

Rating Rationale

June 07, 2022 | Mumbai

Standard Glass Lining Technology Private Limited

Ratings upgraded to 'CRISIL BBB+/Stable/CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	Rs.43 Crore
Long Term Rating	CRISIL BBB+/Stable (Upgraded from 'CRISIL BBB/Stable')
Short Term Rating	CRISIL A2 (Upgraded from 'CRISIL A3+')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Standard Glass Lining Technology Private Limited (SGLTPL; part of Standard Glass Group) to '**CRISIL BBB+/Stable/CRISIL A2**' from '**CRISIL BBB/Stable/CRISIL A3+**'.

The rating upgrade reflects improvement in business risk profile of the group, backed by increased scale of operations and profitability. The promoters have consolidated its reactor and related equipment manufacturing business under SGLTPL and its subsidiary S2 Engineering Industry Private Limited (SEIPL; part of Standard Glass Group). This has helped the revenue to improve materially to around Rs 244 crores in fiscal 2022 on a consolidated bases and likely to be around Rs 450-500 crore over the medium term. Operating margins has improved in the in the past two fiscals to estimated 15.9% in fiscal 2022 for the group; and likely to sustain at around 14-15% over the medium term; strengthening the overall business risk profile. The capital expenditures and incremental working capital expenses are likely to be funded largely through internal accruals and equity infusion; this is expected to further strengthen the financial risk profile, given the improved accruals.

The ratings continue to reflect the group's established market position supported by the extensive experience of its promoters in the industry, above-average financial risk profile and reputed clientele. These strengths are partially offset by vulnerability performance in end-user industry and exposure to intense competition

Analytical Approach

For arriving at its ratings, CRISIL Ratings has combined the business and financial risk profiles of SGLTPL and S2 Engineering Industry Private Limited (SEIPL). That is because both entities, together referred to as the Standard Glass group, operate in similar lines of business, with a common management team and significant operational and financial linkages

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

Established market position supported by the extensive experience of the promoters: The promoters' experience of more than 10 years, understanding of market dynamics and longstanding relationships with leading customers in the pharmaceutical and chemical industries will continue to support the business.

Above average financial risk profile: Gearing and total outside liabilities to tangible network ratio (TOLANW) were comfortable at 0.77 time and 2.83 times, respectively, as on March 31, 2022. The TOLANW is driven by large creditors; overall leverage levels expected to further improve over medium term. Debt protection metrics were adequate, reflected in interest coverage and net cash accrual to total debt ratios of 16.56 times and 0.54 times, respectively, in fiscal 2022. The financial risk profile will improve over the medium term, as the capex of Rs 30-40 crore per fiscal planned over medium term is expected to be funded by internal accruals or equity infusion, and healthy cash accrual.

Weakness:

Exposure to cyclical in end-user industries: Demand for the products of SGLTPL is linked to capex plans of end-users such as pharmaceutical and chemical industries, which are cyclical. Slowdown of capex in these industries may impact the company's performance.

Exposure to intense competition: The company faces competition from larger players such as GMM Pfaudler Ltd and HLE Glascoat Ltd, which together account for significant portion of the market. Intense competition constrains scalability.

Liquidity: Adequate

Net cash accruals were estimated at Rs 30 crore in fiscal 2022; likely to be around Rs 40-50 crore per fiscal over the medium term should adequately cover yearly debt obligations of Rs 2.0-2.6 crore per annum. Bank limits were utilized at 35% on an average through the past 12 months ended in March 2022, while the utilization is expected to increase, proposed enhancement in limits for the group should provide adequate cushion. Support from promoters is also available in case of any exigencies.

Outlook: Stable

CRISIL Ratings believes SGLTPL will continue to benefit from the extensive experience of the promoters and established relationships with clients

Rating Sensitivity Factors**Upward factor**

- Sustained improvement in scale of operation, improvement in market share and sustenance of operating margins above 15%, strengthens net cash accruals
- Improvement in working capital cycle leading to better financial risk profile; especially improvement in leverage levels and financial flexibility

Downward factor

- Decline in scale of operations or decline in operating margins to below 10%; weakens net cash accruals
- Large debt-funded capital expenditure or substantial increase in its working capital requirements thus weakening its financial risk profile

About the Group

Incorporated in 2012, SGLTPL manufactures glass-lined reactors, receivers and heat exchangers. The company has two facilities in Hyderabad with capacity to manufacture 100-150 vessels per month, ranging from 50 litre to 32,000 litre.

SEIPL was newly incorporated in September 2021. It is a wholly owned subsidiary of SGLTPL. Company is set to manufacture stainless steel and nickel alloy process equipment such as dryers, filters, reactors, vessels, vacuum pumps, laboratory equipment, etc. It has manufacturing facility located in Hyderabad- Telangana

The group is promoted and managed by Mr K Nageswara Rao, Mr K Rama Krishna and Mr K Krishna Veni.

Key Financial Indicators (Consolidated)

As on/for the period ended March 31	Unit	2022*	2021
Operating income	Rs.Crore	243.85	126.81
Reported profit after tax (PAT)	Rs.Crore	27.52	9.95
PAT margin	%	11.28	7.84
Adjusted debt/adjusted networkth	Times	0.77	0.75
Interest coverage	Times	16.56	16.68

*Provisional

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	23	NA	CRISIL BBB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	14	NA	CRISIL BBB+/Stable
NA	Bank Guarantee	NA	NA	NA	4	NA	CRISIL A2
NA	Letter of Credit	NA	NA	NA	2	NA	CRISIL A2

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Standard Glass Lining Technology Private Limited	Full	Have common management and is engaged into similar line of business.
S2 Engineering Industry Private Limited	Full	Have common management and is engaged into similar line of business.

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	37.0	CRISIL BBB+/Stable	05-01-22	CRISIL BBB+/Stable	30-04-21	CRISIL BB+/Stable(Issuer Not Cooperating)*	20-08-20	CRISIL BBB/Stable		--	--
Non-Fund Based Facilities	ST	6.0	CRISIL A2	05-01-22	CRISIL A3+	30-04-21	CRISIL A4+(Issuer Not Cooperating)*	20-08-20	CRISIL A3+		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	2	ICICI Bank Limited	CRISIL A2
Bank Guarantee	2	ICICI Bank Limited	CRISIL A2
Cash Credit	12	ICICI Bank Limited	CRISIL BBB+/Stable
Cash Credit	11	ICICI Bank Limited	CRISIL BBB+/Stable
Letter of Credit	2	ICICI Bank Limited	CRISIL A2
Proposed Long Term Bank Loan Facility	14	Not Applicable	CRISIL BBB+/Stable

This Annexure has been updated on 07-Jun-2022 in line with the lender-wise facility details as on 05-Jan-2022 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Bank Loan Ratings
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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