



SUBSCRIBE

IPO Report

23rd June '25

Snapshot

Company is one of the oldest operating industrial gases companies in India, with a rich legacy of over 50 years. Company manufacture and supply industrial gases including oxygen, carbon dioxide, acetylene, nitrogen, helium, hydrogen, argon and nitrous oxide, as well as dry ice, synthetic air, fire-fighting gases, medical oxygen, liquid petroleum gas, welding mixture and speciality gases catering to a wide range of end-use industries. Company is one of the important manufacturers of industrial gases in East India and South India, and the market leader in the states of West Bengal, Andhra Pradesh and Telangana, each in terms of installed manufacturing capacity, as of March 31, 2025.

VALUATION

Company is bringing the issue at price band of Rs 380-400 per share at p/e multiple of approx. 68x on post issue FY25 PAT basis.

Company is leading manufacturer of Industrial Gases & is well positioned to capitalise on Industry Tailwinds . Company has comprehensive Product Portfolio, catering to diverse end-use Industries . company has long-standing customer relationships leading to stable cashflows Diversified Customer Base. Also , company has expansive operational and distribution capabilities across East and South India along with experienced promoters and management team, supported by a committed employee base Hence we recommend “Subscribe” to this ipo.

Price Band (Rs./Share)	380-400
Opening date of the issue	24th June '2025
Closing Date of the issue	26th June '2025
No of shares pre issue	13,09,35,600 Eq Shares
Issue Size	Rs 852.53 Cr
Fresh Issue	Rs 400 Cr
Offer For Sale	1,13,13,130 Eq Shares
Face Value (Rs/ share)	Rs 2/share
Bid Lot	37
BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 1,09,19,722 Eq Shares)
Non-Institutional	15% of the offer (Approx 32,75,917 Eq Shares)
Retail	35% of the offer (Approx 76,43,806 Eq Shares)
Lead managers	Motilal Oswal, IIFL Capital, JM Financial
Registrar to the issue	Kfin Technologies Ltd

WHAT WE LIKE

Leading Manufacturer of Industrial Gases, Well Positioned to Capitalise on Industry Tailwinds

Company is one of the important manufacturers of industrial gases based out of East India and South India, and the market leader in the states of West Bengal, Andhra Pradesh and Telangana, each in terms of installed manufacturing capacity, as of March 31, 2025. In Fiscal 2025, company had a market share of approximately 2.85% in terms of revenue, positioning it well to capitalize on the expected growth in the industry.

Expansive Operational and Distribution Capabilities across East and South India

Company is a manufacturer of industrial gases based out of East India and South India, and the market leader in the states of West Bengal, Andhra Pradesh and Telangana, each in terms of installed manufacturing capacity, as of March 31, 2025. As of March 31, 2025, company operate nine facilities across East, South and Central India, of which five facilities are located in West Bengal, two in Andhra Pradesh, one in Telangana and one in Chhattisgarh.

Diversified Customer Base, Minimizing Concentration Risks

Company have established relationships with several Indian customers across industries through over fifty years of business operations. In Fiscal 2025, company sold its products to 1,829 customers, which represented one of the highest number of customers of any gas company in India, indicating a highly diversified customer base with limited concentration risk.



COMPANY BACKGROUND

Company's service offerings include project engineering services, where it leverage its extensive technical know-how for the design, engineering, supply, installation and commissioning of tonnage air separation units ("ASUs") and related projects on a turnkey basis for customers across several sectors. Company also offer turnkey solutions involving medical gas pipeline systems, where it assist healthcare facilities in designing, installing, commissioning, operation and maintenance of medical gas pipeline systems. In addition, company supply products and medical equipment to healthcare facilities, which include anaesthesia workstation, spirometers, ventilators, sterilizers, bed-side monitors, and lung diffusion testing machines.

Company is present across multiple modalities of supply, namely onsite, bulk and packaged, whereby it offer its products through a combination of supply mechanisms, including pipelines connected to its customers, cryogenic tankers and cylinders. Company have a robust distribution network, with the third highest number of transport tankers, cylinders and customer installations in India.

Company's portfolio of industrial and medical gases serves critical functions across industries for public and private entities, such as steel (Jairaj Ispat Limited, Rashtriya Ispat Nigam Limited, and a major steel manufacturing company in India, among others); pharmaceuticals and chemicals (Dr. Reddy's Laboratories Limited, Laurus Labs Limited, among others); healthcare (All India Institute of Medical Sciences, West Bengal Medical Services Corporation Limited, Chittaranjan National Cancer Institute, among others); engineering and infrastructure (a major construction company in India, a major electrical equipment manufacturing company in India, GMM Pfaudler Limited, and Air India Engineering Services Limited, among others); railways, aviation, aerospace and space (Jupiter Wagons Limited, multiple railway workshops across India and a space research organisation, among others); petrochemicals (major oil marketing public sector undertakings in India); and defence (Hindustan Shipyard Limited, among others), which has enabled company to diversify its revenue streams and limit concentration within specific industries. Further, company supply products to the Indian armed forces, including, at the Indian Air Force bases in East, South and West India, the Eastern Naval Command bases and multiple Government-owned laboratories. Company also supply products to multiple railway workshops and railways hospitals across East and South India.

