



HIGHLIGHTS

- The Company logged an astounding performance in 2021, as it delivered total revenue from operations of Rs. 21,120 mIn, as compared to Rs. 14,711 mIn in 2020.
- The Company's revenue during 2021 have noted a growth of 44% over 2020 despite the divestment of the South Region Divestment Business.
- The year 2021 was rebound year, across both financial and operational sectors. There was a 73.7% YoY increase in cash generated from operations.



Industry Outlook

In 2020, India's industrial gas sector was valued at \$ 2.8 billion, and it poses to grow at a CAGR of over 11% in 2023. Compared to this, the global gas market is close to \$91 billion, showing India's immense untapped potential. The Covid 19 pandemic triggered a negative demand shock for the sector across the world as manufacturing activities came to a standstill for a while. However, 2021 has been a year of recovery for the industry, while 2022-24 is expected to mark years of growth given the recent revival in economic activities.

Oxygen, Carbon Dioxide, Nitrogen, and Hydrogen are the key gases used in industrial activities. Depending on the end users, these are supplied either in the form of a liquified state or gases state. Depending on the application for end users, these gases are known for usage in medical purposes as refrigerant gases, fuels, and also as specialty gases. In terms of application, these find use in manufacturing, metallurgy, energy, healthcare, chemical, and similar segments. The rapidly expanding end-user segment contributes to the growth of industrial gas demand in India. The refining and steel manufacturing sectors are one of the key factors strengthening the development of Industrial gases.

Some key players operating in this segment in India include Praxair India Pvt Ltd, Air Liquide India, Goyal MG Cases, Ellenbarrie Industrial Gases Ltd, Taiyo Sanso K-Air India Pvt Ltd, etc.



Business Description

Linde India Ltd (Linde) was established in 1935, with its headquarters in Kolkata. Linde, a subsidiary of UK-based BOC Group Ltd (which holds a 75% stake in Linde), established in 1886. The primary industry classification of Linde is 'Industrial Gases', and the overall business can be bifurcated into two segments i.e., Gas & Related Products and Project Engineering.

- The Gas segment deals primarily in producing and selling industrial gases like oxygen, argon, and nitrogen. The Company supplies these gases via pipelines, cryogenic tankers, or compresses gases in cylinders.
- The Project Engineering segment takes up EPC projects on a turnkey basis about air separation plants and related projects.



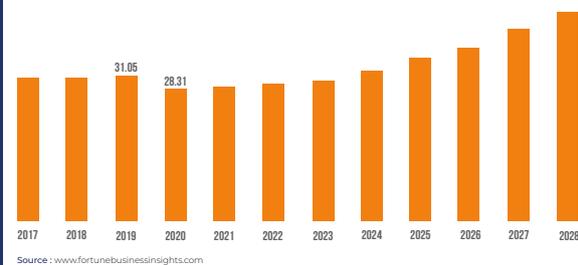
NSE: LINDEINDIA SHARE PRICE



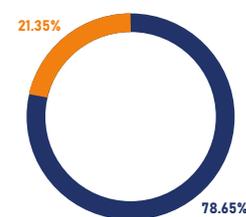
STOCK QUOTE AND CHART (CURRENCY: INR)

52 WK HIGH/LOW	4,192.35/ 2,260.95	MARKET CAP (MM)	283,267.3
VOLUME (MM)	0.0034	SHARES OUT. (MM)	85.3
BETA 5Y	0.36	FLOAT %	21.4%
		DILUTED EPS EXCL. EXTRA ITEMS	43.31

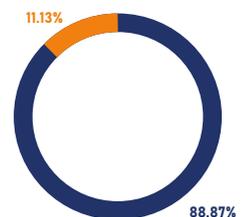
ASIA SPECIFIC INDUSTRIAL GASES MARKET SIZE, 2017-2028 (USD BILLION)



SEGMENT-WISE SALES 2021



SEGMENT-WISE PROFIT 2021



GASES

PED

Source : Annual Report

GASES

PED

Figures are in Rs. Million



Financial Analysis

On right side, given is a sneak peek into the financial performance of Linde India over the last 5 years.

The profitability of the Company has been increasing over the last five years. Despite a margin dip in gross profitability for 2021, the EBIT margin has shown improvement. The total asset turnover, as well as the fixed asset turnover, is low, which shows that the asset base is on the higher side, given the process-intensive nature of operations. The Company's liquidity position is comfortable as the current and quick ratio adjudicates. Further, both ratios are close to each other, which shows that inventory isn't high and does not bog down the Company's working capital. Over the last 3 years, the Company has pared down its debt significantly, as reflected by low leverage and high-interest coverage ratio.

