



SMC Ranking
 ★★☆☆☆ (2.5/5)

Issue Highlights

Industry	Capital Goods
Offer for sale (Shares)	2,21,10,955
Net Offer to the Public	2,21,10,955
Issue Size (Rs. Cr.)	1386-1459
Price Band (Rs.)	627-660
Offer Date	14-Dec-23
Close Date	18-Dec-23
Face Value	2
Lot Size	22 Shares

Issue Composition

	In shares
Total Issue for Sale	2,21,10,955
QIB	1,10,55,478
NIB	33,16,643
Retail	77,38,834

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	99.30%	75.46%
QIB	-	12.88%
NIB	0.70%	3.13%
Retail	0.00%	8.53%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

Carry out the Offer for Sale of up to 22,110,955 Equity Shares by the Selling Shareholders; and

Achieve the benefits of listing the Equity Shares on the Stock Exchanges. Further, the Company expects that the proposed listing of its Equity Shares will enhance the visibility and brand image as well as provide a public market for the Equity Shares in India. The Selling Shareholders will be entitled to the entire Offer proceeds after deducting the Offer expenses and relevant taxes.

Book Running Lead Manager

- ICICI Securities Limited
- Axis Capital Limited
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Name of the registrar

- Kfin Technologies Limited

About the company

Incorporated in 1976, Inox India Limited manufactures and supplies cryogenic equipment. The company's business activities comprise three divisions, 1. Industrial Gas: The division designs, manufactures and installs cryogenic tanks and systems for the storage, transportation and distribution of industrial gases, including green hydrogen and oxygen. 2. LNG: The division develops, manufactures, supplies and installs both standard and engineered equipment for LNG storage, distribution, and transportation, as well as small-scale LNG infrastructure solutions for industrial, marine and automotive applications. 3. Cryo Scientific: This division offers equipment and turnkey solutions for scientific and industrial research in the field of cryogenic distribution with a focus on technology-intensive applications. The product portfolio includes standard cryogenic tanks and equipment, beverage kegs, bespoke technology, equipment and solutions as well as large-scale turnkey projects used in various industries such as industrial gases, liquefied natural gas ("LNG"), green hydrogen, energy, steel, medical and healthcare, chemicals and fertilisers, aviation and aerospace, pharmaceuticals and construction. The company's major customers include Air Liquide Global E&C Solutions India Private Limited, Caribbean LNG Inc, 2G Energy Inc, ISRO, Hyundai Engineering and Construction Co Ltd and many others. As of September 2023, the company has exported products and services to 66 countries, including the United States, Saudi Arabia, the Netherlands, Brazil, Korea, the United Arab Emirates, Australia and Bangladesh. The company's manufacturing facilities are located in Kalol, Kandla Special Economic Zone (Kandla SEZ) and Silvassa in the Union Territory of Dādra and Nagar Haveli. As of September 2023, the company's order book stood at Rs. 10,36.61 crore.

Strength

Leading Indian supplier and exporter of cryogenic equipment and solutions

In Fiscal 2023, it was the largest supplier of cryogenic equipment in India by revenues (Source:CRISIL Report, November 2023). Further, with exports to 66 countries in it is well placed to capitalize on global opportunities in cryogenic equipment and systems as it design and manufacture its equipment with international norms. It is also the largest exporter of cryogenic tanks from India in terms of revenue in Fiscal 2023. (Source: CRISIL Report, November 2023). The demand for cleaner fuels such as LNG and hydrogen due to focus on reducing carbon emissions from conventional energy sources will drive the uptake of cryogenic equipment across geographies. Other key demand drivers are expected to include (i) the high demand for gases from the metallurgy sector, (ii) demand from the oil and gas sector and

(iii) the chemical industry's decarbonization and transition to more sustainable processes.

Large portfolio of specialized cryogenic equipment engineered to global quality standards

It offers comprehensive solutions across design, engineering, manufacturing and installation of standard as well as customized cryogenic equipment and systems. Its 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. It has developed and commercialized products and services spanning across the entire cryogenic value chain in industrial gases, LNG liquefaction plants and liquid hydrogen. Its products require specialized engineering, industry certification and customer acceptance because of the extremely low cryogenic temperature and volatile nature of the gases that its equipment stores and handles. In the six months ended September 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, its 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), respectively, and 1.2 million, 2.4 million, 2.4 million and 1.4 million disposable cylinders, respectively.

Diversified domestic and international customer base across industry sectors

It has 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. Its major customers include, 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 Fluorine 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 in Industrial Gas 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 in LNG Division and ISRO in Cryo Scientific Division. In Fiscal 2023, five of our top ten customers and eight of our top twenty customers were repeat customers. It has also built a strong international customer base. In the six months ended September 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, it exported its products and delivered services to 66 countries.

