

RETAIL EQUITY RESEARCH

INOX INDIA Ltd.

Cryogenic equipment

SENSEX: 69,585

NIFTY: 20,926

SUBSCRIBE

Price Range Rs.627- Rs.660

A sole player in Indian cryogenic equipment industry....

Inox India Ltd. (IIL), established in 1976, is the largest supplier of cryogenic equipment in India (FY23). It offers end-to-end solutions, covering design, engineering, manufacturing, and installation of cryogenic equipment and systems. IIL's extensive portfolio includes standard cryogenic tanks, beverage kegs, tailor-made technology, equipment, and solutions, as well as overseeing large turnkey projects for diverse industries. As the leading exporter of cryogenic tanks from India (by revenue in FY23), IIL brings over 3+ decades of industry experience, having served 1,201 domestic and 228 international customers spanning 66 countries. IIL has 3 manufacturing facilities in India with a capacity utilisation of ~70% in cryogenic equipment in FY23.

- The global cryogenic equipment market (valued at \$11.5bn in CY22) is expected to grow at a 6.9% CAGR to reach \$16.6 bn by CY28, driven by increased demand for cleaner fuels and a global focus on reducing carbon emissions. (Source: CRISIL Report).
- The Indian cryogenic equipment market (valued at US\$ 353 mn in CY22), is poised for a 7.2% CAGR (CY23-CY28), led by surge in industrial output and a shift towards cleaner fuels such as LNG and hydrogen. (Source: CRISIL Report).
- ~49% of sales in FY23 are derived from repeat customers, reflecting a high degree of customer stickiness.
- Revenue registered a CAGR of ~28% to Rs. 966cr over FY21-23, driven by an uptick in sales volume, a better order book position, and a boost in export sales.
- EBITDA and PAT witnessed a CAGR of 23% and 26%, respectively, over FY21-23, owing to enhanced operational efficiency and favourable revenue mix.
- IIL enjoys sustainable EBITDA and PAT margins of ~22% and ~16% (3 yr. Avg FY21-FY23) with a strong RoE and RoCE of ~27% and 33% (3 yr. Avg) respectively, over FY21-FY23.
- IIL strategically aims to shift its revenue mix gradually, focusing on large turnkey projects to enhance margins by leveraging factors such as limited competition and economies of scale.
- The current order book stands at Rs.1,036cr as of September 30, 2023, with an orderbook to sales ratio of 1.1x, thereby giving adequate revenue visibility.
- At the upper price band of Rs.660, IIL is available at a P/E of 29x (FY24E annualised), which appears to be reasonably priced. Considering its consistent growth in both topline and bottom line, healthy return ratios, shift in mix towards margin accretive segments (large turnkey projects), customer stickiness and promising industry outlook, we assign a "Subscribe" rating on a medium to long term basis.

Purpose of IPO

The IPO consists of only OFS (Offer for sale of 22,110,955 equity shares) of Rs.1,459cr. The objective of the offer is to achieve the benefits of listing the equity shares on the stock exchanges.

Key Risks

- ~56% of revenue is derived from top 10 customers as of H1FY24.
- Highly dependent on exports sales (~62% of total sales as of H1FY24).
- Exposure to raw material price risk and currency risk.

Issue Details	
Date of opening	December 14, 2023
Date of closing	December 18, 2023
Total No. of shares offered (cr.)	2.21
Post Issue No. of shares (cr)	9.1
Price Band	₹627- ₹660
Face Value	₹2
Bid Lot	22 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,520
Maximum application for retail (upper price band for 13 lot)	₹ 1,88,760
Listing	BSE,NSE
Lead Managers	ICICI Securities, Axis Capital
Registrar	KFin Technologies Ltd
Issue size (upper price)	Rs.cr
Fresh Issue	-
OFS	1,459.3
Total Issue	1,459.3

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	99	75
Public & Others	1	25
Total	100	100

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	510.76
Non-Institutional	15	218.90
QIB	50	729.66
Employee Reservation	-	
Total	100	1,459.3

Y.E March (Rs cr) Consol.	FY22	FY23	H1FY24
Sales	782.7	965.9	564.6
Growth (%)	31.8	23.4	-
EBITDA	167.6	204.4	130.4
Margin(%)	21.4	21.2	23.1
PAT Adj.	130.2	152.7	103.3
Growth (%)	35.8	17.0	-
EPS	14.4	16.8	11.4
P/E (x)	45.9	39.2	29*
EV/Sales (x)	7.7	6.2	10.7
RoE (%)	26.0	27.8	18.6

*Annualised

Business Description:

Products Description:

The 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, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations
Industrial Gas	3,613.50	64.00%	3,350.00	68.82%	6,846.06	70.88 %	6,205.91	79.29%	3,756.69	63.27%
LNG	1,723.52	30.53%	1,167.51	23.98%	2,404.12	24.89 %	1,258.51	16.08%	1,473.18	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	5,646.12	100.0%	4,867.97	100.0%	9,659.00	100.0%	7,827.11	100.0%	5,937.97	100.0%

Source: RHP, Geojit Research

Exports:

Revenue from Operations	Six months ended September 30, 2023		Six months ended September 30, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations
Exports	3,510.73	62.18%	1,856.18	38.13%	4,426.49	45.83%	2,683.93	34.29%	2,057.44	34.65%

Source: RHP, Geojit Research

Customers:

The major customers are:

- 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., Høglund 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; and
- Cryo Scientific Division: ISRO.

