INOX India Limited
Q1 FY25 Earnings Conference Call
August 9, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY25 Earnings Conference Call of INOX India Ltd.

As a reminder, all participants lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touch-tone phone. This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as on date of this call. The statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Today, from the Management side, we have with us Mr. Deepak Acharya – Chief Executive Officer, Mr. Pavan Logar – Chief Financial Officer, Sunil Lavati – Head of Investor Relations and Adfactors PR team.

I would now like to hand the Conference over to Mr. Darshan Mankad from Adfactors PR. Thank you, and over to you, sir.

Darshan Mankad: Thank you, Neha. Good evening, ladies and gentlemen. I welcome you to the 1st Quarter-ended June 30 earnings call of INOX India Limited. We have with us Mr. Deepak Acharya, as Neha mentioned, CEO of the Company and Mr. Pavan Logar, CFO, to discuss with you 1st Quarter of performance of the Company.

So, before we begin the call, I would like to mention that some of the statements made during today's call might be forward-looking in nature and hence it may involve risks and uncertainties, including those related to the future financial and operating performance. Please bear with us if there is a call drop during the course of the Conference call. We would ensure the call is reconnected the soonest.

I would now hand over the call to Deepak sir for his views on the performance. Over to you, Deepak sir.

Deepak Acharya: Thank you, Darshan and Neha. And good evening to everyone. I am Deepak Acharya. I welcome you all to our 1st Quarter-ended June 30, 2024, Earnings Call. Hope you all have gone through the results, investor presentation and the press release, which are available on the exchange as well as on the website.

Before discussing our Financial and Operational numbers for Q1 FY25, I would like to touch upon a few macro numbers as well as industry update to set this context. My colleague, CFO of the Company, Pavan Logar, will then take you through the financial in detail before we open the forum for question-and-answer session.

The 1st Quarter was eventful with the new government coming to the power following elections in the world's largest democracy. They have set forth a clear strategy to sustain the growth momentum achieved in the recent years with a strong emphasis on the bolstering infrastructure capabilities. In 2024, budget demonstrates the government's dedication to a seamless energy transition paving the way for the Viksit Bharat. The opportunities in aerospace, defense and initiatives in R&D is promising for the cryogenic industry. The focus on energy transition and combating climate change by use of renewable and clean energy establishing a roadmap towards a strong and greener economy. The budget retained the infrastructure allocation of Rs. 11.11 lakh crores as announced during the interim budget. Moreover, it encouraged private sector involvement to boost the GDP growth and create more jobs. We are excited to contribute realizing the PM's vision of Atma Nirbhar and Viksit Bharat.

In the rapidly evolving energy sector, our government is making remarkable strides in promoting green hydrogen adoption. Recently, the World Bank demonstrated its confidence in our aggressive green hydrogen and low carbon energy policies by extending a second $1.5 billion loan to India within a year. This substantial financial backing underscores the global belief in country’s commitment to sustainable energy. Equally significant are the opportunities emerging in the LNG segment. As a part of strategy to champion LNG as a transition fuel, the Indian government has set an ambitious target of establishing 1,000 LNG fueling stations across the Golden Quadrilateral. This monumental effort is spearheaded by various public and private sector energy companies. These initiatives are not just about the numbers. They are the testament to our unwavering dedication to transforming our energy landscape. By aligning with the government's vision of clean energy for all, we are positioning ourselves at the forefront of a sustainable future, driving economic growth, ensuring a healthier planet for generations to come. As a homegrown cryogenic solution provider, we are committed to create a positive impact globally and for our country. We are prepared to play a role in this journey ahead.

Now I would like to Update you on Company’s Q1 FY25 Performance:

On the Industrial Gas, first I am briefing you:

We have received several orders for standard and non-standard equipment from the Middle East, North America, South America, Africa, Mexico, and Europe. The anti-dumping duty issue for INOX India for non-refillable cylinders in the U.S. was in our favor, and we have received zero anti-dumping duty. We are now bullish, with many customers reimposing faith in our quality and capability. We have collaborated with Honeywell, which is one of the largest customers in the U.S., for these disposable cylinders, and have received the first order from them in this quarter. This gives us confidence about the segment's growth and export market. The segment witnessed subdued growth due to the elections in India, and a few projects were postponed. Growth in subsequent quarters is likely to compensate slowdown in Quarter 1. For all the full year, we are confident to achieving target revenue for the IG segment that we have guided you earlier.

