

Company Overview

Inox India Ltd. is engaged in the business of design, engineering, manufacturing, and installation of equipment and systems for cryogenic conditions. Its business consists of three divisions namely industrial gas, LNG, and cryo scientific, out of which industrial gas and LNG divisions account for majority of the revenue. The company offers standard cryogenic tanks and equipment, beverage kegs, bespoke technology, equipment, and solutions as well as large turnkey projects that are used in diverse industries such as industrial gases, LNG, green hydrogen, energy, steel, medical and healthcare, chemicals and fertilizers, aviation and aerospace, pharmaceuticals and construction. It also manufactures a range of cryogenic equipment utilized in global scientific research and has a large portfolio of specialized cryogenic equipment engineered to global quality standards. The company offers standardized as well as customized solutions to its customers across the design, engineering, manufacturing, and installation of cryogenic equipment and systems. The company has a diversified marquee domestic and international customer base across industries and geographies including corporate and government customers. The increase in the demand for cleaner fuels such as LNG and hydrogen, as the focus shifts to reduce carbon emissions from conventional energy sources, is expected to drive the demand for cryogenic equipment over geographies. The company is well positioned to capture this demand growth with its in-house technology and LNG product range which spans across the entire value chain.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ To carry out the Offer for Sale;
- ⇒ General corporate purpose.

Investment Rationale

Leading Indian supplier and exporter of cryogenic equipment and solutions

In FY23, the company was the largest supplier of cryogenic equipment in India in terms of revenue. As on CY2022, the global cryogenic equipment market was valued at \$11.5 billion and global cryogenic equipment demand is projected to grow at a 6.9% CAGR from CY2023 to reach \$16.6 billion by CY2028. As the company designs and manufactures equipment to international norms, the company is well placed to capitalize on global opportunities in cryogenic equipment. As the global focus is shifting towards reducing carbon emissions, the increasing demand for cleaner fuels such as LNG and hydrogen when compared to conventional energy sources will drive the demand for cryogenic equipment across geographies. The company's range of cryogenic equipment spans the entire cryogenic value chain in its focused sectors which provides an added advantage as these industries require specialized handling and technologically intensive solutions. Hence, the company's presence in the industry for over 30 years, customized solutions along with an established brand and reputation has enabled it to take a leading market position. With the intention of leveraging these competitive advantages along with its global customer base, the company will continue to capitalize on the demand growth for (i) cryogenic equipments and (ii) the transition to cleaner fuels like LNG and hydrogen.

Strong product development and engineering focus provides competitive advantage

To maintain its competitive position and address customer needs, product development and engineering activities are critical to the company. Hence, the company's production activities are focused to develop newer technologies, engineer new products, reduce cost of production, simplify manufacturing processes, improve safety, and reduce the environmental impact of its manufacturing and products. The company's engineering focus and deep domain expertise gives it the ability to develop bespoke products and systems for its customers, providing the company a competitive advantage over others. During the past three fiscal years, the company's in-house team has developed cryogenic containers that comply with ISO container standards, LNG fuel stations, LNG/LCNG fuel stations, LNG fuel tanks, cryogenic biological storage, and beverage kegs. During the last five years, the company has added new products such as liquid hydrogen storage tanks, LNG dispensers, LNG fuel tanks, and aluminum trailers.

Issue Details

Offer Period	14 th Dec 2023 - 18 th Dec 2023
Price Band	Rs. 627 to Rs. 660
Bid Lot	22
Listing	BSE & NSE
Issue Size (no. of shares in mn)	22.11
Issue Size (Rs. in bn)	14.59
Face Value (Rs.)	2

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ICICI Securities Ltd, Axis Capital Ltd, KFin Technologies Ltd
Registrar	KFin Technologies Limited

Particulars	Pre Issue %	Post Issue %
Promoter & Promoters Group	99.30	75.46
Public	0.70	24.54
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Inox India Ltd.

Valuation

According to CRISIL, India's GDP is expected to grow at a CAGR of 5.5-6% between FY2023 and 2028, owing to strong demand from the domestic market coupled with government's capex push, production-linked incentive schemes, and healthier corporate balance sheets. The rising investments in the infrastructure domain, the focus of central and state governments on national infrastructure along with various infrastructure-related government schemes have helped in the continuation of the growth momentum of India's capex. As there is a global push to reduce carbon footprint and promote the use of clean source of energy such as LNG and hydrogen, Inox India Ltd. is expected to benefit from the long-term demand for cryogenic equipment. The company's leadership position in cryogenic equipment in India, robust order book, strong product portfolio, marquee clients diversified across sectors and focus on exports should help the company to grow its scale of operations in future. Additionally, the company has delivered healthy financial performance in the past, focused on reduced borrowings and posted strong RoE and RoCE in excess of 25%, thereby providing confidence about its sustained business performance. The company has a track record of sustained Revenue/EBITDA/PAT performance which grew at a CAGR of 27.5%/21.9%/26.0% during the FY2021-23 period. **On the upper price band, the issue is valued at a P/E of 39.2x based on FY2023 earnings which we feel is fairly valued. We, therefore, recommend a "Subscribe" rating for the issue.**

