECHNOLOGY LIMITED

05 JAN 2025

RATING: SUBSCRIBE

REASON: AVAILABLE AT LOWER
VALUATION COMPARED TO PEERS. SO
POTENTIAL OF HIGH LISTING GAINS

VISHAL TREHAN

Your Partner for Stock Market
Investments

Reg. Number INH000016816

ABOUT THE ISSUE

Issue Date	06 Jan to 08 Jan 2025
Price Band	₹133 - ₹140
BidLot	107 shares
Issue Size	₹410 cr
No. of Shares (Post Issue)	19.9 cr
Offer for Sale	48% (this goes to promoters pocket)
Fresh issue	52% (this goes to company accounts)
Purpose of IPO funds	130 crore goes for loan repayments and some 40 crore for Capex
Post-Issue Implied Market Cap	~₹2800 cr
Listing at	BSE, NSE

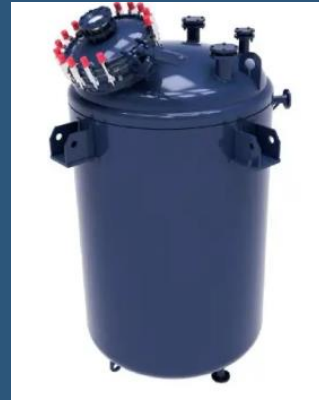


STANDARD GLASS LINING TECHNOLOGY

one of the top five specialised engineering equipment manufacturer for pharmaceutical and chemical sectors in India, with in house capabilities across the entire value chain. Product portfolio include core equipments used in the manufacturing of pharmaceutical and chemical products, which can be categorized into: (i) Reaction Systems; (ii) Storage, Separation and Drying Systems; and (iii) Plant, Engineering and Services (including other ancillary parts)



Glass Lined Reactors



Glass Lined Receivers



Glass Lined Rotatory Cone Vacuum Dryers

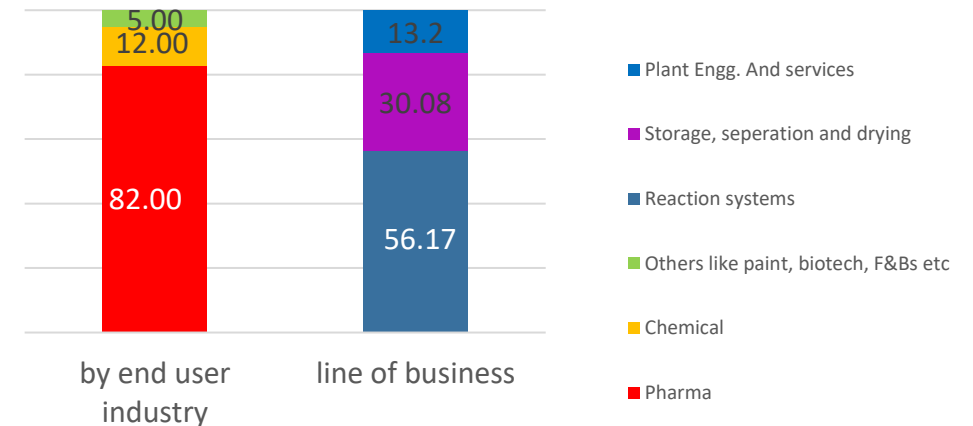
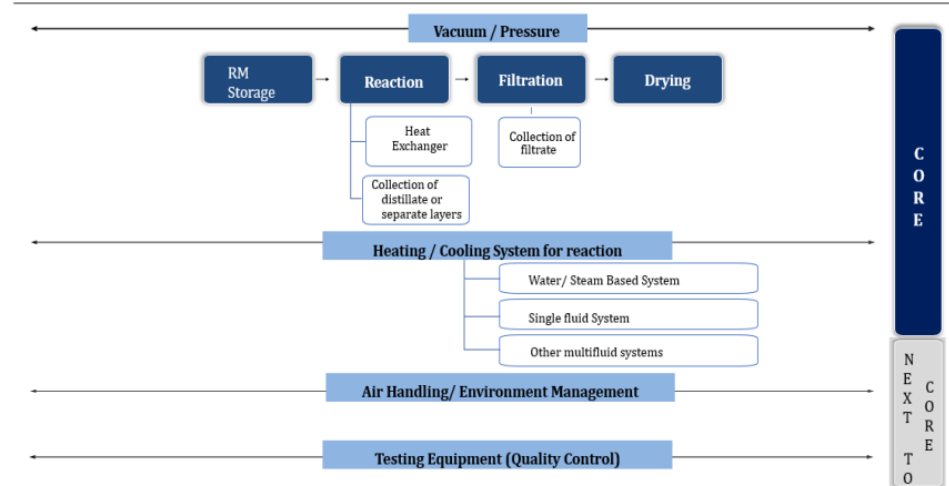


