

The Issue	
Type of Issue	Issue size Rs. Bn
Offer for Sale	14,593
Total	14,593
Post issue mkt cap *	59,904
Lot size	22 shares

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NII	35%
Retail	15%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	14 Dec, 2023
Bid/Offer Closing Date	18 Dec, 2023
Finalization of the Basis of Allotment	19 Dec, 2023
Credit of shares	20 Dec, 2023
Listing Date	21 Dec, 2023

Use of Proceeds
Entire IPO is Offer for Sale

Manager	ICICI Securities, Axis Capital
Registrar	KFin Technologies

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Largest player in industrial gases value chain...SUBSCRIBE

Company Overview:

Inox India Ltd is one of the largest supplier of cryogenic equipment in India with over 30 years of experience in offering solutions across design, engineering, manufacturing and installation of equipment and system for cryogenic conditions. The company has sound brand recall in “INOXCVA” in both domestic and international market.

Inox India’s offering includes standard cryogenic tanks and equipment, beverage kegs, bespoke technology, equipment and solutions as well as large turnkey projects. 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, amongst others.

In addition, they manufacture a range of cryogenic equipment utilized in global scientific research projects. First Indian company to manufacture a trailer mounted hydrogen transport tank, which was designed jointly with the Indian Space Research Organization (ISRO). Also they have produced and shipped a 238kl and 311 kl liquid hydrogen storage tank for customers in South Korea.

Inox India has 3 manufacturing facilities located at (1) Kalol in Gujarat, (2) the Kandla Special Economic Zone (“Kandla SEZ”) in Gujarat and (3) Silvassa in the Union Territory of Dadra and Nagar Haveli.

Customer base includes over 1,201 domestic and 228 international customers. The company currently exports its products and delivers services to 66 countries.

They have also been involved in the ITER project, an international nuclear fusion research and engineering mega-project with 9 participating nations. ITER entrusted company with the designing, manufacturing, packing, supplying, installation and acceptance tests of the ITER warmlines at the ITER site in France.

Valuation and Outlook: Play on Hydrogen and LNG !

At the upper price band, the IPO is reasonably priced at an annualized **P/E of 29.0x** on FY24E (post-issue), owing to robust growth potential going ahead. Over FY21-23, the company’s revenue/EBITDA/PAT has grown at a CAGR of 28%/23%/26%, respectively. Over the same period, return ratios have been strong as well with ROE in the range of 26-28% and ROCE >30%. We believe, Inox India will maintain its growth trajectory owing to (1) increasing adoption of cleaner fuels like LNG and hydrogen fuel leading to higher demand for its cryogenic equipment; (2) healthy order book of Rs. 10bn with strong and increasing execution capabilities; (3) increasing participation in large turnkey projects (over Rs 50mn) like ITER to derive better margins. Thus we assign “**Subscribe**” rating to the stock.

Inox India Limited's key financial summary

Financial summary (Rs. Mn)	FY21	FY22	FY23	H1FY23	H2FY24
Revenue	5,938	7,827	9,659	4,868	5,646
EBITDA	1,345	1,676	2,044	1,120	1,304
EBITDA margin (%)	22.7%	21.4%	21.2%	23.0%	23.1%
Adj. PAT	961	1,305	1,527	834	1,033
Adj. PAT margin (%)	16.2%	16.7%	15.8%	17.1%	18.3%
PE (Adj for issue)	62.3	45.9	39.2	35.9*	29.0*

* Annualized PE

Key Risks:

Client concentration risk: In FY23, Largest and Top 10 customer contributed 11.6% and 46.5% to the revenue. Any delay or cancellation of orders from these customers could adversely affect results of operations, and financial conditions.

Volatility in commodity cost: Considering the nature of business which is capital goods, RM cost accounts for 58-61% of total expense. Any adverse price volatility in commodity could have material effect on profitability and margins.

Export revenue mix: Exports constituted 46% in FY23, a slowdown in its exports due to tariffs and trade barriers and international sanctions could adversely affect its business, results of operations and financial condition.

