

Retail Research	IPO Note
Sector: Industrial Equipment	Price Band (Rs): 627 - 660
14th December 2023	Recommendation: Subscribe for Long Term Horizon.

INOX India Limited

Company Overview:

Inox India is the largest supplier of cryogenic equipment in India by revenue in FY23. The company has over 30 years of experience offering solutions across design, engineering, manufacturing and installation of equipment and systems for cryogenic conditions. The company's offerings 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. The company also manufactures a range of cryogenic equipment utilised in global scientific research projects. The company is also the largest exporter of cryogenic tanks from India in terms of revenue in FY23.

Key Highlights:

1. Business division: (a) Industrial gas: This division manufactures, supplies and installs cryogenic tanks and systems for storage, transportation and distribution of industrial gases such as green hydrogen, oxygen, nitrogen, argon, carbon dioxide (CO₂), hydrogen and provides after-sales services. **(b) 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. **(c) Cryo scientific:** This division provides equipment for technology-intensive applications and turnkey solutions for scientific and industrial research involving cryogenic distribution.

2. Manufacturing Facility: The company has three manufacturing facilities located at (a) Kalol in Gujarat, (b) the Kandla Special Economic Zone (Kandla SEZ) in Gujarat and (c) Silvassa in the Union Territory of Dādra and Nagar Haveli. As of Sep'23, it has a capacity of 3,100 equivalent tank units and disposable cylinder capacity of 2.4 million units.

3. Diversified domestic and international customer base across industry sectors: (a) Industrial Gas division: Key customers include Air Liquide global E&C Solutions India private limited, Gulf Cryo LLC, Hyundai Engineering and Construction co limited, Inox Air Product Private Limited, SK ecoengineering Co. limited, StemCyte India therapeutics private limited. **(b) LNG division:** Key customers include Caribbean LNG Inc., AGP City Gas Private Limited, Høglund Gas Solutions AS, IRM Energy Limited, Saint gobain India Private Limited, Think Gas Distribution Private Limited. **(c) Cryo scientific division:** Key customers include: ISRO.

Valuation: The company is valued at FY23A and FY24E PE multiple of 39.2x and 29.0x respectively, at the upper price band on post-issue capital. The company is the world's leading provider of customized cryogenic solutions to global customers across the clean energy space. Increasing demand across the globe for clean fuels, industrial gases and high demand for cryogenic gases will drive the company's growth going forward. The company has significantly improved its return ratios in the last three financial years. We recommend investors to subscribe to the issue for long-term investment horizon.

Issue Details	
Date of Opening	14 th December 23
Date of Closing	18 th December 23
Price Band (Rs)	627 - 660
No. of shares	2,21,10,955 (100% OFS)
Issue Size (Rs cr)	1,386 – 1,459
Face Value (Rs)	2.0
Post Issue Market Cap (Rs cr)	5,690 – 5,990
BRLMs	ICICI Securities Limited, Axis Capital Limited
Registrar	KFin Technologies Limited
Bid Lot	22 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	9,01,29,980	99.3
Public & Others	6,33,520	0.7
Total	9,07,63,500	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	6,82,49,025	75.2
Public & Others	2,25,14,475	24.8
Total	9,07,63,500	100.0

Source: RHP, SSL Research

Key Financials

	FY21	FY22	FY23	1HFY24
Revenue from operations (Rs cr)	594	783	966	565
EBITDA (Rs cr)	135	168	204	130
Profit (Rs cr)	96	130	153	103
EBITDA Margin (%)	22.7	21.4	21.2	23.1
PAT Margin (%)	16.2	16.7	15.8	18.3
EPS (Rs)	10.6	14.4	16.8	11.4*
ROE (%)	25.9	26.0	27.8	18.6*
ROCE (%)	31.9	32.4	38.0	23.6*
Debt / Equity (x)	0.2	0.1	-	0.1*

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- **Manufacturing facility:** The company's business is dependent on the three manufacturing facilities. The company is subject to certain risks in the manufacturing processes such as the breakdown or failure of equipment and industrial accidents that could lead to interruptions in the business operations, which may, in turn, adversely affect the production schedules, costs and sales and ability to meet customer demand.
- **Customers:** The company's largest customers and top 10 customers contributed around 11.56% and 46.52% of revenue from operation for FY23. Cancellation by customers or delay or reduction in their orders could have a material adverse effect on the business, results of operations and financial condition.
- **Input costs:** An increase in the component or raw material costs, or other input costs, may adversely affect the pricing and supply of the products and have an adverse effect on the business, results of operations and financial condition.
- **Order book:** The contracts in the order book may be adjusted, cancelled or suspended by the customers and, therefore the order book is not necessarily indicative of the future revenues or profit.

