



Cryogenic Ltd

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Details

IPO Open/Close Dates	July 3, 2025 - July 7, 2025
Issue Size (₹ Cr)	₹17.77 crore, comprising 37.8 lakh shares
Price Band & Lot Size	₹44 – ₹47 per share & 3000 shares
GMP (Grey Market Premium, if applicable)	₹20 - ₹26

Offer Details:

- Total issue size: 17.77 crore
- This represents the full fresh issue of 37.80 lakh equity shares (10 face value) offered at the 44–47 band Offer Structure:
- Fresh issue : Up to 50,00,000 Equity Shares of 10 each
- No OFS
- % of promoter dilution
- promoter holding would dilute to ~67.74%
- Object of the Issue:
- Working Capital – 11.5 crore for inventory, operations, and business expansion
- General Corporate Purposes – Branding, admin costs, and tech upgrades (≤ 25% of proceeds)
- No allocation for debt repayment, R&D, capex, or M&A.

Industry Overview

- Any inorganic expansion: No

Industry size, growth trends, and projections

- Cryogenic equipment & skid engineering is a **US\$22–25 billion industry** (2023), projected to reach **US \$35–45 billion by 2030**, growing at a **5–7% CAGR**
- India Market: Valued at US \$1.17 billion (9,800Cr) in 2023, with a growth rate of 7.8% CAGR expected to hit US \$1.98 billion by 2030.
- Asia-Pacific, especially India, is the fastest-growing region due to rapid industrialization, healthcare expansion, and the government's push for green fuels.

Key growth drivers & headwinds

- Growth Drivers:** Rising demand for LNG infrastructure, hydrogen fuel systems, and medical gas handling is driving the cryogenic equipment industry, especially in fastgrowing markets like India.
- Headwinds:** High capital intensity, raw material price volatility, and regulatory compliance increase operational risks and may impact margins.

Government policies/incentives

- The **National Green Hydrogen Mission** offers subsidies and PLI incentives for hydrogen and electrolyser manufacturing, boosting demand for cryogenic storage systems.
- Duty waivers** and **GST exemptions** on renewable and hydrogen equipment reduce capex for cryogenic solution providers.
- 100% FDI allowed** in renewables and **transmission charge waivers** until 2028 promote large-scale adoption of clean energy infrastructure.

Competitive landscape and peer comparison

Company	Revenue (₹ Cr)	Net Margin	Valuation	Positioning
INOX India	1,306	~17%	P/E ~50×	Large, market leader in tanks
Linde India	2,485	~18%	P/E ~120×	MNC-backed, strong EPC focus
Air Water India	~1,000	~4%	P/E ~9× (parent)	Mid-cap, lower profitability
Cryogenic OGS	~34 (FY24)	~18%	P/E ~8–9×	Niche SME, undervalued, high margin

Financial Analysis

Related Party Transactions (RPTs) Trend in the Year Before IPO

Upon examining the related party transactions disclosed in the DRHP, there is no material or unusual increase in RPTs in the year immediately preceding the IPO (FY 2023-24). The only significant new transaction was the sale of property plant, and equipment worth **21.00 Lakhs** to promoters Mr. Nilesh N. Patel and Mr. Dhairya Patel in FY 2023-24, which did not exist in previous years. Other transactions like director remuneration (**66.00 Lakhs**) and salary to relatives of KMP (**18.00 Lakhs**) remained constant over the last two years. Rent payments to the promoter's proprietorship ceased after FY 2022-23. This indicates that there is no pattern of inflated or unusual RPT activity in the year before the IPO.

Debtors' Turnover Ratio Trend Analysis

The Trade Receivables Turnover Ratio has shown a declining trend over the three-year period:

- FY 2021-22: **7.68**
- FY 2022-23: **5.67**
- FY 2023-24: **4.63**

The decrease continues even in the year prior to the IPO, suggesting no artificial or insignificant increase meant to window-dress financials before the listing. As per management explanation in the notes to ratio variance, the decrease was due to an increase in trade receivables and a marginal drop in net sales, not due to any irregularity.