Suppliers concentration risk: In FY23, Top 10 suppliers accounted for 65% of raw materials supplied to the company. If any one of the suppliers is unable to deliver raw materials, components or customer support services in a timely manner could further impact company's delivery schedule and timeliness.

Pre-issue and post-issue holding structure

Shareholding pattern	Pre-issue	Post-issue*
	Holding (%)	Holding (%)
Promoter & Promoter Group	99.3%	75.0%
Public	0.7%	25.0%
Total	100.0%	100.0%

* At upper price band

Selling Shareholders

Selling Shareholder	Shares (Mn)	% of OFS	% of Total Share
Promoters			
Siddharth Jain	1,04,37,355	47.20%	11.50%
Pavan Kumar Jain	50,00,000	22.61%	5.51%
Nayantara Jain	50,00,000	22.61%	5.51%
Ishita Jain	12,00,000	5.43%	1.32%
Others Shareholders			
Manju Jain	2,30,000	1.04%	0.25%
Lata Rungta	1,90,000	0.86%	0.21%
Bharti Shah	13,400	0.06%	0.01%
Kumud Gangwal	13,400	0.06%	0.01%
Suman Ajmera	13,400	0.06%	0.01%
Rajni Mohatta	13,400	0.06%	0.01%
Total	2,21,10,955	100.00%	24.36%

Competitive Strengths:

Leading Indian supplier and exporter of cryogenic equipment and solutions: As per CRISIL reports, the demand for cleaner fuels such as LNG and hydrogen and industrialization in developing nations is expected to drive demand for cryogenic equipment in future. The global cryogenic equipment demand is projected to grow at a 6.9% CAGR from CY23 to reach \$16.6bn by CY28. In FY23, Inox India was the largest supplier of cryogenic equipment in India by revenues. Further, with company's exports now extending to 66 countries (as on Sept 2023), they are well placed to capitalize on global opportunities in cryogenic equipment and systems.

Large portfolio of specialized cryogenic equipment engineered to global quality standards: The company offers comprehensive product range, that caters to storage, distribution and regasification of cryogenic liquids and gasses. These includes cryogenic storage tanks, non-cryogenic pressure vessels, such as cryoseal, liquid cylinders, disposable cylinders and beverage kegs amongst others. These products require specialized engineering, industry certification and customer acceptance because of the extremely low cryogenic temperature and volatile nature of the gases that these equipment stores and handles. On back of 3 decades of expertise and functioning in the industry, the company has developed specialized cryogenic equipment adhering to global quality standards.

Diversified domestic and international customer base across industry sectors: Over the last 3 fiscal years, they have provided equipment and systems to over 1,201 domestic customers and over 228 international customers. Their end users are diversified across energy, industrial gases, LNG and LCNG, steel, medical and healthcare, chemicals and fertilizers, pharmaceuticals, aviation and aerospace, pharmaceuticals and construction, amongst others. Additionally, they have maintained high customer retention with repeat customers accounting 48-51% of core revenue for last 3 years. Delivery of high quality product meeting stringent regulatory norms helps in customer retentions.

Strong product development and engineering focus: Product development and engineering activities are critical in maintaining competitive position, addressing customer needs and industry developments. During the last 5 years, they have added new products like liquid hydrogen storage tanks, LNG dispensers, LNG fuel tanks and aluminium trailers. Strong in-house engineering team with deep domain expertise enables the company to develop bespoke products and systems for their customers. Their Cryo-Scientific Division also has capabilities to design, manufacture and supply nuclear certified vessels and related systems according to French safety standards and nuclear guidelines.

Business Strategies:

Capitalize on opportunities in LNG and Hydrogen: In line with 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 (+5-6% CAGR over CY23-25P) and hydrogen (+6.1% CAGR over CY22-30P). The company aims to cater to small-scale LNG segment and develop a comprehensive product range related to hydrogen storage, transportation and distribution.

