

Ingersoll-Rand Limited – OFFER FOR SALE

25 - November - 2020

OFFER BACKGROUND

Ingersoll-Rand INC ("the Seller") proposes to sell up to 1,425,798 Equity Shares (representing up to 4.52% of the total issued and paid-up equity share capital of Ingersoll-Rand (India) Ltd ("the Company") ("Offer Size") on November 24, 2020 ("T Day") (for non-Retail Investors only) and on November 25, 2020 ("T+1 Day") (for Retail Investors and for non-Retail Investors from T Day, who choose to carry forward their un-allotted bids) (the Equity Shares forming part of the Offer Size will hereinafter be referred to as the "Sale Shares"), through a separate, designated window of BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE" and together with BSE, the "Stock Exchanges").

THE SYNOPSIS OF THE OFFER FOR SALE IS AS FOLLOWS:

Name of the Seller (Promoter /Promoter Group)	Ingersoll-Rand INC ("the Seller")
Name of the company whose shares are proposed to be sold and ISIN	Ingersoll-Rand Limited
Name of the stock exchanges where orders shall be placed	NSE and BSE
Name of the designated stock exchange	BSE
Date and time of opening and closing of the sale	Date: November 24, 2020 for Non-Retail; Open: 9.15am; Close: 3.30 pm Date : November 25, 2020 for retail; Open : 9:15am; Close : 3.30pm
Total number of equity shares being offered in the Sale	1,425,798 Equity Shares (representing up to 4.52% of the total issued and paid-up equity share capital of Ingersoll-Rand (India) Ltd
Name of the broker(s)	YES Securities (India) Limited Elara Securities (India) Private Limited and IDBI Capital Markets & Securities Limited
Retail Discount	12% Discount on the Cut Off Price
Floor Price	Rs.578.60
Allocation Methodology	The allocation shall be at or above the Floor Price on price priority method at multiple clearing prices ("Clearing Prices") basis in accordance with the SEBI OFS Circulars.

Stock Data

Latest Data as on 23rd November, 2020	
Latest Equity(Subscribed)	31.57
Latest Reserve	376.85
Latest EPS -Unit Curr.	21.93
Latest Bookvalue -Unit Curr.	129.38
Face Value	10.00
Stock Exchange	BSE
Latest Market Price--Unit Curr.	657.50
Latest P/E Ratio	29.98
Latest P/BV	5.08
52 Week High -Unit Curr.	698.00
52 Week High-Date	19/08/2020
52 Week Low -Unit Curr.	555.40
52 Week Low-Date	16/10/2020
Market Capitalisation	2075.60
Dividend Yield -%	4.26

P\E Chart



AVERAGES – Turnover (NSE)

	Total Turnover	Avg. Turnover	No. Of Days
Weekly	237970160	47594032	5
Fornightly	263824528	26382452	10
Monthly	310261536	14774360	21
Quarterly	857713344	13195590	65
Half Yearly	2076701696	16098462	129
Yearly	4344585216	17240416	252

AVERAGES – VOLUME (NSE)

	Total Volume	Avg Volume	No. Of Days
Weekly	367644	73528.8	5
Fornightly	411697	41169.7	10
Monthly	492381	23446.71	21
Quarterly	1376624	21178.83	65
Half Yearly	3269606	25345.78	129
Yearly	6800760	26987.14	252

