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IPO Note

ELLENBARRIE INDUSTRIAL GASES LTD

Ellenbarrie Industrial Gases Ltd

Rating
SUBSCRIBE

Industry: Industrial Gases

Date: 23rd June, 2025

Ellenbarrie Industrial Gases Ltd

Issue Highlights

Ellenbarrie Industrial Gases Ltd IPO is a book built issue of Rs. 852.53 Crores. The issue is a combination of Offer for Sale and Fresh Issue.

- The Fresh Issue consists of 1.00 crore shares aggregating to Rs. 400.00 Crores at the upper end of the price band at Rs. 400 per share.
- The Offer for Sale (OFS) consists of 1.13 crore shares aggregating to Rs. 452.53 Crores at the upper end of the price band at Rs. 400 per share.

Objects of the Offer are: The net proceeds of the Fresh Issue are to be utilised in the following manner:

Particulars	Rs. Cr
Repayment/prepayment, in full or in part, of certain outstanding borrowings availed by the Company	210.0
Setting up of an air separation unit at our Uluberia-II plant (West Bengal) with a capacity of 220 TPD	104.5
General Corporate Purposes*	[•]
Total	[•]

The amount to be utilized towards general corporate purposes shall not exceed 25% of the Gross Proceeds.

Data Source: Company filings & CSEC Research

24th Jun 2025 **ISSUE OPENS** to 26th Jun 2025 **ISSUE CLOSES**

ISSUE DETAILS	
Price Band	Rs. 380 to Rs. 400 per share
Face Value	Rs. 2 per share
Total Offer Size	2,13,13,130 shares (aggregating up to Rs. 852.53 Cr)
Fresh Issue	1,00,00,000 shares (aggregating up to Rs. 400.00 Cr)
Offer For Sale	1,13,13,130 shares (aggregating up to Rs. 452.53 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	37 shares
Listing on	BSE, NSE

Date: 23rd June, 2025

Outlook

- EBITDA margin improved significantly from 25.4% in FY23 to 46.6% in FY25.
- PAT surged from Rs. 33.4 crore in FY23 to Rs. 107.5 crore in FY25, a 3.2x increase over two years.
- Return ratios remain healthy with ROE at 16.9% and ROCE at 13.7% in FY25.
- Total production capacity is 3,861 TPD in FY25, up from 591 TPD in FY23—6.5x expansion in two years. An additional 220 TPD plant is planned at Uluberia funded through IPO proceeds.
- Ellenbarrie holds the third-largest distribution infrastructure in India by physical assets. They hold leadership positions in West Bengal, Andhra Pradesh, and Telangana in terms of installed capacity.
- Long-term customer relationships (top 5 clients associated for 8.4 years on average) and strategic onsite facilities with long-term contracts spanning 15-20 years provide predictable revenue streams .
- The Indian industrial gases market is expected to grow at a 7.5% CAGR to Rs. 15,000+ Cr by 2028, supported by Govt initiatives like 'Make in India' and expanding demand from steel, pharma, and manufacturing sectors.
- They hold 2.85% market share in a Rs. 11,300 Cr Indian market, thus offering a growth runway.
- Strategic presence in under-served eastern and southern markets, upcoming expansion in North and West India, and backward integration into plant manufacturing de-risk the growth pipeline beyond FY26.
- We have issued a “SUBSCRIBE” rating for Ellenbarrie Industrial Gases Ltd for IPO for listing gains.

5637
Market Cap (Rs. Crores) Post Issue

Post Issue PE Ratio
67.7

16.9%
Return on Equity (FY25 ROE%)

Promoter Shareholding Post Issue
81.6%

Indicative Timeline

On or before

Finalization of Basis of Allotment	Fri, Jun 27, 2025
Unblocking of Funds	Mon, Jun 30, 2025
Credit of shares to Demat Account	Mon, Jun 30, 2025
Listing on exchange	Tue, Jul 1, 2025

IPO Reservation

QIB Shares	Not more than 50% of the Offer
HNI Shares	Not less than 15% of the Offer or the Offer
Retail Shares	Not less than 35% of the Offer

Lot Size

Application	Lots	Shares	Amount
Retail (Min)	1	37	Rs. 14,800
Retail (Max)	13	481	Rs. 1,92,400
S-HNI (Min)	14	518	Rs. 2,07,200
S-HNI (Max)	67	2,479	Rs. 9,91,600
B-HNI (Min)	68	2,516	Rs. 10,06,400