Growth Strategy

- **Opportunity in LNG and Hydrogen:** Capitalize on opportunities in LNG and Hydrogen while capturing the full value-chain across the product lines.
- **Increasing global footprint:** Expanding the standard cryogenic and non-cryogenic equipment business in international markets.
- **Turnkey solutions:** Expanding the large turnkey project business.
- **Smoothen operational efficiency:** Continue to improve operational efficiency and productivity.
- **Acquisition:** Growth through strategic acquisitions and alliances.

Revenue from operations

Division	FY21		FY22		FY23		1HFY24	
	Amount in Rs cr	% of Revenue from Operations	Amount in Rs cr	% of Revenue from Operations	Amount in Rs cr	% of Revenue from Operations	Amount in Rs cr	% of Revenue from Operations
Industrial Gas	375.7	63.3	620.6	79.3	684.6	70.9	361.4	64.0
LNG	147.3	24.8	125.9	16.1	240.2	24.9	172.4	30.5
Cryo Scientific	708.1	11.9	36.3	4.6	40.9	4.2	30.9	5.5
Revenue from Operations	593.8	100.0	782.7	100.0	965.9	100.0	564.6	100.0

Source: RHP, SSL Research

Revenue from operations – Region wise (India)

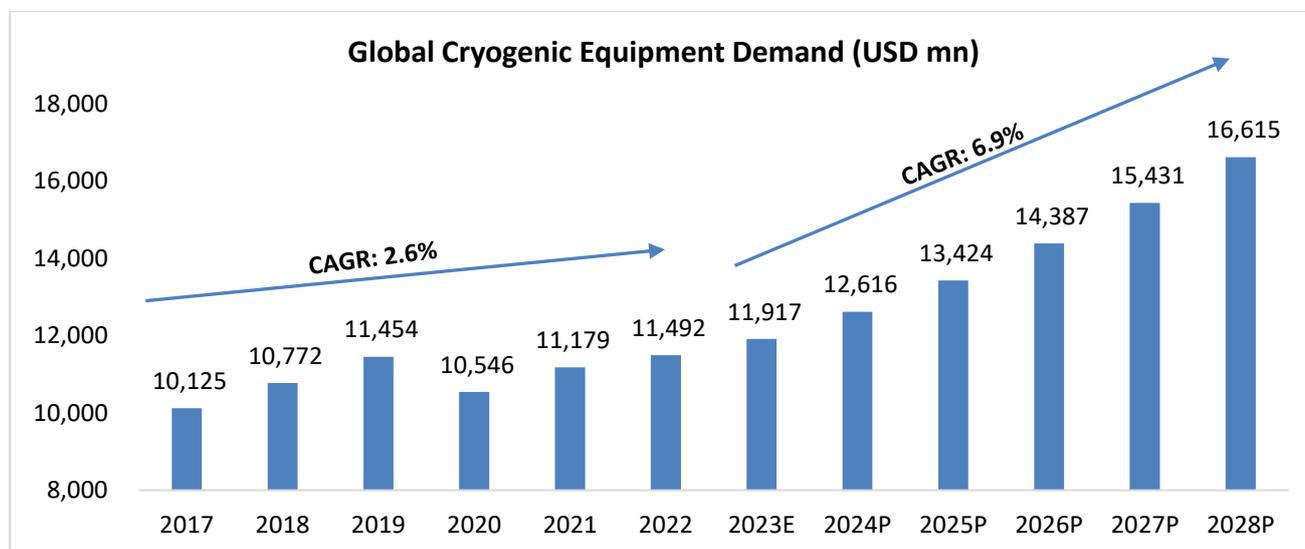
Revenue from Operations	FY21		FY22		FY23		1HFY24	
	Amount in Rs cr	% of Revenue from Operations	Amount in Rs cr	% of Revenue from Operations	Amount in Rs cr	% of Revenue from Operations	Amount in Rs cr	% of Revenue from Operations
Top 20 Customers	306.4	51.6	373.9	47.8	584.9	60.6	410.8	72.8
Top 10 Customers	232.9	39.2	282.7	36.1	449.3	46.5	316.0	56.0
Largest Customer	70.5	11.9	71.5	9.1	111.7	11.6	81.2	14.4

