



Inox India Limited is in manufacturing of the cryogenic equipment sector and has global reach. According to CRISIL Research, 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. Potential growth prospects of demand for cryogenic technology are across various sectors, including clean energy, electronics, and biotechnology. The financials are strong, and the company has a P/E ratio of 16.82. The company reported a 17% increase in net profit at ₹ 152.71 crore compared to ₹ 130.5 crore in FY22. Meanwhile, revenue grew 23.4% to ₹ 965.9 crore in FY23 as against ₹ 782.71 crore in FY22. We recommend to subscribe for listing gains and long term.



About Company

Inox India Ltd have over 30 years of experience offering solutions across design, engineering, manufacturing and installation of equipment and systems for cryogenic conditions. Company 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. In addition, company manufacture a range of cryogenic equipment utilised in global scientific research projects. Inox India Ltd also were the largest exporter of cryogenic tanks from India in terms of revenue in Fiscal 22

Issue details

Price Band (in ₹ per share)	627-660
Issue size (in ₹ Crore)	1386.36-1459.32
Fresh Issue (in ₹ Crore)	NIL
OFS (in ₹ Crore)	1386.36-1459.32
Issue open date	14-12-2023
Issue close date	18-12-2023
Tentative date of Allotment	19-12-2023
Tentative date of Listing	21-12-2023
Total number of shares (lakhs)	221.11
No. of shares for QIBs (50%) (lakhs)	110.55
No. of shares for NII (15%) (lakhs)	33.17
No. of shares for retail investors (35%) (lakhs)	77.39
Minimum order quantity	22
Face value (in ₹)	2
Amount for retail investors (1 lot)	13,794-14,520
Maximum number of shares for Retail investors at lower Band	308 (14 lots)
Maximum number of shares for Retail investors at upper band	286 (13 lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,93,116-1,88,760
Exchanges to be listed on	BSE, NSE

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Promoters

- Pavan Kumar Jain
- Nayantara Jain
- Siddharth Jain
- Ishita Jain

Objective of the Offer

- Sale of shares of upto 22,110,955 Equity Shares by the Selling Shareholders.

**Brief Financials**

PARTICULARS (Rs. Cr)*	SEP 23	FY23	FY22	FY21
Share Capital	18.15	18.15	18.15	9.08
Net Worth	554.22	549.47	502.28	371.51
Revenue	564.61	965.90	782.71	593.80
Profit/(Loss) After Tax	103.34	152.71	130.50	96.11
EPS (in Rs)	22.78 ^	16.83	14.38	10.59
Net Asset Value (Rs)	61.06	60.54	55.34	40.93
P/E#	28.97	39.22	NA	NA
P/B#	10.81	10.90	NA	NA

Source: #calculated at upper price band * Restated consolidated financials ^annualised EPS

Industry Review**Global cryogenic equipment industry**

Overview of cryogenic gases Industrial gases are used in industrial processes for manufacturing products in a wide range of industries, including oil and gas, petrochemicals, chemicals, power, mining, metals, pharmaceuticals, electronics, glass and aerospace. Nitrogen, oxygen and natural gas are the major gases which would account for almost 80% of the cryogenic equipment demand. Other gases would include argon, helium, nitrous oxide, ethylene, and carbon dioxide. Nitrogen, oxygen and argon are atmospheric gas. The major sources of industrial or cryogenic gases are atmospheric air, which separated into its constituents (such as nitrogen, oxygen, argon, etc.) by air separation units (ASUs). Natural gas and hydrogen are energy gases. Natural gas is a fossil fuel and is extracted from drilling. 186 Hydrogen can be produced non-renewable source (i.e., fossil fuels) and from renewable sources (e.g. through electrolysis of water).

LNG Cryogenic equipment demand from the LNG segment was valued at US\$3 billion in calendar year 2022, according to the CRISIL Report. Natural gas, which is largely methane, is cooled, thereby converting into a liquid, also known as LNG. The cooling reduces the volume of natural gas volume by 600 times, thereby making it cheaper to transport. While LNG is reasonably costly to produce, advances in technology are reducing costs associated with liquefaction and regasification. LNG is primarily used as an energy source for heating and electricity generation. It also has other uses such as feedstock in fertilizer and hydrogen production. LNG can also be used as a source of “blue hydrogen”, namely hydrogen produced from fossil fuels but with carbon produced in the process captured and stored instead of releasing into the environment. With rising investments in LNG infrastructure, both for use as a fuel and as a source of blue hydrogen, the demand for cryogenic equipment from LNG is expected to post the fastest growth among cryogenics over the long term

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Industry Review

The India Opportunity

Indian automobile industry Metals such as steel and aluminium are key inputs for the manufacture of automobiles. The production of steel and aluminium as well as fabrication of metal parts require gases, such as oxygen for cutting and welding. Besides inputs, there has been a surge in demand for CNG vehicles post implementation of BS-VI norms. The shift to CNG vehicles is primarily due to (i) the increase in costs of installing emission control equipment on petrol/diesel vehicles as a result of implementation of BS-VI norms, and (ii) the increase in crude prices which has made the prices of petrol and diesel rise to record highs increasing the cost of owning such vehicles. As of January 2023, petrol prices are Rs.96.7/ltr, a 22% higher than CNG at Rs. 79.6/kg. In fiscal 2024, with the Kirit Parekh committee recommendations on CNG pricing, CNG prices have declined by 4% to Rs 74/kg. This decline in prices will open up the difference in total cost of ownership between petrol/diesel and CNG favouring CNG transition. Accordingly, there have been increase in demand of CNG variants for both passenger vehicles and commercial vehicles. Although CNG vehicles do not require cryogenic equipment, the rising demand for CNG will support demand for LNG, as shortfall of CNG will be met with increase in LNG import, thereby driving demand for cryogenic equipment for LNG transport, storage and handling.