Glass Lined Heat Exchangers

SCOPE OF OPERATIONS

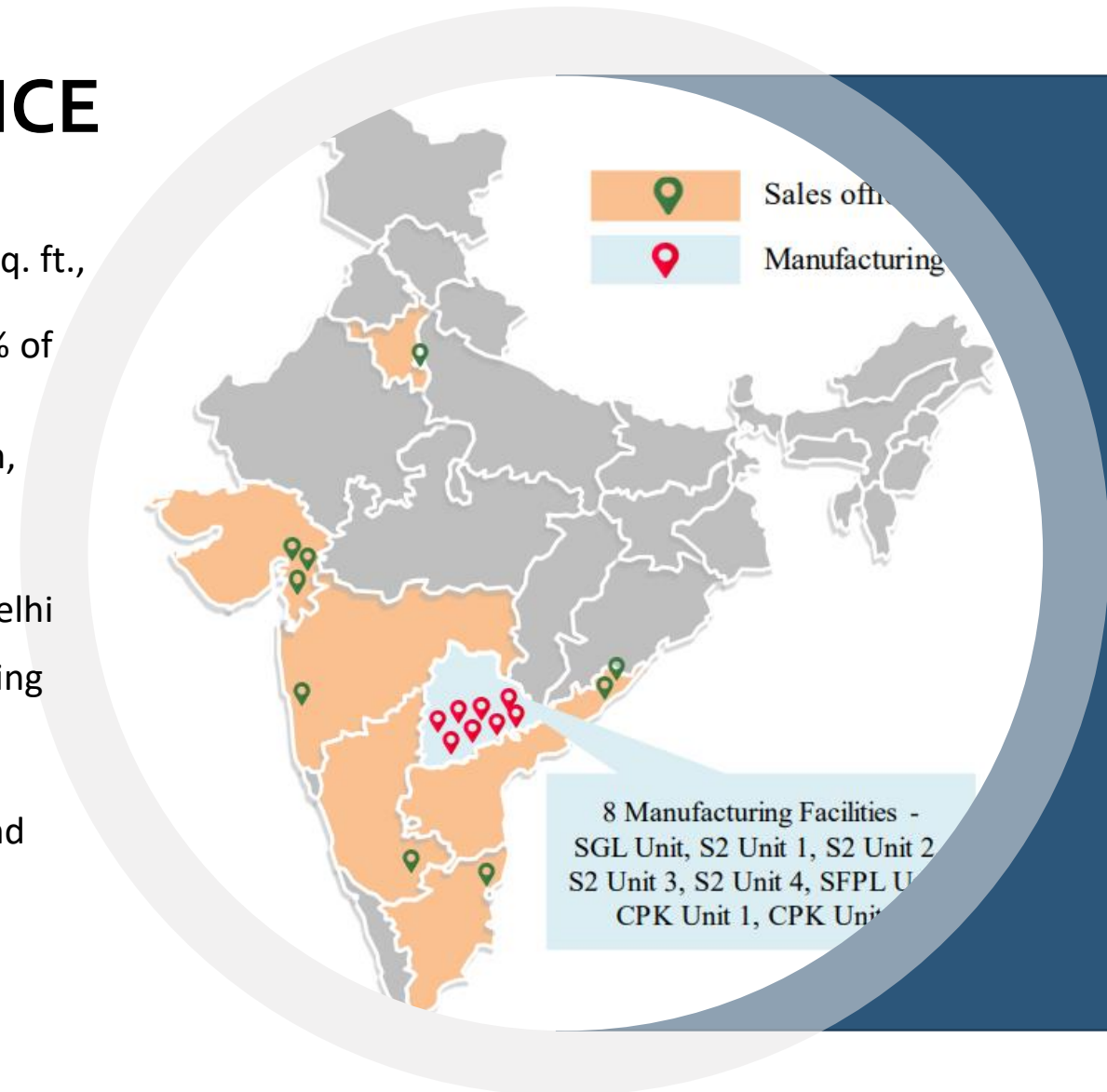
- one of India's top three manufacturers of glass-lined, stainless steel, and nickel alloy based specialized engineering equipment
- also one of the top three suppliers of polytetrafluoroethylene ("PTFE") lined pipelines and fittings in India
- Over the last decade they have supplied over 11,000 products
- their engineered solutions are used in processes across pharmaceutical, chemical, food and beverage, biotechnology and fertilizer sectors. They customize their products basis the unique process requirements of their customers. They also provide turnkey automated equipment solutions, optimising processes like vacuum distillation, solvent recovery and gas dispersion
- customer base includes 30 out of approximately 80 pharmaceutical and chemical companies in the NSE 500 index, and include names of Aurobindo Pharma Limited, CCL Food and Beverages, Cadila Pharmaceutical, Laurus Labs, Granules India, Macleods Pharmaceuticals, Natco Pharma, Piramal Pharma etc.