The Company is virtually debt free and a negative cash conversion cycle which shows that the Company does not have to depend on external funding or bank borrowing to fund its working capital cycle.

Another key factor here is that the earnings quality of the Company is quite healthy. Earning Quality (EQ) is an assessment of how repeatable, controllable and bankable the Company's earnings are. This includes assessing if the revenues are fictitious or recorded too soon, if there are one time gains to boost profitability etc. As per London Stock Exchange's Refinitiv model, the EQ of Linde India is 92 (on a scale of 1 to 100 with 100 being best). This is against the industry median score of 53.



Current Developments and Future Expectations

Financials – For the half year ended June 2022, the Company's financial performance has been in line with last year's performance. On a Y-o-Y basis, the Company has registered a growth of 17% in the top line. However, the increase was not replicated in the bottom line, wherein the Company reported a marginal slippage of 1.3% before extraordinary incomes.

Fundamentally the performance has remained stable on a Q-o-Q basis with marginal improvement in top line and PBT level. At the PAT level, the profit has improved due to tax adjustment in June 2022. For the current financial year, the Company has paid a dividend of 135%, which is more than the dividend paid over the last two years combined. This is a positive market signal for investors.

With a 5Y monthly Beta of 0.36, the stock is expected to provide decent diversification benefits for the investors' portfolio.

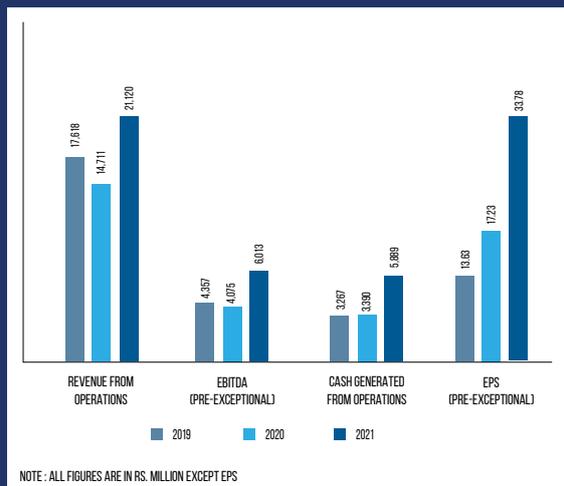
Business – Linde is a fundamentally strong Company and generally ranks on the positive side compared to the Chemical Industry group average. The gross margin has been higher than the industry group average for the past five years. The debt to capital of 0.84% is substantially below the group average of 5%. Of close to 317 peers in the global portfolio, Linde ranks among the 174 companies that pay dividends. The stock's dividend yield is currently 0.11%. The Indian Government is promoting various policies, including expanding crude steel production to about 300 million tons by 2030. This is close to three times the current production level. Accompanied by economic growth, steel production is only set to see a steep increase which will have a direct bearing on the productions by Linde.



RATIOS

FOR THE FISCAL PERIOD ENDING	12 MONTHS DEC-31- 2018	12 MONTHS DEC-31- 2019	12 MONTHS DEC-31- 2020	12 MONTHS DEC-31- 2021	12 MONTHS DEC-31- 2022
PROFITABILITY					
RETURN ON ASSETS %	2.4%	2.5%	4.6%	3.9%	6.3%
RETURN ON EQUITY %	1.1%	1.8%	40.0%	6.9%	20.5%
MARGIN ANALYSIS					
GROSS MARGIN %	39.5%	39.7%	54.0%	51.4%	47.1%
EBITDA MARGIN %	16.5%	15.3%	13.8%	25.8%	25.9%
EBITA MARGIN %	6.6%	6.2%	23.9%	14.0%	17.4%
ASSET TURNOVER					
TOTAL ASSET TURNOVER	0.6X	0.6X	0.5X	0.5X	0.6X
FIXED ASSET TURNOVER	0.8X	0.9X	0.8X	0.7X	1.1X
SHORT TERM LIQUIDITY					
CURRENT RATIO	0.7X	0.8X	1.2X	1.5X	2.1X
QUICK RATIO	0.5X	0.5X	1.0X	1.3X	1.9X
AVG. CASH CONVERSION CYCLE	26.8	20.9	(23.4)	(44.9)	(42.1)
LONG TERM SOLVENCY					
TOTAL DEBT/EQUITY	88.4%	82.0%	5.0%	0.3%	0.9%
EBIT/INTEREST EXP.	12X	1.3X	2.8X	33.0X	120.5X

SOURCE: ANNUAL REPORT



Recent Events – In August 2022, the Company informed the stock exchanges about the recently concluded business deal with Jindal Stainless Ltd (JSL) for setting up a 1450 tonne per day of new Air Separation Unit (ASU) for the Company's expansion project at Kalinganagar in Odisha. JSL is India's largest stainless-steel conglomerate. The deal is a long-term agreement to design, build, operate and maintain the ASU unit.