Revenue from Operations	Six months ended September 30, 2023		Six months ended September 30, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations	₹ million	% of revenue from operations
Repeat Customers ⁽¹⁾	1,800.43	31.89%	3,077.69	63.22%	4,697.43	48.63%	4,010.47	51.24%	3,034.08	51.10%

⁽¹⁾ Repeat customers are customers from which we have had revenues in the six months ended September 30, 2023 and 2022 and the prior three Fiscal years.

Source: RHP, Geojit Research

Key strengths:

- ◆ Leading Indian supplier and exporter of cryogenic equipment and solution .
- ◆ Large portfolio of specialized cryogenic equipment engineered to global quality standards .
- ◆ Diversified domestic and international customer base across industry sectors .
- ◆ Healthy financial performance to support growth.



Key growth strategies:

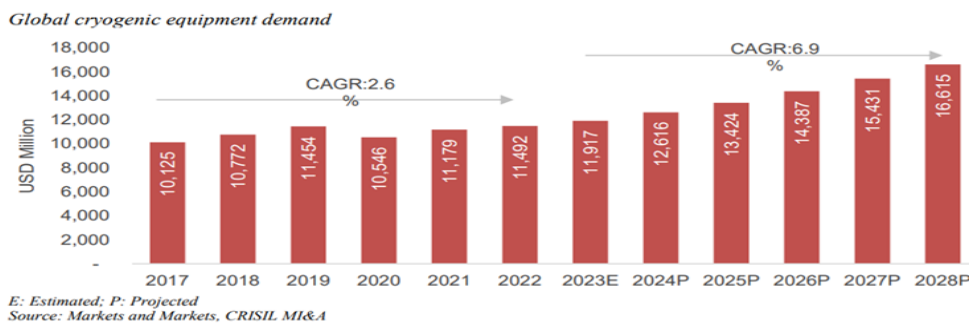
- Capitalize on opportunities in LNG and hydrogen as part of the global clean energy transition
- Capture the full value-chain across our product lines .
- Expanding our standard cryogenic and non-cryogenic equipment business into international markets
- Expanding our large turnkey project business
- Continue to improve operational efficiency and productivity
- Growth through strategic acquisitions and alliances .

Order Book

Particulars By Division	Outstanding as at September 30, 2023 (in ₹ million)	Percentage of Total Order Book
Industrial Gas	5,475.43	52.82%
Liquified Natural Gas	2,608.37	25.16%
Cryo Scientific	2,282.29	22.02%
Total	10,366.09	100%

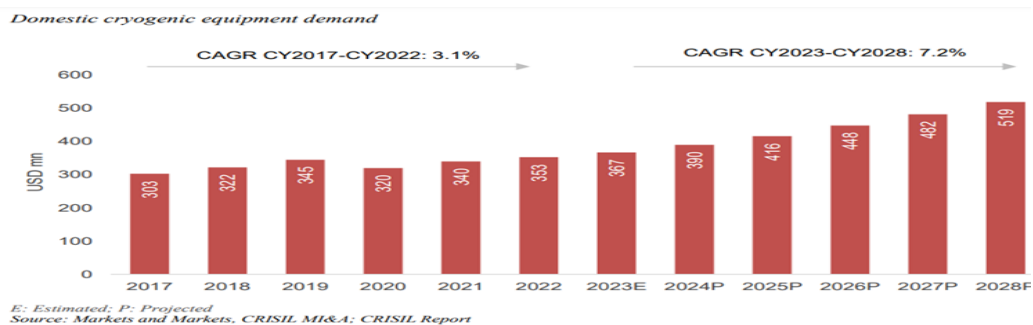
Industry outlook

The global cryogenic equipment market was valued at \$11.5 billion in 2022, and global cryogenic equipment demand is projected to grow at a 6.9% CAGR from 2023 to reach \$16.6 billion by 2028. At the global level, the top nine companies accounted for approximately 35-48% of the cryogenic equipment market in CY 2022. The Company is amongst the top 10 cryogenic equipment manufacturers in the world by revenue in CY 2022. (Source: CRISIL Report, November 2023)



Source: RHP, Geojit Research

The Indian cryogenic equipment market size was estimated to be US\$353 mn in calendar year 2022. 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.



Source: RHP, Geojit Research

Promoter and promoter group

Mr. Pavan Kumar Jain, Ms. Nayantara Jain, Mr. Siddharth Jain and Ms. Ishita Jain are the Promoters of the Company. As on the date of this Red Herring Prospectus, Pavan Kumar Jain, Nayantara Jain, Siddharth Jain and Ishita Jain, together hold 83,058,000 Equity Shares, representing 91.51% of the issued, subscribed, and paid-up Equity Share capital of the company.

