

Company Overview

Incorporated in June 2010, JNK India Ltd. is in the business of manufacturing the process fired heaters, reformers, and cracking furnaces (together, the "Heating Equipment") that are required in process industries such as for oil and gas refineries, petrochemical and fertilizer industries. They have capabilities in thermal designing, engineering, manufacturing, supplying, installing, and commissioning heating equipment and cater to both domestic and overseas markets. The company has diversified into flares and incinerator systems and has been developing capabilities in the renewable sector with green hydrogen. Heating equipment is required in process industries such as oil and gas refineries, petrochemicals, fertilizers, hydrogen and methanol plants, etc. Domestically, the company has completed projects in Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Maharashtra, Tamil Nadu, and West Bengal. Globally, the company has completed projects in Nigeria and Mexico. The company has successfully completed projects in far-reaching locations like Numaligarh, Assam; Kochi, Kerala; Barauni, Bihar in India and an overseas location at Lagos, Nigeria. Further, the company has ongoing projects in Gujarat, Odisha, Haryana, Rajasthan in India and globally in Oman, Algeria, and Lithuania. As of December 31, 2023, JNK India has served 21 customers in India and 8 customers overseas. Further, 7 out of the 12 oil refining companies in India are its customers and the company has supplied or is in the process of supplying heating equipment to 11 of the 24 operating oil refineries across India.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Offer for sale - Rs. 300 crores;
- ⇒ Funding working capital requirement of the company - Rs. 262.7 crores;
- ⇒ General corporate purposes - Rs. 87.3 crores.

Investment Rationale

Established track record and customer confidence position JNK to seize industry growth opportunities

JNK India Ltd. has built a robust reputation over the past decade, showcasing a successful track record in completing heating equipment projects for a diverse clientele spanning industries such as oil and gas refineries, petrochemical, and fertilizer sectors. The company's commendable performance has been acknowledged both domestically and internationally, with recognition for timely project completion and adherence to safety standards. By serving a broad spectrum of clients including major players like Indian Oil Corporation Limited, Tata Projects Limited and overseas entities, JNK has established a solid foundation of trust and reliability within the industry. This extensive experience, coupled with a commitment to customized solutions and on-time execution, positions the company as a preferred partner for heating equipment needs, offering a competitive edge in a market with limited players. JNK India Ltd. is strategically positioned to capitalize on the burgeoning demand within the Indian refinery, petrochemical, and fertilizer segments, driven by factors such as increased domestic consumption and global market opportunities. With numerous projects expected to be commissioned in the coming years, the company stands to benefit from the estimated demand of approximately Rs. 45,000 million annually between Fiscal 2024 and Fiscal 2029. Additionally, the global expansion of oil and gas refinery capacities present further growth prospects, with JNK India Ltd. leveraging its partnership with JNK Global to access larger project opportunities. As a key player in the process-fired heaters market, characterized by high entry barriers and stringent industry standards, JNK India's expertise in thermal designing, engineering, and manufacturing positions it as a trusted supplier of critical heating equipment. With a dedicated team of experienced professionals and stringent quality assurance measures in place, the company is well-equipped to meet the evolving needs of its clientele and capitalize on the industry's growth trajectory.

Diversification driving market expansion; Financial performance reflecting stability and growth

JNK India's strategic move to diversify its product portfolio beyond traditional heating equipment into waste gas handling systems and renewable energy systems marks a pivotal step towards expanding its market presence and enhancing profitability. By catering to a wider array of industries such as oil and gas refineries, petrochemicals, fertilizers, and renewable energy, the company has unlocked new avenues for growth and revenue generation. The expansion into waste gas handling systems, including flares and incinerators, taps into the growing demand for efficient waste management solutions across refinery, petrochemical, and fertilizer plants.

Issue Details

Offer Period	23 rd Apr 2024 - 25 th Apr 2024
Price Band	Rs. 395 to Rs. 415
Bid Lot	36
Listing	BSE & NSE
Issue Size (no. of shares in mn)	16
Issue Size (Rs. in bn)	6.5
Face Value (Rs.)	2

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	IIFL Securities Ltd., ICICI Securities Ltd.
------	--

Registrar	Link Intime India Private Limited
-----------	-----------------------------------

Particulars	Pre Issue %	Post Issue %
Promoter and Promoter group	94.56	67.97
Public	5.44	32.03
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

JNK India Ltd.

With an estimated demand of approximately Rs. 10,750 million annually from refineries alone between CY23 and CY28, JNK India Ltd. stands poised to capitalize on this lucrative segment. Furthermore, the foray into renewable energy systems aligns with India's ambitious renewable energy targets, presenting substantial growth opportunities in the evolving energy landscape. Leveraging its engineering capabilities and the technical expertise of JNK Global, the company is strategically positioned to capitalize on the burgeoning renewable energy sector in India, characterized by significant investments and favorable government policies. This diversification strategy not only expands JNK India's market reach but also reinforces its competitive position in the industry, positioning it for sustained growth in the years to come.

Additionally, JNK India's demonstrated financial performance underscores its resilience and growth trajectory, with impressive revenue, EBITDA, and profit after-tax growth over the last three fiscal years. Achieving a commendable CAGR of 72.0%, 68.1%, and 67.8% for revenue from operations, EBITDA, and profit after tax, respectively, for FY2021-23 period, the company has showcased robust financial performance driven by its strategic initiatives and operational efficiency. Furthermore, the substantial order book value of Rs. 8,450.3 million as of December 31, 2023, representing 2.50 times the revenue from operations for the same period on an annualized basis, reflects strong revenue visibility and underscores the company's ability to secure and execute projects successfully. With the majority of the order book attributed to the Indian market and supplemented by overseas contracts, JNK is well-positioned to capitalize on its established track record and competitive edge to sustain momentum in its business operations.