Company have a diversified customer base, and in Fiscal 2025 company sold its products to 1,829 customers. In connection with the sale of gases, company have established long-standing relationships with customers across industries and as of March 31, 2025, its top five and 10 customers have been associated with company for an average of 8.4 years and 7.7 years, respectively. Further, company's revenue from operations from customers with whom company had a relationship of over 10 years during Fiscals 2025, 2024 and 2023 was 39.08%, 43.60% and 43.16%, respectively. Revenue from repeat customers (defined as customers who have purchased from company for at least two consecutive years) contributed to 85.68%, 92.22% and 90.70% of company's revenue from gases, related products and services in Fiscals 2025, 2024 and 2023, respectively. In Fiscal 2025, company's highest revenue generating customer contributed to 8.74% of its revenue from operations, demonstrating the diversification in company's customer base.

Company operate nine facilities across East, South and Central India, of which five facilities are located in West Bengal, two in Andhra Pradesh, one in Telangana and one in Chhattisgarh, as of March 31, 2025. These facilities include three bulk manufacturing plants along with cylinder filling stations, two standalone cylinder filling stations, two onsite pipeline facilities in Kharagpur, West Bengal at the site of one of company's customers, a major steel manufacturing company in India, one onsite facility in Kurnool, Andhra Pradesh at the site of company's customer, Jairaj Ispat Limited ("Jairaj") and one onsite facility in Nagarnar, Chhattisgarh at the site of one of company's customers, a steel manufacturing company in India owned by the Government of India. The facility at Kharagpur, West Bengal is located at the site of one of company's customers, a major steel manufacturing company in India, and the facility at Kurnool, Andhra Pradesh is located at the site of company's customer, Jairaj, each pursuant to lease cum operation and maintenance agreements dated February 28, 2019 and June 1, 2021, respectively, for a period of 15 years each. The facility at Nagarnar, Chhattisgarh is located at the site of another customer, a steel manufacturing company in India owned by the Government of India, pursuant to a work order dated October 6, 2023, for operation and maintenance of an ASU plant at the site for a period of five years.



INVESTMENT RATIONALE

<i>Comprehensive Product Portfolio, Catering to Diverse End-use Industries</i>	Company manufacture a wide variety of industrial gases, including oxygen, nitrogen, argon, helium, hydrogen, carbon dioxide, nitrous oxide and acetylene, through which company service a diverse set of industries, with its products finding use in ship building, glass manufacturing, steel manufacturing, pharmaceuticals, welding, fabrication, among others, rendering their consistent supply critical to different industries. Company have also been able to cater to the specific requirements of industries such as steel; pharmaceuticals and chemicals; healthcare; engineering and infrastructure; railways, aviation, aerospace and space; petrochemicals; food and beverages; energy; electronics; manufacturing; defence, through use cases,
<i>Long-standing Customer Relationships Leading to Stable Cashflows</i>	<p>The industrial gases industry is characterised by high customer stickiness, particularly for large customers, as gas generated is directly supplied by pipelines based on long-term contracts, typically ranging from 15 years to 20 years, making a transition in supplier cumbersome, inconvenient from an integration perspective, and financially onerous. In addition, customers are highly selective in selecting new suppliers with respect to industrial gases owing to the critical role such gases play in the overall manufacturing process across industries, the high costs and risks of switching suppliers, particularly where product reliability and uninterrupted supply is critical. As such, the internal supplier selection procedures is time consuming and capital intensive and constitutes a significant barrier-to-entry for new industry players. Company believe it have been able to address these factors through its long operating history, and have been able to create customer relationships that build revenue stickiness.</p> <p>Company classify its customers as (i) bulk customers, to whom company supply liquified gases through cryogenic tankers, (ii) package customers, to whom company supply compressed gases in cylinders, and (iii) onsite customers (including customers to whom company offer its operations and maintenance services).</p>
<i>Experienced Promoters and Management Team, Supported by a Committed Employee Base</i>	<p>Company is led by an experienced management team, helmed by its Managing Director, Padam Kumar Agarwala, who has over 40 years of industry experience. Company is also ably guided by its Joint Managing Director, Varun Agarwal, who has over 15 years of industry experience. Padam Kumar Agarwala and Varun Agarwal have been instrumental to the development of company's business and have played a significant role in implementing its growth strategies.</p> <p>Company possess a qualified senior management team with considerable industry experience. Company have an experienced Board of Directors, who actively contribute to and participate in its strategies, operations and development. Company's Key Managerial Personnel and Senior Management Personnel have significant expertise in areas of finance and manufacturing, which positions it well to capitalize on future growth opportunities. The experience of company's Key Managerial Personnel enables them to provide deep insight and strategic guidance to company's operations.</p>



OBJECTS OF OFFER

The Offer comprises a Fresh Issue, aggregating up to ₹ 4,000.00 million by Company and an Offer for Sale of up to 11,313,130 Equity Shares.