Typical Setup in Pharma API / Fine Chemical manufacturing



GEOGRAPHICAL PRESENCE

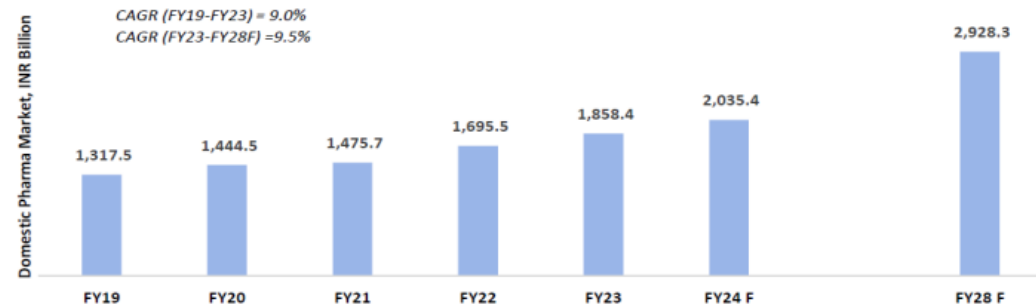
- Operate 8 manufacturing facilities spread 400,000 sq. ft., strategically located in Hyderabad, Telangana, the “Pharma Hub” of India, which accounted for 40.00% of the total Indian bulk drug production
- capacity to manufacture 150-160 vessels per month, ranging from 50 litre to 60,000 litre.
- Sales teams spread across states of Gujarat, Maharashtra, Andhra, Tamil Nadu, Karnataka and Delhi
- agency and distribution agreement for sale, marketing and distribution of products in Bangladesh, Russia
- resale arrangements for North America (excluding Cuba), South America, Europe (excluding Belarus and Russia) and certain countries in Asia and Africa



PHARMA MARKET OUTLOOK

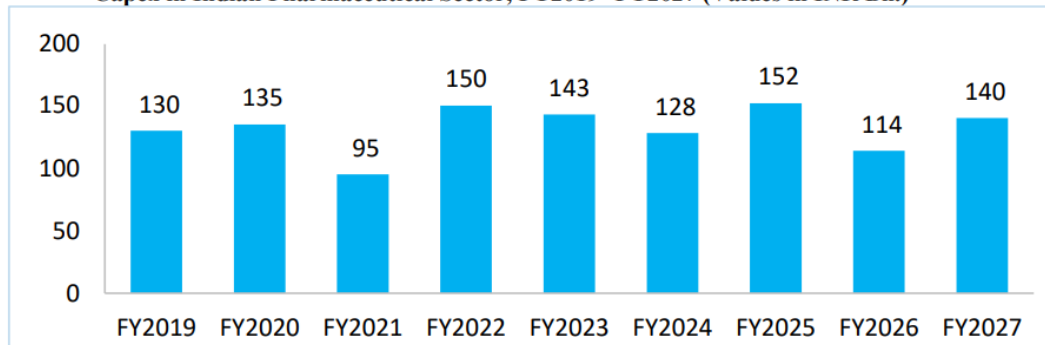
- India's domestic pharmaceutical market is among the fastest-growing pharmaceutical markets in the world, at 9%. It is expected to keep that growth pace in years to come with supporting growth factors:
 - Increasing Prevalence of Chronic Diseases
 - Growth in Generic Drugs Segment
 - Growth in Formulations Export
 - China Plus One Strategy Expanding India's Export Potential