On the LNG front:

LNG looks very promising from the growth perspective, with immense opportunities in domestic and international markets. Marine fuel tanks, LNG fueling stations, and automotive LNG fuel tanks is the driving force for us. In Q1, we got orders from the Indian PSU for 10 number LNG fueling stations. We are also bidding for 23 LNG stations for another PSU in this quarter. We have received orders from Adani Total for LNG fueling stations and LCNG stations for their various projects in India. We are grabbing ample opportunities in the growing domain of LNG as the fuel for the automotive sector. This quarter, we have supplied LNG fuel tanks to major automotive OEM manufacturers for heavy-duty trucks and buses. A bulk order was received from emerging LNG truck manufacturing Company for 990-liter LNG fuel tanks. We are working on a retrofitting of LNG fuel tanks for Maharashtra State Road Transport Corporation for 1,000 buses to be converted into LNG as a fuel. The trials are likely to be completed this financial year. We have received orders from LNG semi-trailers from USA, Taiwan, and LNG fueling stations from Brazil. For the full year, we are likely to surpass targeted revenue for this segment.

For the Cryo Scientific divisions:

We have received additional orders for 2 sectors for vacuum vessel, thermal shield repair for value of Rs. 72 crores from ITER project. We received orders from Oak Ridge National Lab, USA for design, fabrication for condensable vapor devices. We received orders from ISRO for IPRC Mahendragiri site liquid hydrogen storage tank 86 KL for their Mahendragiri project. MOU was signed with Society for Applied Microwave Electronics Engineering and Research (SAMEER) along with Ministry of Electronics and Information Technology for design and development of MRI cryostats. Growth in the Cryo Scientific vertical looks very promising in coming years.

On the Kegs business:

Savli facility for keg manufacturing is fully operational and we have developed kegs for US as well as Europe market. Dispatched kegs to US, Europe, and Indian breweries. We expect order flow to start from November 2024 onwards. We have received approval from AB InBev, which is one of the major breweries and likely to receive orders from them soon. Discussing with Heineken, Carlsberg, Asahi for approval of our products, we will be collaborating with them for the requirements in coming years. Hopeful to achieve year-end target despite the slightly sluggish beginning.

On quarterly numbers:

For the 1st Quarter our revenue came down marginally by 5% to Rs. 302 crores compared to the corresponding period in the last year. EBITDA is also marginally down by 6% to Rs. 76 crores while PAT has declined 11% to Rs. 51.2 crores. In terms of segregation, 62% of the income has come from IG, 15% each from LNG, 21% from Cryo Scientific, and 2% from other businesses. Total order inflow for the Q1 was Rs. 310 crores comprising 46% from IG, 26% from LNG, and 28% from Cryo Scientific segment.

Lastly, I would like to acknowledge and be thankful to all of our stakeholders who are associated with the INOX and above all, our employees. I am greatly thankful to the team for delivering good performance.

This concludes my planned remarks and now I would like to hand over the call to Mr. Pavan Logar to take us through Financial Highlights before we open the floor for questions and answers. Thank you.

Pavan Logar: Thank you, Deepak. And good evening everyone. I shall share summarized financials for the quarter ended June 30, 2024, in comparison to the same quarter of last year on Y-o-Y basis.

During the quarter, total income was Rs. 302 crores, a drop of 5% from Rs. 317 crores. EBITDA was reported at Rs. 75.6 crores, a drop of about 6% from Rs. 80 crores. EBITDA margin was down by 20 basis points to 25.04% against 25.24%.

Employee expenses have risen by 17.5% to Rs. 26.15 crores from Rs. 22.27 crores due to Savli unit started from September onwards. Other expenses have risen by 12.82% to Rs. 68.35 crores from Rs. 60.58 crores because of increase in manufacturing labor charges due to big repairing orders from ITER, France in this quarter in which material consumption is very negligible.

PAT has declined 11% to Rs. 51.2 crores from Rs. 57.7 crores. PAT marginally fell 123 basis points to 17% from 18.2%. Order backlog as on June 30, 2024 was Rs. 1,105 crores with 50% orders from industrial gases, 23% orders from LNG and 27% orders from Cryo Scientific division. Exports comprised around 51% of the total order backlog which remains an encouraging sign. The total debt as on this quarter end is almost nil, which provides us adequate room to raise debt in future also. The Company has comfortable net cash position of around Rs. 180 crores as on June 2024 end. That concludes my update on the financial highlights of the Company. I shall now request the moderator to open the floor for question and answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Firstly, I would like to ask, how do you see yourself growing in the medium term and this year? So, what are some of the growth drivers that we see aiding our growth?

Deepak Acharya: Yes. On all the 3 sectors, we find substantial growth coming in this year and going forward as well. On IG, as you know, we are developing many products and especially the hydrogen is a driving force for that. We also developed helium ISO containers, which is a big market for us. Healthcare sector is another important market for us for IG. So, all these 3, 4 areas where we have developed new products, we find substantial growth in this market for the IG. For LNG, yes, LNG is a very promising market for us because we have entire range of equipments such as LNG fuel tanks, LNG fueling stations, LCNG station, marine fuel tanks, and more and more people are now converting their equipment to LNG as a fuel, which is one of the most cleanest fuels.