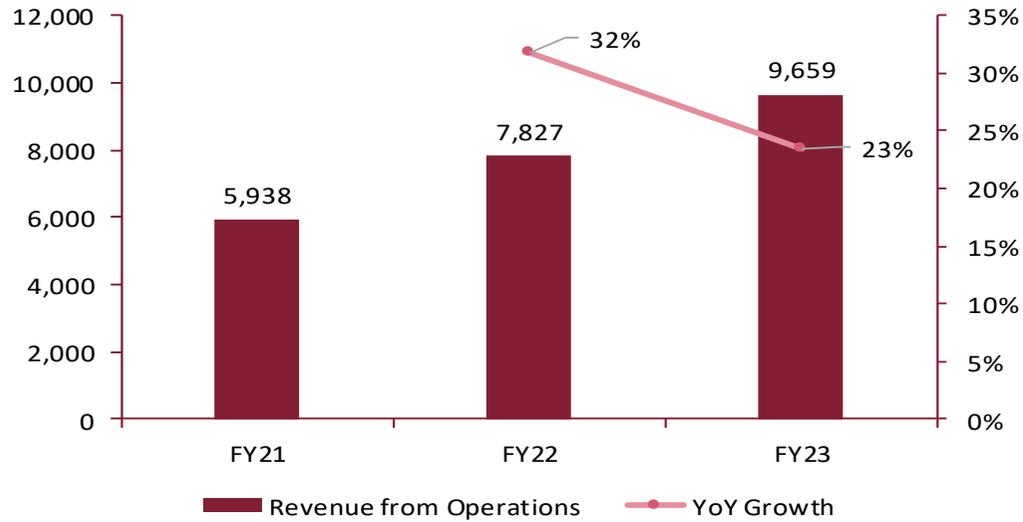
Capture the full value-chain across its product lines: The company intends to expand offerings across the entire value-chain of their product lines to gain market leading position. Through this, the company would be in a position to offer end-to-end solutions to their customers as well as capture growth across value chain.

Expanding standard cryogenic and non-cryogenic equipment business into international markets: As per CRISIL report, global demand for cryogenic equipment is projected to grow at a CAGR of 6.9% over CY23-28P on back of increasing acceptance of clean energy. To tap this opportunity and leverage the cost competitive advantage of supply cryogenic equipment, the company intends to expand offerings in America, Europe, Africa, Korea and Japan. In the non-cryogenic equipment area, Inox India is also looking to expand its existing beverage keg business to include stainless steel metal containers for variety of application. For this intended purpose they have signed technology license agreement with Supermonte SRL of Italy to manufacture stainless steel beverage kegs using the Supermonte brand and technology. They are also planning to set up a serial production facility to produce these stainless steel beverage kegs at Savali, near Vadodara.

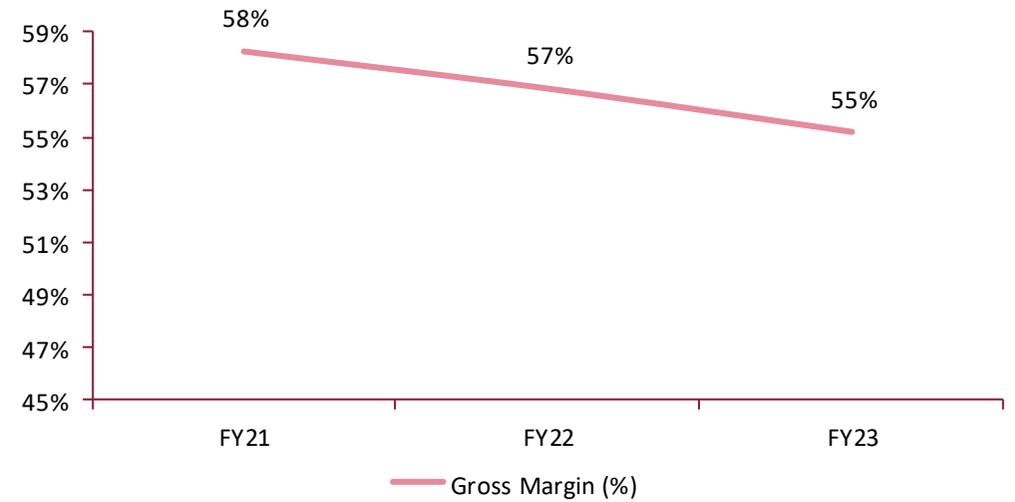
Increasing contribution of large turnkey margin accretive projects: Inox CVA intends to increase the contribution of large turnkey projects (over Rs 50mn), as these projects offers higher margins owing to lower competition, economies of scale and large engineering and customization requirements. They aim to achieve this by expanding their business as a storage system provider coupled with tapping potential opportunities in cryogenic storage system. For the past 3 years, the average contribution of these projects to the overall revenue is 25%. In H1FY24, the contribution stands at 45.8% vs 22.3% in H1FY23.