Key Findings

- Ingersoll-Rand (India) is primarily engaged in the business of manufacturing and sale of industrial air compressors of various capacities and related services, and its complete machines and spare parts.
- On the financial front, Ingersoll Rand (India) registered 14% fall in sales to Rs 148.19 crore for the quarter ended Sep 2020 hit by lingering impact of COVID pandemic. But with operating profit margin 170 bps to 17.1%, the operating profit was down by 4% to Rs 25.28 crore. The other income was down by 55% to Rs 3.11 crore. Thus the PBIDT was down by 15% to Rs 28.39 crore. Interest cost was down by 60% to Rs 0.25 crore and depreciation was down by 24% to Rs 3.65 crore. Thus the PBT was down by 12% to Rs 24.49 crore. Thus the taxation was up by 22% to RS 6.19 crore and thus the PAT was down by 19% to Rs 18.30 crore.
- In addition to sluggish revenues, the company's net worth and liquid surpluses have depleted sizably due to special dividend payouts in fiscals 2019 and 2020, amounting to almost Rs 898 crores (including dividend distribution tax). The company though continues to maintain a debt free balance sheet.
- The company has a strong brand presence in the Indian compressor market. The company has a dominant market share of 50% and 40% respectively in the centrifugal compressor and rotary compressor segments. However, it faces stiff competition from the market leader, Atlas Copco India Ltd (rated 'CRISIL AAA/Stable/CRISIL A1+'). IRIL is the largest manufacturer in the small compressor segment in India. However, its presence in the domestic market is small, as most of its production capacity is dedicated to exports to various countries, primarily through IR Inc. Contribution from exports have remained steady at 18-20% of total revenues, over the last three fiscals ending 2020.
- Ingersoll Rand Inc. (the ultimate holding company) along with Ingersoll Rand U.S. Holdco Irt. (the intermediate holding company) and Ingersoll Rand Industrial U.S. Inc. (the immediate holding company) had made an offer at Rs 642.63 per fully paid-up equity share to the public shareholders of the Company to acquire upto 8,207,680 fully paid-up equity shares, constituting 26% of the fully diluted voting equity share capital of the Company. This Offer was mandatory in compliance with Regulations 3 (1) 4 and 5 (1) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The period for tendering of equity shares was between 22 June 2020 and 3 July 2020. Pursuant to the offer Ingersoll Rand Inc. acquired 17,41,798 equity shares (equivalent to 5.52%) from the public shareholders of the Company. Consequently, the total shareholding of promoter and promoter group now stands at 79.52% of the total equity share capital of the Company.

Conclusion

The company continues to derive strength from its mission-critical air, fluid, energy, specialty vehicles and medical technologies; coupled with services and solutions to increase industrial productivity and efficiency. The parent provides requisite technological support and procures a part of its global small compressors requirement from India. Exports (predominantly sales to affiliates) accounted for around 18% of revenues in fiscal 2020. Furthermore, it also meets a part of its input material requirement from its affiliates.

On the valuation part, for short term Expensive on CMP of Rs.615.75 and we expect the stock to see a price target of Rs.723 in 8-10 month an current P/Ex 29.98 and FY21 EPS of Rs.24.12. (approx. target by 17% from current level) but short term on current EPS of Rs.21.93 and expected P/Ex 25 – then it may go down by another 11% to Rs.548 from the current market price of Rs. 615.75.

View : Fundamentally good for long term purpose

Size of offer for sale: Rs.82 crore

Shareholding Pattern (%)

Description as on	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Total Foreign	0.45	1.08	1.14	0.81
Total Institutions	3.10	6.48	6.36	5.71
Total Non Promoter Corporate Holding	0.76	1.90	1.86	0.00
Total Promoters	79.52	74.00	74.00	74.00
Total Public & Others	16.18	16.55	16.65	19.48

Shareholding of securities of persons belonging to the category Public and holding more than 1% of the total number of shares

Description as on	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Bajaj Allianz Life Insurance Company Ltd.		1.82	1.81	1.61
General Insurance Corporation Of India	1.21	1.23	1.23	1.27
Sundaram Mutual Fund A/c Sundaram Emerging Small Cap - Series I	1.7	1.71	1.71	1.65

Allocation methodology

A minimum of 25% of the equity shares being offered in the Sale shall be reserved for allocation to mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended ("Mutual Funds") and insurance companies registered with the insurance Regulatory and Development Authority under the Insurance Regulatory and Development Authority Act, 1999, as amended ("Insurance Companies"), subject to receipt of valid bids/orders at the Clearing Prices.

In the event of any under subscription by Mutual Funds and Insurance Companies, the unsubscribed portion shall be available to the other bidders.

No single bidder other than Mutual Funds and Insurance Companies shall be allocated more than 25% of the size of the Sale.

Oversubscription option

In case the Oversubscription Option is not exercised, the equity shares of the Company forming part of the Base Offer Size will hereinafter be referred to as "Offer Shares") through a separate, designated window of the BSE Limited (the "BSE") and the National Stock Exchange of India Limited ("NSE", and together with the BSE, the "Stock Exchanges"). The Offer shall be undertaken exclusively through the Seller's Brokers named below on a separate window provided by the Stock Exchanges for this purpose.