Strong product development and engineering focus

It has an inhouse engineering team to develop new products and solutions. In the past three fiscal years, its inhouse team has developed cryogenic containers that comply with ISO containers standards, LNG fuel stations, LNG/LCNG fuel stations, LNG fuel tanks, cryogenic biological storage and beverage kegs. During the last five years, it has added new products: liquid hydrogen storage tanks, LNG dispensers, LNG fuel tanks and aluminium trailers. Its activities are focused on developing newer technologies, engineering new products, reducing our cost of production, simplifying

manufacturing processes, improving safety and reducing the environmental impact of its manufacturing and products. With a view to further strengthen our R&D capabilities, it is continuously looking to recruit and appoint scientists of varied experience and expertise at its R&D facility.

Healthy financial performance to support growth

The consolidated total income has increased at a CAGR of 27.13% from Rs. 608.99 crore in Fiscal 2021 to Rs. 984.20 crore in Fiscal 2023. The consolidated total income was Rs. 579.99 crore in the six months ended September 30, 2023. The EBIDTA on a consolidated basis has increased at a CAGR of 21.96% from Rs. 149.70 crore in Fiscal 2021 to Rs. 222.65 crore in Fiscal 2023. In the six months ended September 30, 2023, and in Fiscal 2023, Fiscal 2022 and Fiscal 2021, the EBIDTA on a consolidated basis was Rs. 145.74 crore, Rs. 222.65 crore, Rs. 188.63 crore and Rs. 149.70 crore, respectively, while the EBIDTA margins on a consolidated basis in the same periods were 25.13%, 22.62%, 23.47% and 24.58%, respectively.

Strategy

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

The demand for cryogenic equipment across geographies is expected to be driven by the increased demand for cleaner fuels such as LNG and hydrogen due to the focus on reducing carbon emissions from conventional energy sources. In India, the national objectives in line with the Paris Agreement are expected to increase demand for power generation and vehicles fuelled by cleaner fuels like LNG, LCNG and hydrogen. The company is well positioned to capture the global market growth, and it intends to focus its efforts on the small-scale LNG segment. In the LNG tank segment, it has supplied over 60% of the tanks in both the stationary tank segment which includes all LNG applications including LCNG stations and trailer mounted mobile LNG tanks in India which have a valid PESO license as of May 4, 2022. It is a product development and engineering centric company and it intends to focus its efforts on innovation in complex industry environments where its value-addition is greatest in areas like hydrogen storage, transportation and distribution to address the need for large scale movements of liquid hydrogen. Its engineering team has been developing cryogenic equipment for hydrogen.

Capture the full value-chain across our product lines

It is looking to gain market leadership positions across the entire value-chain of its product lines, and it intends to continue to expand its offerings in each segment to provide its customers with end-to-end solutions. By expanding the product portfolio to include a fully integrated product presence in each major segment, it expects to capture market share. In this regard, it aims to offer customers equipment for storage for transportation, for distribution and, finally, equipment for the end-use by customer.

Expanding its standard cryogenic and non-cryogenic equipment business into international markets

Its standard equipment business includes storage tanks, transport tanks, disposable cylinders, microbulk tanks, beverage kegs and other equipment engineered to

industry standards. It is looking to expand its geographic reach for its standard equipment that it can produce at prices which are competitive in the international market. In addition, it is considering expanding its non-cryogenic equipment business to include the manufacture of stainless-steel metal containers. It is also looking to distribute internationally its mass produced cryobiological containers fabricated from aluminium, and it is developing regional distributors to support retail sale of such products. It is looking for expansion in North America, South America, Europe, Africa, Korea and Japan. It is also ramping up its current business in the Middle East, Southeast Asia, India and the SAARC region. It intends to achieve this expansion by having dedicated sales and marketing teams whose primary focus will be on business development in international markets, particularly, in its focus geographies. It is also look for new partners in its focus markets to establish a local presence.

Expanding its large turnkey project business

It aims to change its revenue mix over time towards large turnkey margin accretive projects. The large turnkey projects offer better margins because of the limited competition for these projects, the economies offered by their scale and the large engineering and customization elements to these types of projects. An example of the type of its large turnkey projects is its recent mini-LNG terminal in Scotland. It manufactured and supplied the mini-LNG terminal on a turnkey supply basis in Fiscal 2019 which includes two 1,000 cubic meter vacuum, insulated storage tanks, a ship bunkering station, 300 meters of vacuum jacketed piping, a trailer loading station and a vaporization system. The terminal was designed according to EN1473, British standards for installation and equipment for LNG. All major critical equipment installed in the mini-LNG terminal was designed and manufactured at its Kandla manufacturing facility. This mini-LNG terminal was commissioned in 2021.

Continue to improve operational efficiency and productivity

In the six months ended September 30, 2023 and the past three fiscal years, It has been improving its operational efficiency at its Kalol and Kandla SEZ facilities with a focus on improving productivity and reducing operational expenses including labour costs, power expenses and other expenses including testing, repair, insurance, security and other operational expenses. It intends to continue enhancing its operational efficiencies and productivity and increasing its economies of scale to better absorb its fixed costs and reduce its other operating expenses.

Growth through strategic acquisitions and alliances

It continues to expand its manufacturing capacity at its facilities as demand requires. It is evaluating establishing a new facility to manufacture standard equipment including storage tanks, transport tanks, microbulk tank and stainless-steel metal containers for variety of application in accordance with its strategy to expand its standard equipment mentioned above. It is look for strategic acquisition targets in India and internationally to expand its regional reach, product development and manufacturing assets. It is also looking for opportunities to acquire businesses to add business segments where it is currently not present.