Company Overview

1. **Corporate Overview and Market Position:**
    - Ellenbarrie Industrial Gases Ltd. ("Ellenbarrie" or "the Company") stands as one of India's oldest operating industrial gases companies, with operational history spanning over five decades since commencing operations in 1973. The Company operates in an industry dominated by multinational organizations, positioning itself as a significant regional player with established manufacturing and supply capabilities across industrial gases including oxygen, carbon dioxide, acetylene, nitrogen, helium, hydrogen, argon, and nitrous oxide, alongside specialized products such as dry ice, synthetic air, firefighting gases, medical oxygen, liquid petroleum gas, welding mixtures, and specialty gases.
    - The Company holds market leadership positions in the states of West Bengal, Andhra Pradesh, and Telangana in terms of installed manufacturing capacity as of March 31, 2025, and operates as one of the important manufacturers of industrial gases in East and South India. According to industry data, Ellenbarrie maintained a market share of approximately 2.85% in terms of revenue in Fiscal 2025, within an Indian industrial gases market estimated at USD 1.31 billion in 2024.

2. **Operational Infrastructure and Geographic Footprint:**
    - The Company operates nine facilities across East, South, and Central India as of March 31, 2025, comprising five facilities in West Bengal, two in Andhra Pradesh, one in Telangana, and one in Chhattisgarh. The operational infrastructure includes three bulk manufacturing plants with cylinder filling stations, two standalone cylinder filling stations, and four onsite facilities strategically located at customer premises.
    - The Company's onsite operations represent a critical component of its business model, with facilities established through long-term lease cum operation and maintenance agreements. The Kharagpur, West Bengal facility operates under a 15-year agreement dated February 28, 2019, while the Kurnool, Andhra Pradesh facility operates under a similar 15-year agreement dated June 1, 2021. Additionally, the Company operates an ASU plant in Nagarnar, Chhattisgarh under a five-year work order dated October 6, 2023.
    - The Company recently completed an expansion of 170 TPD at its existing Kharagpur facility, effective January 23, 2025, and has one facility under construction in Uluberia, West Bengal. The Company operates oxygen plants with a combined capacity of 1,250 TPD as of March 31, 2025, and notably established the first hydrogen electrolyzer in Eastern India.

3. **Service Portfolio and Capabilities:**
    - Beyond manufacturing and supply of industrial gases, Ellenbarrie offers comprehensive project engineering services, leveraging technical expertise for design, engineering, supply, installation, and commissioning of tonnage air separation units (ASUs) on a turnkey basis. The Company's service portfolio extends to turnkey solutions for medical gas pipeline systems, encompassing design, installation, commissioning, operation, and maintenance for healthcare facilities.
    - Healthcare-related offerings include supply of medical equipment such as anesthesia workstations, spirometers, ventilators, sterilizers, bedside monitors, and lung diffusion testing machines. The Company demonstrated operational agility during the COVID-19 pandemic by repositioning capabilities toward enhanced medical oxygen production and centralized gas pipeline systems critical to pandemic response requirements.

Data Source: Company filings & CSEC Research

4. Customer Base and Market Diversification:

- Ellenbarrie serves a diversified customer base across multiple industries, having sold products to 1,829 customers in Fiscal 2025. The customer portfolio spans critical sectors including steel (Jairaj Ispat Limited, Rashtriya Ispat Nigam Limited), pharmaceuticals and chemicals (Dr. Reddy's Laboratories Limited, Laurus Labs Limited), healthcare (All India Institute of Medical Sciences, West Bengal Medical Services Corporation Limited), engineering and infrastructure, railways, aviation, aerospace and space (Jupiter Wagons Limited), petrochemicals, and defense (Hindustan Shipyard Limited).
- The Company maintains relationships with Indian armed forces, supplying to Indian Air Force bases across East, South, and West India, Eastern Naval Command bases, and multiple government-owned laboratories. Defense applications include weapons manufacture, ship manufacturing, aircraft pneumatics, pilot breathing requirements, and naval diving operations.
- Customer relationship metrics demonstrate stability and longevity, with the top five and ten customers maintaining associations averaging 8.4 years and 7.7 years respectively as of March 31, 2025. Revenue from customers with relationships exceeding ten years represented 39.08%, 43.60%, and 43.16% of operations revenue in Fiscals 2025, 2024, and 2023 respectively. Repeat customers contributed 85.68%, 92.22%, and 90.70% of revenue from gases, related products, and services during the same periods. The highest revenue-generating customer contributed 8.74% of revenue from operations in Fiscal 2025, indicating limited concentration risk.