Valuation

JNK India stands at the forefront of the heating equipment sector, poised to leverage the growing demand within the oil and gas industry. While the rise of renewable energy presents a potential challenge, the company's strengths and strategic partnerships position it well to navigate these dynamics. Operationally, JNK India benefits from its strategic collaboration with JNK Global, a major player in the process-fired heater production industry with a 16% global market share. This collaboration provides JNK India with access to overseas markets and strengthens its position in the domestic heating equipment market. Moreover, the industry's high entry barriers, characterized by stringent quality norms and high switching costs, fortify the company's market position and limit competition. Over the three years from FY21 to FY23, the company achieved an average return on equity (ROE) of 53% and a return on capital employed (ROCE) of 58%. Although there was a slight dip in the nine months ending December 2023, with ROE and ROCE at 28% and 27%, respectively, these figures underscore the company's robust financial performance. Furthermore, JNK India's working capital-intensive nature is mitigated by the IPO proceeds, ensuring that the company does not rely on external funding for the next three years. Regarding market dynamics, the expansion of refinery and petrochemical capacities globally bodes well for JNK India's future growth prospects. The company is well-equipped to meet domestic heating equipment demand independently, while its partnership with JNK Global ensures its competitiveness in overseas markets. Moreover, JNK India's asset-light operations and dominant share in the domestic market position it favorably to capitalize on the medium-term demand growth. **In terms of valuation, despite demanding a P/E multiple of 49.8x at the higher price band, JNK India presents an attractive proposition, given the company's unique product profile and promising growth prospects. Considering the financial metrics, market dynamics, and valuation multiples, we maintain a positive outlook on JNK India Ltd. Therefore, we recommend a "SUBSCRIBE" rating for the issue from a medium to long-term perspective.**

**JNK India Ltd.****Income Statement (Rs. in millions)**

Particulars	FY21	FY22	FY23	9MFY24
Revenue				
Revenue from Operations	1,377	2,964	4,073	2,534
Total Revenue	1,377	2,964	4,073	2,534
Expenses				
Purchases of Stock-in-Trade	303	1,503	1,602	1,228
Changes in inventory	-48	-573	-196	-252
Project Expenses	279	704	1,097	445
Employee benefit expenses	326	414	532	255
Other expenses	264	376	345	188
Total Operating Expenses	1,124	2,426	3,380	1,865
EBITDA	253	538	693	669
Depreciation and Amortization expenses	19	30	66	40
Other income	7	7	42	34
EBIT	242	516	669	662
Finance costs	13	38	42	55
Exceptional Item	0	-	-	0
PBT	228	478	627	607
Current tax	59	128	180	142
Deferred Tax charge/ (credit)	4	-10	-17	3
MAT Credit reversed/(availed)	-	-	-	0
Total tax	63	118	163	145
PAT	165	360	464	462
Diluted EPS	3.4	7.5	9.5	9.5

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Cash Flow from operating activities	115	389	-72	-92
Cash flow from investing activities	-167	-249	-250	-60
Cash flow from financing activities	82	5	251	187
Net increase/(decrease) in cash and cash equivalents	29	145	-71	34
Cash and cash equivalents at the beginning of the period	51	80	225	154
Cash and cash equivalents at the end of the period	80	225	154	188

Source: RHP, BP Equities Research



JNK India Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	9MFY24
Equity and Liabilities				
Equity Share Capital	6	96	96	97
Other Equity	362	626	1,126	1,589
Total Equity	368	722	1,222	1,686
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	3	27	32	32
(ii) Lease Liabilities	18	75	81	94
Provisions	1	0	15	44
Other financial liabilities	4	4	9	0
Deferred tax liabilities (net)	2	0	0	0
Other non-current liabilities	23	11	150	0
Current Liabilities				
Financial Liabilities				
(i) Borrowings	87	33	305	535
(ii) Lease Liabilities	10	15	23	18
(iii) Trade Payable	249	453	398	614
(iv) Other financial liabilities	97	186	159	168
Current tax liabilities	22	32	62	133
Provisions	87	49	78	158
Other current liabilities	280	1,077	845	1,052
Total Current Liabilities	832	1,844	1,869	2,678
Total Liabilities	883	1,961	2,156	2,848
Total Equity and Liabilities	1,251	2,683	3,378	4,534
Assets				
Non-Current Assets				
Property, plant and equipment	8	55	54	84
Capital work in Progress	0	0	0	14
Right of Use assets	26	142	149	154
Intangible Assets	1	4	4	3
Financial Assets				
(i) Investments	0	0	0	0
(i) Loans & advances	0	0	0	16
(ii) Other financial assets	3	81	89	217
Deferred tax assets(net)	0	8	25	22
Other non current assets	2	2	3	1
Total Non current assets	40	292	324	511
Current Assets				
Inventories	52	624	821	1,072
Investments	0	0	0	0
Financial Assets				
(i) Investments	0	111	0	0
(ii) Trade Receivables	540	1,100	1,143	1,362
(iii) Cash and cash equivalents	80	225	154	187
(iv) Other Bank Balance	192	32	318	179
(v) Loans	2	8	3	6
(vi) Other Current Financial Assets	102	48	122	476
Other current assets	244	243	494	741
Total Current Assets	1,212	2,391	3,053	4,023
Total Assets	1,251	2,683	3,378	4,534

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392