Conditions for withdrawal of the Sale

The Seller reserves the right to not to proceed with the Sale at any time prior to the time of opening of the Sale on the Sale Date.

In such a case, there shall be a cooling off period of 10 trading days from the date of withdrawal before an offer is made again. The Stock Exchanges shall suitably disseminate details of such withdrawal.

Conditions for cancellation of the Sale

In the event (i) the aggregate number of orders received in the Sale at or above the Floor Price is less than the total number of Sale Shares or (ii) of any default in settlement obligations, the Seller reserves the right to either conclude the Sale to the extent of valid bids / orders or cancel the Sale in full. The decision to either accept or reject the Sale shall be at the sole discretion of the Seller.

Conditions for participating in the Sale

Non-institutional buyers shall deposit 100% of the order value in cash up-front with the Clearing Corporation at the time of placing bids for the Sale.

In case of institutional investors who place orders with 100% of the order value deposited upfront, custodian confirmation shall be within trading hours.

In case of institutional investors who place orders without depositing 100% of the order value upfront, custodian confirmation shall be as per the existing rules for secondary market transactions.

The funds collected shall neither be utilized against any other obligation of the trading member nor co-mingled with other segments.

Modification or cancellation of orders would be allowed during the duration of the offer only for:

(i) Orders placed by institutional investors and by non-institutional investors, with 100% of the order value deposited upfront: Such orders can be modified or canceled at any time during the trading hours.

(ii) Orders placed by institutional investors without depositing 100 % of the order value upfront: Such orders cannot be modified or cancelled by the investors or stock brokers, except for making upward revision in the price or quantity.

The buyer shall also be liable to pay any other fees, as may be levied by the Stock Exchanges, including Securities Transaction Tax.

In case of any permitted modification or cancellation of the order / bid, the funds shall be released/ collected on a real-time basis by the clearing corporation.

In case of default in pay-in by any investor, 10% of the order value shall be charged as penalty from the investor and collected from the broker. This amount shall be credited to the Investor Protection Fund of the stock exchange.

QUARTERLY PERFORMANCE

	Qtr Ending Sep.20	Qtr Ending Sep.19	VAR %
Total Income	148.19	171.39	-14
OPM (%)	17.06	15.35	
OP	25.28	26.31	-4
Other income	3.11	6.9	-55
PBIDT	28.39	33.21	-15
Net Finance Charges	0.25	0.62	-60
PBDT	28.14	32.59	-14
Depreciation	3.65	4.8	-24
PBT	24.49	27.79	-12
Tax expense	6.19	5.07	22
PAT	18.3	22.72	-19

BALANCE SHEET

(Rs. In Crore)

	202003	201903	201803	201703	201603
SOURCES OF FUNDS :					
Share Capital	31.57	31.57	31.57	31.57	31.57
Reserves Total	349.56	386.99	1096.91	1029.99	976.09
Total Shareholders Funds	381.13	418.56	1128.48	1061.56	1007.66
Other Liabilities	4.80	1.29	1.92	1.00	6.14
Total Liabilities	393.86	419.85	1130.40	1062.56	1013.80
APPLICATION OF FUNDS :					
Gross Block	188.35	161.85	154.39	146.84	87.13
Less : Accumulated Depreciation	70.86	44.38	33.11	20.69	9.58
Net Block	117.49	117.47	121.28	126.15	77.55
Capital Work in Progress	1.14	1.64	0.68	1.90	35.00
Current Assets, Loans & Advances					
Inventories	78.86	90.42	77.79	87.38	95.20
Sundry Debtors	142.25	167.64	110.05	97.74	136.33
Cash and Bank	160.52	117.41	770.56	673.02	476.41
Loans and Advances	22.98	72.62	33.15	49.48	166.90
Total Current Assets	404.61	448.10	991.55	907.62	874.84
Less : Current Liabilities and Provisions					
Current Liabilities	152.23	169.14	150.28	136.51	141.08
Provisions	5.75	10.45	8.12	13.29	5.96
Total Current Liabilities	157.98	179.59	158.40	149.80	147.03
Net Current Assets	246.63	268.51	833.16	757.83	727.81
Deferred Tax Assets	3.79	6.42	8.73	9.56	9.28
Deferred Tax Liability	4.15	5.01	3.43	1.27	0.00
Net Deferred Tax	-0.36	1.41	5.30	8.29	9.28
Other Assets	28.97	30.83	169.99	168.40	164.16
Total Assets	393.87	419.86	1130.41	1062.56	1013.80
Contingent Liabilities	44.59	43.02	63.50	58.14	60.68