On Cryo Scientific, after our first phase of completion of ITER project, we have established a very good name in the market, especially in Europe, for our quality and reliability and timely delivery of our products and we are getting many orders. The upcoming sustainable packaging division or the keg division is also doing fairly good now. Initially like trials were completed, samples were sent to all the breweries, and most of them have approved and just we are waiting for the coming season, which starts from maybe October-November. All the 3, 4 sectors, whatever we are having, we find substantial growth and we will continue to march ahead in all sectors.

Nidhi Shah: Another question that I had was that given all the growth drivers, the strong growth drivers that you mentioned, and in contrast to that, how are order flows have been slightly on the lower side. Do you expect that we can grow at more than 20% as we have historically?

Deepak Acharya: Our order book is very good. I can say we have almost more than Rs. 1,100 order in hand and definitely we will cross our figures as we have planned, and we are targeted for this year. And the growth is definitely going to come from the new products as well as the new applications in these areas. So, we are quite confident that we will achieve the targeted growth in coming years.

Nidhi Shah: And lastly, could you just give me the numbers for the beer keg sales for this quarter and the one-time use keg?

Deepak Acharya: We have just started our production in the beer keg line and we have developed a variety of products which are required in the market. And for this quarter, we have sold around Rs. 8 crores kegs. But this is just the beginning. I think the more numbers and strong growth is coming in the next few quarters now.

Nidhi Shah: But would you have the order numbers for this, specifically kegs?

Deepak Acharya: No, we don't have such numbers as on today because we have supplied the samples. Trials/testing at Breweries is under progress and tenders/major requirement will start coming from October 2024.

Moderator: The next question is from the line of Bhushan from family office. Please go ahead.

Bhushan: Just I have 3 questions. The first one is like, could you give some color what has led to the decline in revenue by around 5% year-on-year basis?

Deepak Acharya: Yes. Basically, we were not short of any products for sale. Actually, what happened if you see the last quarter, because of the Red Sea issue, the container availability was really poor. So, in spite of our best efforts, we could not get the containers in time. So, that was the main issue. In spite of having finished goods and orders in hand and deliveries planned, we were slightly short of that delivering in time because of the availability of containers. And that was the main problem we have faced in the 1st Quarter.

Bhushan: Secondly, are we facing any hurdles in expanding our business in US?

Deepak Acharya: No, not at all. We don't have any problems. We have started getting orders from US, especially if you see the semi-trailers, which we were earlier not selling to this market, we have started selling the vertical storage tanks, we have good numbers coming up. We have won that anti-dumping case against us in US for the disposable cylinders. So, we have got very good orders from one of the major refrigerant manufacturing Company. So, we don't find any problems with US. Rather we are finding it more easier or more comfortable, because of a lot of restrictions the US has put on China, and that is advantage to us now.

Moderator: The next question is from the line of Nitin Gandhi from Inoquest Advisors Private Limited. Please go ahead.

Nitin Gandhi: Regarding the disposable cylinder, what is the approximate addressable market? And who are the players since China restrictions are there? And how you are trying to seize the size of the opportunity which you can address over 2, 3 years? And the second question is, what will be the peak revenue potential? I'm not asking the time, but whatever expansion we are doing, based on that, what is the peak revenue potential of the Company?

Deepak Acharya: For disposable cylinders, there is only 1 Company in the US now, which is called as Worthington Cylinder. And they have the production capacity of around 2.5 to 3 million cylinders. Whereas the requirement in the country is almost like 4 to 5 million cylinders. So, we are producing around 2 million as on today cylinders, mostly for the US and Middle East, South East and other countries. So, we have a lot of potential to grow into this area. And recently, our sales guys were in the US for getting more and more orders. And after this anti-dumping duty case is in favor of us with zero percent duty to INOX India, the customers are coming to us once again. And we have won the biggest order from the biggest refrigerant manufacturing Company called as Honeywell, which is the largest one in this US as a consumer. So, we are quite hopeful that for disposable cylinders, we will be achieving our targets. And rather, we have to slightly increase our capacity going forward.

Nitin Gandhi: And can you just share what's the capacity we have and what the size of order of Honeywell in number of units?

Deepak Acharya: Honeywell has presently contracted with us for three years. Initially, they have given us around 80,000 orders. And hopefully, they have planned for at least 3 to 4 lakh cylinders this year.

Nitin Gandhi: Yes, you go ahead. You were saying something, and I just interrupted.

Deepak Acharya: Yes. On the other side, you said about the growth prospect and whatever the targets we will be achieving this year. So, we are confident among all the 3, 4 sectors what we are working has ample growth opportunities and we will finish our targets as per plan. And going forward also, we don't find any difficulties in getting the orders because we have a variety of products and very new applications are coming in. We are into all like LNG and hydrogen and Cryo Scientific areas. So, many new products we are bringing in which will add revenue to our kitty. So, that will help us in growing at the same speed what we are looking at.

Nitin Gandhi: Let me elaborate. My request is if you can share like this, each segment wise, what is the total potential revenue which we can earn? I'm not asking for this year's guidance. I'm just saying like based on our current capacity, what is the peak revenue which is possible? And Honeywell just continuing, what is rupee term order size?

