

Date: 01/12/2023

Reco. Price: 500-542 • Target: 600-650 • Stoploss: 477

Time Frame: 3-6 months

HLE GLASCOAT LIMITED(HLEGLAS)



Chart as on 1st Dec 2023

Technical Outlook

- On a weekly scale, the stock is positioned close to the trend line support, as highlighted in the chart above. Additionally, on a daily scale, the stock has experienced a breakout from a falling wedge pattern, as depicted in the chart. According to this pattern, the stock could potentially test levels of 600-610 in the short term.
- The weekly trend line resistance is currently situated near 600 levels. If the stock manages to close above this trend line hurdle, it could potentially test levels of 650 in the medium term.
- The RSI on a daily scale is positioned above the center point and is forming positive divergence, indicating strength.
- Based on the above technical setup, we recommend accumulating HLEGLAS at the current market price and on dips near 500-505 with a stop loss of 477 on a closing basis. The target for the medium term is set at 600-650.

Fundamental Rationale

- HLE Glascoat Limited stands as a prominent manufacturer specializing in critical processing equipment for the chemical and pharmaceutical industries. The company has secured a leading position in India's filtration and drying equipment market and ranks among the country's largest producers of glass-lined equipment.
- In the filtration and drying equipment segment, HLE Glascoat holds a dominant position as the largest player in India, enjoying preferred supplier status and commanding over 50% market share. Additionally, in the Glass Lined equipment segment, the company maintains approximately 25% market share in India.
- The success of HLE Glascoat is rooted in a strategic balance between growth and stability. With diverse revenue streams spanning various products and end-user industries, coupled with a notable customer base and an expanding global presence, the company has established a well-rounded business model that mitigates risks associated with slowdowns in specific areas. Continuous expansion, the introduction of new products, and the cultivation of an extensive clientele are key components of the company's journey towards a stronger business foundation.
- Over the period from FY19 to FY23, the company has achieved strong revenue CAGR of around 27%, accompanied by a Profit after Tax (PAT) growth of 39%. Looking ahead, HLE Glascoat's management has reflected confidence in the ability to sustain its growth trajectory is bolstered by innovation in products & applications. Ongoing inquiries and positive customer interactions further enhance the medium-term outlook.
- Amid the resilience of the Indian economy, there is optimism regarding potential demand from end-user industries. **Hence, we recommend "ACCUMULATE" the stock.**

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