



IPO Report

13th Dec'23

Snapshot

Company is the largest supplier of cryogenic equipment in India by revenue in Fiscal 2023. Company have over 30 years of experience offering solutions across design, engineering, manufacturing and installation of equipment and systems for cryogenic conditions. Company's offering includes standard cryogenic tanks and equipment, beverage kegs, bespoke technology, equipment and solutions as well as large turnkey projects which are used in diverse industries such as industrial gases, liquified natural gas ("LNG"), green hydrogen, energy, steel, medical and healthcare, chemicals and fertilizers, aviation and aerospace, pharmaceuticals and construction

VALUATION

Company is bringing the issue at price band of Rs 627-660 per share at p/e multiple of 29x on post issue annualized H1FY24 PAT basis.

Company being leading Indian supplier and exporter of cryogenic equipment and equipment has large portfolio of specialized cryogenic equipment engineered to global quality standards. Company's diversified domestic and international customer base across industry sectors with Strong product development and engineering focus & Healthy financial performance is looking decent destination to deploy the funds in. Hence ,looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	627-660
Opening date of the issue	14th Dec '2023
Closing Date of the issue	18th Dec '2023
No of shares pre issue	90,763,500 Eq Shares
Issue Size	Rs 1386-1459 Cr
Offer For Sale	22,110,955 Eq Shares
Face Value (Rs/ share)	Rs 2/share
Bid Lot	22

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 11055476 Eq Shares)
Non-Institutional	15% of the offer (Approx 3316644 Eq Shares)
Retail	35 % of the offer (Approx 7738835 Eq Shares)
Lead managers	Axis Capital, ICICI Securities
Registrar to the issue	KFin Technologies Ltd

WHAT WE LIKE

Leading Indian supplier and exporter of cryogenic equipment and solutions

In Fiscal 2023, company was the largest supplier of cryogenic equipment in India by revenues in Fiscal 2023. Further, with exports to 66 countries in the six months ended September 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, company is well placed to capitalize on global opportunities in cryogenic equipment and systems as it design and manufacture its equipment to international norms. Company was also the largest exporter of cryogenic tanks from India in terms of revenue in Fiscal 2023.

Diversified domestic and international customer base across industry sectors

Company's major customers include: • Industrial Gas Division: Air Liquide Global E&C Solutions India Private Limited, All Safe Global, Baif Development Research Foundation, CRYONIQ s.r.o., Gulf Cryo LLC, Hyundai Engineering and Construction Co Ltd, INOX Air Product Pvt Ltd, Carbacid (CO2) Limited, Navin Flourine International Ltd, National Refrigerants Inc, Pentrade Global LLC, Prodair Air Products India Pvt Ltd, SK ecoengineering Co. Ltd, StemCyte India Therapeutics Pvt Ltd, Synergy Gases (K) Ltd; • LNG Division: Caribbean LNG Inc, 2G Energy Inc, AGP City Gas Pvt Ltd, H-Energy Gateway Pvt. Ltd., Hoglund Gas Solutions AS, IRM Energy Limited, Saint Gobain India Private Limited, Shell Energy India Private Limited; Think Gas Distribution Private Limited, Ultra Gas & Energy Limited.

Healthy financial performance to support growth

Company's consolidated total income has increased at a CAGR of 27.13% from ₹ 6,089.92 million in Fiscal 2021 to ₹ 9,841.99 million in Fiscal 2023. Company's EBIDTA on a consolidated basis has increased at a CAGR of 21.96% from ₹1,496.98 million in Fiscal 2021 to ₹2,226.51 million in Fiscal 2023. Company's consolidated profit after tax has increased at a CAGR of 26.06% from ₹961.07 million in Fiscal 2021 to ₹1,527.14 million in Fiscal 2023.



COMPANY BACKGROUND

The demand for cryogenic equipment across geographies is expected to be driven by the increased demand for cleaner fuels such as LNG and hydrogen due to the focus on reducing carbon emissions from conventional energy sources. Company is well positioned to capture this global market growth with its inhouse technology as well as its LNG product range that includes the entire value chain. In hydrogen, company's engineering teams are developing products and systems in complex industry environments like hydrogen storage, transportation and distribution to address the need for large scale movements of liquid hydrogen. For example, company was the first Indian company to manufacture a trailer mounted hydrogen transport tank, which was designed jointly with the Indian Space Research Organisation ("ISRO"). Company produced and shipped a 238kl liquid hydrogen storage tank for a liquid hydrogen plant in South Korea. Company also have recently produced and shipped four 311kl liquid hydrogen storage tanks for another customer in South Korea for the construction of three liquid hydrogen plants.

Company's business comprises of three divisions:

- **Industrial Gas:** This division manufactures, supplies and installs cryogenic tanks and systems for storage, transportation and distribution of industrial gases like such as green hydrogen, oxygen, nitrogen, argon, carbon dioxide (CO₂), hydrogen and provides after-sales services.
- **LNG:** This division manufactures, supplies and installs standard and engineered equipment for LNG storage, distribution and transportation as well as small-scale LNG infrastructure solutions suitable for industrial, marine and automotive applications; and
- **Cryo Scientific:** This division provides equipment for technology intensive applications and turnkey solutions for scientific and industrial research involving cryogenic distribution.