Inox India Limited

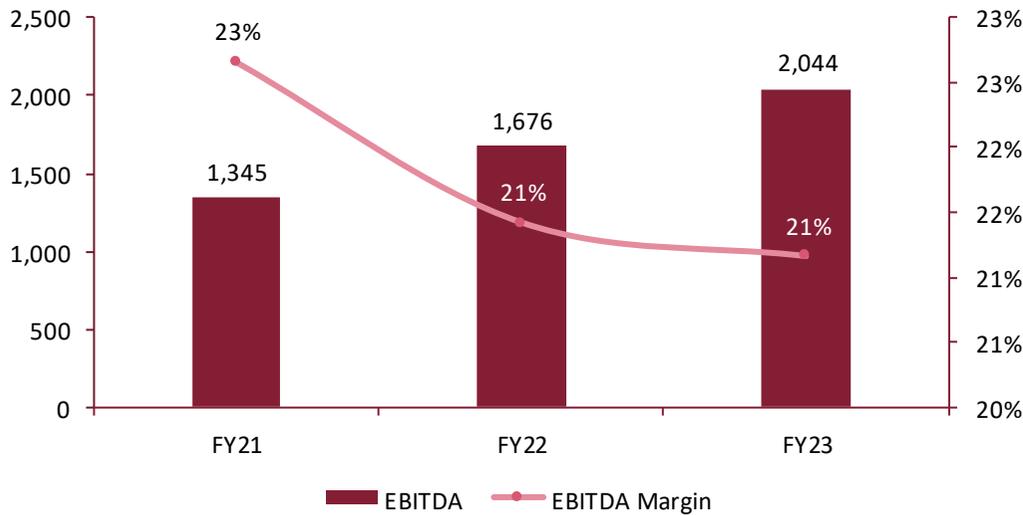
Revenue from operations (Rs. Mn)



