

15<sup>th</sup> December 2023

## Inox India – SUBSCRIBE

### Investment Thesis

Inox India Ltd. (Inox India) is coming out with an initial public offering (IPO) on December 14, 2023. The issue comprises of offer for sale of 22,110,955 equity shares worth Rs.14,593mn at highest price band. Objective of the issue is to achieve the benefits of listing the equity shares on the Stock Exchanges and carry out the offer for sale of selling shareholders.

Inox India is the largest supplier of cryogenic equipment in India. Inox India designs, manufacture and install cryogenic storage, distribution and transportation equipment and systems (both standard and engineered for customers). 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, amongst others. It provided its equipment and systems to over 1,201 customers in India and over 228 international customers across the 3 divisions. Inox India exports its products and services to 66 countries and built a strong customer base. It has current orderbook of Rs.10,366mn, which is 1.1x FY23 revenue.

Inox India is well placed to capitalize on global opportunities in cryogenic equipment and systems as it follows international norms in design and manufacture its equipment. It is also the largest exporter of cryogenic tanks from India. Global cryogenic equipment market was valued at \$11.5bn in CY22 and it is projected to grow at a 6.9% CAGR to reach \$16.6bn during CY23-28. With focus on reducing carbon emissions from conventional energy sources, demand for cleaner fuels such as LNG and hydrogen is expected to increase and lead to drive the uptake of cryogenic equipment across geographies. Also, increase in industrialization in developing nations in Asia Pacific is expected to boost demand for industrial gases in segments such as electronics, space and satellite and in turn, increase demand for cryogenic equipment.

Inox India is targeting for market leadership positions across the entire value-chain of its product lines and intended to continue to expand offerings in each segment to provide its customers with end-to-end solutions. It is targeting to have a fully integrated product presence in each major segment. In the near term, its focus will be LNG end users in remote islands, industrial consumers without access to natural gas pipelines, marine barges, LNG for the transport sector including fuel stations and vehicle mounted tanks including all auxiliary equipment.

### Financials

- During the past 3 years, revenue of Inox India grew at a CAGR of 14.2% while PAT grew at CAGR of 18.4% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	H1FY24
Revenue	5,947	7,827	9,659	5,646
EBITDA	1,289	1,676	2,044	1,457
EBITDA Margin(%)	21.7%	21.4%	21.2%	25.8%
PAT	981	1,305	1,527	1,033
EPS (Rs.) #	10.8	14.4	16.8	11.4
P/E (x) *#	61.1	45.9	39.2	
RoE (%) #	13.2%	17.6%	20.6%	

\* At highest price band # Post listing

### IPO Details

Issue Open Date	14 December 2023
Issue Close Date	18 December 2023
Price Band (Rs.)	Rs. 627 – Rs. 660
Issue Size*	Rs. 14,593 Mn
Issue Size (Shares)	22,110,955
Market Lot	22 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 2/-

\* At highest price band

### Key Details

Fresh Issue*	N.A.
Issue Type	Book Building
Book Running Lead Manager	ICICI Securities and Axis Capital
Issue structure	QIB: 50% Non Institutional: 15% Retail: 35%
Credit of Shares to Demat Account	20 December 2023
Issue Listing Date	21 December 2023

\* At highest price band

## Key Business Highlights

- Inox India is the largest supplier of cryogenic equipment in India. It offers solutions across design, engineering, manufacturing and installation of equipment and systems for cryogenic conditions. Inox India's product portfolio includes standard cryogenic tanks and equipment, beverage kegs, bespoke technology, equipment and solutions as well as large turnkey projects. In addition, it manufactures a range of cryogenic equipment utilized in global scientific research projects.
- Inox India's business comprises of three divisions:
  - Industrial Gas: The division manufactures, supplies and installs cryogenic tanks and systems for storage, transportation and distribution of industrial gases and provides aftersales services.
  - LNG: The division manufactures, supplies and installs standard and engineered equipment for LNG storage, distribution and transportation as well as small-scale LNG infrastructure solutions.
  - Cryo Scientific: The division provides equipment for technology intensive applications and turnkey solutions for scientific and industrial research involving cryogenic distribution.
- Inox India has 3 manufacturing facilities located in Kalol and Kandla (SEZ) in Gujarat and Silvassa in the UT of Dadra and Nagar Haveli.

