

17 October, 2024

PICK OF THE MONTH

VOL-10, NO-12

Industry: Glass-Industrial

Sejal Glass Limited

BUY

CMP: Rs.453

TARGET PRICE: Rs.550

TIME : 12 months

Sejal Glass Limited (SGL) is a prominent player for Architectural Glass manufacturing in the Indian glass industry, known for its high-quality glass products and innovative solutions. The product portfolio encompasses a diverse range of architectural glass products, including toughened glass, laminated glass, insulated glass, ceramic, and decorative glass and serves diverse sectors including architecture and interior design.

The company has a strong **brand recall** in the Architectural Glass offerings across the country and internationally as well. The **major contribution** is from the Insulated glass (~66%) and Laminated glass (~19%) to the overall revenues of the company. In terms of the **sectoral** contribution, ~70% of the revenues is derived through fabricators and real estate, ~15% from OEM applications (like furniture, refrigerator etc.) and the balance from retail sales through the dealer network.

**We initiate coverage** on Sejal Glass Ltd with a **BUY** rating and a TP of Rs550, implying an upside of ~21%. The recent acquisition of facility in the UAE and the concrete plans to scale up the same adds to the overall revenue visibility for SGL going forward. The domestic as well as newer international market avenues should increase the scalability and reach of the offerings of the company. SGL is well placed to tap the opportunities offered by the overall glass market through its existing as well as new products under development across the different industries catered.

**Strong Turnaround:** After successfully coming out of the NCLT, the company is making **new strides** in terms of performance, seen over the last few quarters. This is a blend of the changed hands alongwith with retained support from the earlier Management for the next 3-4 years. With regard to raw material sourcing from the best suppliers to the kind of clientele that the company catered to, growth and expansion in capacity utilization is the focus in times to come. The **UAE acquisition** is another line of support added for better revenue visibility for SGL. The company has maintained utmost vigilance in terms of the health of the balance sheet considering the debt, capex outgo, interest component and has accordingly chalked out the future plans of business.

**Growth Triggers:** The company enjoys a decent **market share** in the domestic as well as the UAE markets which is through a blend of commodity and niche products. The **order book** gives the confidence for the revenue guidance of Rs2,800-3,000mn in FY25; major contribution chalked from the UAE business; and opening avenues of business across the adjacent countries as well. With the adoption of cost efficiency measures, the margins are expected to expand to achieve a target of ~15-16% over the next 2 years. There is an increasing demand in the overall glass industry betting on the customer industries and their triggers of growth.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
487/242	4,577
Face value: 10	
BSE Code	NSE CODE
532993	SEJALLTD

Shareholding Pattern as on 30th Sept, 2024		
Parameters	No of Shares	%
Promoters	7,575,000	75.0
Institutions	29,360	0.2
Public	2,495,640	24.7
TOTAL	10,100,000	100.0

Quarterly Performance				
Parameters (Rs mn)	Sept-23	Dec-23	Mar-24	Jun-24
Sales (Net)	397	472	499	528
EBITDA	54	60	56	70
EBITDA (%)	13.6	12.7	11.1	13.3
Other Income	2	2	3	3
Interest	33	37	37	41
Depreciation	15	16	17	17
PAT	11	10	3	14
Equity (Rs mn)	101	101	101	101

Source: Annual Report, Progressive Research

Annual Performance				
(Rs mn)	FY22	FY23	FY24	FY25E
Total Revenue	243	464	1,638	2,862
EBITDA	(11)	37	204	346
EBITDA (%)	(4.5)	7.9	12.4	12.1
Other Income	2	2	9	9
Interest	11	23	125	170
Depreciation	12	9	56	88
PBT	(32)	6	32	97
PAT	*1,470	79	33	91
Equity (Rs mn)	101	101	101	101
EPS (INR)	-	7.8	3.3	9.0

Ratio Analysis				
Parameters (Rs mn)	FY22	FY23	FY24	FY25E
EV/EBITDA (x)	-	133.3	29.3	16.6
EV/Net Sales (x)	20.1	10.5	3.6	2.0
M Cap/Sales (x)	18.8	9.9	2.8	1.6
M Cap/EBITDA (x)	-	125.1	22.5	13.2
Debt/Equity (x)	5.5	2.3	5.0	3.2
ROCE (%)	3.0	21.2	16.5	16.2
Price/Book Value (x)	73.7	32.7	15.7	11.8
P/E (x) (TTM)	2.7	2.0	55.6	51.3

