

Equipment | India

IPO | 22 April 2024

# JNK India Limited

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## About the Company

Incorporated in 2010, JNK India Limited (JNK) is engaged in the design, manufacture, supply, installation, and commissioning of process-fired heaters, reformers and cracking furnaces (Heating Equipment) required in process industries such as for oil and gas refineries, petrochemical and fertilizer industries. JNK have built capabilities in thermal designing, engineering, manufacturing, supplying, installing and commissioning Heating Equipment and cater to both domestic and overseas markets. JNK has over 17 clients in India and seven clients overseas in Nigeria and Mexico. The domestic clients include Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited and Numaligarh Refinery Limited as of Mar '23.

## Customized, scalable and technology driven

JNK collaborates with the requirement of the customers, from the initial consultation, specification and design stage to the final installation of the Heating Equipment providing customized solutions with a proven track record in product development and execution enjoying competitive advantage as very few players have build these capabilities, processes with repeat orders from large refiners in the world. The manufacturing is done at the in-house manufacturing facilities and/or third-party vendors while they have one of the manufacturing facilities located in SEZ Mundra, Gujarat exclusively for exports spread over an with an installed capacity of 5,000 metric tonnes of manufacturing and modularization per annum.

## Global parentage and experienced team

JNK works closely with JNK Global a KOSDAQ listed company one of the promoters of the company with a shareholding of 25.8% to participate and partner as a global joint engineering and implementing partner for JNK Global. JNK has 27% market share in the Indian Heating Equipment market and is well positioned to capture industry tailwinds with a large TAM of Rs.630 bn and Rs.66 bn in waste gas handling markets worldwide over FY24-29 as per F&S industry report. The diversified product categories for varied industries could continue to keep the order inflows recurring in nature as they have increased their geographical presence in high growth markets with new strategies and offerings.

## New segments and acquisitions to drive growth

JNK has diversified into flares and incinerator systems in domestic as well as overseas markets due to emission control norms getting stricter used in refinery and petrochemical facilities to burn excess hydrocarbon gases which cannot be removed or recycled. It is venturing in the renewable sector with green hydrogen with onsite hydrogen production, hydrogen fuel stations and solar photovoltaic – EPC ("Solar PV-EPC") which forms part of the green hydrogen value chain. JNK wants to grow inorganically in acquiring technology and knowhow with an aim to enhance our presence in newer product categories and deepen our penetration in the target markets.

## Financials in Brief

On the financial front, the company reported a 3X turnover of Rs137.8 Crs in FY21 to Rs.407.3 Crs FY23 respectively, on a consolidated basis while PAT grew by 16.5 Crs to 46.3 Crs for the same period. The company's top-line continued to grow, registering a CAGR of ~72% over FY21-23, its bottom line reported a growth in CAGR of 68.3% for the same period with steady state margins. Revenue heating segment will lead the sustained growth while the bigger delta will come from flares incinerators which has grown by 115% CAGR from FY21-23. Exports revenues from the SEZ facility have been on a sustained rise and are expected to move further.

## Our View

JNK has evolved as one of the key players to capitalize on the upcoming demand of Heating Equipment completing the value chain in Heaters, Reformers and Cracking Furnace over the past few years. The geographical expansion with focus on high growth markets to capitalize on the industry tailwinds worldwide as there are a total of 53 refineries expected to be commissioned in 21 countries by CY30 as per F&S report and heating equipment accounts for 3.3% of the total capex estimated at \$ 186 bn. We expect the order book is expected to see improvement with new businesses and improved prospects for the oil-gas and fertilizer sectors. JNK has the global parentage, skilled and experienced promoter's holding respective backgrounds in their line of business are the added advantages. **Hence, we recommend an "SUBSCRIBE" to the issue.**

### IPO Details

Price Band (Rs)	395-415
Face Value (Rs)	2
Issue Open/Closing Date	23-Apr-24/25-Apr-24
Fresh Issues (Crs)	300.0
OFS (Crs)	349.5
<b>Total Issue (Crs)</b>	<b>649.5</b>
Minimum Bid Qty. (Nos)	36
QIB / HNI / Retail	50%/15%/35%
<b>Implied Market Cap (Rs Crs)*</b>	<b>2,308</b>

\*At higher band

### Object of the Issue

- ▶ Funding working capital requirements.
- ▶ General Corporate purposes.