Key Risks

- ⇒ The company has its manufacturing facilities in Kalol, Kandla in the state of Gujarat, and Silvasa, out of which Kandla and Kalol account for the majority share in the business of the company. The company is subject to some manufacturing risks such as breakdown or failure of equipment or industrial accidents that could lead to interruptions in the business of the company which may in turn affect production schedules and the company's ability to meet the customer's demand.
- ⇒ Cryogenics refers to an engineering activity whereby a material is handled at extremely low temperatures. The company is engaged in the manufacturing of cryogenic equipment and hence any cryogen leakage from the equipment poses potential health hazards.
- ⇒ The company is an equipment manufacturing company and engineering and product development activities are key elements to the future success of the company. Hence, if the company does not develop new products and systems in a timely and cost-efficient manner, the company's results of operations and business may be affected.

**Inox India Ltd.****Income Statement (Rs. in millions)**

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	5,938	7,827	9,659	5,646
Total Revenue	5,938	7,827	9,659	5,646
Expenses				
Cost of raw material and components consumed	2,391	4,292	4,895	2,365
Operating Expenses				
Changes in inventory	86	(915)	(567)	302
Employee benefit expenses	605	735	790	457
Other expenses	1,511	2,039	2,498	1,219
Total Operating Expenses	4,593	6,151	7,615	4,343
EBITDA	1,345	1,676	2,044	1,304
Depreciation and Amortization expenses	118	121	139	77
Other income	152	210	183	154
EBIT	1,379	1,765	2,087	1,380
Finance costs	69	23	37	18
PBT	1,311	1,742	2,050	1,362
Current tax	274	425	516	310
Deferred Tax charge/ (credit)	75	12	7	19
Adjustment of taxes relating to previous year	-	-	-	-
Total tax	350	437	523	328
PAT	961	1,305	1,527	1,033
Diluted EPS	10.6	14.4	16.8	11.4

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash flow from operating activities	2,307	970	1,784	895
Cash flow from investing activities	(1,482)	(746)	(113)	(139)
Cash flow from financing activities	(957)	(261)	(1,536)	(719)
Net increase/(decrease) in cash and cash equivalents	(169)	(11)	125	43
Cash and cash equivalents at the beginning of the period	191	22	12	112
Cash and cash equivalents at the end of the period	22	12	137	155

Source: RHP, BP Equities Research



Inox India Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	91	182	182	182
Other Equity	3,624	4,841	5,313	5,361
Total Equity	3,715	5,023	5,495	5,542
Non-Current Liabilities				
Financial Liabilities				
(i) Long term Borrowings				
(i) Lease liabilities	48	84	75	92
(ii) Other Non current Financial Liabilities	13	13	16	22
Provisions	90	41	45	55
Deferred tax liabilities (net)	58	77	83	100
Other non Current liabilities				
Current Liabilities				
Financial Liabilities				
(i) Short Term Borrowings	604	434	0	310
(ii) Lease liabilities	23	27	15	24
(iii) Trade Payable				
Due to micro and small enterprise	5	15	112	78
Due to other than micro and small enterprise	169	385	536	584
(iv) Other financial liabilities	402	405	620	1,085
Current tax liabilities (net)	15	20	15	57
Provisions	220	267	333	386
Other current liabilities	1,509	2,175	4,139	3,223
Total Current Liabilities	2,948	3,729	5,770	5,747
Total liabilities	3,157	3,945	5,989	6,016
Total Equity and Liabilities	6,872	8,968	11,484	11,558
Assets				
Non-Current Assets				
Property, plant and equipment	1,013	1,332	1,636	2,140
Capital work in Progress	24	19	2	56
Intangible Asset	6	6	9	57
Financial Assets				
(i) Investments	1	2	2	2
(i) Loans	490	0	0	0
(ii) Other financial assets	36	23	20	60
Intangible assets	-	-	-	-
Other non current assets	8	55	80	201
Total Non current assets	1,580	1,436	1,749	2,516
Current Assets				
Inventories	1,458	3,225	4,128	4,069
Financial Assets				
Investments	249	3,115	2,487	2,375
(i) Trade Receivables	1,127	781	1,429	1,550
(ii) Cash and cash equivalents	22	12	137	155
(iii) Loans and Advances	-	-	-	-
(iv) Other Balance with bank	1,996	76	480	78
(iii) Other financial assets	35	39	619	216
Other current assets	145	167	324	464
Current tax Assets	177	13	26	28
Total Current Assets	5,210	7,428	9,630	8,935
Non Current assets held for sale	82	103	105	107
Total Assets	6,872	8,968	11,484	11,558

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd 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. BP EQUITIES Pvt. Ltd. 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.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392