Note: Data calculated as on 16th October, 2024, \*FY22 includes exceptional item

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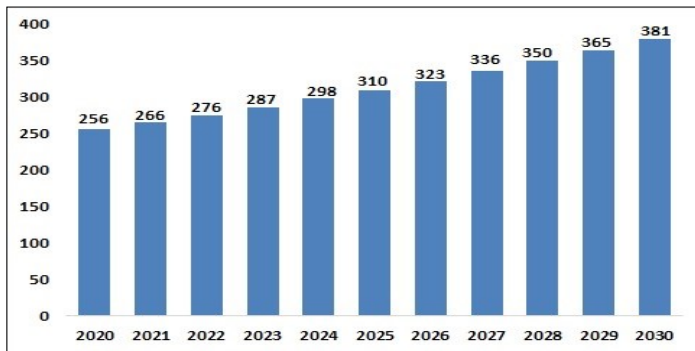
TARGET PRICE: Rs.550

TIME : 12 months

## Glass Industry Overview:

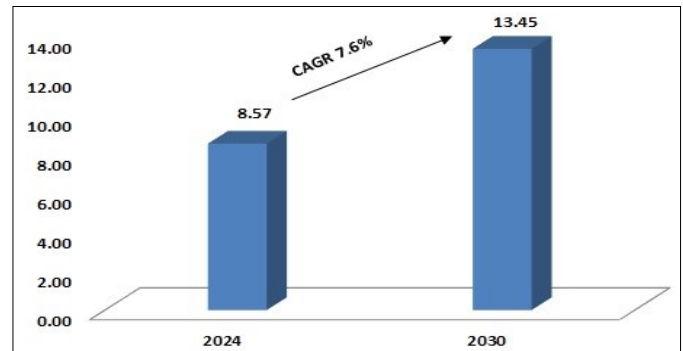
The **global flat glass** market size was valued at USD305.81bn in 2023 and is projected to grow at a CAGR of ~4.3% from 2024 to 2030 (as per Grand View research). One of the key developments being in the new solar capacity expansions across the globe is expected to positively impact the demand for glass going forward. The growing trend of floating solar farms is further anticipated to boost requirement for solar panels. This in turn, is expected to boost growth over the forecast period.

Exhibit 01: Flat Glass Market Size (in USD bn)



Source: Precedence Market Research Report, Progressive Research

Exhibit 02: Indian Glass Market Size (in USD bn)



Source: Market Reports, Progressive Research

The **India Glass market** was valued at USD8.57bn in 2024 and is anticipated to grow at CAGR of ~7.6% through 2030. One of the primary drivers of the India glass market growth is the rapid industrialization and infrastructure development occurring across the country. Robust growth of the auto sector is another factor of growth for the glass industry. The increasing adoption/shift towards **Electric Vehicles (EVs)** with increasing incentives to promote the usage of EVs is anticipated to increase the overall flat glass demand. **Building & Construction industry** is amongst the largest end users of glass, where it is extensively used in various applications such as facades, doors, partitions, floorings, and windows. It is known for its utilitarian and aesthetic uses. Moreover, glass is utilized in buildings as an energy saving solution, owing to its ability to reduce the need for air conditioning, which lowers the heating/cooling costs of the building. The **Construction industry in India** is witnessing robust growth, propelled by rapid urbanization and infrastructure development. Major metropolitan cities like Delhi, Mumbai, and Kolkata are witnessing significant demand for glass products, contributing to the expansion of the India Glass market. The share of residential properties is rising because of a shift in housing stock from rural to urban areas. The urban areas also have a higher glass to wall ratio resulting in the increased demand. The commercial properties glass demand is also expected to rise significantly. India is being seen as a **global capability centre** hub of the world and this has resulted in demand for larger office complexes which have higher usage of glass facades and partitions particularly in metro and tier-II cities. There is growing emphasis across the globe to increase the **energy efficiency of buildings**. One such technology is the low-emissivity (low-E) window which is expected to play a critical role in contributing to energy savings. Low-E glasses are coated with metallic and/or metal oxides to exhibit better solar control performance and promote energy efficiency. The renewed investment in the global building & construction industry and strict enforcement of building codes across the globe is predicted to significantly boost the flat glass market. The rising demand of the **Packaging industry** is another key driver of the glass market growth widely used across the sectors of F&B, pharma, cosmeceuticals and personal care. High quality and luxury beverages generally have premium packaging in glass to preserve taste, quality and freshness. The rapid development of new infrastructure in India like airports, stations, metros have contributed to increased demand for value added glass. The **modernisation plan of the Railways** is expected to generate huge demand for value added glass products like laminated glass and insulated glass for the new trainsets.