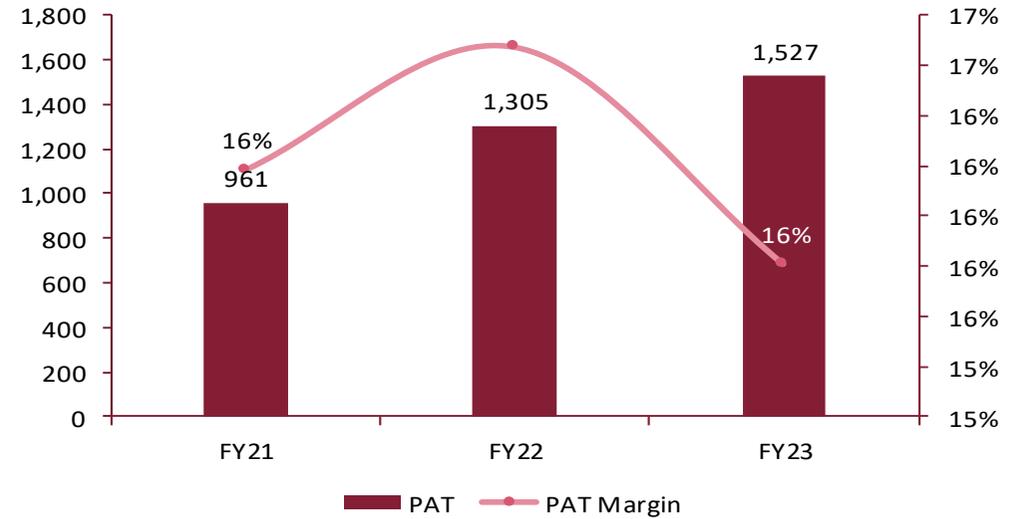
Gross Margin

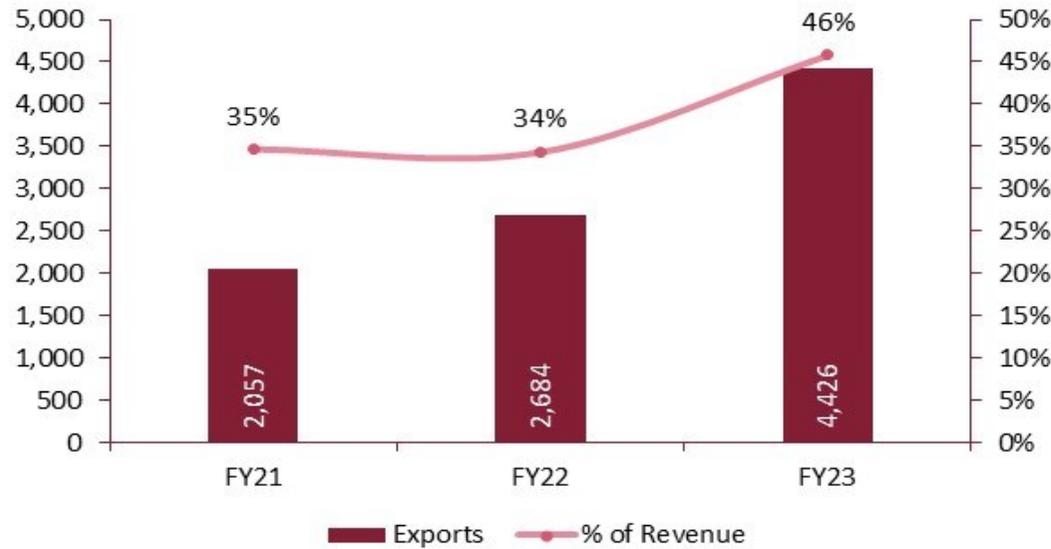
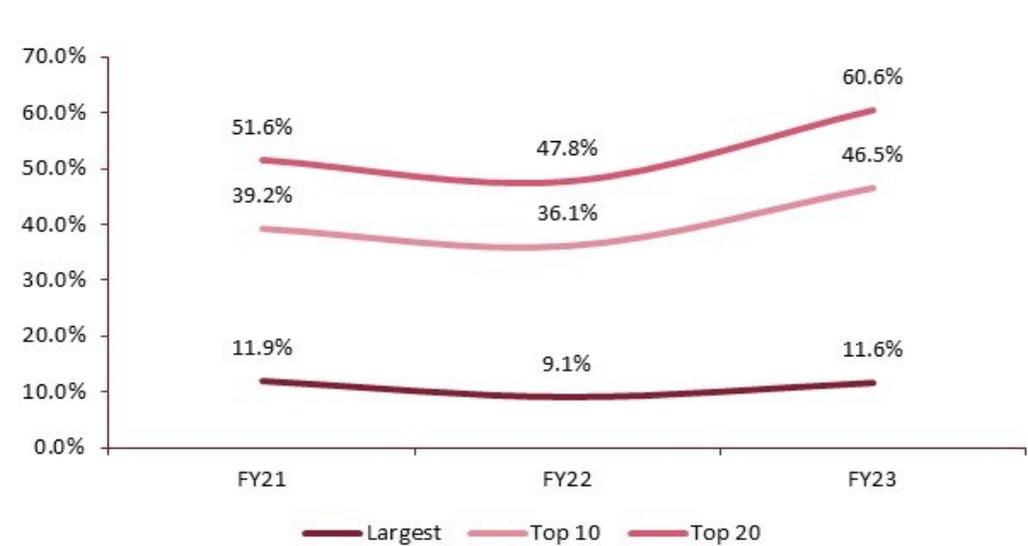
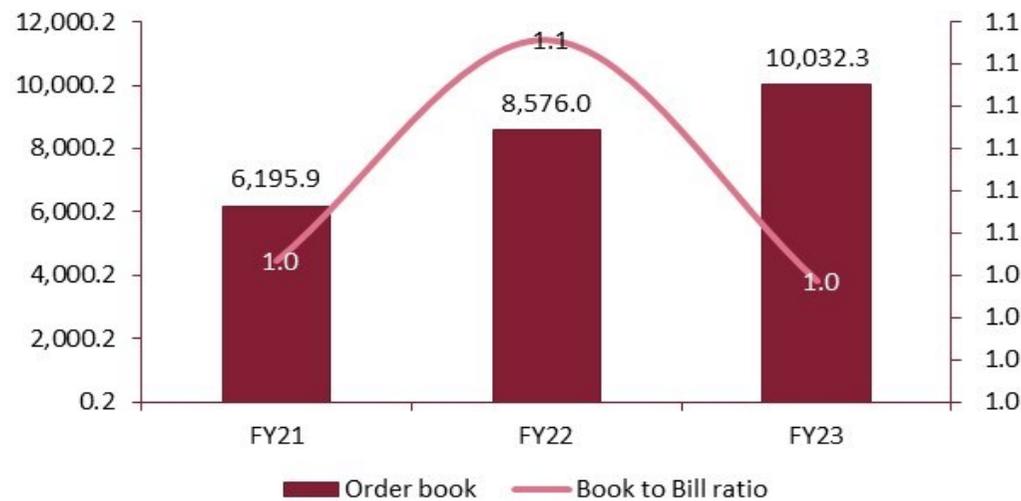


