

One Stop Investment Avenue



**GEPL**  
CAPITAL

# IPO Note

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## JNK INDIA LTD

April 23, 2024





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**Details of the Issue**

Price Band	₹ 395 - ₹ 415
Issue Size	₹ 649.47 Cr
Face Value	₹ 2
Bid Lot	36
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,308.27 Cr
Investment Range	₹ 14,220 - ₹ 14,940

**Important Indicative Dates (2024)**

Opening	23 - Apr
Closing	25 - Apr
Basis of Allotment	26 - Apr
Refund Initiation	29 - Apr
Credit to Demat	29 - Apr
Listing Date	30 - Apr

**Lead Manager**

ICICI Securities Limited
IIFL Securities Limited

**Offer Details**

Offer Size	₹ 649.47 Cr
Fresh Issue	₹ 300 Cr
OFS	₹ 349.47 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	324.73	7.82	8.22	50
NIB	97.42	2.34	2.46	15
Retail	227.31	5.477	5.75	35
Em- ploy.	-	-	-	-
Total	650	15.64	16.44	100

**Invest Now****Company Profile**

Established in 2010, JNK India Limited specializes in crafting, delivering, and installing process-fired heaters, reformers, and cracking furnaces. Their operational footprint extends across several Indian states such as Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Maharashtra, Tamil Nadu, and West Bengal. They've also undertaken projects globally, having successfully completed ventures in Nigeria and Mexico. By March 31, 2023, JNK India Limited had catered to more than 17 domestic clients and seven international clients, including prominent names like Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited, and Numaligarh Refinery Limited.

Every product from JNK India Limited is meticulously crafted to meet client specifications and industry standards. Manufacturing takes place either in their in-house facilities or through trusted third-party vendors. Notably, they operate a manufacturing hub within the Multi-Product Special Economic Zone in Mundra, Gujarat, solely dedicated to exports. This facility spans approximately 20,243 square metres and boasts an annual production capacity of 5,000 metric tonnes for manufacturing and modularization. As of March 31, 2023, JNK India Limited's workforce comprised 192 permanent employees.

**Business Highlights & Services**

JNK specializes in manufacturing Heating Equipment like process fired heaters, reformers, and cracking furnaces for industries such as oil and gas refineries, petrochemicals, and fertilizers. They excel in thermal design, engineering, manufacturing, and installation of these systems for both domestic and international markets. They are a prominent player in India, competing closely with companies like Thermax Limited. Besides, they have diversified into flares and incinerator systems and are venturing into renewable energy with a focus on green hydrogen. Their Heating Equipment play a crucial role in various industries by heating fluids or gases, converting hydrocarbons into synthesis gas, and breaking down large hydrocarbon molecules for fuel, chemical, and plastic production.

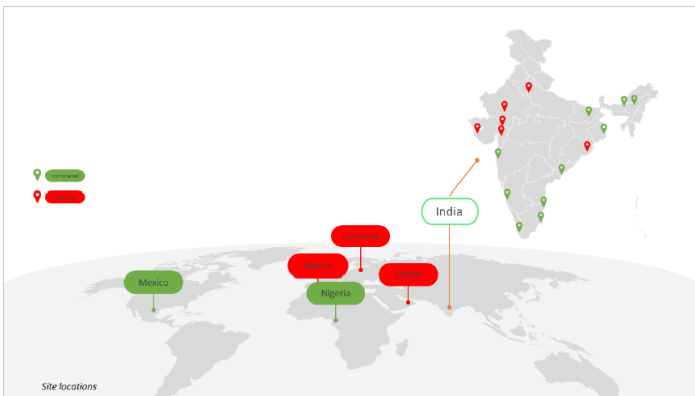
The F&S Report outlines a significant growth trajectory in the global oil refining sector, with 53 refineries set for commissioning across 21 countries by 2030, adding a capacity of 9.15 million barrels per day. These developments are driven by increasing investment in refinery capex, especially in countries like South Korea, Malaysia, and Nigeria. Additionally, India's 12 upcoming refinery projects by 2031 will further boost demand for Heating Equipment. With Heating Equipment accounting for 3.3% of total refinery project expenditure, the demand for such equipment is projected to reach ₹81,750 Mn annually from the 53 global refineries and ₹17,000 Mn annually from Indian refineries. This potential could grow with more project announcements. This surge in demand is fueled by positive trends in aviation, road transportation, industrialization, and urbanization, particularly in developing countries like China and India. Leveraging India's strong engineering base and industry knowledge, there's an opportunity to expand into international markets. Presently, company serve 21 customers in India and 8 overseas, including notable names like Indian IOCL and customers in Nigeria, Oman, Algeria, and Lithuania. Expanding further into Middle East, Europe, and African markets is under evaluation to capitalize on their expertise and established track record.