**Smart Cities Mission (SCM) India:** launched in June 2015, 100 cities were chosen through a competition to be developed as Smart cities. The centre has extended the SCM under the Union Urban Development Ministry till 31st March, 2025 (was earlier FY16-FY20). The main objective of the mission is to promote cities that provide core infrastructure, clean and sustainable environment and give a decent quality of life to their citizens through the application of *smart solutions*. The mission has an allocated budget of Rs48,000cr for 100 cities. As on July 2024, Rs46,585cr or 97% of the allocated budget has been released. Out of these funds released to the cities, 93% have been utilised as on date. This would further drive the growth for glass market in the projected period.

Many countries in the region, such as the **UAE, Saudi Arabia and Qatar**, have been investing heavily in large-scale construction projects, including residential buildings, commercial complexes, and infrastructure development. It has created a significant demand for flat glass products for windows, doors, facades, and interior applications. **Etihad Rail**, the flagship rail network of the UAE is also expected to be fully operational in the next few years. This rail connecting the major cities in the GCC would create huge demand for railsets. Additionally, the govt. of Saudi Arabia, Bahrain, Qatar and the UAE have committed huge tens of billions of dollars for mega infra projects which are expected to lead to huge demand of processed glass in the next few years.

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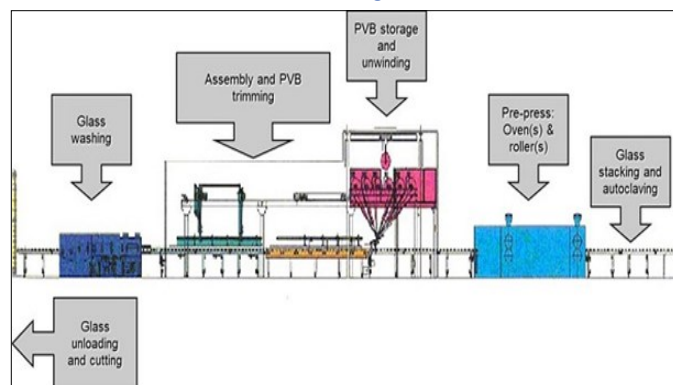
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## Glass Industry Overview (contd.):

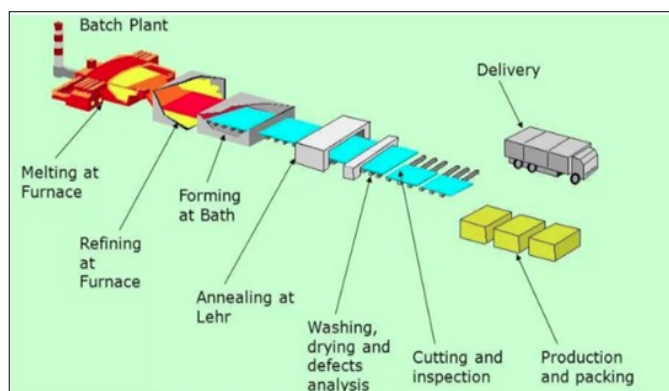
**Product Wise Demand:** The **global tempered glass market** is expected to grow at a CAGR of ~8.0% from 2023-2030, reaching a value of USD86.46bn by 2030. Product wise it is dominated by the flat glass market with revenue share of ~36% in 2023. It is used in various applications including household appliances, commercial refrigeration, vehicles, and other industrial areas. *Tempered glass is safer in comparison to basic float glass, and is widely used in passenger vehicles to reduce the chances of injury in case of accidents.* In architectural segment, it is used in building and construction projects for windows, doors, and walls in some cases. Furthermore, it is used in the manufacturing of mobile devices and in the food service industry tempered glass is used to produce equipment for cooking and baking activities. **Laminated glass** is second in terms of revenue contribution of ~29% in 2023. This is virtually a safety glass comprising two pieces of glass, held together by one or several transparent plastic films. The use of laminated glass is increasing in automotive sunroofs due to increasing emphasis on safety and changing regulatory norms. However, the usage is less, as majority of manufacturers still use tempered glass. In terms of application, **Architectural** segment has the largest market revenue share in 2023. Applications pertaining to the building & construction industry are major contributors triggering the growth of this segment. The segment also includes the consumption of flat glass in furniture and other indoor applications. Other applications such as **solar panels** in renewable energy is anticipated to witness the highest CAGR across the forecast period. Advancements in solar panel technology and its declining prices are boosting the demand for solar panels. **Automotive** is the second-largest application segment of the global flat glass market in 2023. The segment is inclusive of flat glass consumption in automotive, aerospace, and marine applications. **Tempered glass and laminated glass** are the major types of flat glass used in this segment. Flat glass mainly finds applications in windows, windshields, side panels, sunroofs, and lights. The production output of automobiles has a direct impact on the consumption of glass. According to Grand View Research, the increasing demand for lightweight vehicles and EVs is anticipated to propel the consumption of flat glass in automotive applications over the forecast period.

