

28th June 2024

Inox India – BUY

CMP : Rs. 1,310.0
Target Price : Rs. 1,576.0
Upside : 20%+
Stop Loss : Rs. 1,133.0 (Closing basis)

Investment Thesis

- 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.10,870mn, which is 0.96x FY24 revenue. 55% of its ordersbook is from Industrial Gas, 20% from LNG and 25% from Cryo-Scientific division.
- 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. 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

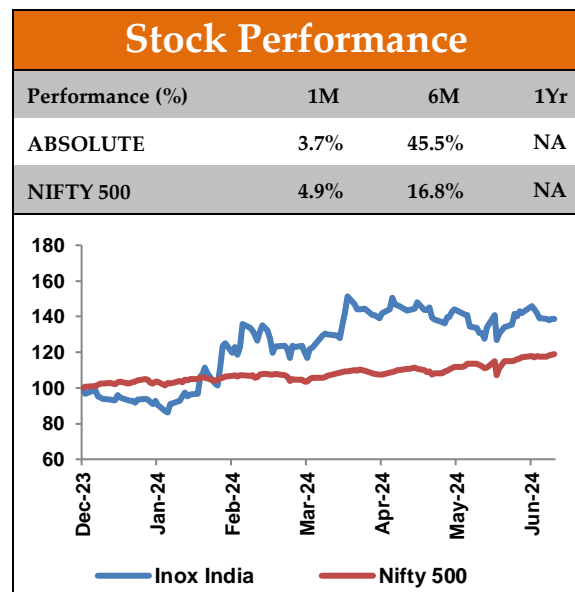
- Inox India's revenue and PAT grew by CAGR of 14.9% and 20.8%, respectively during the last four years led by robust demand and strong orderbook for all its major business segments.

Consol. (Rs.Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	7,827	9,659	11,312	13,122	15,155
EBITDA	1,676	2,044	2,503	2,916	3,382
EBITDA Margin (%)	21.4%	21.2%	22.1%	22.2%	22.3%
PAT	1,305	1,547	1,960	2,283	2,649
EPS (Rs.)	14.4	17.1	21.6	25.2	29.2
P/E (x)	91.1	76.8	60.7	52.1	44.9
RoE (%)	26.0%	28.2%	30.5%	32.3%	34.2%

Stock Data	
Market Cap (Rs. Mn)	1,18,820
Market Cap (\$ Mn)	1,421.8
Shares O/S (in Mn)	90.8
Avg. Volume (3 month)	5,18,060
52-Week Range (Rs.)	1,473.00 / 660.00

Shareholding Pattern	
Promoters	75.00%
FII's	6.14%
Institutions	6.58%
Others (incl. body corporate)	12.28%

Key Ratios	
Div Yield	0.8%
TTM PE	60.7x
ROE	30.5%
TTM EPS (Rs.)	21.6/-



- Inox India has reported 17.3% YoY growth in revenue to Rs.2,761mn in Q4FY24 led by robust performance from all major business segments.
- EBITDA of Inox India grew by 32.7% YoY to Rs.532mn. As a result, EBITDA margin also improved by 223bps YoY to 19.3% in Q4FY24 led by decrease in COGS by 801 bps, however, the impact was partially offset by an increase in employee & other expenses by 578 bps YoY.

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 has 3 manufacturing facilities located in Kalol and Kandla (SEZ) in Gujarat and Silvassa in the UT of Dadra and Nagar Haveli.
- 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.

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.

Being 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 assigning **BUY** rating to Inox India Ltd. (Inox India) and value at 54.0x FY26E EPS of Rs.29.20 to arrive at target price of Rs.1,576.00, an upside of ~20.0%+.

Risk & Concern

- Inox India derives over 10% and 45% of its revenue from its largest and top-10 customers, respectively, any reduction or cancellation of orders from any of these customers may have a significant impact future growth of the company.
- Inox India has manufacturing facilities in Kalol and Kandla in Gujarat and Silvassa. Any manufacturing risks such as breakdown or failure of equipment may lead to interruptions in the business.
- Any increase in the raw material cost or other input costs may adversely affect the margin of Inox India.

Graphs & Charts

Figure 1: Net Sales Trend

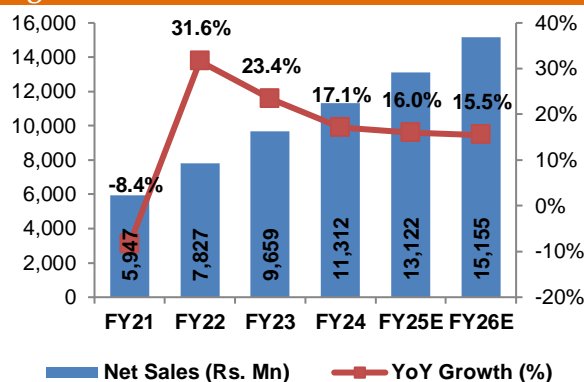


Figure 2: EBITDA & EBITDA Margin Trend

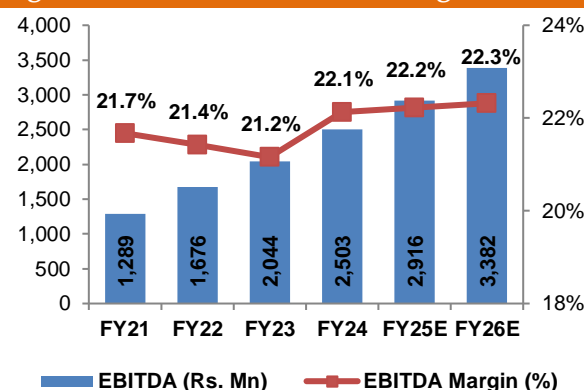


Figure 3: PAT Trend

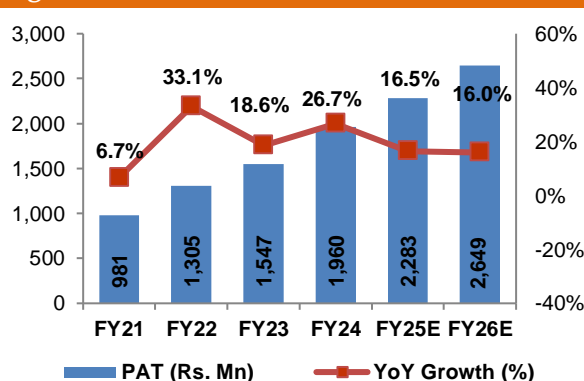
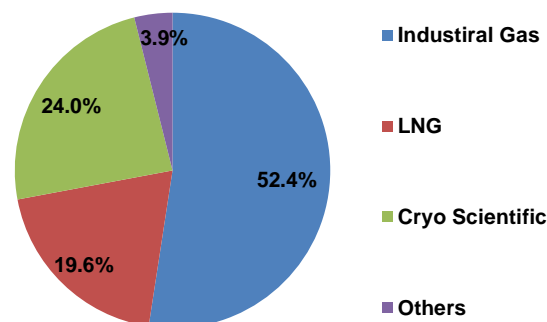


Figure 4: Segment-wise Revenue (FY24)



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