The company is focused on expanding its product range and enhancing engineering capabilities and tech partnerships to better meet customer needs. By investing in engineering and design, they aim to attract new customers and retain existing ones, adopting industry best practices and leveraging processes from diverse sectors.



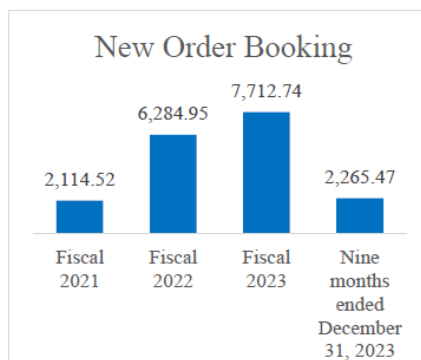
As of Dec 31, 2023, their engineering department had 77 employees, 33% of their total workforce, with plans to recruit more experienced staff. They're committed to product innovation and have diversified into waste gas handling systems and renewable energy, particularly green hydrogen and solar PV-EPC projects, aligning with India's energy goals. Their order book for waste gas handling systems stood at ₹132.72 Mn, and they generated ₹19.60 million in revenue from their first Solar PV system order in Fiscal 2023, signaling growth and sustainability. The company plans to strategically invest in partnerships and acquisitions that complement their business, enhance technological capabilities, and expand their presence in targeted markets. Company focus on factors like technology access, industry expertise, customer base, and geographic reach. This approach will supplement their organic growth strategy, with a focus on strengthening their flares and incinerators systems segment and accessing new technologies and markets. It also exploring opportunities to acquire technology and know-how to broaden their product range and expand overseas, particularly in Europe, Italy, the Middle East, and Africa. Additionally, company considering tie-ups with experts in flares and incinerators systems and hydrogen generation technology.

**Geographical Footprint and Ongoing project Details**



**Order Book Details**

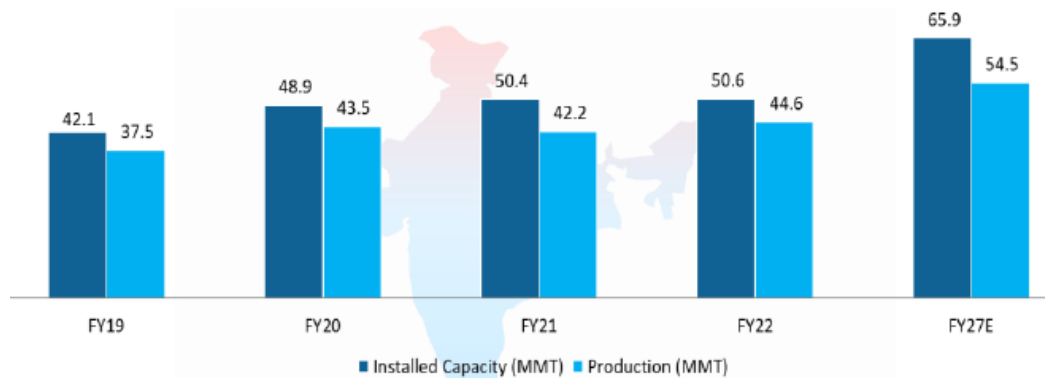
Order Book value was ₹ 8,450.27 million on December 31, 2023, out of which ₹ 7,292.02 million or 86.29% was from the Indian market and ₹ 1,158.25 million or 13.71% was from the overseas market. With a robust Order Book amounting to ₹ 8,450.27 million as of December 31, 2023, which represents 2.50 times of the revenue from operations for December 31, 2023.