## Exhibit 03: Laminated Glass Making Flowchart



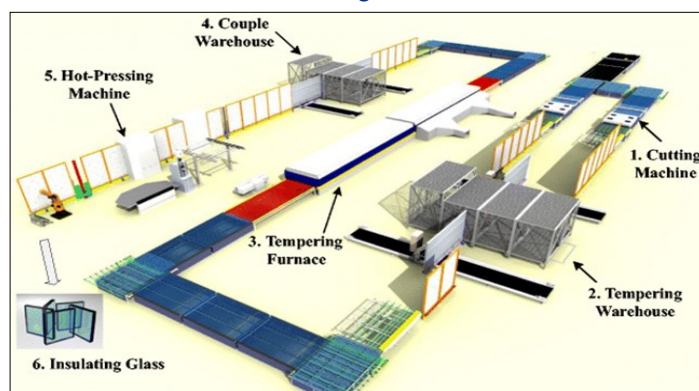
Source: Market Research Report

## Exhibit 04: Float Glass Flow Chart



Source: Market Reports

## Exhibit 05: Insulated Glass Making Flowchart



Source: Market Research Report

## About the Company:

Sejal Glass Limited (SGL) is a prominent player for Architectural Glass manufacturing in the Indian glass industry, known for its high-quality glass products and innovative solutions. The product portfolio encompasses a diverse range of architectural glass products, including toughened glass, laminated glass, insulated glass, ceramic, and decorative glass and serves diverse sectors including architecture and interior design. Headquartered in Mumbai, SGL has constantly delivered high-quality, innovative glass solutions to meet the evolving demand of both the domestic and international markets. It specializes in pre-processing and processing division to provide high quality architectural solutions. The company also operates its trading division from its premises named 'Sejal Encasa', which is located at Mumbai. This division trades in various in-house brands as well as other manufacturers' products. The products traded include tiles, sanitary ware, mirrors, glass, etc. for home and commercial interiors. The company has factories at Silvassa and Ras Al Khaimah in UAE. Mr. Amrut Gada is the Chairman and Managing Director of the company.



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### Investment Rationale:

