

### BUY (NO CHANGE)

Current Price (Rs)	: 1,175
Target Price (Rs)	: 1,400 (no chg)
Potential Upside	: 19%

#### Market Data

No. of shares	: 91 mn
Free Float	: 25.0%
Market Cap (USD)	: 1,270 mn
52-week High/ Low (Rs)	: 1,507/ 802
Avg. Daily Volume (6M)	: 0.41 mn
Avg. Daily Value (6M;USD)	: 6.48 mn
Bloomberg Code	: INOXINDI IB
Promoters Holding	: 75.0%
FII / DII	: 6% / 6%

#### Price Performance

(%)	1M	3M	12M
Absolute	(2.6)	(6.7)	0.0
Relative	(5.9)	(14.8)	0.0

Source: Bloomberg

#### Growth in industrial gases

- The industrial gases industry is growing at 10-12%, but Inox India is targeting 20%, given its industry leadership and constant innovation of new products. It expects revenue to double over the next three to five years.
- The company also caters to Micron and Tata's semiconductor plants. It is seeing substantial demand from industrial gases in the semicon space as well.

#### Growth in LNG

- Inox India makes tanks (and pumps, vaporizers etc.) used for transportation of LNG.
- The Indian government has a target of setting up 1,000 LNG terminals along the Golden Quadrilateral, and on an average, each LNG fueling station means business of Rs 50 mn for Inox India's products.

#### Beverage kegs

- Inox India caters to most large breweries in India. The season for this product is Dec-Jan and that is when major orders start flowing. The company has sold 15k-20k kegs till now. It is targeting Rs 1 bn in revenue from this business in FY25.
- Its current capacity is 300k kegs per year, which will expand to 1 mn p.a. depending on order intake. It has acquired land and sheds for this expansion and will procure machinery as demand picks up. It will invest Rs 800 mn in this expansion.
- Heineken and Carlsberg will audit Inox India's plant in Oct, after which they will give clearance on production. Inox India has already started trial runs at the plant.

#### Other takeaways

- **Logistics issues:** The Red Sea issue is now getting better and freight rates are coming off. Inox India is well prepared to deal with this. Logistics costs are borne by the customers, not by Inox India. However, deliveries have been affected. This should not impact the annual guidance but might see quarterly deviations.
- **Entry barriers:** The largest barrier to entry is approval. Over time, Inox India has secured several approvals for product sales in India and globally. This requires audits for the plant, design team, and product quality by prospective clients and regulatory authorities.
- **Honeywell disposable cylinders order:** Inox India has delivered the entire first lot and is waiting for the next order. Honeywell's annual requirement is 1-1.5 mn cylinders and it expects to source 500k-600k cylinders from Inox India.

#### Financial summary (Consolidated)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Sales (Rs mn)	9,659	11,312	13,351	15,790	18,597
EBITDA (Rs mn)	2,044	2,503	3,084	3,647	4,296
Adj. PAT (Rs mn)	1,527	1,960	2,296	2,695	3,128
Con. EPS* (Rs)	-	-	26.3	31.1	34.5
EPS (Rs)	16.8	21.6	25.3	29.7	34.5
Change YoY (%)	17	28	17	17	16
Previous EPS (Rs)	-	-	25.3	29.7	34.5
RoE (%)	29.0	32.7	31.4	29.5	27.8
RoCE (%)	38.1	42.1	40.3	38.1	36.1
P/E (x)	69.8	54.4	46.4	39.6	34.1
EV/E (x)	50.7	41.6	34.1	28.6	24.1

Source: \*Consensus broker estimates, Company, Axis Capital

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## Financial summary (Consolidated)