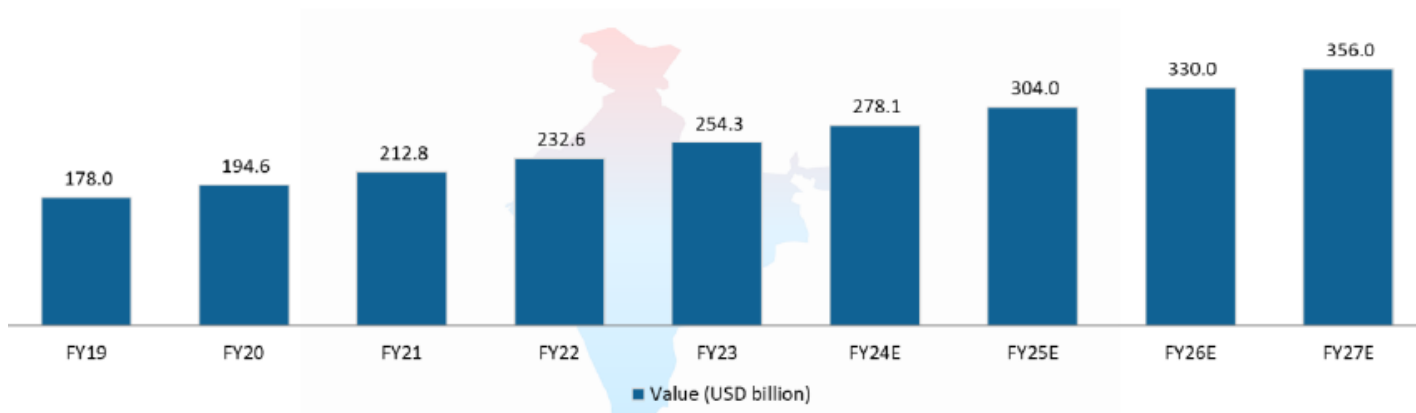


**Industry Outlook**

Petrochemical market in India is currently valued at USD 190 billion and has a high growth potential backed by the lower per capita consumption when compared to the developed economies. The production in Fiscal 2021 was 42.2 MMTPA and is expected to reach 54.5 MMTPA by Fiscal 2027, registering a growth of around 4.1% CAGR between Fiscal 2022 and Fiscal 2027, backed by a large population base and increasing penetration of petrochemical products in India. India is expected to add about 23 MMTPA of petrochemical capacity by calendar year 2030.



India’s attractiveness as a manufacturing hub has been rising because of competitive labour costs, ability to build manufacturing plants at lower costs than in the developed world, and recent changes to corporate tax rates. India has significant presence in production of basic organic chemicals, pesticides, paints, dyestuffs and intermediates and fine and specialty chemicals. Indian chemical industry is valued at \$ 356bn by FY2030.



**Peer Comparison**

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
JNK India Ltd	2	407	9.51	25.45	NA	47.71%
<b>Peers Group</b>						
Thermax Ltd	2	8,089	39.98	344	112	12.24%
Bharat Heavy Electricals Ltd	2	23,365	1.37	77	186	1.79%





### Companies Competitive Strength :

- Established track record with a diverse customer base.
- Well-positioned to capture industry tailwinds through their demonstrated capabilities over time.
- Diversifying product portfolio to cater to varied industries.
- Demonstrated financial performance with a robust Order Book reflecting revenue visibility for last three Fiscals.
- Skilled and experienced Promoters and management team with committed employee base.

### Key Strategies Implemented by Company

- Geographical expansion with focus on high growth markets to capitalize on the industry tailwinds.
- Enhance their diversified offerings including renewables.
- Pursue strategic investment, partnerships and acquisition opportunities and integrate them with their business operations.

Particulars (INR Cr)	9MFY24	FY23	FY22	FY21
Equity Share Capital	9.7	9.6	9.6	9.6
Reserves	158.9	112.6	62.6	36.2
Net Worth as Stated	168.6	122.2	72.2	45.8
Revenue From Operations	256.8	411.6	297.1	138.5
Revenue Growth%		39%	115%	
EBITDA	55.8	57.2	42.7	19.7
EBITDA Margins%	22%	14%	14%	14%
Net Profit/Loss for the Period	46.2	46.4	36.0	16.5
Net Profit/Loss %	18%	11%	12%	12%
EPS (Rs)	1.78	7.03	4.33	0.69
ROCE%	35%	57%	83%	72%
ROE%	32%	48%	66%	57%

### Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 37x. Thus the issue appears priced compared to peers.
- JNK stands out as a leading manufacturer of Heating equipment, holding a strong position in the market with a robust order book of INR 8,450 million as of Q3FY24, indicating strong revenue visibility. The company's growth prospects are bolstered by the rising demand from Indian oil refineries, chemical and fertilizer sectors, along with its expansion into the global market. As per the F&S Report, there is a significant growth trajectory expected in the global oil refining sector. By 2030, 53 refineries are set for commissioning across 21 countries, adding a capacity of 9.15 million bl/day. Furthermore, India's plans to develop 12 new refinery projects by 2031 will further fuel the demand for Heating Equipment. This sector, constituting 3.3% of total refinery project expenditure, is projected to witness annual demand reaching ₹81,750 mn from global refineries and ₹17,000 mn from Indian refineries. The high entry barriers and strategic investments to capitalize on the expansion of global and domestic refineries solidify the company's future growth prospects. JNK has a commendable track record of consistent revenue PAT growth, coupled with stable margins over the past 3 years, making it an attractive choice for investors. Hence, we recommend an "Subscribe" rating for the issue.



## Notes

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