

Recommendation	SUBSCRIBE
Price Band	Rs 627-660
Bidding Date	14th Dec-18 <sup>th</sup> Dec
Book Running Lead Manager	ICICI Securities, Axis Capital
Registrar	KFin Technologies Limited
Sector	

#### Minimum Retail Application- Detail At Cut off Price

Number of Shares	22
Minimum Application Money	Rs. 14520
Discount to retail	0
Payment Mode	ASBA

Consolidated Financials (Rs Cr)	FY22	FY23
Total Income	783	966
EBITDA	168	204
Adj PAT	135	152

Valuations (H1FY24 Annual.)	Upper Band
Market Cap (Rs Cr)	5,990
Adj EPS	22.8
PE	29.0
EV/ EBITDA	22.7
Enterprise Value (Rs Cr)	5,977

#### Post Issue Shareholding Pattern

Promoters	75.0%
Public/Other	25.0%

#### Offer structure for different categories

QIB (Including Mutual Fund)	50%
Non-Institutional	15%
Retail	35%
Post Issue Equity (Rs. in cr)	18.15
Issue Size (Rs in cr)	1459
Face Value (Rs)	2

Jehan Bhadha  
Research Analyst  
(+91 22 6273 8174)  
jehankersi.bhadha@nirmalbang.com

#### BACKGROUND

Established in 1976, INOXCVA is the largest supplier of cryogenic equipment in India by revenue. They have over 30 years of experience offering solutions across design, engineering, manufacturing and installation of equipment and systems for cryogenic conditions. Their offering includes 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.

#### Details of the Issue:

Total issue of ~Rs. 1459 Cr (at upper price band). The issue is entirely an offer for sale of 2.21 crore shares having a face value of Rs 2 each.

#### Investment Rationale:

- Increased demand for cleaner fuels such as LNG and hydrogen due to the focus on reducing carbon emissions from conventional energy sources
- Large portfolio of specialized cryogenic equipment engineered to global quality standards
- Strong financial performance

#### Valuation and Recommendation:-

Inox is amongst the top 10 companies globally and the largest in India in the business of manufacturing complex cryogenic solutions which are highly critical for the user industries. This is reflected in the company's superior EBITDA margins at over 21%, much higher than average of listed capital goods players. Combined with strong asset turns of 1.4-1.8x historically, Inox has consistently delivered ROCE of over 30% in recent years. Increasing importance of green fuels like liquid hydrogen and preference for LNG over diesel is leading to robust topline growth for Inox. Revenue grew by 14% CAGR over FY20-23 and by 16% in H1FY24. This growth is broadly in line with listed Capital Gods players. Inox is valued at 29x H1FY24 annualised EPS which we believe leaves some scope for listing gains. **Thus, we recommend SUBSCRIBE to the issue.**

Financials	FY21	FY22	FY23	H1FY24 Ann.
Net Revenues	594	783	966	1129
Growth (%)	-	32%	23%	17%
EBITDA	135	168	204	261
EBITDA Margin (%)	22.7%	21.4%	21.2%	23.1%
PBT	131	174	205	272
Adjusted PAT	96	130	153	207
EPS	10.6	14.4	16.8	22.8
ROCE	31.9%	32.4%	38.0%	35.1%
EV/Sales	10.0	7.6	6.1	5.3
EV/EBITDA	44.1	35.4	29.0	22.7
P/E	64.4	44.3	39.5	29.0

Source: RHP, NBRR

## Company Background

Inox India Ltd is the largest supplier of cryogenic equipment in India. They have over 30 years of experience offering solutions across design, engineering, manufacturing and installation of equipment and systems for cryogenic conditions. Their 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, green hydrogen, energy, steel, medical and healthcare, chemicals and fertilizers, aviation and aerospace, pharmaceuticals and construction. In addition, they manufacture a range of cryogenic equipment utilised in global scientific research projects. 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. The 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.

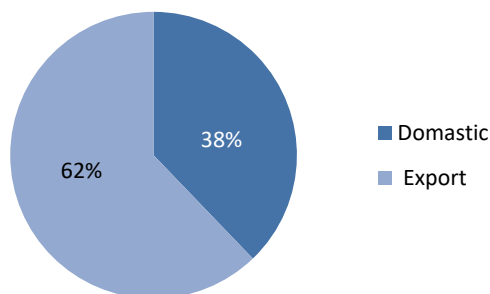
**The company's business comprises of three divisions:**

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 (CO <sub>2</sub> ), 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.
Cryo Scientific	This division provides equipment for technology intensive applications and turnkey solutions for scientific and industrial research involving cryogenic distribution.