Division	Six months ended September 30, 2023		Six months ended September 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Rs million	% of revenue from operatio ns	Rs million	% of revenue from operatio ns	Rs million	% of revenue from operatio ns	Rs million	% of revenue from operatio ns	Rs million	% of revenue from operatio ns
Industrial Gas	3613.50	64.00%	3350.00	68.82%	6846.06	70.88%	6205.91	79.29%	3756.69	63.27%
LNG	1723.52	30.53%	1167.51	23.98%	2404.12	24.89%	1258.51	16.08%	1473.18	24.81%
Cryo Scientific	309.10	5.47%	350.46	7.20%	408.82	4.23%	362.69	4.63%	708.10	11.92%
Revenue from Operations	5646.12	100.0%	4867.97	100.0%	9659.00	100.0%	7827.11	100.0%	5937.97	100.0%

Company have three manufacturing facilities located at (i) Kalol in Gujarat, (ii) the Kandla Special Economic Zone ("Kandla SEZ") in Gujarat and (iii) Silvassa in the Union Territory of Dādra and Nagar Haveli. In the six months ended September 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, company's installed capacity of cryogenic tanks and related items was 1,550, 3,100, 3,100 and 2,200 Equivalent Tank Units (which are cryogenic storage tanks of 10,000 litres), respectively, and 1.2 million, 2.4 million, 2.4 million and 1.4 million disposable cylinders, respectively.

Company is led by a qualified and experienced management team that has the expertise and vision to manage and grow its business. Company commissioned its Kalol facility in Fiscal 1992 and has undergone organic and inorganic growth to become a global cryogenic equipment solution provider. Company is part of the INOX group (including companies in the industrial gas sector) with revenues of ₹31,760.25 million in Fiscal 2023.



INVESTMENT RATIONALE

<p><i>Large portfolio of specialized cryogenic equipment engineered to global quality standards</i></p>	<p>Company offer comprehensive solutions across design, engineering, manufacturing and installation of standard as well as customized cryogenic equipment and systems. Company's equipment and systems are used in industries such as energy, industrial gases, LNG and LCNG, steel, medical and healthcare, chemicals and fertilizers, aviation and aerospace, pharmaceuticals and construction. Cryogenic engineering is specialized due to ultra-low temperatures where permanent gases, such as oxygen, nitrogen are in liquid form. Properties of materials as well as behaviour of liquified gases are different at such temperatures and require deep understanding and use of sophisticated engineering tools for realization of equipment for end applications. In addition, new industrial applications such as use of LNG as vehicle fuel requires innovative solutions to engineer safe and reliable products for automobile and marine applications. For research applications such customization is even more complex and even more demanding. All such engineering activities require trained manpower with skills, and company benefit from the lower engineering costs in India compared to the rest of the world. Since cryogenic equipment are very challenging to repair in the field, reliability of the product is of the utmost importance. Most of the applications require un-attended reliable operation for several years. Defect free manufacturing and consistent quality, accordingly, are essential for these applications. Liquified gases are required to be stored and distributed under pressure and hence, are governed by safety regulations in each country. Depending upon the region, various international pressure vessel codes and country specific requirements have to be made for use of such product in the region. Knowledge of such international standards and providing certification and acceptance is also an important aspect for providing such cryogenic equipment in the global market.</p>
<p><i>Strong product development and engineering focus</i></p>	<p>The foundation of Company is based on product development and engineering. Company have an inhouse engineering team to develop new products and solutions. In the past three fiscal years, company's inhouse team has developed cryogenic containers that comply with ISO containers standards, LNG fuel stations, LNG/LCNG fuel stations, LNG fuel tanks, cryogenic biological storage and beverage kegs. During the last five years, company have added new products: liquid hydrogen storage tanks, LNG dispensers, LNG fuel tanks and aluminium trailers. Company's product development and engineering activities are critical in maintaining its competitive position, addressing customer needs and industry developments. Company's activities are focused on developing newer technologies, engineering new products, reducing its cost of production, simplifying manufacturing processes, improving safety and reducing the environmental impact of company's manufacturing and products.</p>
<p><i>Experienced Promoters, Management Team and Skilled Workforce</i></p>	<p>Company started production in Fiscal 1993 and has undergone organic and inorganic growth to become a comprehensive cryogenic equipment solution provider. In 2009, company acquired CVA Inc (CVA Inc is no longer a subsidiary of Company). After this acquisition, company's strategy has been to expand its product offerings across the cryogenic value chain. Company is part of the INOX group (including companies in the industrial gas sector) with revenues of ₹31,760.25 million in Fiscal 2023, which provides it with strategic support and leadership. Company's Promoter and Non-Executive Director, Pavan Kumar Jain, has been with Company since April 16, 1979 and has approximately 30 years of experience in the cryogenic engineering and high vacuum technology industry. Company's Promoter and Non-Executive Director (Non-Independent), Siddharth Jain, has approximately 18 years of experience in the cryogenic engineering and high vacuum technology industry and oversees the groups' strategic planning, business development and together with responsible for the industrial gases, entertainment and cryogenics equipment manufacturing businesses</p>