### Strengths

- ▶ Diversifying product portfolio to cater to varied industries.
- ▶ Well-positioned to capture industry tailwinds with demonstrated capabilities over time.
- ▶ Established track record with a diverse customer base both local and global.
- ▶ Skilled and experienced Promoters and management team with committed employee base.

### Key Risks

- ▶ Higher working capital requirements can dent margins.
- ▶ Lumpiness in order inflows.

### Key Financials

(Rs Crs)	FY22(12)	FY23(12)	9MFY24(9)
Order Book	628.5	771.2	226.5
Order Book/Sales	1.83	2.13	2.5
Revenue	296.4	407.3	253.4
EBITDA	54.5	73.5	70.2
EBITDA Margin (%)	18.4%	18.0%	27.7%
PAT	35.9	46.3	46.2
PAT Margin (%)	12.1%	11.4%	18.2%
EPS (Rs)	6.4	8.3	8.3*
RocE (%)	83.2	57.1	34.7*
RoE (%)	66.0	47.7	31.8*
Net Worth	72.1	122.1	168.6
Total Borrowings	6.0	33.8	56.7

Source: RHP, Note: \*9M Not annualised

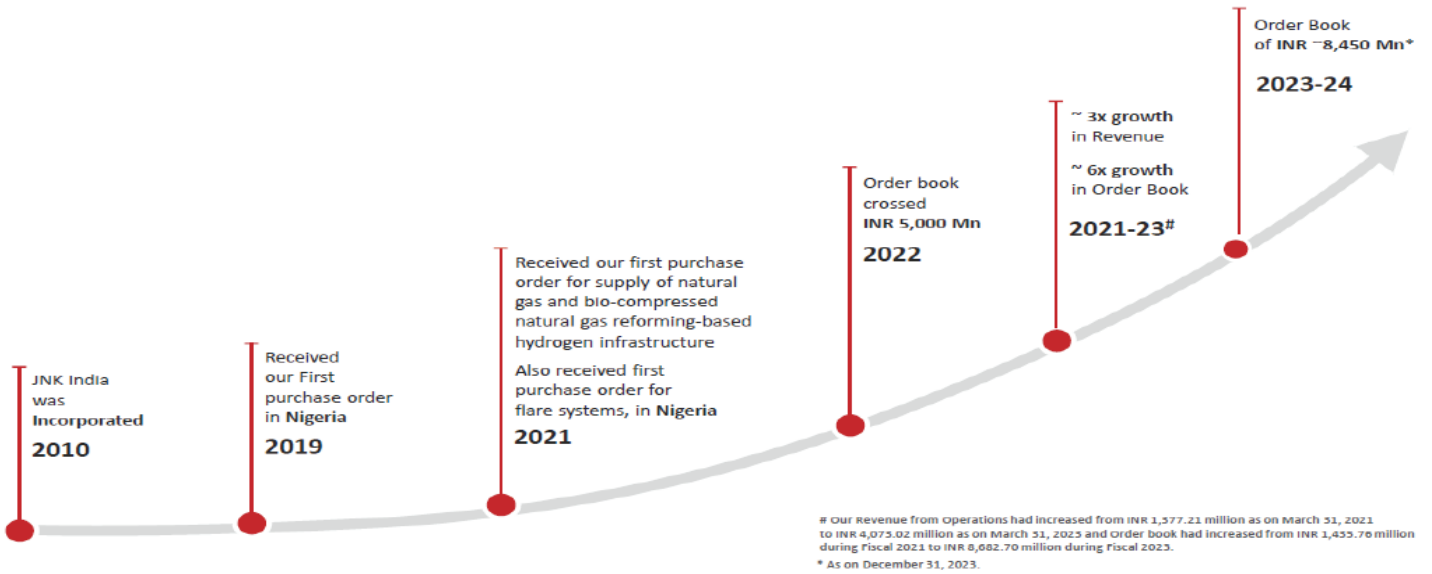
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Exhibit 1: Evolution of JNK India