**Split of revenue (Rs Cr) by business division:**

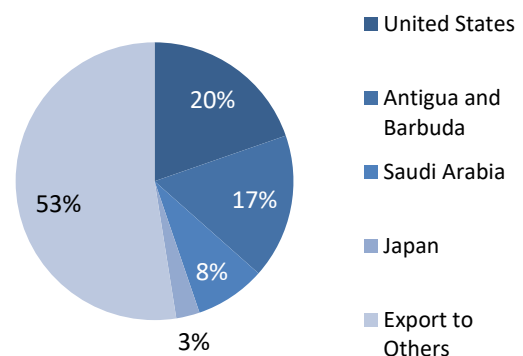
Division	H12024		FY2023		FY2022		FY2021	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Industrial Gas	361	64%	6,846	71%	6,206	79%	3,757	63%
LNG	172	31%	2,404	25%	1,259	16%	1,473	25%
Cryo Scientific	31	5%	409	4%	363	5%	708	12%
<b>Total</b>	<b>565</b>	<b>100%</b>	<b>9,659</b>	<b>100%</b>	<b>7,827</b>	<b>100%</b>	<b>5,938</b>	<b>100%</b>

**Geography-wise revenue mix (H1FY24)**



Source: RHP, NBRR

**Export-wise revenue split (H1FY24)**



Source: RHP, NBRR

## Investment Rationale

### **Increased demand for cleaner fuels such as LNG and hydrogen due to the focus on reducing carbon emissions from conventional energy sources**

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. In India, the national objectives in line with the Paris Agreement are expected to increase demand for power generation and vehicles fuelled by cleaner fuels like LNG, LCNG and hydrogen. The company would play an integral part by supplying the necessary cryogenic equipment across key industry segments, particularly LNG and hydrogen that offer attractive market opportunities. Global LNG demand will grow at a 5-6% CAGR from CY2023 to CY2025 to 480-500 million tons per annum and demand for cryogenic equipment for LNG storage, distribution and handling shall increase at a CAGR of 8.4% from CY2023 to CY2028.

The company's comprehensive LNG product range includes the entire value chain from taking the cryogenic LNG at the receiving terminal for small scale and mobile users to storage and transportation and then distribution to the end-use such as the equipment for retail fuelling of LNG and LCNG. In the LNG tank segment, Inox have supplied over 60% of the tanks in both the stationary tank segment which includes all LNG applications including LCNG stations and trailer mounted mobile LNG tanks in India which have a valid PESO license as of May 4, 2022. The company has received orders for supply of equipment for multiple auto-LNG dispensing stations from IOCL, BPCL and HPCL for the Phase-I of auto-LNG station rollout.

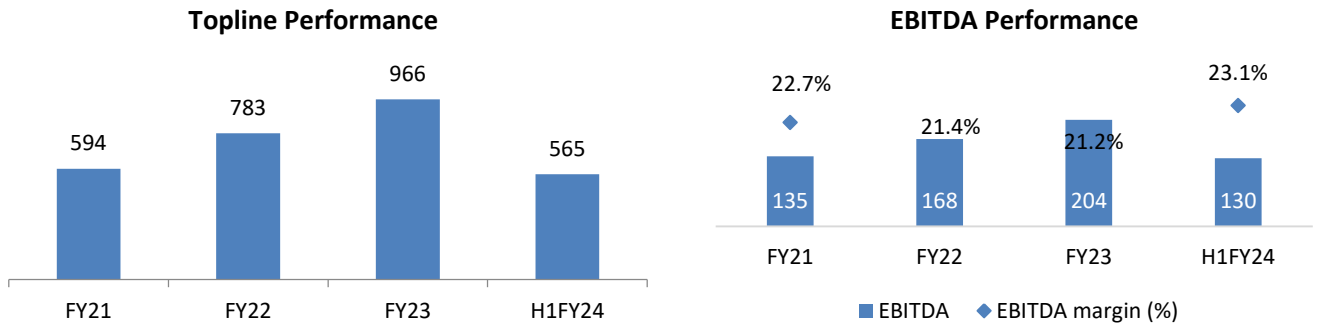
In hydrogen, CRISIL Research reports that the International Energy Agency projects global hydrogen demand to grow at an 6.1% CAGR from CY2022 to CY2030 to 152.3 MT. CRISIL Research projects the hydrogen cryogenic equipment market to grow at a 6.3% CAGR from US\$408 million in CY2023 to US\$553 million in CY2028. While most of the hydrogen produced currently is from fossil fuels, in the long-term hydrogen produced from renewable source, "green hydrogen", is expected to increase as cost for producing green hydrogen declines. This is expected to drive demand for hydrogen as a source of clean fuel as it would be produced from fully renewable sources and emits no pollutants during use. The hydrogen segment in India is expected to see strong growth with GoI's emphasis on developing a hydrogen economy in the country. In January 2023, Government of India has approved a National Green Hydrogen mission that aims to make India a global hub for using, producing and exporting green hydrogen. It aims to develop India as a global hub for manufacturing hydrogen and fuel cell technology across the value chain. The key industries driving the demand for hydrogen would be refining, ammonia and methanol in the near term while steel production and heavy-duty trucking are expected to drive demand toward the latter end of the period, accounting for over 50% of the demand for green hydrogen. The company intends to focus on innovation to store hydrogen, transportation and distribution to address the need for large scale movements of liquid hydrogen. The company's engineering team has been developing cryogenic equipment for hydrogen.