**(A) The Turnaround:** It has been a roller coaster ride in terms of business for SGL. It has seen the best to the worst in its business cycle; however currently is in the phase of a comeback. From 2001-2011, SGL was one of the leading players with almost **~18% market share** in the float glass segment, being a tough competitor to MNCs like Saint-Gobain, Asahi and Guardian to mention a few. The company had completed the float glass project with an investment of Rs6,500mn and 600 tonnes/day capacity float line which was of European standards and rated amongst the top 10 plants in the world. SGL was amongst the top three leading companies in architectural glass with a strong hold in the float glass supplies across the country. **Sale of Float Glass Business:** On 7th June, 2011 the company announced the sale of its float glass business alongwith its float glass manufacturing unit located in Jhagadia, Gujarat, to Saint Gobain Glass India Ltd as a going concern on slump sale basis for a gross consideration of Rs6.86bn. *Saint-Gobain Glass India Ltd is a 100% subsidiary of the France based Compagnie de Saint Gobain, a world leader in building materials.* The binding business transfer agreement was executed between the parties on 31st May, 2011. This was an important asset which the company had to sell. There was pressure witnessed during 2014-15 on the balance sheet due to lack of certain working capital that got the company into doldrums which was further aggravated due to the price reductions led by the MNCs invading the market through price disruption. It was a tough time to deal with but the company tried not to let any business disruption happen. *In FY19, the company underwent a Corporate Insolvency Resolution Process (CIRP), and pursuant to CIRP the majority of equity stake and control was acquired by M/s. Dilesh Roadlines Pvt. Ltd alongwith Mr. Surji Chheda & Mrs. Chhaya Chheda in March 2021. The order approving the resolution plan was passed on 26th March, 2021 by the Hon'ble NCLT, Mumbai bench. Further vide order dated 7th June, 2021, the Hon'ble NCLT, Mumbai bench, passed a rectification order, thereby rectifying certain errors and omissions which had crept in the order dated 26th March, 2021. Subsequent to the said acquisition, the new Management has taken various steps to stabilise the factory operations.* The company had a **successful exit** from the NCLT as well. Sailing through the Covid hit, the company has finally bounced back with an impressive performance over the last 2-3 quarters; Q1FY25 being the outshined. In the current ownership status, majority stake remains with the Aarti Group promoter Mr. Chandrakant Gogri and the other is Mr. Surji Chheda. Also being an erstwhile promoter, there is a Management agreement to support the company for the next 3-4 years. The company has set up a dedicated professional team across different departments and receives time to time strategic advice from the old promoters as well. Overall, the company is strongly focused with stringency in financial actions, business initiatives directed towards better capacity utilization and better offerings across the industries catered. With the acquisition of the UAE business, SGL is better placed to expand on geographic front as well as product range to its customers.

**(B) Product Offerings:** The initial key product offering of the company was the float glass (had a strong market share amongst MNC competitors), which was sold by the company in 2011. Now the company has a strong **brand recall** in the Architectural Glass offerings across the country and internationally as well. The **major contribution** is from the Insulated Glass (~66%) and Laminated Glass (~19%) to the overall revenues of the company. In terms of the sectoral contribution, ~70% of the revenues is derived through fabricators and real estate, ~15% from OEM applications like furniture, refrigerator etc. and the balance from retail sales through the dealer network.

Exhibit 06: Varied Offerings

<b>SOLID GLASS</b>	Tempered Glass	<b>FORT GLASS</b>	Safety Glass
<b>KOOL GLASS</b>	Insulated Glass	<b>TONE GLASS</b>	Acoustic Glass
<b>ARMOR GLASS</b>	Laminated Glass	<b>DECOR GLASS</b>	Decorative Glass

Source: Company, Progressive Research

Exhibit 07: Range Of Glass Offered

Glass Types	Characteristics
Solid Glass: Power & Function	ideally suited for frameless glass assemblies, shower screens, stairways and for applications requiring resistance to thermal shock
Kool Glass: Heat Reflection	ideal for external wall claddings, internal partitions, doors, windows and skylights for thermal or acoustic insulation
Tone Glass: Noise Reduction	majorly for noise reduction
Fort Glass: High Security	addresses the serious concern of security in architectural glazing
Armor Glass: Protect & Shield	the excellent damping property of the interlayer of Armor Laminated Glass makes it an effective sound barrier (acoustic insulation) and helps in blocking harmful ultraviolet rays
Décor Glass: Decorative Glass	the range offers exquisite mirrors, panels, partitions and other furniture in exclusive and custom designed versions. The designer series of Decor glass is offered in six different designs: Thrill, Wrinkle, Modak, Puzzle, Icy and Crackle
Fireban Glass: Safety from Fire	insulating glass unit with standard and high performance glazing for sun control, UV control and thermal insulation
Lunaro: Create Custom Appeal	used in single glazing, without any change in its durability over the years and can be used in DGU and as Monolithic Laminated Panels

Source: Company Website, Progressive Research

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### Investment Rationale (contd.):

#### (B) Product Offerings (contd.):

On the **raw material front**, the company has tie-ups with the best raw material suppliers in order to adhere to European standards of quality products. The suppliers for the company include Saint Gobain (clear and reflective), Gujarat Guardian (Glass), Du Point (PVB and Santry), Dow Corning (Silicon), Spacer (Italy), Molecular and Buytle (Fenzi) and Momentive (Silicon). SGL has a network of clients that includes developers, architects and consultants across the country. The company's **marquee clients** include Piramal Group, Lodha Developers, Hiranandani, Kalpataru and Sunteck in the real estate segment and Neelkamal in the furniture segment. SGL is a part of a highly competitive market both in the domestic space with many unorganised players present across the different range of glass offerings to international markets where customer stickiness is susceptible to price disruptions. The **major competitors** in UAE are White Aluminium, Gulf Glass and Emirates Glass while in India it is Fishfa Glass, FG Glass, Glasstech, Fuso and Sapphire to mention a few. There is no **major listed peer** for SGL currently (very small extent is Asahi Glass which is majorly in the automobile space where SGL has no key exposure). Besides the existing range of products, the company has been putting efforts to have new products added to its basket especially from the sectors which have strong rationales of growth at the current juncture.