Domestic Pharma Market, India, FY19-FY28F



Source: Pharmarack, Frost & Sullivan

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

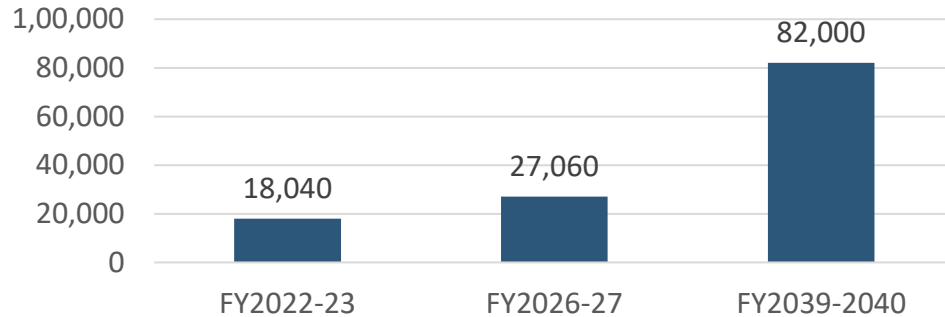


Source: Frost & Sullivan Analysis

- The Indian pharmaceutical market has experienced robust growth as a result of opportunities created by the pandemic and a rebound in demand for non-covid acute and chronic treatment, as well as anti-inflammatory medications used after surgery
- Capital spending is likely to remain at the current level between INR120 Bn and INR150 Bn per year upto FY27 due to local and export demand from semi-regulated markets. Furthermore, the government's PLI policy, which envisions India as the world's pharmacy, would provide additional support

CHEMICAL MARKET OUTLOOK

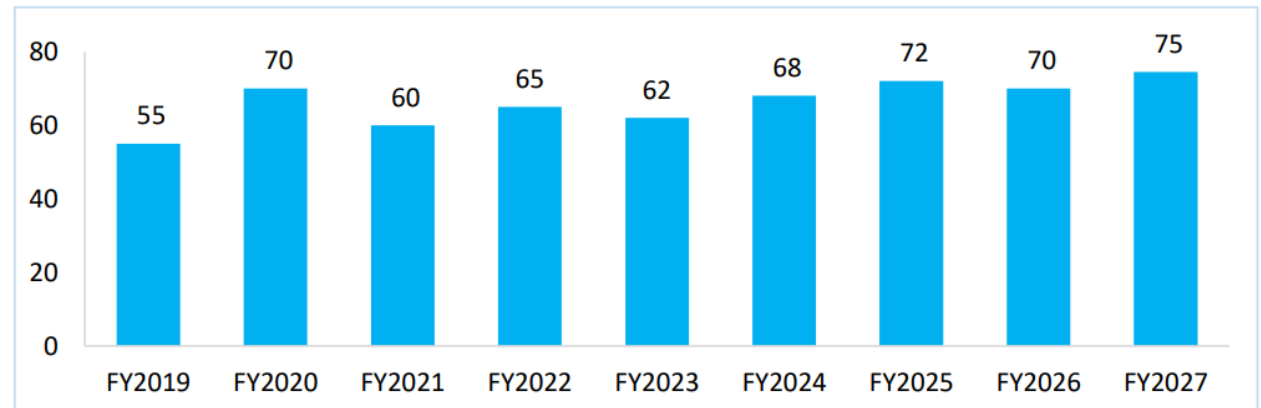
Market Size (Rs. Bn)



- Indian chemical industry contributes approximately 6.6% of the country's GDP and accounts for 15-17% of value of the India's manufacturing sector
- It is anticipated to increase at a yearly pace of 9–12% to reach INR27,060 Bn by FY2026-27.