### **Large portfolio of specialized cryogenic equipment engineered to global quality standards**

The company offers comprehensive solutions across design, engineering, manufacturing and installation of standard as well as customized cryogenic equipment and systems. These 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.

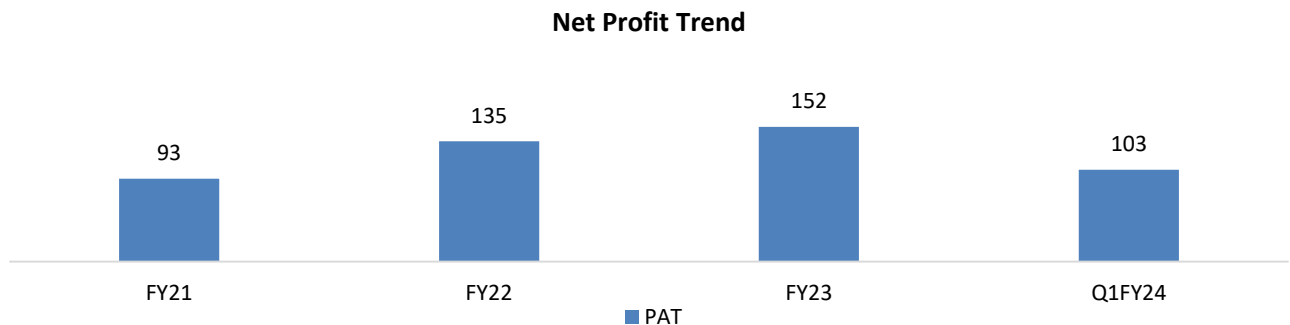
## Strong Financial Performance (Key Charts)