PROFIT AND LOSS ACCOUNT

(Rs. In Crore)

	202003 (12)	201903 (12)	201803 (12)	201703 (12)	201603 (12)
INCOME :					
Sales Turnover	705.62	739.07	625.25	663.97	665.86
Excise Duty	0.00	0.00	10.46	43.53	44.73
Net Sales	705.62	739.07	614.79	620.44	621.13
Other Income	36.13	33.92	73.55	70.87	49.32
Stock Adjustments	-0.34	4.07	-3.26	6.70	-1.32
Total Income	741.41	777.06	685.08	698.01	669.13
EXPENDITURE :					
Raw Materials	394.02	426.00	344.96	381.59	399.69
Power & Fuel Cost	4.49	4.51	4.23	4.03	3.85
Employee Cost	126.35	119.74	106.10	93.30	85.46
Other Manufacturing Expenses	16.71	18.00	17.70	15.65	10.18
Selling and Administration Expenses	53.84	58.58	55.35	56.25	60.06
Miscellaneous Expenses	11.11	10.93	12.44	20.23	18.48
Total Expenditure	606.51	637.76	540.79	571.05	577.72
Operating Profit	134.90	139.31	144.29	126.98	91.41
Interest	2.60	0.49	0.05	0.79	0.47
Gross Profit	132.30	138.82	144.24	126.19	90.94
Depreciation	18.26	11.37	12.60	11.80	9.78
Profit Before Tax	114.04	127.45	131.64	114.39	81.16
Tax	27.66	42.63	39.77	36.13	26.27
Deferred Tax	1.78	3.89	2.99	0.98	-5.95
Reported Net Profit	84.60	80.93	88.89	77.27	60.83
Extraordinary Items	1.28	-0.08	-0.02	3.94	-1.58
Adjusted Net Profit	83.32	81.01	88.91	73.33	62.41

CASH FLOW STATEMENT

(Rs. In Crore)

	202003	201903	201803	201703	201603
Cash and Cash Equivalents at Beginning of the year	115.10	770.00	622.47	383.36	227.05
Net Cash from Operating Activities	109.45	36.63	77.13	121.47	66.77
Net Cash Used in Investing Activities	58.97	99.95	93.49	140.73	112.56
Net Cash Used in Financing Activities	-125.06	-791.48	-23.09	-23.09	-23.03
Net Inc/(Dec) in Cash and Cash Equivalent	43.35	-654.91	147.53	239.11	156.30
Cash and Cash Equivalents at End of the year	158.45	115.10	770.00	622.47	383.36

RATIOS

	202003	201903	201803	201703	201603
Key Ratios					
Debt-Equity Ratio	0.01	0.00	0.00	0.00	0.00
Long Term Debt-Equity Ratio	0.01	0.00	0.00	0.00	0.00
Current Ratio	2.46	4.20	6.13	6.04	5.24
Turnover Ratios					
Fixed Assets	4.03	4.67	4.15	5.68	5.26
Inventory	8.34	8.79	7.57	7.27	6.41
Debtors	4.55	5.32	6.02	5.67	4.23
Total Asset Turnover Ratio	1.73	0.95	0.57	0.64	0.67
Interest Cover Ratio	44.86	261.10	2634.00	145.78	173.68
PBIDTM (%)	19.12	18.85	23.08	19.12	13.73
PBITM (%)	16.53	17.31	21.06	17.35	12.26
PBDTM (%)	18.75	18.78	23.07	19.01	13.66
CPM (%)	14.58	12.49	16.23	13.41	10.60
APATM (%)	11.99	10.95	14.22	11.64	9.14
ROCE (%)	28.67	16.51	12.01	11.09	8.27
RONW (%)	21.16	10.46	8.12	7.47	6.19
Payout (%)	139.46	978.10	25.65	29.51	0.00

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