EBITDA (Rs. Mn) and OPM (%)



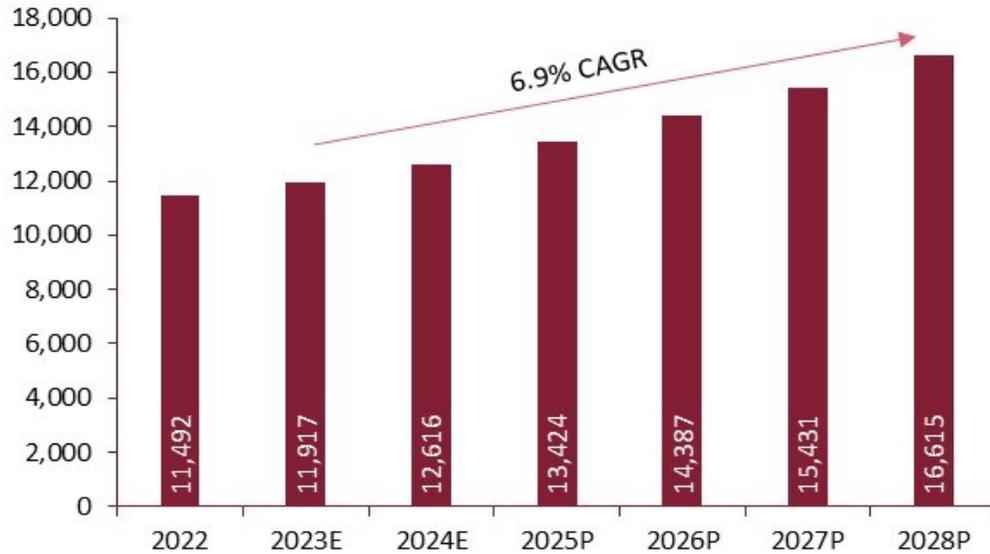
PAT (Rs. Mn) and PAT Margin (%)