- Capacity expansions is predicted to continue in the future due to several variables, including rising demand for specialized chemicals and medicines, low per capita use of agrochemicals, potential rise in demand from paints and textiles, and a diverse manufacturing base
- Furthermore, demand for chemicals manufactured in India in the worldwide market is likely to grow in the coming years, as key markets move their demand away from China to avoid potential disruptions.

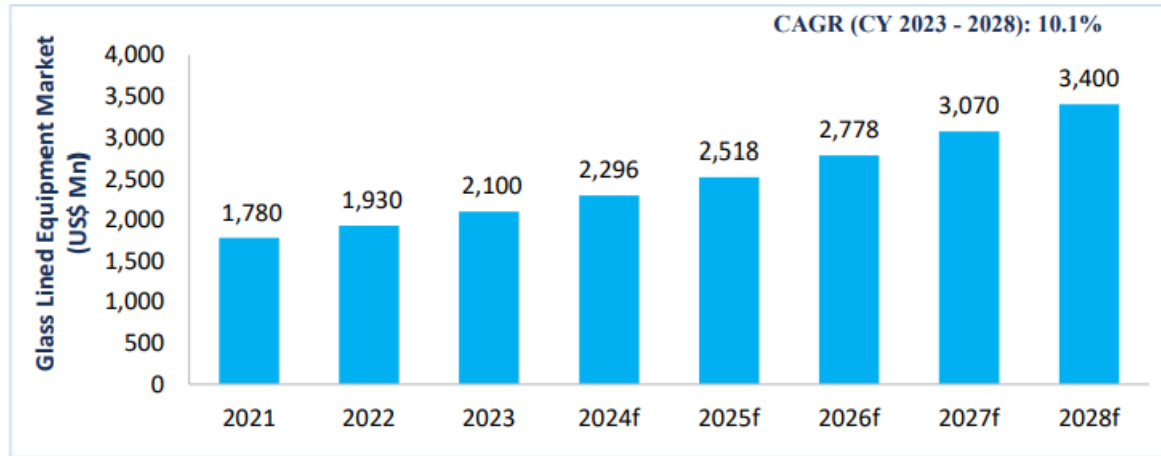
Capex in Indian Chemical Sector, FY2019 -FY2027 (Values in INR Bn)



Source: Frost & Sullivan Analysis

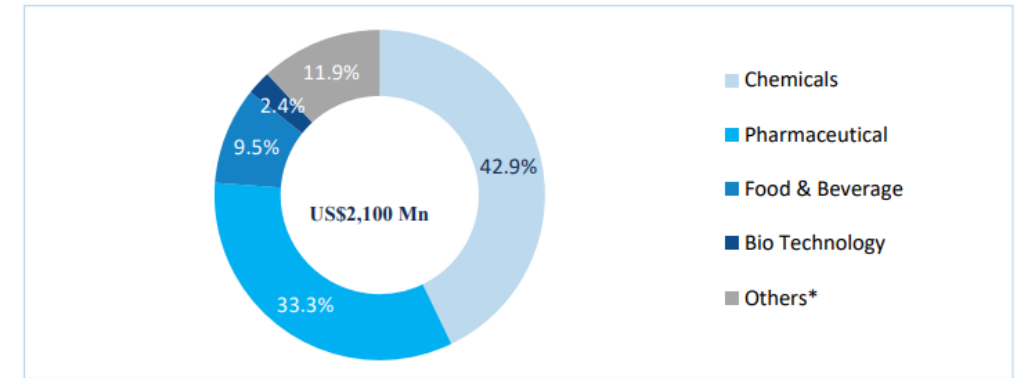
GLOBAL GLASS LINED EQUIPMENT INDUSTRY

- **Glass Lined Equipment Market, Global, 2021-2028F**



Source: Primary Research, Frost & Sullivan Analysis

Glass Lined Equipment Market, Global, Split by End-user Segment, CY23 (%)