Risk factors

- An increase in raw material costs, or other input costs.

- Company does not own the name “INOX”, termination of the Name License Agreement may adversely impact its business.
- Exports constituted 62.18% of its revenue, tariffs and trade barriers and international sanctions could adversely affect our business.
- The markets it serves are subject to cyclical demand and vulnerable to economic downturn.

PEER COMPARISON

*There are no listed companies in India that engage in a business similar to the Company.

Valuation

Considering the P/E valuation on the upper price band of Rs.660, EPS and P/E based on TTM are Rs.19.02 and 34.70 multiple respectively and at a lower price band of Rs. 627, P/E multiple is 32.97. Looking at the P/B ratio on the upper price band of Rs.660, book value and P/B are Rs. 61.06 and 10.81 multiple respectively and at a lower price band of Rs. 627 P/B multiple is 10.27. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry overview

The global cryogenic equipment demand is projected to grow at CAGR of 6.9% from calendar year 2023 to calendar year 2028, according to the CRISIL Report. 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. Additionally, the increase in industrialization in developing nations in Asia Pacific is expected to boost demand for industrial gases in segment such as electronics, space and satellite and, in turn, increase demand for cryogenic equipment. Major cryogenic equipment includes tanks, valves, vaporizers and pumps. In calendar year 2022, tanks accounted for 54% of the total global cryogenic equipment demand, amounting to approximately US\$6,175 million, according to the CRISIL Report. Application-wise, ASUs form a major share of demand accounting for approximately 62-64% of the total application for cryogenic tanks in calendar year 2022. Major end-user industries that utilize cryogenic equipment are metallurgy, energy & power, chemical, electronics, transportation, and others.

Outlook

The demand for cryogenic equipment across geographies is expected to be driven by the increased demand for cleaner fuels such as LNG and hydrogen due to the focus on reducing carbon emissions from conventional energy sources. The company plans to improve its product mix by entering into large turnkey margin accretive projects. It plan to gain leadership position across value chain and expand its capacity and entry into new geography indicates future growth visibility. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Thursday, December 14, 2023
IPO Close Date	Monday, December 18, 2023
Basis of Allotment	Tuesday, December 19, 2023
Initiation of Refunds	Wednesday, December 20, 2023
Credit of Shares to Demat	Wednesday, December 20, 2023
Listing Date	Thursday, December 21, 2023

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	564.61	965.90	782.71
Total expenditure	434.26	761.55	615.08
Operating Profit	130.36	204.35	167.63
OPM%	23.09	21.16	21.42
Other Income	15.38	18.30	21.00
PBDIT	145.74	222.65	188.63
Depreciation	7.72	13.92	12.10
PBIT	138.02	208.73	176.53
Interest	1.84	3.69	2.32
Profit/(Loss) before Tax	136.17	205.05	174.21
Tax	32.84	52.34	43.71
PAT	103.34	152.71	130.50

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	213.98	163.62	133.19
Capital work-in-progress	5.63	0.22	1.86
Intangible assets	5.70	0.87	0.55
Financial Assets			
Investments	0.24	0.21	0.24
Other Financial Assets	6.00	2.03	2.28
Non Current Assets held for sale	10.67	10.49	10.27
Other Non-Current Assets	20.05	7.95	5.52
Total non-current assets	262.27	185.38	153.91
Current assets			
Inventories	406.86	412.78	322.52
Financial Assets			
Investment	237.54	248.72	311.49
Trade Receivables	154.99	142.90	78.11
Cash and Cash Equivalents	15.53	13.69	1.19
Bank Balances other than cash and cash equivalents as above	7.77	47.99	7.63
Other Financial Assets	21.60	61.92	3.91
Current Tax Assets (Net)	2.81	2.60	1.32
Other Current Assets	46.43	32.39	16.68
Total current assets	893.54	962.98	742.84
Total Assets	1155.81	1148.36	896.75
Non-current liabilities			
Financial liabilities			
Other Non-Current Liabilities	2.18	1.55	1.29
Lease Liabilities	9.23	7.49	8.43
Deferred Tax Liabilities	9.98	8.33	7.67
Provisions	5.49	4.52	4.14
Total non-current liabilities	26.88	21.89	21.54
Current liabilities			
Financial Liabilities			
Borrowings	31.03	0.00	43.38
Lease Liabilities	2.43	1.50	2.73
Trades Payable - MSME	7.82	11.19	1.52
Trade Payables - other than MSME	58.36	53.57	38.53
Other financial Liabilities	108.48	62.04	40.45
Other current liabilities	322.29	413.86	217.55
Provisions	38.60	33.31	26.73
Current tax Liabilities (Net)	5.68	1.54	2.04
Total current liabilities	574.69	577.00	372.93
Total	601.57	598.89	394.47
Net worth represented by:			
Equity Share Capital	18.152	18.152	18.152
Other equity	536.09	531.32	484.13
Net Worth	554.24	549.48	502.28

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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