### Profit & Loss (Rs mn)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net sales	9,659	11,312	13,351	15,790	18,597
Other operating income	-	-	-	-	-
<b>Total operating income</b>	<b>9,659</b>	<b>11,312</b>	<b>13,351</b>	<b>15,790</b>	<b>18,597</b>
Cost of goods sold	(4,327)	(4,942)	(5,899)	(7,135)	(8,571)
Gross profit	5,332	6,370	7,451	8,655	10,026
Gross margin (%)	55	56	56	55	54
Total operating expenses	(3,288)	(3,867)	(4,367)	(5,007)	(5,730)
<b>EBITDA</b>	<b>2,044</b>	<b>2,503</b>	<b>3,084</b>	<b>3,647</b>	<b>4,296</b>
EBITDA margin (%)	21	22	23	23	23
Depreciation	(139)	(181)	(246)	(295)	(337)
<b>EBIT</b>	<b>1,904</b>	<b>2,321</b>	<b>2,838</b>	<b>3,352</b>	<b>3,959</b>
Net interest	(37)	(57)	(57)	(57)	(57)
Other income	183	313	240	250	214
<b>Profit before tax</b>	<b>2,051</b>	<b>2,578</b>	<b>3,022</b>	<b>3,546</b>	<b>4,116</b>
Total taxation	(523)	(618)	(725)	(851)	(988)
Tax rate (%)	26	24	24	24	24
Profit after tax	1,527	1,960	2,296	2,695	3,128
Minorities	-	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-	-
Adjusted net profit	1,527	1,960	2,296	2,695	3,128
Adj. PAT margin (%)	16	17	17	17	17
Net non-recurring items	-	-	-	-	-

### Balance Sheet (Rs mn)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Paid-up capital	182	182	182	182	182
Reserves & surplus	5,313	6,309	7,970	9,939	12,205
Net worth	5,495	6,491	8,152	10,120	12,386
Borrowing	-	-	-	-	-
Other non-current liabilities	219	309	309	309	309
<b>Total liabilities</b>	<b>5,714</b>	<b>6,800</b>	<b>8,461</b>	<b>10,429</b>	<b>12,695</b>
Gross fixed assets	2,408	3,502	4,502	5,112	5,872
Less: Depreciation	(766)	(947)	(1,193)	(1,488)	(1,825)
Net fixed assets	1,642	2,555	3,309	3,624	4,047
Add: Capital WIP	2	48	48	48	48
Total fixed assets	1,644	2,602	3,357	3,672	4,094
Total Investment	2,489	2,465	-	-	-
Inventory	4,128	4,338	6,401	7,571	8,917
Debtors	1,429	1,601	2,195	2,596	3,057
Cash & bank	616	118	1,421	2,212	3,023
Loans & advances	481	11	11	11	11
Current liabilities	5,834	5,189	5,774	6,482	7,258
Net current assets	1,373	1,541	4,914	6,568	8,411
Other non-current assets	208	190	190	190	190
<b>Total assets</b>	<b>5,714</b>	<b>6,798</b>	<b>8,461</b>	<b>10,429</b>	<b>12,695</b>

Source: Company, Axis Capital

### Cash Flow (Rs mn)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	2,051	2,578	3,022	3,546	4,116
Depreciation & Amortisation	139	181	246	295	337
Chg in working capital	189	(714)	(2,071)	(863)	(1,032)
<b>Cash flow from operations</b>	<b>1,856</b>	<b>1,428</b>	<b>471</b>	<b>2,127</b>	<b>2,434</b>
Capital expenditure	(459)	(1,142)	(998)	(610)	(760)
<b>Cash flow from investing</b>	<b>183</b>	<b>(1,033)</b>	<b>1,467</b>	<b>(610)</b>	<b>(760)</b>
Equity raised/ (repaid)	-	-	-	-	-
Debt raised/ (repaid)	(456)	72	-	-	-
Dividend paid	(1,044)	-	(635)	(726)	(862)
<b>Cash flow from financing</b>	<b>(1,511)</b>	<b>(893)</b>	<b>(635)</b>	<b>(726)</b>	<b>(862)</b>
Net chg in cash	528	(498)	1,303	791	811