For the **products under development**, for the bullet proof glass that the company is working on, the sample has been manufactured at the UAE plant and currently is under testing. The local test certificate of the first phase is awaited after which the company will apply for EU standard certificate which would take 3-4 months. With **revamping and modernization of Railways** being one of the important focus areas of the government; demand for glass through this sector is also on an uptrend being more volume driven and the company expects ramp up from Oct-Nov, 2024. The company is already present in the refrigeration segment, but there have been many additions/developments in technology, designs and overall features across the industry; and SGL has been working on these as its new segment in the **white goods domain**. All from differentials across the inner glass requirements to the glass doors being worked on, SGL has been abreast about it and accordingly working on the same. In the post-Covid era, both the residential and commercial construction domains have witnessed an increased traction. The residential domain in particular is reaching new heights with the demand for luxury as well as affordable properties soaring across all the major metro cities. Value added glass like the performance glass, energy efficient glass, etc. will have more traction among the customers, helping the industry grow at a fast pace. This impetus to demand would be beneficial to players like SGL. Another domain which is more customer specific is the **customised ceramic painting** on glass (part of the decorative glass) as well as acid frosting (acid etching done) to create a translucent finish; SGL has the capability and capacity to cater to such requirements. The company also provides for heat soak process based on the **customer request** to identify any impurities in the glass. *The process involves placing the tempered glass inside a chamber and raising the temperature to approximately 550°F or 287° to accelerate NiS (Nickel Sulphide) expansion. This causes glass containing NiS inclusions to break in the heat soak chamber, thus reducing the risk of potential field breakage.*

#### (C) Projects Executed and Under Development:

The company has served many big brands with different requirements across the real estate sector and handled different hotel projects across the country; vouching for the creditability that SGL has commanded over the years.

##### Exhibit 08: Ongoing Hotel Projects

Projects	Location	Sq.mt
Challet Hotels	Mumbai	10,000
Juniper Hotels	Ahmedabad	8,000
Taj Dwarka	Delhi	10,000
World One	Mumbai	10,000
Wadhwa	Mumbai	9,000
One Avigna	Mumbai	8,000
BKC	Mumbai	8,000
Radisson	Mumbai	5,000
Mondeal	Ahmedabad	6,000
Frigo	Delhi	9,000
Iclean	Hyderabad	3,000
Goa Airport	Goa	11,000
HCL	Delhi	6,000
Alta Monte	Mumbai	15,000

Source: Company, Progressive Research

##### Exhibit 09: Completed Landmark Projects

Projects	Location	Sq.mt
Mindspace	Mumbai	90,000
Mindspace	Hyderabad	45,000
DAKC (Reliance HQ)	New Mumbai	22,000
Bangalore Int Airport	Bangalore	16,000
UB City	Bangalore	17,000
Peninsula Tower	Mumbai	12,000
SCB	Chennai	7,000
Landmark	Mumbai	5,200
TVH	Chennai	7,000
MTNL	Mumbai	8,000
Apollo Hospital	Dhaka	7,000
Domestic Airport	Mumbai	7,000
Cathedral Square	Chennai	7,000
Leela Business Park	Mumbai	3,400

Source: Company, Progressive Research

##### Exhibit 10: Completed Hotel Projects

Projects	Location	Sq.mt
Renaissance	Powai	10,000
Hilton	Chennai	3,000
Crown Plaza	Delhi	8,000
Crown Plaza	Ahmedabad	7,000
Radisson	Hyderabad	5,000
Westin	Chennai	5,000
Radisson	Chennai	3,000
Sheraton	Bangalore	7,000
Peninsula Grand	Mumbai	3,000
Taj GVK	Chennai	3,000
Banyan Tree	Cochin	5,000
IBIS	Mumbai	1,000
4 points Sheraton	Mumbai	4,000
Taj Vivanta	Bangalore	5,000