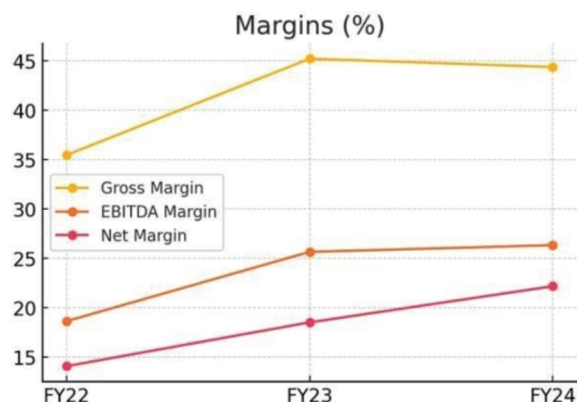
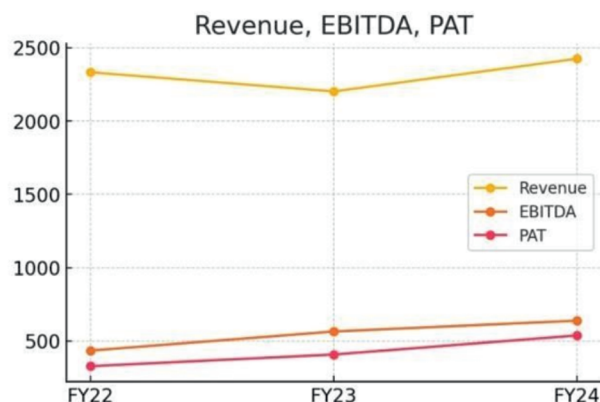
Profitability Trend and Reasoning for Increase in Year Before IPO

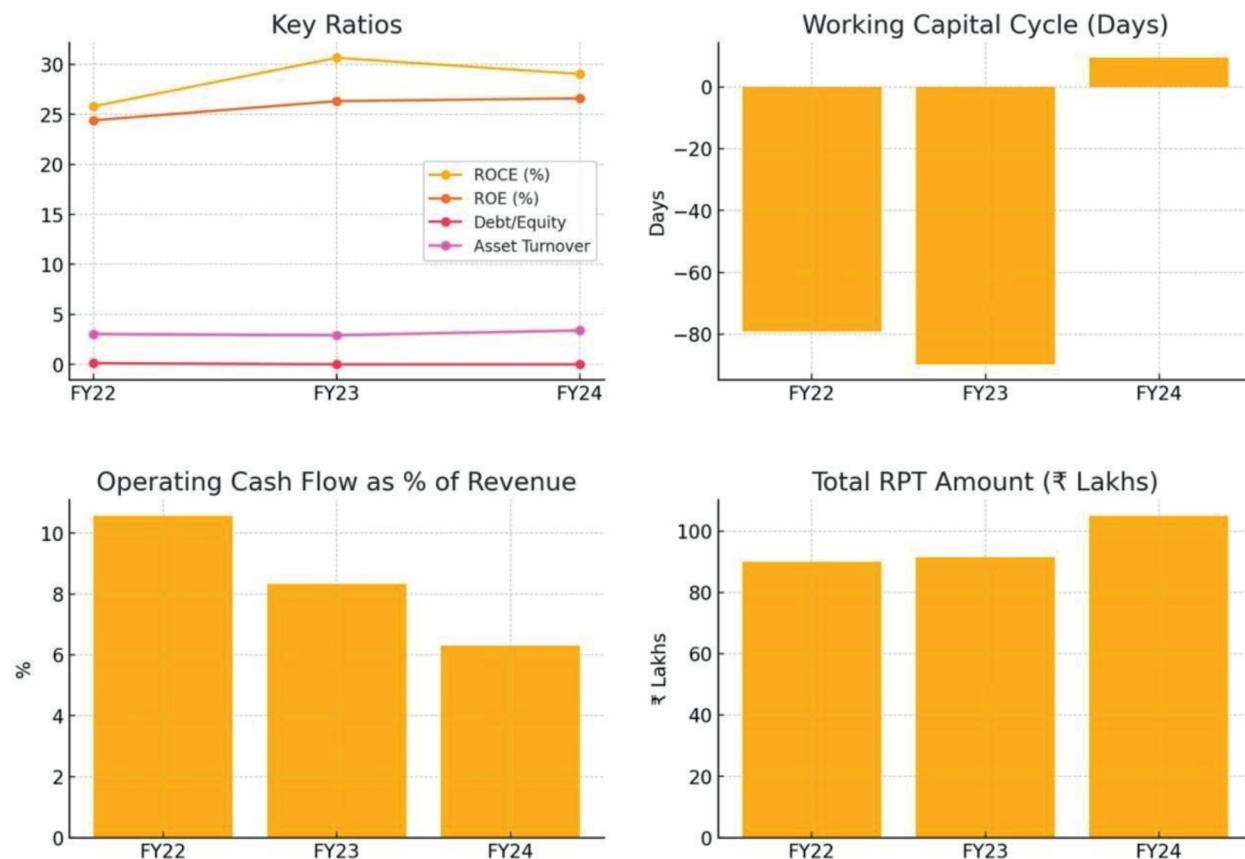
The company has reported a 22.17% increase in PAT in FY 2023-24, rising from **407.65 Lakhs** in FY 2022-23 to **537.78 Lakhs** in FY 2023-24. However, this growth is consistent with previous years' trends (24.23% increase in FY 2022-23 over FY 2021-22). Management attributes this increase to:

- Growth in revenue from operations from 2,202.16 Lakhs in FY 2022-23 to 2,425.41 Lakhs in FY 2023-24.
- Improved EBITDA margins (26.33% in FY 2023-24 from 25.65% in FY 2022-23).
- Lower finance costs in FY 2023-24 as the company cleared short-term borrowings entirely.

The increase in profits appears operationally driven and reasonably supported by explanations in the Management Discussion and Analysis (MD&A) section, without any extraordinary or nonrecurring income sources inflating the profits artificially before the IPO

Summary of last 3 years (and latest interim period):





Cash Flow Health

Cryogenic OGS has maintained positive operating cash flows throughout the last three years, but the conversion of revenue into cash has moderated:

- **FY22:** Operating cash flow of **246.58 Lakhs** on revenue of **2,333.00 Lakhs** ($\approx 10.6\%$)
- **FY23:** Operating cash flow of **183.52 Lakhs** on revenue of **2,202.16 Lakhs** ($\approx 8.3\%$)
- **FY24:** Operating cash flow of **152.57 Lakhs** on revenue of **2,425.41 Lakhs** ($\approx 6.3\%$)

The decline in cash-flow conversion is largely attributable to a build-up in working capital, inventory days have fallen (from 30 days in FY22 to 44 days in FY24) but receivables days have lengthened, while payables days have fluctuated. Although cash generation remains positive, management will need to address receivables collection and optimize payables to prevent further erosion of cash conversion.

Auditor's Remark

In their examination report on the Restated Financial Information prepared for inclusion in the Draft Red Herring Prospectus, **M/s. Maloo Bhatt & Co., Chartered Accountants** have issued an **unmodified (clean) opinion**, confirming that the restated statements (Assets & Liabilities, Profit & Loss, Cash Flows) for FY22–FY24 comply in all material respects with Indian GAAP and the SEBI ICDR Regulations. The auditors' peer-review certificate (No. 014375) further attests to the reliability of these figures for underwriting and listing purposes.

Key Risk

Below are the principal risks from the DRHP, now with key figures to illustrate their potential impact:

A. Business Risks

I) Customer Dependency: Our top three clients together accounted for over 45% of revenue in FY 2023-24 (2,425 Lakhs). Any order delays or cancellations by these customers could cause a drop in quarterly revenues of up to 300 Lakhs.

II) Product Risks: Raw material costs (primarily steel and instrumentation) totaled 1,420.62 Lakhs in FY 2023-24 ($\approx 58.6\%$ of sales). A 5% defect rate or rework on such high-value skids could trigger warranty claims exceeding 70 Lakhs.

B. Regulatory, Legal & Tax - Related Issues

I) Statutory Compliance: Historical ROC non-filings have already attracted penalties of ~ 2 Lakhs. Future lapses, e.g., late GST returns, could incur fines up to 1% of turnover (≈ 24 Lakhs per annum).

II) Tax Uncertainties: Our effective tax rate rose to 27.6% in FY 2023-24 (196.95 Lakhs on 712.00 Lakhs PBT). An adverse reassessment could inflate our tax liability by an estimated 25–30 Lakhs.

C. Competitive & Pricing Pressures

I) Margin Squeeze: EBITDA margins expanded to 26.33% in FY 2023-24, but swings in steel prices ($\pm 10\%$) can erode up to 2 percentage points of EBITDA margin, equivalent to 48 Lakhs at current volumes.