5. Distribution Network and Supply Modalities:

- The Company operates across multiple supply modalities including onsite, bulk, and packaged delivery mechanisms through pipelines, cryogenic tankers, and cylinders. The distribution infrastructure includes the third-highest number of transport tankers, cylinders, and customer installations in India, with over 39,560 cylinders in circulation as of March 31, 2025.
- Customer segmentation includes 328 bulk customers with average contractual tenure of five years, and 1,498 package customers as of March 31, 2025. The Company maintains a dealer network of 1,375 dealers as of March 31, 2025, generating 9.24% of revenue from sale of gases, related products, and services in Fiscal 2025.

Product Ecosystem

1. **Industrial Gases:** The company's industrial gas portfolio includes compressed and liquefied forms of oxygen, nitrogen, and argon; carbon dioxide in gaseous and liquid forms; as well as helium, acetylene, hydrogen, nitrous oxide, and synthetic air. In addition, Ellenbarrie supplies special gases such as trimix and welding mixtures, which are custom-formulated based on specific customer requirements. The offering extends to dry ice—solid carbon dioxide used in temperature-sensitive logistics—and carbon dioxide-based gases for firefighting applications. These products are available in different purities and are delivered via packaged cylinders, cryogenic tankers, or through pipeline infrastructure based on client-specific modalities and end-use applications.

2. **Medical Gases:** The company's medical gas product line includes medical oxygen (both gaseous and liquid), medical nitrogen, medical nitrous oxide, and medical-grade carbon dioxide. These gases are distributed through cylinders, cryogenic tankers, and cryogenic liquid cylinders, and are used extensively in hospital environments.

3. **Project Engineering Services:** The project engineering vertical of Ellenbarrie leverages its in-house process engineering capabilities to deliver customized turnkey solutions across industrial and medical gas infrastructure projects. This includes:
    1. Cryogenic Air Separation Plants (ASUs): The company provides design, engineering, and installation support for cryogenic ASUs by sourcing critical equipment from globally recognized suppliers and deploying its internal projects team to adapt configurations to client needs.
    2. Non-Cryogenic Gas Plants: Ellenbarrie offers support for the setup of VPSA (Vacuum Pressure Swing Adsorption) and PSA (Pressure Swing Adsorption) technology-based gas plants, which are increasingly adopted for oxygen and nitrogen production due to their operational efficiencies.
    3. Gas Mixing Stations: End-to-end solutions for the construction and commissioning of gas mixing stations tailored to industrial requirements for blended gases.
    4. Operations and Maintenance Services: Ellenbarrie undertakes O&M contracts for existing ASUs and provides consultancy services for procurement, pipeline construction, and installation of onsite tankers, thereby supporting clients in enhancing plant reliability and operational efficiency.

4. **Medical Infrastructure Solutions:** As part of its engineering offerings, Ellenbarrie also provides turnkey medical gas pipeline systems (MGPS) for healthcare facilities. These systems include supply mechanisms for medical gases, instrument air, medical vacuum, and anaesthetic gas scavenging. The company's services encompass system design, installation, commissioning, validation, and compliance with regulatory safety and quality standards. Post-installation, Ellenbarrie also provides preventive and corrective maintenance to ensure uninterrupted operations. The company's medical equipment portfolio supports critical care units such as OTs, ICUs, NICUs, and specialized departments in respiratory medicine, neurology, and radiology. As of March 31, 2025, the offerings include:
    1. Sterilization Equipment: Steam sterilizers, plasma sterilizers, washer-disinfectors, ETO sterilizers, and ultrasound cleaners tailored to support sterile processing and infection control protocols.
    2. Pulmonary Function Testing Devices: Spirometry systems with features such as Bluetooth connectivity, EMR integration, calibration-free technology, and color touch displays.
    3. Airway Management Equipment: Laryngoscopes and bronchoscopes with both reusable and disposable blade options, sourced from manufacturers with established track records.