Deepak Acharya: So, overall, DC, disposable cylinder, we will end up into something around Rs. 150 crores. Out of that, around Rs. 15 crores to Rs. 20 crores will be Honeywell. And on the overall size, if you see, our capacity of Kalol and Kandla is something around Rs. 1,200 crores to Rs. 1,300 crores. And adding to that, we are gradually expanding our Savli base, which we will be increasing to around Rs. 300 crores to Rs. 500 crores in the next 1 or 2 years.

Nitin Gandhi: And do we need to spend anything more on Savli?

Deepak Acharya: Yes, we have to. We have already started construction for the cryo shop as well. After completing of our keg shop, and that work is under progress. We are spending around Rs. 80 crores for the new CAPEX, including the machinery and the building.

Nitin Gandhi: So, Rs. 1,800 crores max potential revenue for the Company based on the existing capacity, right?

Deepak Acharya: Yes. Over a period of time, if the need arises, we'll have more CAPEX and more because we have ample amount of land available at Savli. So, depending on the growth potentials, we can construct the factories or the sheds for the new.

Nitin Gandhi: Yes, that I understand. So, generally, a set turn, whatever is right now, will be maintained subject to whatever expansion.

Deepak Acharya: Definitely.

Moderator: The next question is from the line of Sagar Parekh from One Up Financial. Please go ahead.

Sagar Parekh: I wanted to understand this Red Sea issue that you spoke about. So, has that problem been solved now?

Deepak Acharya: The problem is not solved as on today, but there are different route from the Cape of Good Hope, that new route is there, which takes 15 to 20 days more if you travel through that route. So, that's the area problem. Other one, the container was the issue basically because of some anti-dumping duty, which is likely to be put into for Chinese products in US from September onwards. So, most of the containers were grabbed by Chinese for their deliveries to US. So, that was the issue. And maybe another 1 month, that issue should be over now. But what we have to do is we have to plan for containers in advance. Earlier, we used to get with 3, 4 days' notice. Now we have to give at least 1 week to 2 weeks advance notice for the containers. So, we have planned accordingly for the 2nd Quarter. So, we don't find any issues, barring there is a 10, 15 days extra time which is taking because of this Red Sea problem.

Sagar Parekh: So, given this fact and given the Q1 numbers, what kind of growth can we expect for FY25?

Deepak Acharya: For FY25, we are around 18% to 20% what we are already planning and we'll achieve that.

Sagar Parekh: So, then the ask for the next remaining 9 months is pretty steep?

Deepak Acharya: Yes, always. Like, I mean, we are quite confident because our order book is very good. So, we have to just finish that in time. That's it.

Sagar Parekh: And in terms of margins, then this quarter saw a substantial increase in margins actually from quarter-on-quarter I'm seeing and even actually Y-on-Y also, 24% is ex of other income. This like 24% do you think is sustainable. Or was there any one-off here?

Deepak Acharya: Yes. We'll try to maintain that.

Sagar Parekh: So, then on FY24 base which was 22% margins, we can see further improvement in margins from there also?

Deepak Acharya: Let's hope so.

Moderator: The next question we have from the line of Chira Kasegaonkar from Neo Wealth and Asset Management. Please go ahead.

Chira Kasegaonkar: So, just wanted to understand that with all the opportunities that you have in various segments and growth opportunities, so if that fructified, then what is the growth potential you have? Could you grow beyond 20% in, let's say, next 3, 4 years, maybe 30%, 40% growth? Or do you still continue to grow at 15%-20%?

Deepak Acharya: 30%-40% is too ambitious in my opinion, but definitely what we are targeting is around 18-20%. And we have plenty of opportunities in all the 4 sectors what we are dealing in. And the industry is growing very fast. The applications are coming up many. So, in India, as well as in other countries, we find that we can do very well. And we'll maintain at 18%-20%. If something goes really good, then we'll think of whether we can improve further.

Chira Kasegaonkar: So, the thing which confuses all the investors is that, at one point, you say that there are so many levers of growth and the whole industry is doing so good, but then you again guide for this 15%-20% growth. So, those look to be on a very lower side.

Deepak Acharya: Like, we are banging upon the green energy. And if that grows very fast, definitely our growth will be faster. But as you see, like today also, we are talking about hydrogen economy, or the speed of implementation is really not that fast as we expected. There are many opportunities for us in LNG, hydrogen, even now the semiconductor industries. So, as the project picks up, definitely, we will have better opportunities. So, in near future, it is very difficult to say we'll grow at very much faster than whatever we expected. But maybe the coming years, definitely, we can improve upon our thinking in that line.

Chira Kasegaonkar: And lastly, so if in the 1st Quarter, if this lack of container availability issues was not there, then what could have been your growth rate?