Source: RHP

Exhibit 2: Product Portfolio



Of all the process fired heaters, applications such as CDU, VDU, Delayed Coker and Catalytic Reforming Units are the most critical with higher capex vis-à-vis the other heater application areas in the Refinery

Source: RHP

Exhibit 3: Fabrication Infrastructure with applicable Regulatory Standards

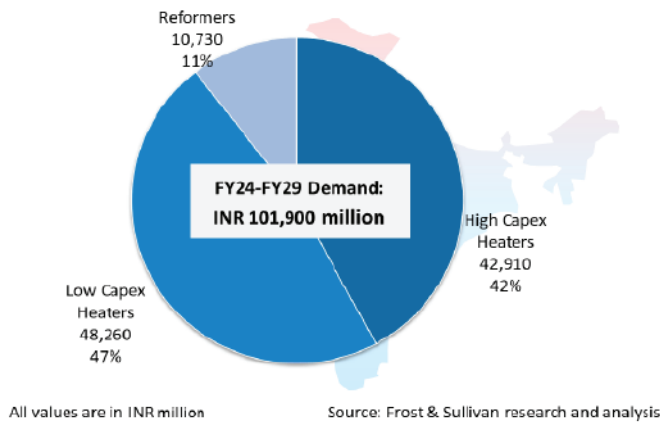
Fabrication facility at Mundra, Gujarat



Mundra Port

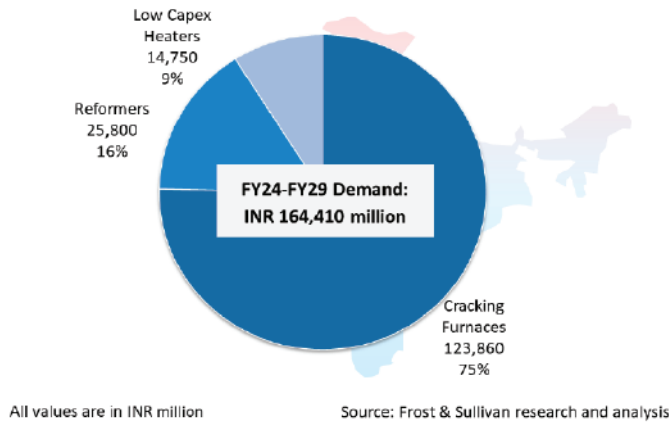
Source: RHP

Exhibit 4: Demand for heating equipment from refineries, India, Fiscal 2024-Fiscal 2029



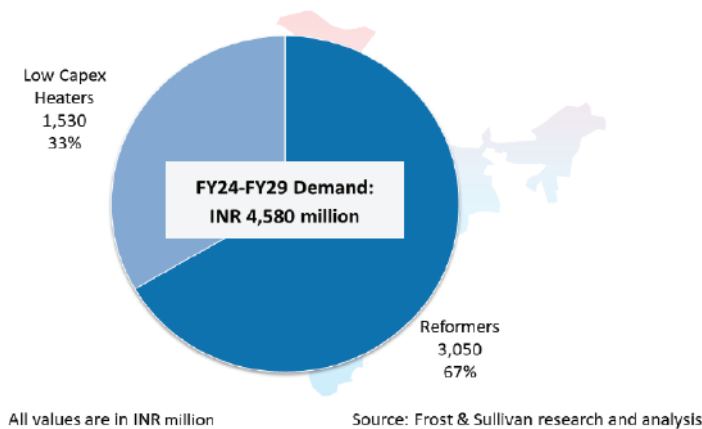
Source: RHP

Exhibit 5: Demand for heating equipment from petrochemical segments, India, Fiscal 2024-Fiscal 2029