Risks

1. **Customer Concentration and Non-Recurring Revenue Streams:** Although Ellenbarrie has a wide customer base of 1,829 entities as of FY25, the company's revenue remains partly dependent on a few large customers. The top customer contributed 9.34%, 10.84%, and 8.35% of revenue from the sale of gases and related services in FY25, FY24, and FY23, respectively. Furthermore, revenue from project engineering services is inherently non-recurring due to the bespoke nature of such projects.
2. **Facility Concentration Risk and Operational Disruption:** The company operates nine facilities, with a significant concentration in West Bengal, where five of these units are located. One additional plant is also under development in the state. While proximity to key industries is an advantage, this concentration exposes the company to regional disruptions—such as political unrest, policy changes, or natural calamities.
3. **Capacity Utilization and Revenue Realization:** Although the company scaled up operational capacity to 3,861 TPD by FY25—up from 591 TPD in FY23—the revenue increase has not been proportionate. Onsite facilities generate lower revenue per ton due to reduced liquefaction and transportation cost recovery. The Company's ability to convert capacity expansion into proportionate revenue growth remains a key performance challenge.
4. **Customer Acquisition Barriers:** The industrial gases industry features high entry and switching costs. For new customers, transitioning to a different supplier entails regulatory hurdles, infrastructure compatibility issues, and high capital outlay. While this benefits Ellenbarrie in retaining existing clients, it limits the pace at which new customers can be acquired, posing challenges for market share expansion.
5. **Outsourced Medical Equipment Risk:** Ellenbarrie sources medical equipment from third-party vendors for inclusion in its project engineering offerings to hospitals. These include critical devices such as ventilators, sterilizers, spirometers, and airway management tools. As the company does not manufacture these devices, it has limited control over their quality or compliance. Any malfunction, non-compliance, or product liability claim—even in the absence of direct negligence—may expose the company to legal risk.
6. **Dependency on End-Use Industries:** The demand for Ellenbarrie's gases is directly linked to the performance of key end-use sectors including steel, pharmaceuticals, healthcare, railways, aviation, petrochemicals, and defence. A downturn in any of these sectors—due to macroeconomic conditions, competitive pressures, policy changes, or sector-specific disruptions—may reduce demand for industrial gases.
7. **Supply Chain and Distribution Vulnerabilities:** Product delivery relies on third-party logistics for cylinder transportation, creating vulnerability to transportation strikes, logistics disruptions, or service failures. Fuel cost increases directly impact freight charges, requiring cost absorption or customer price adjustments that could affect demand. Although there has been no material incidents occurred in recent fiscals.
8. **Historical Delisting and Market Perception:** Ellenbarrie was listed on Calcutta Stock Exchange, and was subsequently delisted with effect from July 2, 2018. Further, the Company was using the trading platform of BSE under 'Permitted to Trade Category' since July 3, 2008 but the same was suspended w.e.f. March 8, 2017. Although this does not imply regulatory default, it may create negative perception among prospective investors regarding governance or listing stability.
9. **Accounting Methodology and Reserve Adequacy:** The Company utilizes the Straight Line Method for depreciation, which may not accurately reflect actual asset value decline, particularly for technology-intensive assets compared to the Written Down Value method, potentially affecting asset valuation and lender perceptions. Additionally, bonus share issuances on March 27, 2006, and June 5, 2024, have utilized retained reserves, which may constrain financial flexibility for future contingencies, capital investments, or unforeseen exigencies despite management's belief that current reserves are adequate.

Financials

Income Statement (Rs. Cr)	FY25	FY24	FY23
Revenue from Operations	312.5	269.5	205.1
Other Income	35.9	20.7	18.6
Total Income	**348.4**	**290.2**	**223.7**
Expenses	202.7	207.9	171.5
EBITDA	**145.7**	**82.3**	**52.2**
EBITDA Margin	46.6%	30.5%	25.5%
Depreciation	20.7	10.0	11.4
EBIT	**125.0**	**72.2**	**40.8**
Finance Cost	17.1	8.0	3.5
PBT	**107.8**	**64.2**	**37.3**
Tax	24.3	18.9	8.6
PAT	**83.5**	**45.3**	**28.6**
EPS (In Rs.)	6.4	3.5	2.2