II) Volume Discounts: Larger competitors often demand 3–5% price concessions on bulk orders, potentially reducing our top-line by 35–60 Lakhs per large contract.

D. Capex Execution Risks

I) Project Overruns: Recent additions to plant & equipment amounted to 39.19 Lakhs in FY 2022-23. A 10% cost overrun on similar future projects (≈ 40 Lakhs capex) would require an extra 4 Lakhs of unplanned financing.

II) Working-Capital Strain: Our working-capital cycle turned positive 10 days in FY 2023-24 (vs. –90 days in FY 2022-23), tying up an additional 75–100 Lakhs in receivables and inventory.

E. Promoter - Related Risks

I) Related-Party Transactions: Total RPTs rose 14.8% YoY to 105 Lakhs in FY 2023-24. Any future increase beyond 20% of total expenditure (≈ 370 Lakhs) could trigger closer shareholder scrutiny.

II) Litigation & Reputation: Although no material litigation exists today, even a single promoter-related suit seeking 50 Lakhs in damages could attract negative press and erode investor confidence.

Sources: DRHP “Risk Factors” (p. 25), Restated Financials (RPTs in Annexure 33; Cost of Materials & Margins in Annexure 2; Tax details in Annexure 32).

F. Risk Factors

- Promoter Background: As on the date of the DRHP, none of the Promoters or their close relatives are involved in any criminal litigation, material civil suits, or regulatory actions. There are also no pending legal proceedings against them that exceed 1% of our latest PAT (5.38 Crores in FY 2023 - 24) or could materially affect their reputation or our operations.
- Contingent Statutory Lapses: While historical ROC non-filings resulted in a dormant status in 2009–10, these were all regularized by April 2011. There remain no outstanding compliance lapses against the promoters.
- Tax Proceedings: No income-tax proceedings are pending against the promoters. Indirect-tax disputes totaling 49.07 Lakhs relate solely to the Company, not its promoters.
- No Related - Party Litigation: Neither the promoters nor their group entities have any outstanding litigation arising from related-party transactions; total RPTs remain modest (105 Lakhs in FY 2023 - 24) and are all disclosed in the DRHP.

Grey Market Premium (GMP) Analysis

Based on unofficial grey - market data as of July 4, 2025

Indicator	Rate	Implied Listing	Premium / Notes
GMP	₹20 – 22 per share	₹67 – 69	~43 – 47% over ₹47 IPO price; held at ₹22 on Days 1–2 despite 28× subscription
Kostak Rate	~₹20 per share	n/a	Guaranteed profit if the application is sold (non-refundable)
Subject-to Sauda	₹53,000 per lot (3,000 shares)	≈₹17.67 per share	Payable only on allotment; cancels if no allocation

Key Trend Highlights

- **GMP Stability:** Held steady at 22/- on both Day1 and Day2 of bidding, even as overall subscription rose to 28×, indicating robust demand.
- **Segment Context:** A ~45% GMP for an SME IPO is among the higher premia in recent offerings, suggesting strong listing prospects for Cryogenic OGS.

Long Term Outlook

Key Green Flags:

- Niche player in a US \$22–25 billion global industry, with India's market growing at 7.8% CAGR
- 22.2% PAT growth in FY24 and robust 26.3% EBITDA margin
- Clean audit opinion and no outstanding promoter litigation or tax cases
- Strong IPO demand: 28× subscription, steady GMP of 22 (~45% premium)
- No debt on books; cleared short-term borrowings prior to IPO

Key Red Flags:

- Customer concentration: Top 3 clients account for ~45% of revenue
- Deteriorating receivables: Trade receivables turnover down from 7.68 (FY22) to 4.63 (FY24)
- No R&D or debt repayment funded by IPO proceeds
- Raw-material price volatility (steel, instrumentation) can compress margins by ~200 bps
- Rising Related-Party Transactions (105 Lakhs in FY24, +14.8% YoY)
- SME-IPO liquidity risk post-listing

Target Listing Gain (Speculative):

Expected Listing Price: 67–69

Implied Gain: ~43–47% over the upper band of 47 **Long-term Fair Value Estimate:**

Assuming **20% PAT CAGR** for three years and a **14× P/E** (SME-peer midway):

FY27E PAT: ~9.3 Crore

Implied Fair Value: 65–70 per share

THANK YOU!

Thank you for reading our detailed analysis on Cryogenic OGS Ltd. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape.

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