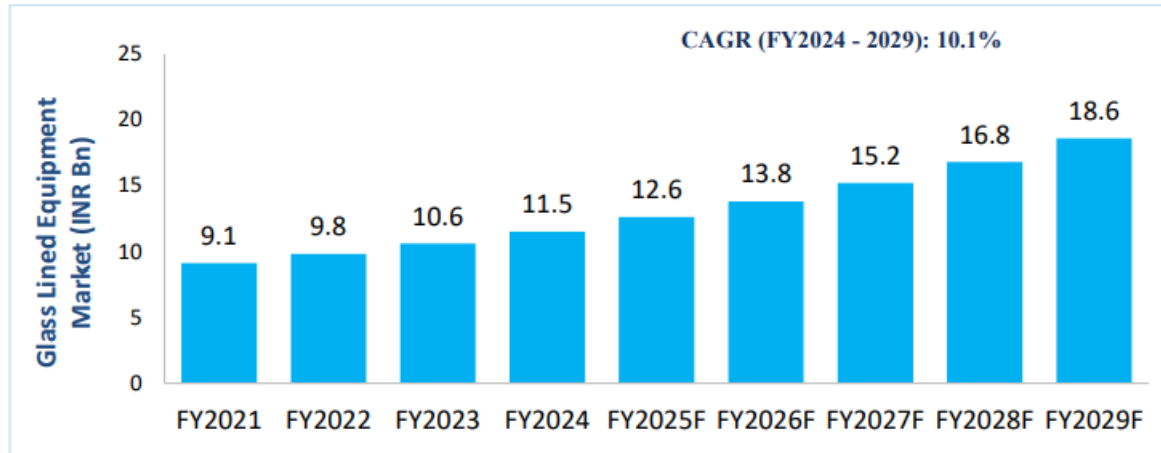


Source: Primary Research, Frost & Sullivan Analysis
*Others include Agriculture, etc.

- The market is expected to grow at 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
- 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.

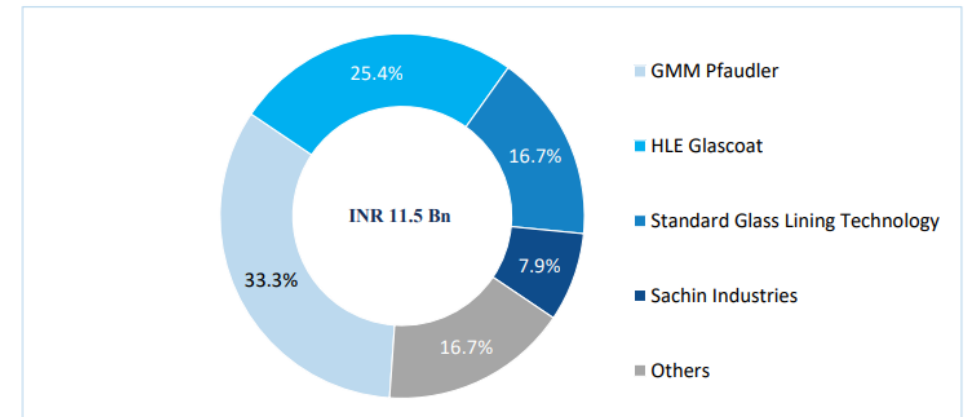
INDIAN GLASS LINED EQUIPMENT INDUSTRY

Glass Lined Equipment Market, India, FY2021-2028F



Source: Primary Research, Frost & Sullivan Analysis

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



Source: Company Website, Annual Report, Filings, Primary Research, Frost & Sullivan Analysis
*Others include Standard Glass, Suryamani Glass Steel etc.