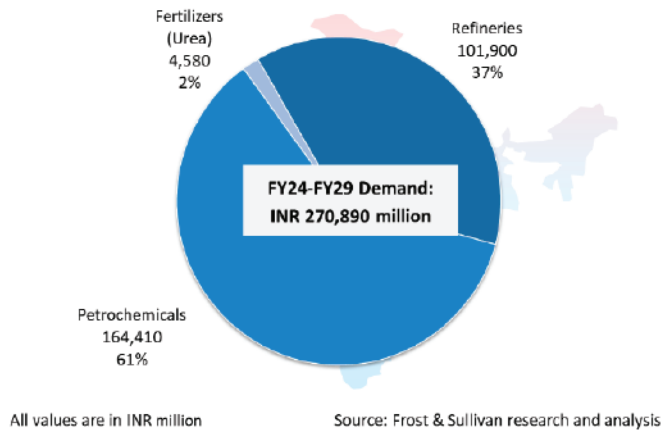
Source: RHP

Exhibit 6: Demand for heating equipment from fertilizer (Urea) segments, India, Fiscal 2024 - Fiscal 2029



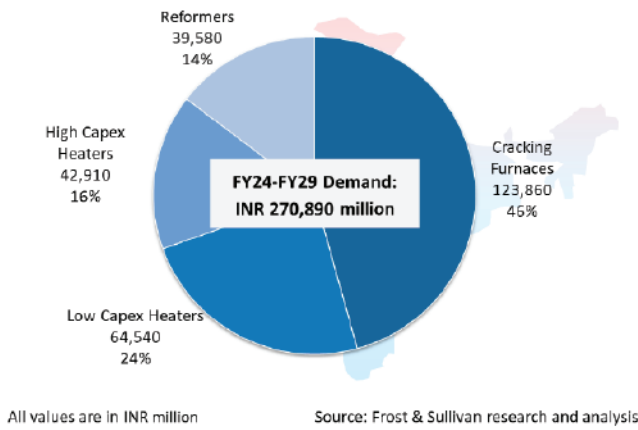
Source: RHP

**Exhibit 7: Overall demand of heating equipment by segments, India, Fiscal 2024-Fiscal 2029**



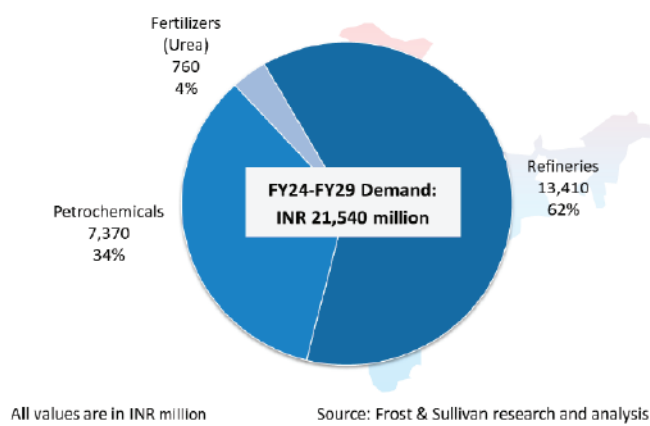
Source: RHP

**Exhibit 8: Overall demand by type of heating equipment, India, Fiscal 2024-Fiscal 2029**



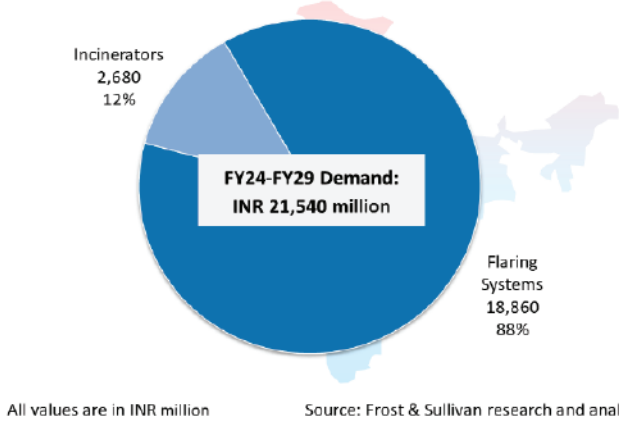
Source: RHP

**Exhibit 9: Overall demand of waste gas handling systems by segments, India, Fiscal 2024 – Fiscal 2029**



Source: RHP

Exhibit 10: Overall demand by type of waste gas handling systems, India, Fiscal 2024-Fiscal 2029



Source: RHP

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