Source: Company, Progressive Research

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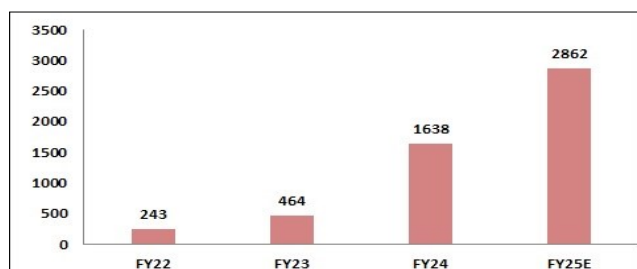
TIME : 12 months

## Investment Rationale (contd.):

**(D) Strides Ahead-UAE Acquisition:** The GDP of UAE reached AED1.88tn in 2023, recording growth rate of ~2.3%. As per the IMF, the economy is projected to grow by ~4% in 2024. UAE is a wealthy petro-state with a population of 10 million people, the 19th highest GDP per capita in the world and impressive foreign reserves. UAE is witnessing strong construction activity, tourism benefiting from the National Tourism Strategy 2031, and government investments in infrastructure and green energy, given its commitment to reduce emissions. It is ranked 8th in the global FDI Confidence Index. The UAE's economic diversification efforts have helped it become a magnet for global investment. *We the Emirates 2031* constitutes a new vision and national action plan through which the UAE will complete its development journey for the next decade and focuses on the social, economic, investment and development aspects. Through this vision, the country aims to strengthen its position as a global partner and an attractive and influential economic center. SGL has acquired the assets of a distressed business in the manufacturing of Architectural Glass in Dubai & Ras Al Khaimah, UAE. The acquisition is done via the UAE-based subsidiary, Sejal Glass & Glass Manufacturing Products LLC, in which Sejal Glass has a 99.01% stake. The deal is estimated at UAE Dirham 30 million (~Rs700mn) with additional exposure towards working capital. The SPV paid the consideration directly to the banks to acquire the assets. The assets acquired is a manufacturing plant spread across an area of 79,979 sq. mtrs. (approx. 20 acre), with a constructed area of about 2,25,000 sq. ft. with equipments from Europe. The plant has executed more than 500 projects in UAE, GCC and the African markets. With this manufacturing facility, SGL has become **the largest** in terms of **capacity and infrastructure** for manufacturing **Architectural Glass** in the UAE. The acquisition offers for a long term presence of Sejal in the GCC region. This plant shall also serve as a hub to cater to the whole of MENA region, Africa and European countries. The UAE plant is having a capacity of 28.5 lakh.sq.mt. of architectural glass and currently operating on an average ~47% of the capacity (Q1FY25). The UAE entity has the potential to reach a turnover of about Rs3bn at optimum capacity utilization. SGL aims to be a leading MNC in the Architectural Glass segment and this acquisition is a step towards achieving the same.

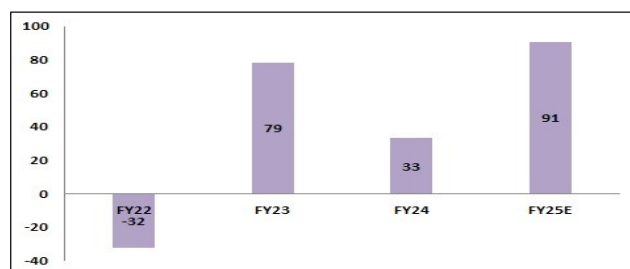
**Financials:** The **domestic market contributes** ~29% of the overall sales while the **international sales contribution** stand at ~71% of the revenues. In terms of the **capacity utilization**, it is ~53% for India and ~47% for the UAE. The company enjoys a **market share** of ~20-25% in India and also similar levels in the UAE as well. Around 30-35% of the product portfolio is commodity, ~30-35% is medium size margin products and around 20-25% are niche products. On a consolidated basis, the **debt** is Rs1,400mn as of June 2024. The company has **no major capex** plans ahead as currently is in the spree to increase the capacity utilization across the existing plants. The maintenance capex is generally 1.5-2% of the overall revenues. On the **order book**, UAE stands at 40mn AED; of which ~75% is from the UAE market and ~25% from Qatar, Bahrain, Africa, GCC country. For India, there is a project of Rs250mn which is executable over the next 5-6 months but the Management has indicated that there is around Rs10-12 lakhs booking per day. The company **reiterates the revenue guidance** of Rs2,800-3,000mn for FY25 of which India is expected to contribute Rs800mn while UAE Rs2,200mn. The company targets to be in the Ebitda margin ranging ~15-16%. On the **taxation**, there will be no tax for the Indian entity for the next 3-5 years while for UAE it is at ~9%.