Fresh Issue

Company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment/prepayment, in full or in part, of certain outstanding borrowings availed by Company;
2. Setting up of an air separation unit at company's Uluberia-II plant with a capacity of 220 TPD; and
3. General corporate purposes.

RISKS

Company depend on its relationships with its customers, and the loss of one or more of company's key customers, or the deterioration of their financial condition or prospects, or a reduction in their demand for company's products, could adversely affect company's business, results of operations, cash flows and financial condition.

Source:RHP

INDUSTRY OVERVIEW

Competitive Landscape in India

The industrial gases segment in India is a vital sector supporting various industries, including manufacturing, healthcare, steel, chemicals, energy, and more. The industry is witnessing significant changes driven by economic growth, infrastructure development, technological advancements, and regulatory changes. This segment is characterized by the dominance of a few key players such as Linde, Inox Air Products, and Air Water. High barriers to entry, including substantial capital expenditure and established customer relationships, are expected to benefit existing manufacturers of industrial gases.

The market for supply of industrial gases in India is characterised by its fragmented nature, with a long tail of small companies that presently service requirements. These companies typically operate at small scales and serve customers with limited capacities. Consequently, the sector is ripe for consolidation by the limited number of large players.

Following are the parameters that are critical for dominance of key players:

- **Capital intensive industry:** Establishing production facilities, air separation units, and distribution networks requires significant capital investment. Large companies benefit from economies of scale, reducing their production costs and enabling competitive pricing, which smaller companies find hard to compete with.
- **Technological expertise:** Leading companies invest heavily in R&D to develop efficient and innovative solutions, creating a technological gap that new entrants find challenging to bridge. Continuous innovation in gas applications, production processes, and digitalization further entrenches the position of established players.
- **Regulatory compliance:** The industrial and medical gas sector is subject to strict safety and environmental regulations. Established players have the resources and expertise to ensure compliance with these regulations, while smaller firms may find it financially and operationally burdensome.
- **Extensive distribution network:** Leading companies have extensive and well-established distribution channels, including pipelines, storage facilities, and logistics networks. Established players have a broad customer base and long-term relationships with key industries, making it difficult for new entrants to penetrate the market.
- **Focus on sustainability:** Leading companies are investing in sustainable technologies and practices, such as hydrogen production and carbon capture, aligning with global trends towards sustainability. This focus not only complies with regulations but also attracts environmentally conscious customers.
- **Strategic mergers and acquisitions:** The industry has seen significant consolidation through mergers and acquisitions. This has enabled leading companies to expand their market presence, acquire new technologies, and achieve operational efficiencies. One of the notable example of this would be acquisition of Linde's south Indian business by Air Water in 2020. Through strategic acquisitions, companies can eliminate competition and strengthen their market position.


Consolidated Financials

(Rs in Mn)

Financials	FY23	FY24	FY 25
Total Revenue (A)	2051.07	2694.75	3124.83
Total Expenditure (B)	1715.19	2079.45	2027.47
EBIDTA	335.88	615.30	1097.36
EBIDTA Margin	16.38	22.83	35.12
Other Income	186.03	207.28	359.49
Depreciation	113.79	100.13	207.20
EBIT	408.12	722.45	1249.65
Interest	35.48	80.27	171.40
PBT	372.64	642.18	1078.25
Share of profit in Asso	0.00	0.00	0.00
PBIT	372.64	642.18	1078.25
Exceptional	0.00	0.00	0.00
PBT	372.64	642.18	1078.25
Tax	91.22	189.29	245.36
PAT	281.42	452.89	832.89
NPM	13.72	16.81	26.65
ROE%	13.84	18.10	24.97
EPS	2.15	3.46	6.36
Eq Cap	65.47	65.47	261.87
Net Worth	3,630.61	4,098.93	4,933.59

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Ellenbarrie Industrial Gases Limited</i>	2.00	6.36	--	24.97	25.48
Peers					
Linde India Limited	10.00	53.33	140.74	11.91	447.91

(Source: RHP)



DISCLAIMER

HEM Securities Limited ("Research Entity or HSL") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services, merchant banking services, Portfolio Management Services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.