### Topline and Operating Performance

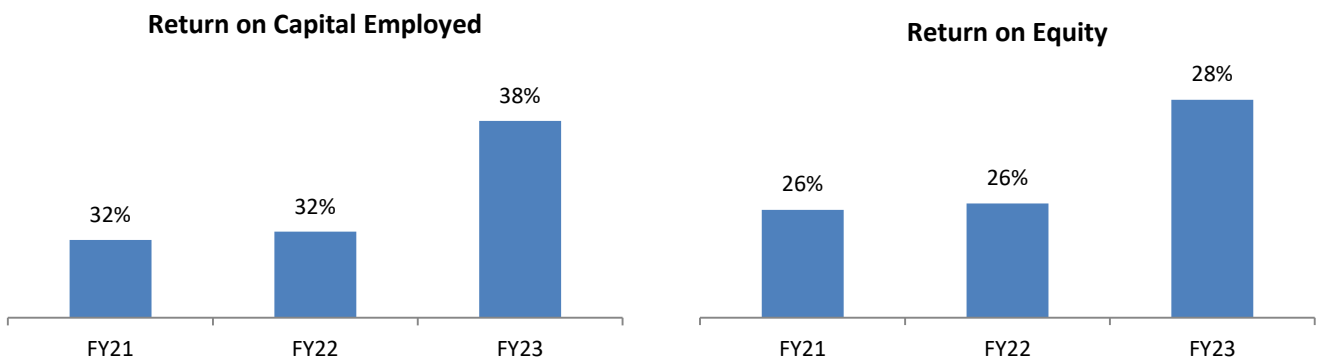


Source: RHP, NBRR

### Profitability Ratios



Source: RHP, NBRR



Source: RHP, NBRR

## Risks and concerns

### The company does not own the name “INOX”

The name “INOX” forms a part of the company’s corporate name. Although it does not own the name “INOX”, it has been permitted to use the same pursuant to a name license agreement dated June 6, 2022 with its owners, namely the Jain family. As per the Name License Agreement, the company is required to pay the Licensor a royalty on an annual basis amounting to 0.25% of the consolidated revenues from operations. Any ad-hoc increase in this royalty fee could impact the business health and the financials of the company.

### Cyclical downturn in global capex cycle

The company’s products have a lifespan of 20-30 years and are thus dependent on global capex demand. A sharp downturn in the global capex cycle could result in a slowdown in demand for the company’s products which primarily depend on global capital expenditure, particularly in industries such as energy, steel, chemicals, fertilizers, aviation and construction.

## Valuation and Recommendation

Inox is amongst the top 10 companies globally and the largest in India in the business of manufacturing complex cryogenic solutions which are highly critical for the user industries. This is reflected in the company’s superior EBITDA margins at over 21%, much higher than average of listed capital goods players. Combined with strong asset turns of 1.4-1.8x historically, Inox has consistently delivered ROCE of over 30% in recent years. Increasing importance of green fuels like liquid hydrogen and preference for LNG over diesel is leading to robust topline growth for Inox. Revenue grew by 14% CAGR over FY20-23 and by 16% in H1FY24. This growth is broadly in line with listed Capital Goods players. Inox is valued at 29x H1FY24 annualised EPS which we believe leaves some scope for listing gains. **Thus, we recommend SUBSCRIBE to the issue.**