Balance Sheet (Rs. Cr)	FY25	FY24	FY23
Assets			
Share Capital	26.2	6.5	6.5
Other Equity and Reserves	467.2	403.3	356.5
Borrowings	268.5	194.7	119.1
Other Liabilities	84.1	67.9	69.1
TOTAL EQUITY AND LIABILITIES	**846.0**	**672.5**	**551.3**
Assets			
Fixed Assets	338.9	330.8	184.0
CWIP	45.3	0.4	71.4
Cash & Cash Equivalents	3.0	3.7	14.6
Other Assets	458.7	337.5	281.3
TOTAL ASSETS	**846.0**	**672.5**	**551.3**

Data Source: Company filings & CSEC Research

Ratios

Particulars	FY25	FY24	FY23
EBITDA Margin (%)	46.62%	30.53%	25.45%
Net Profit Margin (%)	26.73%	16.81%	13.95%
Return on Equity (RoE%)	16.88%	11.05%	7.75%
Return on Capital Employed (RoCE%)	13.71%	10.93%	6.07%

Other Metrics

Particulars	FY25	FY24	FY23
Number of Facilities Operated	9	8	6
Number of Facilities under Construction or Implementation	1	2	1
Total Operational Capacity (Tons per day)	3,861	3,691	591
Capacity under Construction (Tons per day)	220	390	600
Number of Bulk Customer Installations	257	197	176

Breakdown of revenue from sale of gases, related products and services from bulk, package and onsite customers

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Revenue from bulk customers	195.2	66.7%	170.6	75.4%	142.0	75.0%
Revenue from package customers	51.5	17.6%	45.7	20.2%	42.1	22.3%
Revenue from onsite customers	45.7	15.6%	9.9	4.4%	5.1	2.7%
Total	**292.5**	**100%**	**226.2**	**100%**	**189.3**	**100%**

Distribution of our revenue from operations between the sale of gases, related products and services and project engineering services

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Revenue from sale of gases, related products and services	292.5	93.6%	226.2	83.9%	189.3	92.3%
Revenue from project engineering services	20.0	6%	43.3	16%	15.8	8%
Total	**312.5**	**100%**	**269.5**	**100%**	**205.1**	**100%**

Data Source: Company filings & CSEC Research

Breakdown of revenue from project engineering based on end-use industries

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Steel	13.45	67.2%	34.27	79.1%	5.42	34.2%
Healthcare	2.74	13.7%	4.80	11.1%	7.60	48.0%
Engineering and infrastructure	3.58	17.9%	2.07	4.8%	0.18	1.1%
Pharmaceuticals and Chemicals	0.13	0.7%	0.12	0.3%	0.18	1.1%
Dealer and retail network	0.06	0.3%	2.04	4.7%	2.25	14.2%
Defence	0.03	0.1%		0.0%		0.0%
Others (including Railway, Aviation, Aerospace and Space)	0.05	0.2%		0.0%	0.22	1.4%
Total Revenue from Project Engineering	**20.0**	**100%**	**43.3**	**100%**	**15.8**	**100%**

Breakdown of revenue generated from sale of gases, related products and services based on end-use industries

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Pharmaceuticals and Chemicals	76.03	26.0%	66.60	29.4%	58.73	31.0%
Steel	108.31	37.0%	64.50	28.5%	41.13	21.7%
Dealer and retail network	28.82	9.9%	25.88	11.4%	32.80	17.3%
Healthcare	26.20	9.0%	18.23	8.1%	15.54	8.2%
Railway, Aviation, Aerospace and Space	15.31	5.2%	13.15	5.8%	12.96	6.8%
Defence	10.17	3.5%	9.67	4.3%	7.94	4.2%
Engineering and infrastructure	10.78	3.7%	9.34	4.1%	7.80	4.1%
Petrochemicals including Oil and Gas	8.54	2.9%	7.24	3.2%	5.14	2.7%
Others (including power and energy, metal production, animal husbandry and electronics)	8.31	2.8%	11.58	5.1%	7.24	3.8%
Total Revenue from Sale of gases, related products and services	**292.5**	**100%**	**226.2**	**100%**	**189.3**	**100%**

Data Source: Company filings & CSEC Research

Revenue from customers, segregated on the basis of the years of relationship with such customers

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
More than 10 years	122.1	39.1%	117.5	43.6%	88.5	43.2%
More than five years but less than 10 years	50.4	16.1%	44.4	16.5%	47.4	23.1%
Up to five years	140.0	44.8%	107.6	39.9%	69.2	33.7%
Total	**312.5**	**100%**	**269.5**	**100%**	**205.1**	**100%**