Exhibit 11: Revenue Trend (Rs in mn)



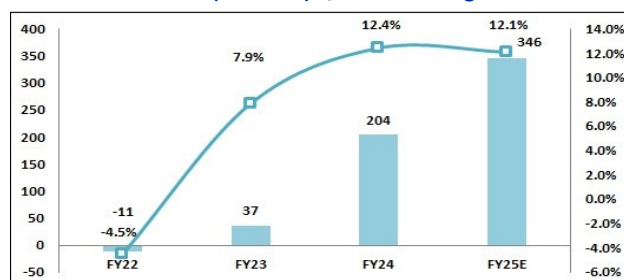
Source: Annual Reports, Progressive Research

Exhibit 12: Adjusted PAT (Rs in mn)



Source: Annual Reports, Progressive Research

Exhibit 13: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

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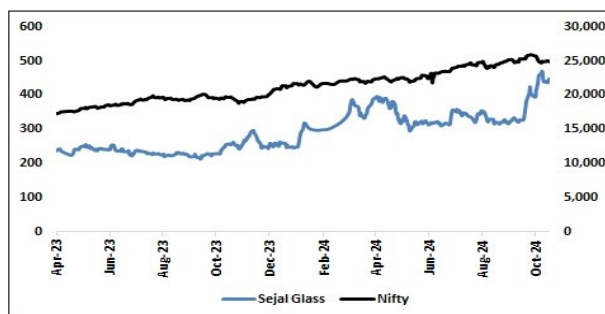
TIME : 12 months

**Risks and Concerns:** Any **slowdown in the economy** of India or the UAE which is where the key operations of the company are present poses a risk to the overall growth. The slowdown would reflect on the key industries of infra/auto; indirectly the architectural requirement for these industries, and so the demand for the company's products. Discretionary income would form a major component of demand for the company. Any global slowdown or **geopolitical risk** would impact the performance. Inability to crack the UAE market as desired is another risk to tackle. **RM price fluctuations** is another risk that the company faces as it is one of the major component of cost in the operational expenses. There is stiff **competition** in the industry which leads to price disruption for the company. There has been a comeback for financials of the company, but poses the risk based on credits/forex/commodity prices/high WC requirements and overall interest rates. The business does face some **cyclicality/seasonality** with H2 generally being better than H1 for SGL.

### Outlook and Recommendations:

From being a strong brand to the in-between doldrums that the company faced; it has been a tough ride for sure. But the company has sailed well even through the NCLT phase and has come back stronger. The knowledge and the edge needed in the industry always kept the company amongst in the front runners and not easily replaceable when it came to stickiness with clients. The company did command a good market share when it came to Architectural Glass. Float glass business was the cash cow for the company which it had to sell to clear the debt burden. The company stood strong with competitors and kept its presence amongst the key suppliers of the industry. Putting back all that happened, with the change in hands, the current Management has a well chalked plan to get back to its original and capture the lost market share. Along with the domestic markets, the company is in parallel capturing the UAE market as well, which has a huge thrust on real estate, one of the key industries for SGL. The acquisition done in UAE is surely helping the company capture the neighbouring countries as well, adding to its overall geographic presence. At the current juncture, the focus is on increasing the utilization levels across the plants in India and the UAE; which is through spreading its reach to the lost clientele base. With no major capex for the next 2-3 years, the interest component would be range bound and is well factored in. Along with revenue expansion, the blended margins are also expected to increase through the controlled cost rationalization measures adopted by the company. The health of the balance sheet is being worked upon and should improvise gradually with stabilization of business. The company is also looking for a lucrative business acquisition largely in the domestic markets to further add to its offerings. Overall, we feel with the macro factors favouring the demand from the industries of interest, SGL is well placed to get back to the sustainable and profitable bourses in times to come. We would like to highlight that since the stock is highly illiquid one can experience swings on either sides. We initiate a Buy on the stock for a target of Rs550 over 12 months horizon.

Exhibit 14: Price v/s Nifty



Source: Ace Equity, Progressive Research



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