### Key Ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
OPERATIONAL					
FDEPS (Rs)	16.8	21.6	25.3	29.7	34.5
CEPS (Rs)	18.4	23.6	28.0	32.9	38.2
DPS (Rs)	11.5	-	7.0	8.0	9.5
Dividend payout ratio (%)	68.3	-	27.7	26.9	27.6
GROWTH					
Net sales (%)	23.4	17.1	18.0	18.3	17.8
EBITDA (%)	21.9	22.5	23.2	18.3	17.8
Adj net profit (%)	17.0	28.3	17.2	17.3	16.1
FDEPS (%)	17.0	28.3	17.2	17.3	16.1
PERFORMANCE					
RoE (%)	29.0	32.7	31.4	29.5	27.8
RoCE (%)	38.1	42.1	40.3	38.1	36.1
EFFICIENCY					
Asset turnover (x)	4.4	3.8	3.3	3.3	3.4
Sales/ total assets (x)	0.9	1.0	1.0	1.0	1.0
Working capital/ sales (x)	0.1	0.1	0.2	0.2	0.3
Receivable days	54.0	51.7	60.0	60.0	60.0
Inventory days	197.8	179.8	227.6	227.6	227.6
Payable days	34.1	33.1	32.5	32.5	32.5
FINANCIAL STABILITY					
Total debt/ equity (x)	-	-	-	-	-
Net debt/ equity (x)	(0.6)	(0.4)	(0.2)	(0.2)	(0.3)
Current ratio (x)	1.2	1.3	1.9	2.0	2.2
Interest cover (x)	51.7	40.9	50.1	59.1	69.8
VALUATION					
PE (x)	69.8	54.4	46.4	39.6	34.1
EV/ EBITDA (x)	50.7	41.6	34.1	28.6	24.1
EV/ Net sales (x)	10.7	9.2	7.9	6.6	5.6
PB (x)	19.4	16.4	13.1	10.5	8.6
Dividend yield (%)	1.0	-	0.6	0.7	0.8
Free cash flow yield (%)	1.3	0.3	(0.5)	1.4	1.6

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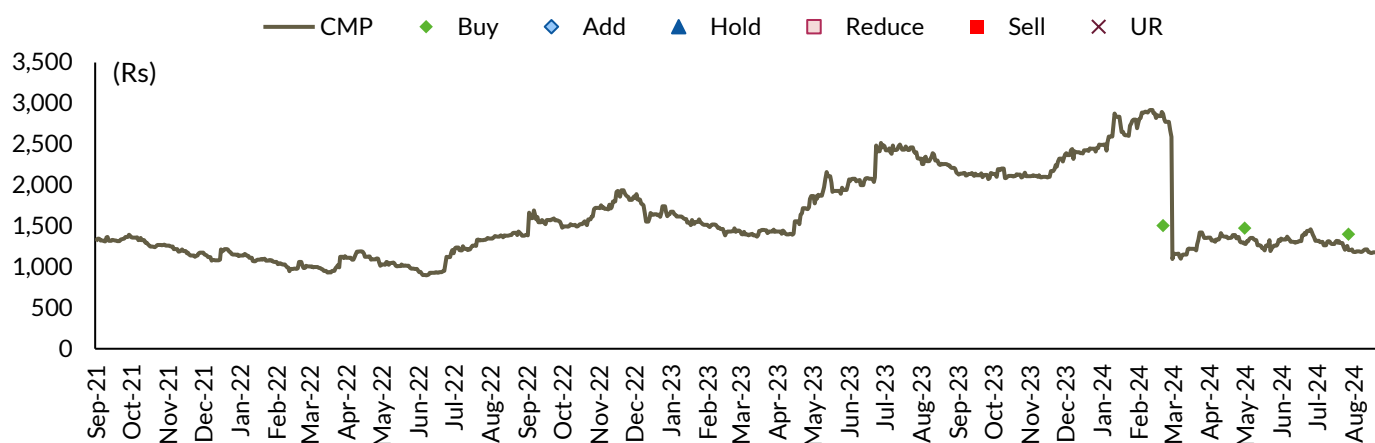
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DEFINITION OF RATINGS	
<b>Ratings</b>	<b>Expected absolute returns over 12 months</b>
<b>BUY</b>	More than 15%
<b>ADD</b>	Between 5% to 15%
<b>REDUCE</b>	Between 5% to -10 %
<b>SELL</b>	More than -10%

### Inox India (INOI.NS, INOXINDI IB) Price and Recommendation History

[illegible]

Source: Axis Capital