Deepak Acharya: So, we would have done at least Rs. 30 crores, Rs. 40 crores more than what we have done today. So, we have done Rs. 302 crores. So, we would have done almost like Rs. 340 crores or something like that, so which was again, a substantial growth as compared to last year's number, Quarter 1.

Chirag Kasegaonkar: So, can we expect this additional, I think, 40 crores to be added in this quarter itself, in 2nd Quarter?

Deepak Acharya: Yeah, hope so. We will be definitely doing something better than these numbers.

Moderator: Thank you. The next question is from the line of Sanjay Shah from Pranishta. Please go ahead.

Sanjay Shah: Deepakji, a couple of questions. One, just following up on the earlier participant's question, where do you aspire to be in terms of size for the Company in, let's say, three to four years' time just given the kind of opportunities that you are talking about? And the second question was that in the last quarterly conference call, you had alluded to the third launch pad by ISRO and significant orders coming in from there. I just wanted to know if there is any further update on that.

Deepak Acharya: On this space department, yes, the government has planned for the third launch pad, and they have submitted their budget for government approval. They asked our budgetary options from us as well for various systems. They are discussing with us, and we have preliminarily designed the system because we have good experience from the first launch pad and we have calculated the base costing about that and we have given the budgetary numbers. So, once the budget is approved for them from the government, definitely the movement will start.

Sanjay Shah: And just so that we can, as investors, try to understand given the large opportunity and it is a global Company, it is a global multinational as you have highlighted in presentations in many a times in the past, where do you think the Company can be in terms of size in three to four years' time just given the kind of growth rates that we see in the underlying industries in each of the areas in which you are?

Deepak Acharya: I think all sectors, we are seeing substantial growth, especially on IG for the new products, LNG and Cryo Scientific and now the Sustainable Packaging Division. So, coming three to four years, we may cross around 2,000 crores. That is what is our planning.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from InoQuest Advisors Private Limited. Please go ahead.

Nitin Gandhi: We discussed that Red Sea you resulted in a postponement and increase in delivery time by 15, 20. But I understand there is a huge increase in freight cost from 2,000 to 5,000 or 5,500. So, who bared that cost and will it hit our margin?

Deepak Acharya: Yeah, you asked a very right question and there is also a substantial increase in the freight pricing. But our freight pricing is normally bared by the customer. So, we don't get a hit from that. But definitely we have to discuss with them, tell them the freights if they can stop the shipment for few days or delay the shipment for few days, they do that. So, we don't have a hit from that perspective, but maybe slightly delay in our deliveries from our side, even though the products are ready at our place. So, that is how we have a small problem. And as you have numbers I told you slightly around 30, 40 crores the products were ready, but we could not get the containers or the customer we are not keen to give higher price for the containers. So, we could not ship.

Nitin Gandhi: So, it's a customer's liberty we have to deliver, but it's only inventory carrying cost is on our head, right?

Deepak Acharya: Yeah.

Nitin Gandhi: But now still the issues are not solved because September is still the ships are not that easily available.

Deepak Acharya: Yes, definitely, but now we are better planning because, see, we have to talk to the various agencies to give us the containers and we are planning in advance so that we don't face any last minute problem for getting containers. So that we have corrected into this quarter now.

Nitin Gandhi: And second thing, do we have some AMC contract post-delivery? How will that work for a recurring business or do they, everything is on their customer's choice?

Deepak Acharya: Annual maintenance contract you are talking about?

Nitin Gandhi: Yeah.

Deepak Acharya: No, for export, we don't have any annual maintenance contract as such, but for the domestic market, yes, we have some annual maintenance contract and especially for LNG fueling station and LCNG station where there is a government requirement that this station has to be manned by a technically competent person. So, where there we take annual maintenance contract and we provide the manpower and supervision and under our guidance, these stations are operated and over a period of time, we train the customer's representatives or customer staff and then we hand out those stations to them.

Nitin Gandhi: So, at least two years hand holding is with us?

Deepak Acharya: Yeah, two to three years hand holding is required. Normally, they give the contract for five years, but what we have seen in the past that almost after two to three years, they can manage by themselves.

Nitin Gandhi: Can I just ask the last question? What is the addressable opportunity in this LNG fueling station in India?

Deepak Acharya: LNG fueling station is a big market. I told you LNG fueling station, Government of India has declared 1,000 stations. Out of that, 50 are under construction. Around 23 are already initiated, started the production and operations. And lot of new tenders are coming up. We have recently won the tender for Petronet for 10 such stations. Another 23 from GAIL is coming up now. So, the movement is very fast. More than 500 trucks are already flying on the road. And we have almost approval from all the major automotive OEM manufacturers to whom we have supplied the trial tanks and demonstration tanks. And they are happy with their product. So, as on today if you see, in India around 5 lakh trucks and buses are produced every year. So, even if maybe 5% or 10% production goes to LNG as a fuel, we find plenty of opportunity for us, especially for the fueling stations and the fuel tanks for the trucks and buses.