Source: RHP, SSL Research

Industry Overview – Global Cryogenic Equipment Market

Global Cryogenic Equipment Market

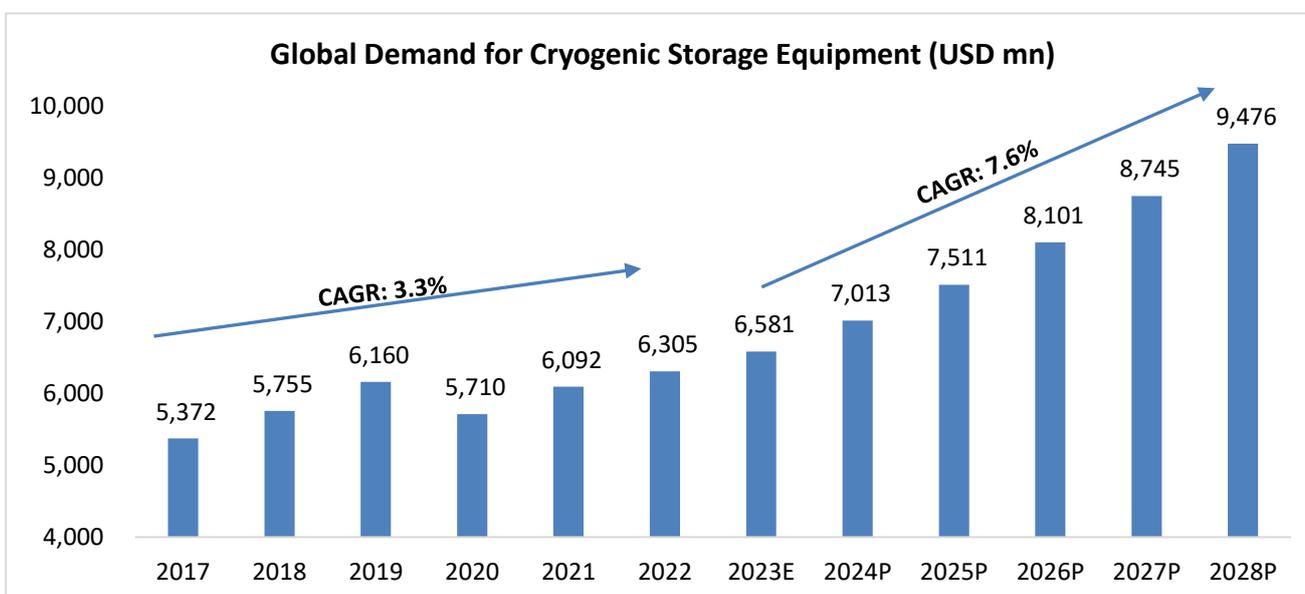
Global cryogenic equipment demand recorded a CAGR of 2.6% between CY17 - CY22 and was valued at USD 11.5 bn in CY22. Cryogenic demand saw a dip during the Covid-19 period of CY20 - CY21, declining at a CAGR of 1.2% between calendar years 2019 and 2021, as economic activity slowed down, but marginally surpassed pre-Covid levels in CY22. The global cryogenic equipment demand is projected to grow at CAGR of 6.9% between CY23 - CY28, as demand for cleaner fuels such as LNG and hydrogen as a result of the aim to reduce carbon emissions from conventional energy sources will drive the uptake of cryogenic equipment across geographies.



Source: RHP, SSL Research

Global Demand for Cryogenic Storage Equipment

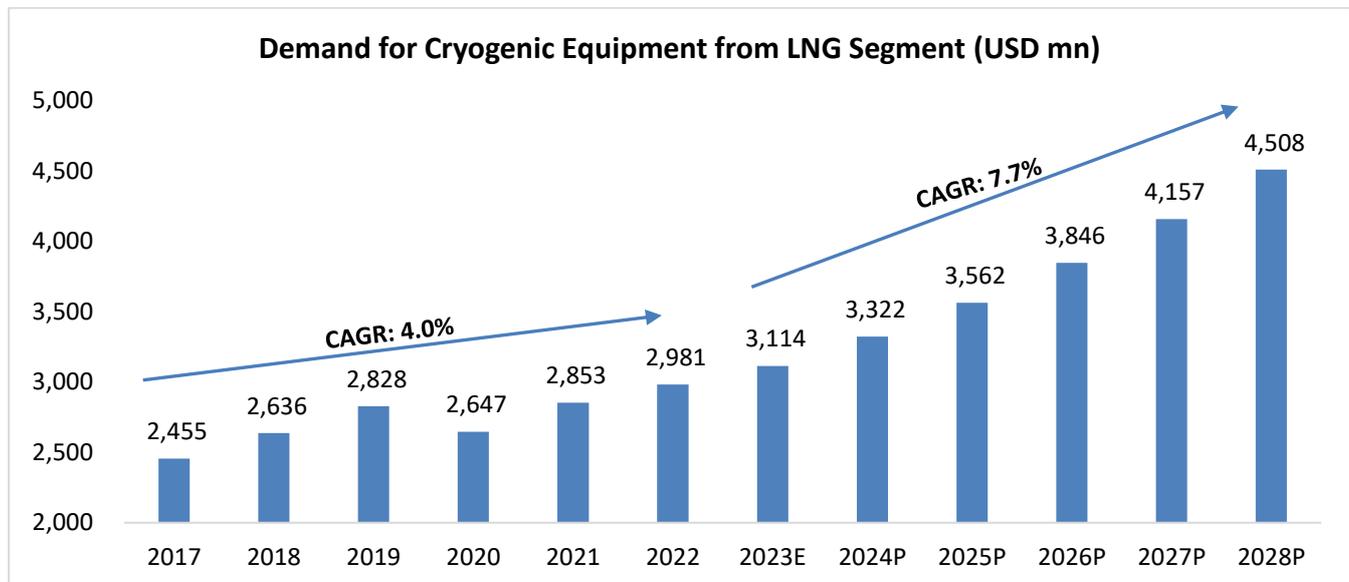
Cryogenic storage systems which include cryogenic tanks, dewars and pressure vessels, accounting for the largest share of cryogenic equipment market in CY22 amounting to a 55% market share; grew at a CAGR of 3.3% between CY17 - CY22. Going forward, demand for cryogenic equipment from storage systems is expected to grow at a CAGR of 7.6% between CY23 - CY28.