Indian cement industry Cement production is an energy intensive process with a lot of energy required for crushing, grinding and heating raw materials. Cement plants use coal, pet coke or diesel in the manufacturing process creating substantial emissions of greenhouses gases and other pollutants. With rising focus on environmental damage such as global warming and sea level rise, harmful effect of pollution on humans as well as wildlife, there is an increasing pressure on companies to shift to greener processes. Use of natural gas can significantly reduce the pollution caused from cement manufacturing process. Cement is a high-volume and low-value commodity. Transporting cement over long distance, therefore, makes it unviable for end-users. Cement consumption varies region-wise due to the difference in demand-supply balance, per capita incomes and levels of industrial development in each state. Hence, supply and capacity utilisation in the cement industry is influenced by demand growth and level of consolidation in a region

In Fiscal 2023, cement demand grew 12% (by volume) after witnessing a 8% growth in Fiscal 2022, according to the CRISIL Report. In Fiscal 2023, the eastern region accounted for the largest share of demand of cement (approximately 25%), followed by south (approximately 23%), north and west (approximately 18% each) and central (approximately 15%).

Indian fertilizer industry Natural gas is a key input for the fertilizer industry. It is used as a feedstock for production of ammonia from which most of the fertilizer such as urea (nitrogenous fertilizers) is produced. When compared to fossil fuels, natural gas is generally preferred given the high amount of hydrogen that can be generated and the reduction in carbon footprint. However, going forward, the industry players are starting to look into production of ammonia from greener source, namely hydrogen produced by Carbon Capture, Utilization and Storage (CCUS) technologies and/or other renewable sources such solar and wind. In Fiscal 2021, the domestic demand for fertilizers increased by 7.5% in volume terms, according to the CRISIL Report. Demand for urea and non-urea grew by 4.4% and 11.2%, respectively. Demand remained buoyant in the first half of Fiscal 2021 on account of timely arrival of monsoon, migration of labourers to hometowns, increased kharif acreage, improved reservoir levels, and government norms. In the second half of Fiscal 2021, fertilizer demand growth moderated to 1% on-year over a high base of 10%

Capitalize on opportunities in LNG and hydrogen as part of the global clean energy transition

LNG mainly will be driven by Asian nations such as China, India and South Korea along with Europe, Pakistan and Bangladesh, which are increasingly shifting to gas from energy sources such as coal, crude oil and nuclear power. They are well positioned to capture this global market growth, and they intend to focus their efforts on the small-scale LNG segment. Their 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, they have supplied over 60% of the tanks in both the stationary tank segment which includes all LNG applications including LCNG stations.



Competitive Strengths

COMPETITIVE STRENGTHS:

Leading Indian supplier and exporter of cryogenic equipment and solutions

The nature of the industry requires specialized handling and technologically intensive solutions. Their range of cryogenic equipment which spans the entire cryogenic value chain in their focus sectors. Their investment in product development and engineering that allows them to customize their equipment and systems to meet the customers' requirements; and Their presence in the industry for over 30 years with an established brand and a reputation for consistent quality of their products. Company's intention to leverage these competitive advantages and their global customer base to continue to capitalize on growth in demand for cryogenic storage tanks and equipment.

Large portfolio of specialized cryogenic equipment engineered to global quality standards

They offer comprehensive solutions across design, engineering, manufacturing and installation of standard as well as customized cryogenic equipment and systems. Their 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 they benefit from the lower engineering costs in India compared to the rest of the world.

Diversified domestic and international customer base across industry sectors

They have a diversified customer base across industry sectors and geographies. In the six months ended September 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, their 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) and 1.2 million, 2.4 million, 2.4 million and 1.4 million disposable cylinders, respectively. Further, they provided their equipment and systems to over 1,201 domestic customers and over 228 international customers across their three divisions in Fiscal 2023, Fiscal 2022 and Fiscal 2021. They provide cryogenic storage, distribution and transportation equipment and systems to corporate and government customers. They have a diversified end-industry mix with customers in industries such as energy, industrial gases, LNG and LCNG, steel, medical and healthcare, chemicals and fertilizers, pharmaceuticals, aviation and aerospace, pharmaceuticals and construction, amongst others. Their 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;
- Cryo Scientific Division: ISRO.



Risk Factors

Market Risks:

Economic conditions, market fluctuations, and industry-specific challenges can impact the company's performance.

Regulatory Risks:

Changes in regulations related to the cryogenic industry or environmental standards can affect operations and compliance costs.

Operational Risks:

Any disruptions in manufacturing, supply chain issues, or operational inefficiencies can impact the company's ability to meet demand and fulfill orders.

Technology Risks:

Rapid technological changes or the emergence of new, more efficient technologies could impact the competitiveness of Inoxcva's products.



Our View

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