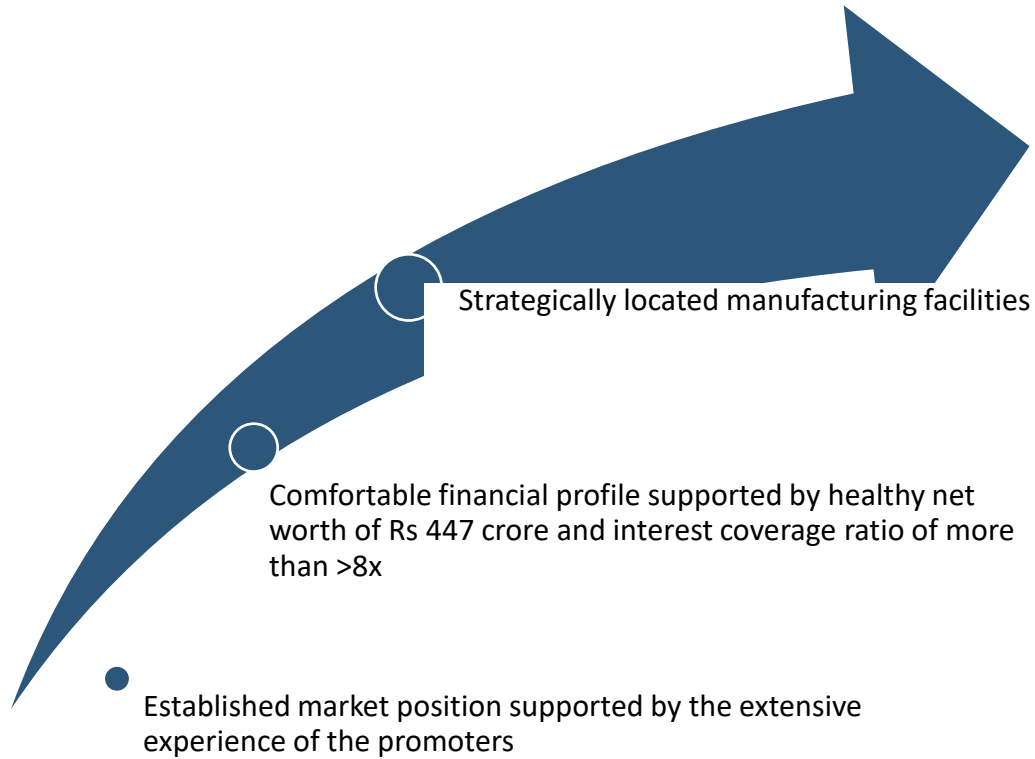
- The market is expected to grow at a CAGR of 10.1% and generate INR 18.6 BN in revenue during the forecast period.
- The industry is expected to grow significantly due to the rapid expansion of the pharmaceutical and chemical sectors. GLE market is witnessing growth in the reactor and agitator segments due to their critical applications in the pharmaceutical and chemical industries.
- Following Covid-19 pandemic, both the chemical and pharmaceutical industries are performing remarkably well, with Indian enterprises moving up the value chain.
- GLE market in India is consolidated with the top 4 players contribution to more than 83% of the total market share