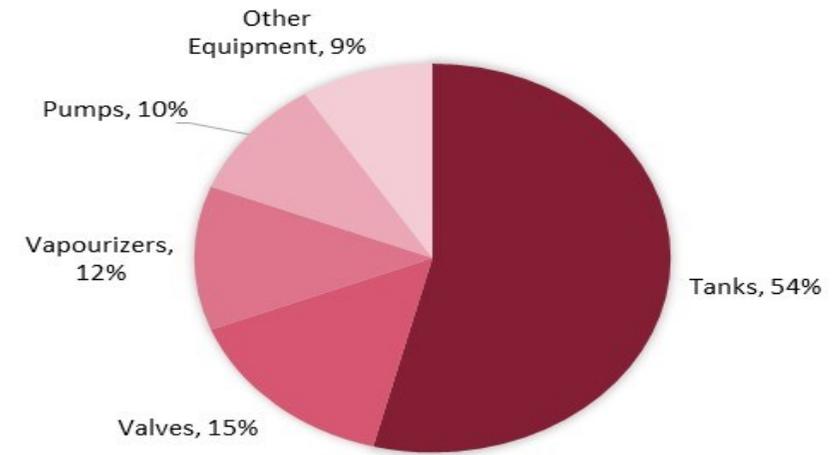
Exports (Rs in Mn) & (%) of Revenue

Revenue Contribution from customers

Order Book (Rs in Mn) & Book to Bill ratio (x)


Industry Outlook

Global Cryogenic Equipment (US\$ Bn)

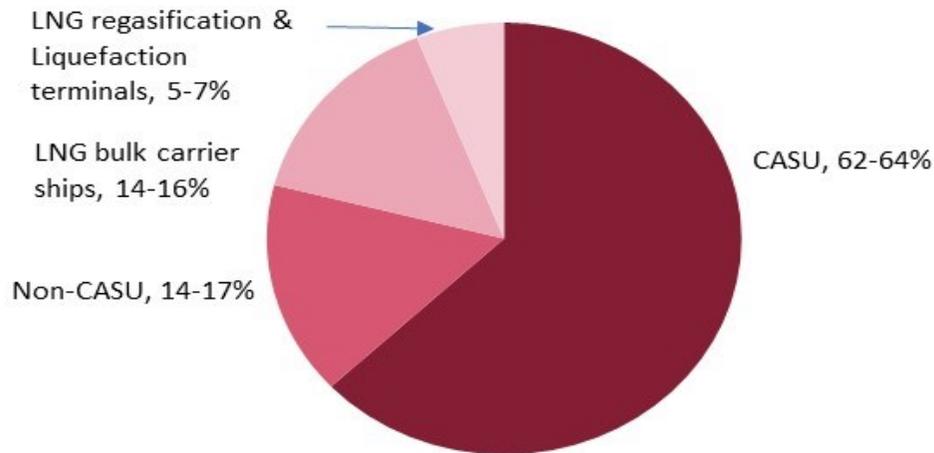


Demand share of types of Cryogenic Equipment (CY22)



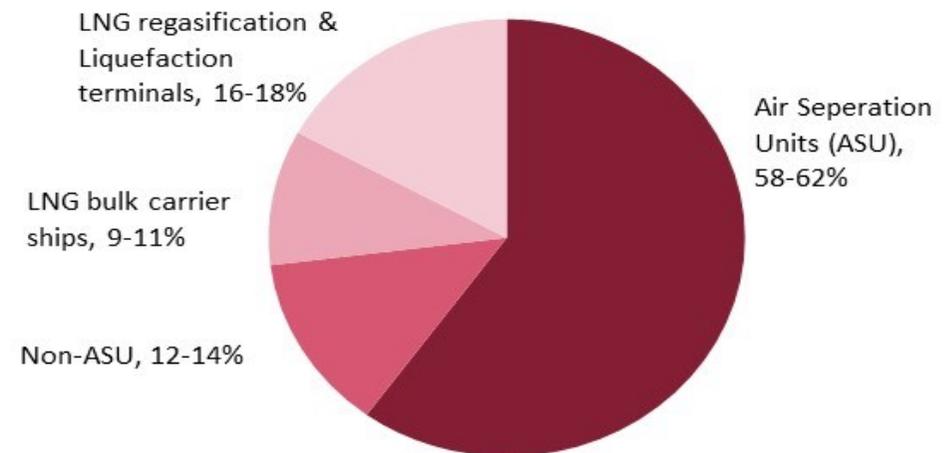
Total Market Size: \$11,492mn

Global cryogenic tanks by applications (CY22)