Nitin Gandhi: What's the size of Petronet order?

Deepak Acharya: Petronet is around 60 crores.

Nitin Gandhi: So, benchmark is something around 6 crore per station we can assume to be?

Deepak Acharya: Average, depending on the size of some stations are plus minus.

Nitin Gandhi: Yeah, maybe plus 10%-15%, that's all.

Moderator: Thank you. The next question is from the line of Amit Kadam from Canara Robeco Mutual Fund. Please go ahead.

Amit Kadam: Sir, on this particular part, just wanted to take you to the order book where we have reported in this particular thing that my closing order book is in the range of 1,100 odd crores, but when I just scroll back to the last four quarters, my order book is in the similar range of like roughly 1,050 to 1,100 odd crore. Whereas, I just, and I understand these are usually those orders which we consider are the long gestation kind of thing, but something which doesn't get considered in all those short items or maybe KEGs and all those things. I understand that.

But I just wanted to link this order book backlog with our revenue guidance of at least when I try to give a 20% thing to the FY '25 guidance, roughly it comes to 1,350 crore kind of a number is what we want to achieve on the basis of FY '24. But on a backlog of 1,050 to 1,100 crore, there is still a 300 crore kind of thing which we will still, we have to get it either from the short-lit products or KEGs and etc. Do we have that confidence that we should be able to get this extra 300 crores?

Deepak Acharya: Definitely, definitely. See, our backlog out of 1,100 crores, maybe a few 100, maybe shifting to the next year. But we have like standard products which has a delivery of around two to three months. So, we have nine months which are pending and definitely almost like 50-60 crores every month even if we get the orders in the standard products, around 400 to 500 crores extra we can get and bill into this financial year. So, we will definitely reach our targets. Don't worry.

Amit Kadam: And the standard products are usually like from the domestic market or is it like…?

Deepak Acharya: No, that is for both domestic as well as export market and almost like our share is 50%-50% in both the markets. But definitely we are aggressive in both the market and our marketing guys are putting all their efforts to see that how we can maximize these opportunities in these two areas.

Amit Kadam: And in that KEGs, the major scale-up in the business, even though we have started with the 8 crore cap for this quarter, I understand it has a tremendous potential, but then the major thrust to this business will come in the second half of the year or like for maybe quarter four is where you wind us.

Deepak Acharya Yeah, it will start now that the tendering process, especially by the major breweries such as

AbinBev, Heineken, Carlsberg, Asahi, all that will start from September or mid of October and it will finish by November maximum and the deliveries will start and it will keep in the third quarter, fourth quarter and the 1st Quarter again. So, once we are done with that and almost we are approved by AbinBev, we are working with Heineken and the initial samples and demos what we have given them, they are extremely happy with our product. So, we are quite hopeful that we will get good number of orders from all these breweries as well as the distributors for this product.

Amit Kadam: But the sales large part or significant scale-up in the sales would happen, you mentioned in that post-November, right? That I assume that it should largely follow in...

Deepak Acharya: Yeah, for the KEG, yes.

Amit Kadam: So, is it fair to assume it could still do a 100 odd crore in this particular thing, even though we will be doing large part of the sales in the fag-end of the year?

Deepak Acharya: We are hopeful, but this is our first year. We have to little understand the market well and we are in this process. So, maybe over a period of time, we will let you know what really is happening.

Amit Kadam: And sir, one more thing. When we are saying about this LNG as an opportunity, and I assume that this is a like a gestation period-wise little long gestation thing because something you would be doing for this fuel station etc. Still my Y-o-Y order book or backlog is down, sir. So, in that case, how do I see this thing or maybe how the nature of the business which translate into revenue from this business?

Deepak Acharya: So, order backlog for this quarter is around 254 crore. And it is rightly you said previous quarters we are almost having 220 to 240 something like that. And we are seeing better opportunities from South America. We are almost through with two, three major orders, which you can see the Q1, Q2 or Q3 will get those orders.

So, we are quite bullish about LNG as a division and in India also lot of opportunities we are expecting, especially on the LNG as a fuel for trucks and buses and the fueling station. So, we are confident that whatever we have planned for this year, we will surpass those numbers perhaps.

Amit Kadam: And just one final thing and then I will go back into queue is for like to deliver a 18% to 20% growth rate, I understand there are like the standard products and KEGs and other things what we are trying in our business, but still like from a order backlog perspective, what is the run rate you would like to see which could, like, will help us in gauging that we are on track of 18, 20 odd percent? The thing which I want to ask is how much is what we are getting it from this non-standard long gestation thing and what would be the mix of the norms and standard and a KEGs kind of a thing which will be contributing to the business?

Deepak Acharya: So, normally our non-standard is almost 60% and 40% is the standard products. So, that is what is the ratio normally we have and 40% is like very fast moving or we can produce it in short duration, whereas balance 60% ranges from 6 months to 1.5 year. So, depend on the complexity of the project, we deliver these items. So, I don't think there will be any issue on this.