Key Financial Highlights

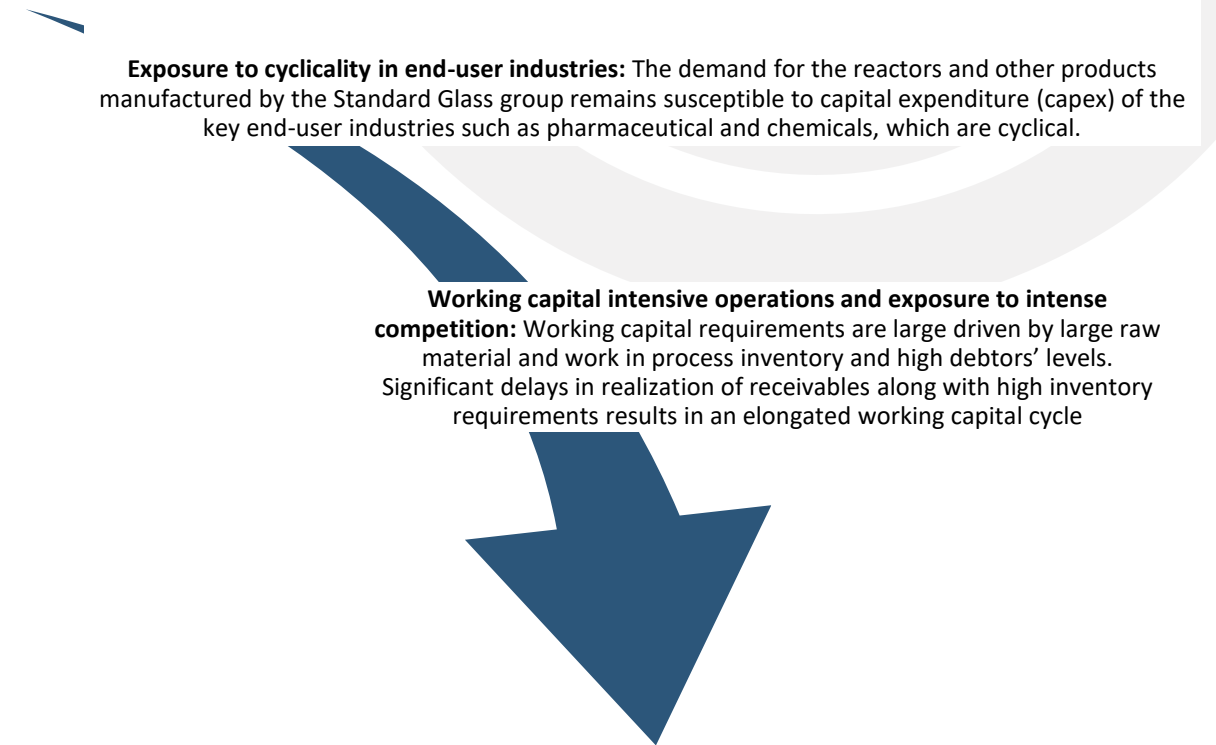
- Large part of sales growth is via acquisitions
 - 107.17% increase from FY 22 to FY 23 was due to increase in overall production capacities after completion of the acquisition of the business of M/s S2 Engineering Services and M/s Stanpumps Engineering Industries in the second half of Fiscal 2022, which are engaged in manufacturing stainless steel and high -alloys based equipment and supply and service of vacuum pumps.
 - also acquired a new manufacturing facility for manufacture of PTFE lined pipes and fittings on a slump sale basis during the Fiscal 2024, which in turn allowed them to increase their offerings as well as quantities
- Margins are consistent so no impact of scale as of now
- Overall balance sheet is healthy with debt at comfortable level. The funds raised through IPO will be used to lower the debt substantially

P&L Key Stats	FY 22	FY 23	FY 24
Revenue	240.18	497.58	543.66
EBITDA	41.79	88.25	100.91
<i>% of sales</i>	<i>17.4%</i>	<i>17.7%</i>	<i>18.6%</i>
Profit After Tax	25.14	53.42	60.01
<i>% of sales</i>	<i>10.5%</i>	<i>10.7%</i>	<i>11.0%</i>
RoCE (%)	42.0%	43.4%	25.5%
RoA (%)	13.23%	16.54%	11.85%
Balance Sheet Key Stats			
Net Worth	70	157	410
Reserves and Surplus	53.6	139.64	389.18
Total Borrowing	69.81	81.96	129.32
Debt to Equity Ratio (in times)	1.0	0.5	0.3

Strength



Weakness




Benchmarking and my take

	GMM Pfaudler	HLE Glascoat	Thermax	Bew Engineering	Standard Glass
Market Cap	Rs.5,449 cr	Rs.2,510 cr	Rs. 49,302 cr	Rs. 342 cr	Rs. 2800 cr
Revenue	Rs.3,187 cr	Rs.1,009 cr	Rs 9,884 cr	Rs. 106 cr	Rs. 543 cr
EBITDA margin	14.33%	12.38%	10.78%	20.16%	18.36%
PAT Margin	5.02%	4.19%	6.73%	11.23%	10.92%
RoCE%	23.74%	12.68%	23.02%	22.83%	25.49%
Debt to Equity	0.94	0.93	0.29	0.98	0.19
P/E ratio	55.7	84	77.7	22.2	39.7


- Standard Glass Lining is coming with IPO at upper price band of Rs.140 per share implying at PE of 39.7x. *Compared with its peer group which match more with GMM Pfaudler and HLE Glascoat, the company is offering shares a low valuation and that means a significant upside potential for listing*
- *GMP of Rs. 80 also suggest good listing gains potential*
- *Moreover, investment for long term also makes sense with company having significant market share (16%) of glass lined equipment market in India. With market growth anticipated in coming years this company will also grow in size and there is potential wealth generation opportunity*




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