## Valuation

- Inox India has strong focus on product development and engineering and it has an in-house engineering team to develop new products and solutions. Its in-house team is focused on developing newer technologies, engineering new products, reducing cost of production, simplifying manufacturing processes and improving safety of its manufacturing and products. Its in-house team has developed cryogenic containers that comply with ISO containers standards, LNG fuel stations, LNG/LCNG fuel stations, LNG fuel tanks, and cryogenic biological storage and beverage kegs during the last 3 years. Inox India's product development and engineering activities are critical in maintaining competitive edge, addressing customer needs and industry developments.
- Inox India is the 1st Indian company to manufacture a trailer mounted hydrogen transport tank, which was designed jointly with the ISRO. Inox India produced and shipped a 238kl liquid hydrogen storage tank for a liquid hydrogen plant in South Korea. It also has recently produced and shipped four 311kl liquid hydrogen storage tanks for another customer in South Korea for the construction of 3 liquid hydrogen plants.
- With largest supplier of cryogenic equipment in India, exports its products and services to 66 countries, global cryogenic equipment market is projected to grow at a 6.9% CAGR during CY23-28, targeting for market leadership positions across the entire value-chain of its product lines and an in-house engineering team to develop new products and solutions, we are recommending **SUBSCRIBE** rating to the IPO of Inox India Ltd. (Inox India) for medium to long term perspective.

## Risk & Concern

- Inox India has high client concentration risk as it derived 11.6% and 46.5% of its revenue in FY23 from its top and top-10 customers. Any reduction or cancellation of orders from any of these customers may have a significant impact on the business.
- Any increase in the raw material cost or other input costs may adversely impact margin of Inox India.
- Inox India generated 45.8% of its revenue from exports in FY23. Any slowdown in exports due to tariffs, trade barriers and international sanctions may adversely impact the business.

## Graphs & Charts

Figure 1: Net Sales Trend

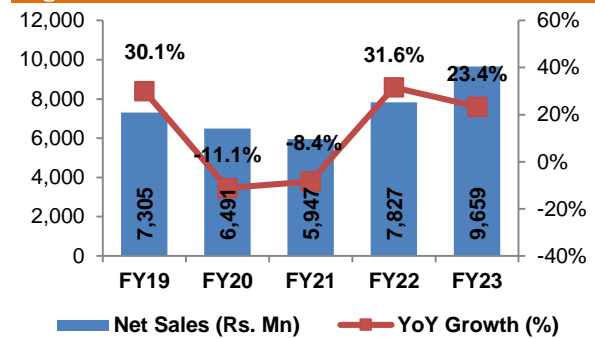


Figure 2: EBITDA & EBITDA Margin Trend

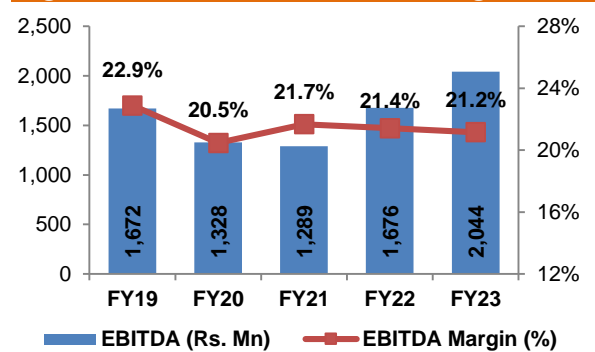


Figure 3: PAT & PAT Margins

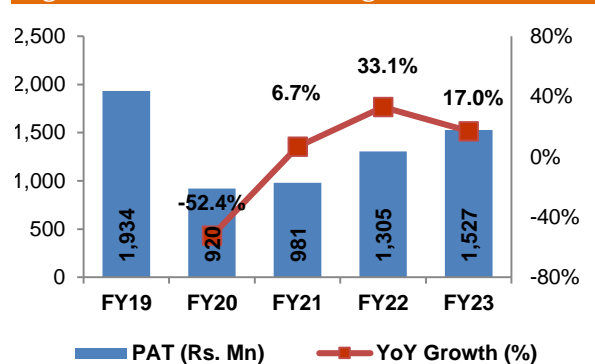
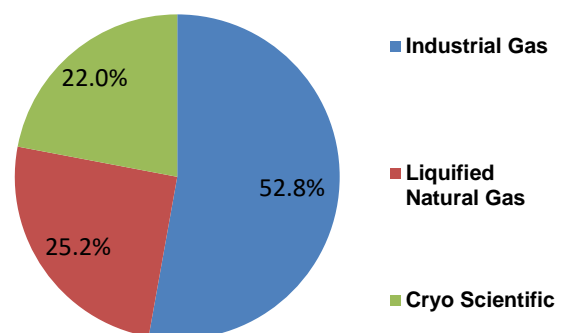


Figure 4: Segmental Orderbook (Q2FY24)



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