Total Market Size: \$6,175mn

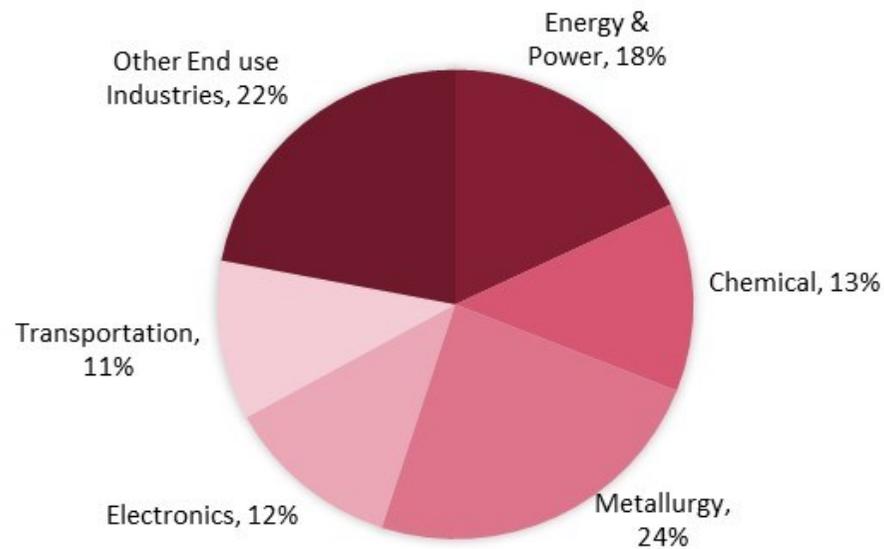
Global cryogenic equipment industry by key applications (CY22)



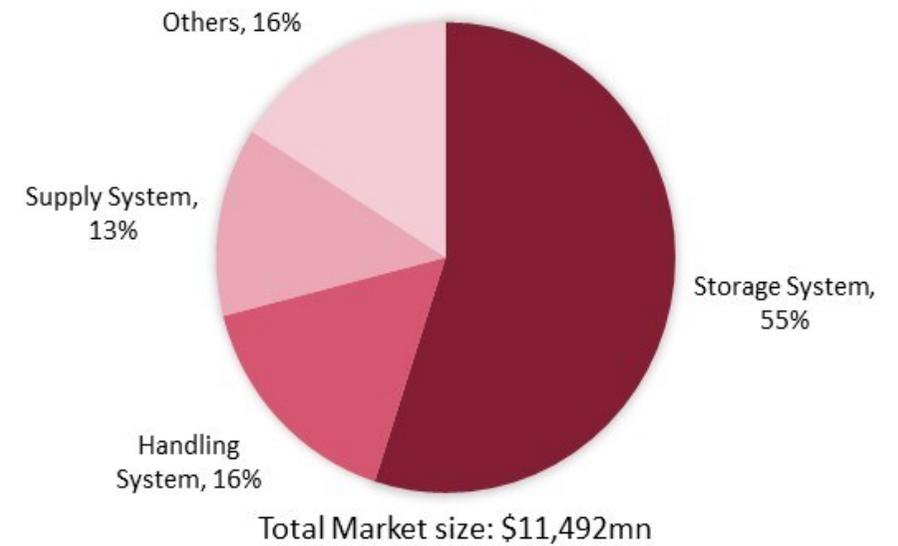
Total Market Size: \$11,492mn

Industry Outlook

Share of cryogenic equipment by end-use industry in CY22



Share of cryogenic equipment by type of system in CY22



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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DISCLOSURE

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