OBJECTS OF OFFER

The objects of the Offer are to (i) carry out the Offer for Sale of up to 22,110,955 Equity Shares by the Selling Shareholders; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges

RISKS

11.56% and 46.52% of revenue from operation was derived from company's largest customer and top 10 customers, respectively, for Fiscal 2023. Cancellation by customers or delay or reduction in their orders could have a material adverse effect on company's business, results of operations and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Overview of the Indian cryogenic equipment industry

Market size of the Indian cryogenic equipment industry

The Indian cryogenic equipment market size was estimated to be US\$353 billion in calendar year 2022. The demand for cryogenic equipment in India grew at a steady CAGR of 6.8% between calendar year 2017 and calendar year 2019. The lockdown and travel restrictions resulting from the Covid-19 pandemic saw the demand growth for cryogenic equipment stall for two years between calendar year 2019 and calendar year 2021. Going forward, demand for cryogenic equipment in India is expected to grow at a CAGR of 7.2% between calendar year 2023 and calendar year 2028, according to the CRISIL Report. The growth is expected to be driven by increase in industrial output, increase in investments in electronics and space sectors and shift towards cleaner fuel sources such as LNG and hydrogen in the industrial and transport sector.

Indian cryogenic equipment industry by types of cryogenic equipment

Of the types of equipment used, tanks used for storage and transportation form a major share of the Indian cryogenic equipment demand, amounting to a market share of 54% in calendar year 2022. The other major types of cryogenic equipment in the Indian market are valves which are used to control flow and for safety, vapourizers which convert cryogenic liquids to gaseous form, and pumps. In calendar year 2022, valves, vapourizers and pumps contributed to approximately 16%, 11% and 10% of the Indian cryogenic equipment industry, respectively. Other equipment accounting for 9% of the market share include, among others, pipes, regulators, freezers, dewars, strainers, samplers, heat exchangers, leak detection equipment, dispensers, and manifolds, fittings, vacuum jacketed / insulated piping, hoses and connections.

Indian cryogenic equipment industry by key applications

The equipment used to store, transport and handle the cooled gases in liquid form is collectively called cryogenic equipment. ASU's form about 59-61% of the demand for domestic cryogenic equipment consumption in calendar year 2022. The major cryogenic equipment includes tanks, valves, vaporisers and pumps. LNG applications form another major market for cryogenic equipment due to the large volume of natural gas demand and the subsequent need for its transport, storage and distribution. Of these application LNG bulk carrier ships and LNG terminals for liquefaction and regasifications are the major demand segments. LNG bulk carrier ships are marine vessels that enable the transportation of large quantities of liquified industrial gas which accounts for 3-5% of the domestic cryogenic equipment demand while LNG liquefaction and regasification terminals are facilities that convert the industrial gas into its liquid and gaseous states, respectively, to facilitate storage and transporation of large volumes of natural gas economically over long distances. This segment accounted for 17- 19% of the total cryogenic equipment demand in calendar year 2022. All other applications of cryogenic equipment are grouped under non-ASU segment, which includes rail and road transport, small-scale/temporary storage, cryopreservation, research studies, satellite launch facilities, cryogenic process technologies and cryogenic electronics, such as superconducting magnet systems, low-temperature detector systems and infrared array systems, among others.



Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	5937.97	7827.11	9659.00	5646.12
Total Expenditure (B)	4592.94	6150.82	7615.48	4342.56
EBIDTA	1345.03	1676.29	2043.52	1303.56
EBIDTA Margin	22.65	21.42	21.16	23.09
Other Income	151.95	210.02	182.99	153.83
Depreciation	117.76	121.00	139.17	77.24
EBIT	1379.22	1765.31	2087.34	1380.15
Interest	68.57	23.24	36.85	18.43
PBT	1310.65	1742.07	2050.49	1361.72
Extraordinary Items	0.00	0.00	0.00	0.00
PBT	1310.65	1742.07	2050.49	1361.72
Share of profit in associate	0.00	0.00	0.01	-0.88
PBT	1310.65	1742.07	2050.50	1360.84
Tax	349.58	437.09	523.35	328.35
PAT	961.07	1304.98	1527.15	1032.49
NPM	16.19	16.67	15.81	18.29
ROE %	25.87	25.98	27.79	18.65
EPS	10.59	14.38	16.83	11.39
Eq Cap	90.76	181.52	181.52	181.52
Net Worth	3,715.14	5,022.84	5,494.76	5,542.38

(Source: RHP)



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