As on the date of the Red Herring Prospectus, company has eight Directors on the board, of whom four are Independent Directors, including one-woman Independent Director.

Brief Biographies of directors

- **Pavan Kumar Jain**, is the Chairman and Non-Executive Director of the company.
- **Siddharth Jain**, is the Non-Executive Director (Non-Independent) of the company.
- **Parag Kulkarni**, is the Executive Director of the company.
- **Ishita Jain**, is the Non-Executive Director of the company.
- **Amit Advani**, is the Non-Executive and Independent Director of the company.
- **Girija Balakrishnan**, is the Non-Executive and Independent Director of the company.
- **Richard Boocock**, is the Non-Executive and Independent Director of the company.
- **Shrikant Somani**, is the Non-Executive and Independent Director of the company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	H1FY24
Sales	782.7	965.9	564.6
% change	31.8	23.4	-
EBITDA	167.6	204.4	130.4
% change	25	22	-
Depreciation	12.1	13.9	7.7
EBIT	155.5	190.4	122.6
Interest	2.3	3.7	1.8
Other Income	21.0	18.3	15.4
Exceptional items	-	-	-
PBT	174.2	205.0	136.2
% change	33	17.7	-
Tax	43.7	52.3	32.8
Tax Rate (%)	25	26	24
Reported PAT	130.5	152.7	103.3
Adj	-	-	-
Adj. PAT	130.5	152.7	103.3
% change	35.8	17.0	-
Post issue No. of shares (cr)	9.1	9.1	9.1
Adj EPS (Rs)	14.4	16.8	11.4
% change	35.8	17.0	-

BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	H1FY24
Cash	8.8	61.7	23.3
Accounts Receivable	78.1	142.9	155.0
Inventories	322.5	412.8	406.9
Other Cur. Assets	28.3	45.5	59.9
Investments	317.9	312.9	265.4
Deff. Tax Assets	-	-	-
Net Fixed Assets	133.2	163.6	214
CWIP	1.9	0.2	5.6
Intangible Assets	0.6	0.9	5.7
Other Assets	5.5	8.0	20.1
Total Assets	897	1,148	1,156
Current Liabilities	257.6	478.6	388.5
Provisions	39.8	47.7	56.2
Debt Funds	54.5	9.0	42.7
Other Fin. Liabilities	40.5	62.0	108.5
Deferred Tax liability	2.0	1.5	5.7
Equity Capital	18.2	18.2	18.2
Reserves & Surplus	484.1	531.3	536.1
Shareholder's Fund	502.3	549.5	554.2
Total Liabilities	897	1,148	1,156
BVPS (Rs)	55.3	60.5	61.1

CASH FLOW

Y.E March (Rs cr)	FY22	FY23	H1FY24
PBT Adj.	174.2	205.0	136.2
Non-operating & non cash adj.	-2.6	-0.3	-3.6
Changes in W.C	-74.6	-26.4	-43.2
C.F.Operating	97.0	178.4	89.5
Capital expenditure	-43.9	-46.7	-37.0
Change in investment	191.9	-40.4	
Sale of investment	-231.5	73.8	21.25
Other invest.CF	9.0	1.9	2.17
C.F - investing	-74.6	-11.3	-13.9
Issue of equity	-	-	-
Issue/repay debt	-21.6	-49.2	28.0
Dividends paid	-4.5	-104.4	-100
Other finance.CF	2.6	-0.9	0.6
C.F - Financing	-23.5	-154.6	-71.2
Change. in cash	-1.1	12.5	4.3
Opening Cash	2.2	1.2	11.21
Closing cash	1.2	13.7	15.5

RATIOS

Y.E March	FY22	FY23	H1FY24
Profitab. & Return			
EBITDA margin (%)	21.4	21.2	23.1
EBIT margin (%)	19.9	19.7	21.7
Net profit mgn.(%)	16.7	15.8	18.3
ROE (%)	26.0	27.8	18.6
ROCE (%)	26.6	27.9	19.2
W.C & Liquidity			
Receivables (days)	44	42	49
Inventory (days)	253	310	275
Payables (days)	19	24	21
Current ratio (x)	2.5	1.9	2.0
Quick ratio (x)	0.3	0.4	0.5
Turnover & Levq.			
Net asset T.O (x)	6.7	6.5	2.6
Total asset T.O (x)	1.0	0.9	0.5
Int. covge. ratio (x)	66.9	51.7	66.5
Adj. debt/equity (x)	0.1	0.0	0.1
Valuation ratios			
EV/Sales (x)	7.7	6.2	10.7
EV/EBITDA (x)	36.1	29.4	46.3
P/E (x)	45.9	39.2	29*
P/BV (x)	11.9	10.9	10.8

*Annualised

DISCLAIMER & DISCLOSURES

Certification

We, Sheen G and Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that we, Sheen G and Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. **Standard Warning:** "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