Source: RHP, SSL Research

Demand for Cryogenic Equipment from LNG Segment

Cryogenic equipment demand from the LNG segment recorded a CAGR of 4.0% between CY17 - CY22 and was valued at USD 3.0 bn in CY22. Between CY23 - CY28 demand for cryogenic equipment from LNG is expected to grow at a CAGR of 7.7%. The shift to cleaner fuels is expected to drive demand in developed regions like the Europe and USA, higher growth is expected to come from the Asia-Pacific in line with the rising need for electricity as a result of the fast-growing developing economies in the region.



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	594	783	966
% YoY growth	-	31.8%	23.4%
Cost Of Revenues (incl Stock Adj)	248	338	433
Gross Profit	346	445	533
Gross margins (%)	58.3	56.9	55.2
Employee Cost	60	73	79
Other Operating Expenses	151	204	250
EBITDA	135	168	204
EBITDA margins (%)	22.7	21.4	21.2
Other Income	15	21	18
Net Interest Exp.	7	2	4
Depreciation	12	12	14
Exceptional Items	0	0	0
PBT	131	174	205
Tax	35	44	52
PAT	96	130	153
PAT margin (%)	16.2	16.7	15.8
EPS	10.6	14.4	16.8

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	101	133	164
Capital WIP	2	2	0
Intangible Assets under development	1	1	1
Other Non current Assets	62	18	21
Current Assets			
Current Investment	25	311	249
Inventories	146	323	413
Trade receivables	113	78	143
Cash and Bank Balances	202	9	62
Other Current Assets	36	22	97
Total Current Assets	521	743	963
Current Liabilities & Provisions			
Trade payables	17	40	65
Other current liabilities	193	260	477
Short-term provisions	24	29	35
Total Current Liabilities	234	330	577
Net Current Assets	287	413	386
Total Assets	453	567	571
Liabilities			
Share Capital	9	18	18
Reserves and Surplus	362	484	531
Total Shareholders Funds	372	502	549
Total Debt	60	43	0
Long Term Provisions	9	4	5
Other Long Term Liabilities	6	10	9
Net Deferred Tax Liability	6	8	8
Total Liabilities	453	567	571

CASH FLOW (Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	231	97	178
Cash flow from Investing Activities	-148	-75	-11
Cash flow from Financing Activities	-96	-26	-154
Free Cash Flow	224	53	129

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	14.0	14.6	13.3
Return on Capital (%)	31.9	32.4	38.0
Return on Equity (%)	25.9	26.0	27.8
Margin Analysis			
Gross Margin (%)	58.3	56.9	55.2
EBITDA Margin (%)	22.7	21.4	21.2
Net Income Margin (%)	16.2	16.7	15.8
Short-Term Liquidity			
Current Ratio (x)	1.8	2.0	1.7
Quick Ratio (x)	1.3	1.1	1.0
Avg. Days Sales Outstanding	69	36	54
Avg. Days Inventory Outstanding	90	150	156
Avg. Days Payables	11	19	24
Fixed asset turnover (x)	5.9	5.9	5.9
Debt-service coverage (x)	2.0	3.7	55.5
Long-Term Solvency			
Total Debt / Equity (x)	0.2	0.1	–
Interest Coverage Ratio (x)	20.1	76.0	56.6
Valuation Ratios			
EV/EBITDA (x)	43.5	35.9	29.0
PER (x)	62.3	45.9	39.2
P/B (x)	16.1	11.9	10.9

Source: RHP, SSL Research

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