## Financials

P&L (Rs. Cr)	FY21	FY22	FY23	H1FY24	H1FY24 Ann.	Balance Sheet (Rs. Cr)	FY21	FY22	FY23	H1FY24
Net Revenue	594	783	966	565	1,129	Share Capital	9	18	18	18
% Growth	0	32%	23%	16%	17%	Other Equity	362	484	531	536
Purchases of stock in trade	248	338	433	267	533	Minority Interest	0	0	0	0
% of Revenues	41.7%	43.1%	44.8%	47.2%	47.2%	<b>Networth</b>	<b>372</b>	<b>502</b>	<b>550</b>	<b>554</b>
Employee Cost	60	73	79	46	91	<b>Total Loans</b>	<b>60</b>	<b>43</b>	<b>0</b>	<b>31</b>
% of Revenues	10.2%	9.4%	8.2%	8.1%	8.1%	Other non-curr liab.	21	22	22	27
Other expenses	151	204	250	122	244	Trade payable	17	40	65	66
% of Revenues	25.4%	26.1%	25.9%	21.6%	21.6%	Other Current Liab	217	290	512	477
<b>EBITDA</b>	<b>135</b>	<b>168</b>	<b>204</b>	<b>130</b>	<b>261</b>	<b>Total Equity &amp; Liab.</b>	<b>687</b>	<b>897</b>	<b>1,148</b>	<b>1,156</b>
<b>EBITDA Margin</b>	<b>22.7%</b>	<b>21.4%</b>	<b>21.2%</b>	<b>23.1%</b>	<b>23.1%</b>	Property, Plant and Equipment	101	133	164	214
Depreciation	12	12	14	8	15	CWIP	2	2	0	6
Other Income	15	21	18	15	31	Other Intangible assets / Right of i	1	1	1	6
Interest	7	2	4	2	4	Non Current Financial assets	0	0	0	0
Exceptional item	0	0	0	0	0	Other non Curr. assets	253	15	58	34
<b>PBT</b>	<b>131</b>	<b>174</b>	<b>205</b>	<b>136</b>	<b>272</b>	Inventories	146	323	413	407
Tax	35	44	52	33	66	Cash and cash equivalents	2	1	14	16
Tax rate	27%	25%	26%	24%	24%	Investments+loans	25	311	249	238
Extraordinary	0	0	0	0	0	Trade receivables(debtor)	113	78	143	155
<b>Adj. PAT (norm. Tax)</b>	<b>96</b>	<b>130</b>	<b>153</b>	<b>103</b>	<b>207</b>	Other Current assets	44	32	107	82
% Growth	0	36%	17%	23%	35%	<b>Total Assets</b>	<b>687</b>	<b>897</b>	<b>1,148</b>	<b>1,156</b>
<b>EPS (Post Issue)</b>	<b>10.6</b>	<b>14.4</b>	<b>16.8</b>	<b>11.4</b>	<b>22.8</b>					
Ratios & Others	FY21	FY22	FY23	H1FY24	H1FY24 Ann.	Cash Flow (Rs. Cr)	FY21	FY22	FY23	H1FY24
Debt / Equity	0.2	0.1	0.0	0.1	-	Profit Before Tax	131	174	205	136
EBITDA Margin (%)	22.7%	21.4%	21.2%	23.1%	-	Provisions & Others	7	-3	-0	-4
PAT Margin (%)	16.2%	16.7%	15.8%	18.3%	-	<b>Op. profit before WC</b>	<b>138</b>	<b>172</b>	<b>205</b>	<b>133</b>
ROE (%)	25.9%	26.0%	27.8%	-	27.3%	Change in WC	121	-51	27	-16
ROCE (%)	31.9%	32.4%	38.0%	-	35.1%	Less: Tax	28	24	53	27
Turnover Ratios	FY21	FY22	FY23	H1FY24	H1FY24 Ann.	<b>CF from operations</b>	<b>231</b>	<b>97</b>	<b>178</b>	<b>89</b>
Debtors Days	69	36	54	100	-	Purchase/Sale of fixed assets	-6	-44	-47	-76
Inventory Days	90	150	156	263	-	Sale/Purchase of Investments	-154	-40	33	61
Creditor Days	11	19	24	43	-	Interest, dividend and other inc	12	9	2	2
Asset Turnover (x)	1.4	1.4	1.8	-	1.4	<b>CF from Investing</b>	<b>-148</b>	<b>-75</b>	<b>-11</b>	<b>-14</b>
Valuation Ratios	FY21	FY22	FY23	H1FY24	H1FY24 Ann.	Repayment towards Lease Liab	-2	-3	-3	-2
Price/Earnings (x)	62.3	45.9	39.2	-	29.0	Repayment of Borrowings	-59	0	0	0
EV/EBITDA (x)	44.4	35.7	29.2	-	22.9	(Repayment)/ proc current debt	-25	-17	-43	31
EV/Sales (x)	10.1	7.6	6.2	-	5.3	Interest & div paid	-9	-6	-107	-101
Price/BV (x)	16.1	11.9	10.9	-	10.8	<b>CF from Financing</b>	<b>-96</b>	<b>-26</b>	<b>-154</b>	<b>-72</b>
						<b>Net Change in cash</b>	<b>-17</b>	<b>-1</b>	<b>12</b>	<b>4</b>
						Cash & Bank at beginning	19	2	1	11
						Cash & Bank at end	2	1	14	16

Source: Company Data, NBRR

## Disclosure:

Research Reports that are published by Nirmal Bang Securities Private Limited (hereinafter referred to as “NBSPL”) are for private circulation only. NBSPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001766. NBSPL is also a registered Stock Broker with National Stock Exchange of India Limited, BSE Limited, Metropolitan Stock Exchange of India Limited, Multi Commodity Exchange of India Limited, National Commodity and Derivative Exchange Limited and Indian Commodity Exchange Limited in cash and Equity and Commodities derivatives segments.

NBSPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBSPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBSPL, its associates or analyst or his relatives do not hold any financial interest (Except Investment) in the subject company. NBSPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBSPL or its associates or Analyst or his relatives may or may not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBSPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBSPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company. NBSPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** The research analysts and authors of these reports, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

## Disclaimer:

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBSPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBSPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBSPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBSPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBSPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBSPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBSPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBSPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBSPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBSPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBSPL.

Our reports are also available on our website [www.nirmalbang.com](http://www.nirmalbang.com).



**Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)**

B-2, 301/302, Marathon Innova,  
Opp. Peninsula Corporate Park  
Off. Ganpatrao Kadam Marg  
Lower Parel (W), Mumbai-400013  
Board No. : 91 22 6723 8000/8001  
Fax. : 022 6723 8010