Amit Kadam: I have couple more. I will come back, sir.

Moderator: Thank you. The next question is from the line of Sahil Malik from JM Financial Services. Please go ahead.

Sahil Malik: Sir, my question has already been answered.

Moderator: Thank you. The next question is from the line of Deep Master from One Up Financial Consultants. Please go ahead.

Deep Master: You know, when you guide for 18%, 20% growth, I just wanted to understand that in the short-to-medium-term when you have these new growth curves coming in like the beer KEGs, maybe the MRI machines in India and this U.S. market really opening up where it seems like it could be a large opportunity, do you see the growth in the, say, fairly medium term could kind of overshoot the guidance that you are giving? Because all of these seem to be pretty large opportunities. So, just wondering why we are only talking about 18%-20% growth.

Deepak Acharya: Opportunities are large, but the way in which it is coming is also important for us. So, certain times, one sector is going faster, another sector is slightly behind the schedule. So that, on an average, we are saying we will definitely grow to that level. Maybe in one quarter, if some big orders are there, then we can grow slightly higher also. But average, I am talking about. And we are very hopeful that we will be able to achieve this.

Deep Master: And sir, is there any kind of pipeline that you all can kind of discuss in terms of your bidding pipeline that you are seeing in the global markets now that you are a listed Company, you have more visibility in the global markets? How is that kind of pipeline or funnel changing for you?

Deepak Acharya: The pipeline is good. Almost all the four sectors, we have very good opportunities. We have very good enquiries for custom built/non standard/standard equipment's. We have continuous order from the major OEM manufacturers or maybe the MNC companies, especially like Air Liquide, the Air Products and other companies. So, we don't find any issues on that front. We will be meeting their numbers, I mean, getting the continuous order from these MNCs for our business.

Moderator: Thank you. The next question is from the line of Jay Naik, an individual investor. Please go ahead.

Jay Naik: Sir, I wanted to know about the things you mentioned in the last call that in India you are expecting big LNG fill, LNG station orders. So, where are we on that? And probably if you can quantify the TAM for our LNG automotive tank sector and these LNG fueling stations and the overall LNG targeted market available?

Deepak Acharya: Yeah, I explained earlier in the call that Government of India has announced 1,000 fueling stations. Out of that, 50 are awarded now and around 25 numbers or maybe 30 numbers are in operation now. And we have recently won one big tender from Petronet for 10 stations. We have also received orders from Adani total for five numbers of fueling stations and we are bidding for GAIL for 23 stations. We have got some order from HPCL as well as for fueling station. So, almost we are like 70% to 75% market share into these areas.

On the fuel tanks, there is a potential of very good potential, I can say. With all the three major OEM manufacturers such as Tata, Ashok Leyland and Volvo, we have demonstrated our equipment, and the trials are taken and they are happy with the equipment. And just we are getting small orders initially.

So, as they are ready with their trucks for models for LNG, definitely we can see a substantial growth as we have seen in the CNG, almost like 10% or 15% production in the trucks, buses and medium, heavy duty vehicles are getting converted to CNG. So, same thing will happen for LNG and that is not far off now. So, we expect a substantial growth into this area now.

Jay Naik: And if you could highlight and throw some more light on our green hydrogen capabilities and the potential available for us, maybe with the timeline, it would be great. Because in India, there are quite a bit of tenders which government has also ordered and the work has started. So, if you could highlight something on green hydrogen opportunity, sir.

Deepak Acharya: On the green hydrogen, there are two types of opportunities actually, or two types of areas. Now, one is the gaseous hydrogen another is liquid hydrogen. Okay. So, we are not in the space of a gaseous hydrogen, but we are manufacturing storage tanks, transport tanks for storage of liquid hydrogen and we have recently supplied to South Korea market for their mobility applications, some storage tanks.

We also received order in this quarter from ISRO for liquid hydrogen, and we are developing all products like LNG, like hydrogen fuel tanks, then hydrogen semi trailers that we are designing. And very shortly, we will be ready with the product. So, as the opportunity comes, we will definitely grab those opportunities and sooner or later, this is going to boom like LNG, but it will take some more time in India for especially for liquid hydrogen.

For gaseous hydrogen, yes, the things are moving very fast and we can see substantial improvement in these areas in coming years.

Jay Naik: And sir, on LNG fuel terminals that you were talking about, that there are some big orders, which are being in offing by the PSUs and other private players. So, if you can throw some light or visibility that you have got on it.

Deepak Acharya: Each terminals we are not in that but small-scale LNG stations or small-scale LNG applications we are there. We are recently commissioning at Caribbean LNG one such a small terminal and we have recently completed at Scotland also, and we are bidding for a few more in South America now. So, that application also is like picking up in this market and once you see the success story happening into these islands, definitely we are expecting few more such initiatives taken by other countries. So, we are quite hopeful on that, but we are not into the big LNG terminals. The small scale LNG we are in.