Revenues from the sale of various gases, related products and services

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Oxygen	117.3	40.1%	108.6	48.0%	91.5	48.4%
Nitrogen	138.5	47.4%	84.4	37.3%	71.4	37.7%
Argon	24.4	8.3%	19.8	8.7%	13.6	7.2%
Acetylene	4.8	1.6%	4.4	1.9%	4.7	2.5%
Hydrogen	2.5	0.8%	2.9	1.3%	2.5	1.3%
Carbon dioxide	2.3	0.8%	2.4	1.1%	3.6	1.9%
Others (calcium carbide, dry ice, helium and other related services)	2.7	0.9%	3.8	1.7%	1.9	1.0%
Total Revenue from Sale of Gases, Related Products & Services	**292.5**	**100.0%**	**226.2**	**100.0%**	**189.3**	**100.0%**

Peer comparison

Company	Market Cap	PE Ratio	ROE%	ROCE%	Number of Facilities Operated
Ellenbarrie Industrial Gases Ltd	5,637.42	67.7	16.88%	13.71%	9
Linde India Ltd	58,523	131.0	11.91%	15.01%	NA

Data Source: Company filings & CSEC Research

Industry Outlook

The global industrial gases market was valued at approximately US$105.6 billion in 2024 and is projected to grow to US$131.1 billion by 2028, reflecting a compound annual growth rate (CAGR) of 5.5%. This sector comprises key gases such as oxygen, nitrogen, hydrogen, carbon dioxide, argon, helium, and acetylene, which are integral to a wide range of industrial, manufacturing, and healthcare applications. Industrial gases are deployed at various stages of production, from raw material processing to final product manufacturing in sectors such as steel, pharmaceuticals, chemicals, electronics, and food and beverage. The COVID-19 pandemic accelerated the demand for medical-grade oxygen, causing a temporary spike in prices and market value. Post-pandemic, demand stabilized but remained elevated due to expanded healthcare infrastructure and enhanced medical preparedness.

In India, the industrial gases industry was valued at US$1.31 billion in 2024 and is expected to reach US$1.75 billion by 2028, registering a CAGR of 7.5%. Between 2018 and 2024, the market grew at a CAGR of 6.3%, driven by rapid industrialization, infrastructure development, and technological advancements in gas production, storage, and distribution. In volume terms, consumption rose from 9.6 million tons in 2018 to 11.9 million tons in 2024. Growth in India's GDP has directly influenced demand across multiple end-use sectors, including steel, aluminum, pharmaceuticals, and manufacturing. Rising investment in healthcare and research, coupled with increasing emphasis on hydrogen as a clean energy source, has further augmented gas demand.

The industrial gases industry in India supports key downstream sectors such as steel and metals, which accounted for 23.3% of market demand by value in 2024. This is followed by the chemical and petrochemical sector at 16.3%, healthcare at 9.8%, manufacturing at 12.9%, food and beverages at 9.2%, oil and gas at 6.1%, pharmaceuticals at 4.9%, electronics and electricals at 4.1%, infrastructure at 4%, and aerospace and defence at 2.3%. The steel sector remains the largest consumer of oxygen, nitrogen, and argon, utilizing them for smelting, refining, combustion enhancement, and impurity removal. In February 2024, the Government of India implemented a 30% export duty on iron ore to boost domestic steel availability, indirectly strengthening domestic demand for gases required in steelmaking.

In the chemical and petrochemical industry, gases such as hydrogen, oxygen, and nitrogen are critical for refining, synthesis, oxidation, inerting, and safety. Hydrogen plays a vital role in hydrocracking, methanol and ammonia synthesis, and desulfurization processes. Nitrogen is widely used to create inert atmospheres and in blanketing processes to prevent undesirable reactions. This sector accounted for 16.3% of India's industrial gas consumption in 2024, compared to 19% globally. The pharmaceutical industry utilized 4.9% of industrial gases in India by value in 2024, compared to 3% globally. Gases such as nitrogen and carbon dioxide are used in inerting, purging, and supercritical fluid extraction, while oxygen is vital in fermentation-based antibiotic production. Rising healthcare expenditure and increasing demand for drug innovation are expected to drive continued growth in this segment.