Earlier in April 2022, the script witnessed a surge when it acquired 11,375,000 (26%) equity stake in Avaada Mhyavat for a sum of Rs.11.40 cr. The acquisition is expected to help in the captive purchase of renewal power resulting in cost savings on lower power tariffs.

In February 2022, the Company signed another long-term 15 years agreement with ESL Steel, a Vedanta Group Company. The Lease and O&M agreement aim to supply 800 TPD of Oxygen and 900 TPD of Nitrogen to the steelworks in the Bokaro Unit by setting up an onsite ASU.

By December 2023, Linde will set up 264 tonnes per day merchant Air Separation Unit near Ludiana at a capex of Rs 1.521 million to secure growth in the gases business in Northern markets and deliver cost savings. And Merchant Air Separation Unit is being set up at Dahej, Gujarat.

Future Expectations – Over the last 3 years, the Company has pared down its debt. The Bank Loan rating last done by CRISIL was at AA/Stable level. Since then, the rating stands withdrawn as the bank loan facilities have been paid off. With a strong market position and diverse product portfolio (comprising industrial, medical, compressed, and specialty gases), the Company can provide end-to-end solutions to its customers. The Company's performance is strongly linked with the future performance of the steel sector. Major recent order bookings have been from some of the major steel players of the country and accordingly it becomes pertinent to view Industrial gases segment from the perspective of domestic steel industry.

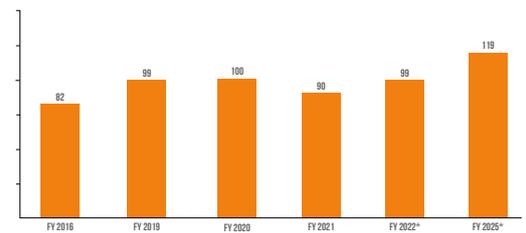
The World Steel Association has estimated that India's steel demand growth will be close to 7.5%, the highest among the top consumers, including China and USA. The trend and the recent news of Linde getting long-term contracts from the most prominent steel players in India are expected to bolster the demand for Linde's expertise. As per Refinitive, the forecasted sales and EPS of the Company is expected to exceed economic growth. Following are the high, low, and mean expectations for the annual revenue and EPS of the Company.

On 29th Aug 2022, the share prices closed at 3325.00, ~21% below its 52 Week high and ~42% above its 52-week low. The shares are trading at 1.9% below their 50-day moving average of 3,387.32 and 8.9% above their 200-day moving average of 3,027.36. Overall, the EPS of the Company has been levitating higher and the cherry on top is that the insiders / promoter company owns a bucket load of shares. The growth in sales over the next two quarters is something to look out for as it could signal good business momentum. The trend of increasing sales in conjunction with the rising EPS indicates positive signals.



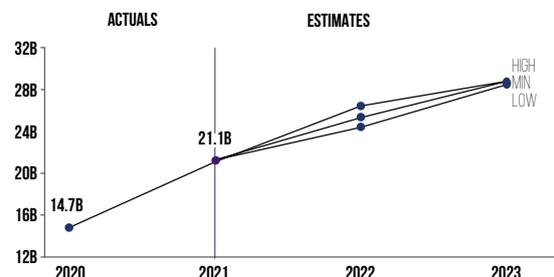
IT IS ON ITS PURSUIT FOR PROFITABLE GROWTH. SINCE 2021, ITS BACK OF A SHARP RECOVERY IN THE ECONOMY AND HAS REBOUNDED ACROSS KEY MARKETS. CURRENTLY, IT HAS 33 OPERATING PLANTS.

VOLUME OF STEEL DEMAND IN INDIA WITH ESTIMATES UNTIL 2025 (MILLION METRIC TONS)



Source : Statista

LINDE INDIA'S ANNUAL REVENUE



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