Jay Naik: I was just asking what is the average cost of this small-scale LNG filling terminal?

Deepak Acharya: It ranges from around 125 crore to around 150 to 160 crores, this small scale LNG roughly.

Moderator: Thank you. The next question is from the line of Dharmendra Grover from Helios Capital. Please go ahead.

Dharmendra Grover: I just wanted to get your opinion on what is happening on the base business of industrial gases, why is it down Y-o-Y. And secondly, do we have a capacity constraint? Just because we have more orders to supply for Cryo, that is why we are not able to kind of move the capacity between the different segments.

Deepak Acharya: No, you are very right. Slightly we have less revenue and less order booking, I can say, in IG this quarter. This was basically, again, we were hoping for some big orders from the refineries, and we could not get that in the 1st Quarter. But as we are speaking to you, we already received that order for the quarter too. So, though it looks for this quarter slightly less revenue and order booking for the IG, I will definitely cope up with that for the next coming quarters now.

Dharmendra Grover: Can you give us some more details about this order that you have received?

Deepak Acharya: It's like ARAMCO order which we have received recently, and maybe in the next quarter we can brief you more on that.

Dharmendra Grover: And about the capacity constraints between the different sectors?

Deepak Acharya: There is no capacity constraint. We are presently working with around 70% to 75% of our load and we have ample of capacity. There is no problem.

Moderator: Thank you. The next follow up question is from the line of Amit Kadam from Canara Robeco Mutual Fund. Please go ahead.

Amit Kadam: Two things. One thing is that as these are sizable opportunities, what we are tapping, globally and in that pursuit is the competitive landscape changing or is there a new players entering which were not there? Just wanted to understand how the competitive landscape you are seeing for this future opportunity, be it India or globally which was not there till we were doing largely the legacy business of industrial gases and some part of the LNG.

Deepak Acharya: If you look at the competitive scenario in India, we don't have many players who are into this business. We told you last time also there are only two major manufacturers. One is Chart VRV and one is CIMC - Enric and we have been seeing their performance and we are competing with them in. Very nice way and our margin share market share is not dropping down. So we are very competitive and we can beat them on all fronts. So that is not an issue on the export market, we have the Chart and CIMC - Enric China. So, what we have seen is little not the Chart USA but Chart China is slightly more aggressive in this coming quarters or the last quarter basically because there's a lot of anti-dumping duties on the China for USA so they are aggressive in other markets so that we have definitely seen but we have planned to counter them on various areas where possible, especially these Chinese people are more successful on standard products, but when it comes to project orders, we are better place because of our better engineering and good communication in English and all those things advantage we get. We have very good agents all over the world. We are almost selling to more than 60 countries, so that gives us a better advantage over our Chinese friends on the export market. So, we are hopeful that on the India front as well as the export front, we will be successful.

Amit Kadam: I wanted to take this particular question as my second question is on the pricing part. If the price market wise or competition wise, there is no new reshuffling or maybe new entrants which are happening broadly, some maybe little aggression on the standard product from the Chinese which I get it. So, pricing wise, the pricing discipline, etc., is well maintained in the market, is it fair to assume. And second is just wanted to understand I know there is a unique steel what we use but then if the commodity prices are little softening, do we actually could see a benefit flowing to us from the raw material side and is benefiting the margins?

Deepak Acharya: No, normally, whenever the price reduction takes place and stainless steel and carbon steel, the customer is equally knowledgeable about it. So, if there is a price reduction, they will definitely ask you to reduce your pricing. So that way not explaining them that price reduction is there, and we can improve our margin that case is perhaps very rare, you can say. So, if the market pricing are dropping down for the material, definitely the prices of the equipment also drops down.

Amit Kadam: And price discipline apart from this raw material?

Deepak Acharya: We are maintaining the price discipline, there is no problem of very substantial decrease in the pricing but slightly we have to correct depending on the requirements if there is a good number of orders slightly we become more competitive, we become more aggressive. For one-off tanks, we don't do anything we just sell out on LP or a slight discount.

Amit Kadam: Whatever changes we see on the margin side, maybe largely from the gross margin side is largely a function of the mix change, which happens during the quarter rather than any raw material prices or maybe any pricing issues in the market.

Deepak Acharya: What happens if there are project orders definitely, the margins are better as compared to standard orders. So, in quarter if we say at least sell out of say 300 crores or 400 crores, maybe 40% is project orders and 60% is standard or in other project like 60% of the project and 40% is standard that margin slightly varies. That is how it happens. So, it depends on the quarter-to-quarter, and I rightly told you last time also perhaps so don't rate us on the quarter-to-quarter basis comparisons because our is the engineering Company and we have to sell products which are complex in nature, which is slightly difficult to finish in this small period. So please understand that on longer term basis you evaluate our Company's performance.

Deepak Acharya: Thank you everybody. Thank you Neha.

Moderator: On behalf of INOX India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.. Thank you.