The healthcare sector in India consumed 9.8% of the country's industrial gases in 2024. Medical oxygen is essential for respiratory therapies, life support systems, and anesthesia. Nitrous oxide is used for analgesia and sedation, and carbon dioxide is utilized in minimally invasive procedures such as laparoscopy. Helium supports MRI imaging and is used in specific respiratory therapies. Government initiatives like the National Oxygen Supply Program, the PM CARES Fund, and PMJAY have helped expand medical oxygen infrastructure, streamline regulatory clearances, and enhance last-mile delivery via airlifting and specialized rail services such as the Indian Railways' Oxygen Express.

Data Source: Company filings & CSEC Research

In the oil and gas sector, which accounted for 6.1% of industrial gas demand in India in 2024, hydrogen, nitrogen, and carbon dioxide are widely used in refining, enhanced oil recovery, blanketing, and safety systems. Manufacturing, contributing 12.9% of industrial gas demand in India in 2024, relies on gases like oxygen and argon for welding and metal fabrication, while nitrogen is used in electronics manufacturing for oxidation prevention.

The electronics and electricals sector used 4.1% of industrial gases by value in 2024, with nitrogen, hydrogen, and argon being essential for chip fabrication, annealing, wave soldering, and plasma etching. The Government of India's PLI scheme and approval of new Electronic Manufacturing Clusters (EMCs) have catalyzed demand in this segment, with global firms such as Apple and Foxconn expanding manufacturing presence. The food & beverage industry accounted for 9.2% of India's industrial gas demand by value in 2024. Carbon dioxide is used for carbonation and modified atmosphere packaging, while nitrogen is used for food freezing, chilling, and extending shelf life. Growing demand for packaged and convenience foods is expected to sustain momentum in this segment.

The aerospace and defence segment constituted 2.3% of industrial gas demand in India in 2024. Gases such as helium and hydrogen are employed in propulsion systems, metal fabrication, and medical applications, while oxygen serves as a combustion oxidizer in rockets and life support systems. By product segmentation, nitrogen held the largest value share in India at 23.6% in 2024, with volume consumption of approximately 4.7 million tons. Globally, nitrogen accounted for 28.5% of market value and 262.7 million tons in volume, driven by its widespread use in food processing, steelmaking, refining, and inerting applications. Oxygen was the second-largest product in India with a 35.9% value share and volume demand of 2.3 million tons. Globally, oxygen demand stood at 71.7 million tons, or US$20.3 billion in value in 2024. Hydrogen, despite lower volume demand of 0.16 million tons in India in 2024, accounted for 16.2% of the market by value due to its high average price of US$1,000–2,000 per ton, which is 4–8 times the price of oxygen. Globally, hydrogen had a 20% market share by value.

Carbon dioxide represented 11.2% of the Indian industrial gas market by value in 2024, amounting to approximately 4.2 million tons in volume and US$0.14 billion in value. Argon and argon mixtures accounted for 10.2% of market value, driven by their application in welding, steel processing, and electronics. Other specialty gases including acetylene and helium formed the remaining 2.9% of the Indian market. With respect to supply modalities, cylinders remained the dominant form in India, accounting for 41.9% of demand by value and approximately 5.0 million tons in 2024. Bulk delivery via cryogenic tankers constituted 41.3% or 4.9 million tons, serving medium-to-large scale consumers who lack onsite production infrastructure. Onsite production represented 16.8% of the market by value, translating to around 2.0 million tons of gases supplied directly via pipelines. Onsite supply models offer long-term contractual security and operational integration, with agreements typically ranging from 15 to 20 years. These contracts reduce customer churn and act as a significant barrier to entry for new players, given the capital intensity and regulatory compliance requirements.

The PLI scheme introduced by the Govt of India, with a financial outlay of ₹1.97 lakh crore across 14 sectors, has incentivized domestic manufacturing, indirectly supporting demand for industrial gases through increased downstream activity. Similarly, India's emphasis on green hydrogen, is expected to catalyze growth in the industrial gases sector. Finally, a notable trend within the steel industry is the outsourcing of gas production and management by steel manufacturers to specialized industrial gases providers. This shift allows steel producers to focus on core operations while leveraging the scale, safety expertise, and infrastructure of gas suppliers, resulting in cost efficiencies and unlocking long-term growth opportunities for industrial gases companies.

Data Source: Company filings & CSEC Research

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