

KRN Heat Exchanger and Refrigeration Limited

Consumer Durable | India

IPO | 23 September 2024

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About the Company

KRN Heat Exchanger and Refrigeration Limited (KRN) specializes in manufacturing fin and tube type heat exchangers for the heat ventilation air conditioning and refrigeration (HVAC&R) industry and their products are primarily made from non-ferrous metals such as copper and aluminum. KRN customizes heat exchangers in various shapes and sizes to meet customer requirements and market demand with diameters ranging from 5 mm to 15.8 mm. The product range includes condenser coils, evaporator units, evaporator coils, header/copper parts, fluid and steam coils and sheet metal parts for various cooling applications.

Strong in-house manufacturing

KRN manufacturing unit is equipped and capable of carrying out end-to-end manufacturing activities located at renowned RIICO industrial areas of Neemrana, Rajasthan. It has experience in precision engineering, strategically located production facilities, and focus on design, coupled with technologically advanced and cost-competitive manufacturing technology processes have enabled us to meet our customers' bespoke and stringent requirements. KRN have full-service capabilities across the product cycle including product design and development, material sourcing, designing, testing and measurement infrastructure, all under one roof to meet the requirement of our global customers.

Capacity Expansion for higher growth

KRN is expanding the business to reap the benefits of forward integration and incorporated a wholly owned subsidiary KRN HVAC Products Private Limited to increase value-added products in our existing portfolio, venture into the distribution and sells channels which allow us to control the marketing and distribution of complete product range of heat exchangers. KRN is expanding its capacity multifold which will generate increased growth in revenues from existing as well as new products like bar and plate heat exchanger, oil cooling unit with blower and motor and roll bond evaporator with improved margins from the export markets.

Increasing global footprint and augmenting domestic growth

KRN served 113 customers with a mix of increasing exports moving from 10% to 15% over FY22-24 expanding customer network across Europe and diversifying customer base and increasing market share. This enables us to capture a greater share of the value chain and establish direct connections with end customers enhancing customer reach and brand visibility. Rapid industrialization, urbanization, and infrastructure development have driven strong demand for heat exchangers in India driven by real estate construction, manufacturing, warehousing, and transportation sectors. The Indian HVAC market, valued at USD 7.8 billion in FY21 is projected to reach nearly USD 27.4 billion by FY30.

Financials in brief

KRN financials have seen an increase in revenue from 156 Cr in FY22 to 308 Cr in FY24 which grew by a CAGR of 25% with strong order book, repeat orders from large customer groups as it enjoys strong relationships. EBITDA and PAT margins have also moved higher as the revenues expanded, improvement in manufacturing processes, with improving new products enhancements capabilities and infrastructure to meet the strong demands of the heat exchanger industry.

Our View

KRN has established himself as on the top players in fin and tube-type heat exchangers for the HVAC&R industry using non-ferrous metals like copper and aluminum. KRN known for quality and innovation partners with leading industry players like Daikin, Schneider Electric, and Blue Star and strategically expanding its global reach and enhancing operational efficiency. Being an first generation entrepreneur with over 19 years of experience in manufacturing heat exchangers and refrigeration units has moved KRN from a single product to multi product company with long-standing business relationships with leading clientele and multi fold expansion in revenues in the coming years offers strong growth going ahead with consistent profitability. **Hence, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	209-220
Face Value (Rs)	10
Issue Open/Closing Date	25-Oct-24/27-Oct-24
Fresh Issues (Cr)	342
OFS (Cr)	0.0
Total Issue (Cr)	342
Minimum Bid Qty. (Nos)	65
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Cr)*	1310

*At higher band

Object of the Issue

- ▶ Investment in subsidiary for setting up new manufacturing facility at Neemrana Rajasthan.
- ▶ General corporate purposes.

Strengths

- ▶ Long-standing business relationships with leading clientele.
- ▶ Increase in capacity and new product development will drive future growth.
- ▶ First generation experienced promoter and consistent financial performance.
- ▶ Customized products with high quality and innovation increasing product basket and global footprint.

Key Risks

- ▶ Top few customers contribute 55% of revenues and any discontinuation could dent revenues.
- ▶ Sharp increase in input costs could dent margins.

Key Financials

(Rs Cr)	FY22(12)	FY23(12)	FY24(12)
Revenue	156.1	247.5	308.3
EBITDA	16.9	49.3	58.5
EBITDA Margin (%)	10.9	19.9	19.0
PAT	10.6	32.3	39.1
PAT Margin (%)	6.8	13.1	12.7
RoE (%)	54.8	75.9	40.9
RoCE (%)	34.7	50.5	31.2
D/E Ratio	0.87	0.62	0.45
Net Fixed Assets T/o Ratio	7.3	7.7	5.48
Networth	26	60	132
Total Customers	95	112	113

Source: RHP

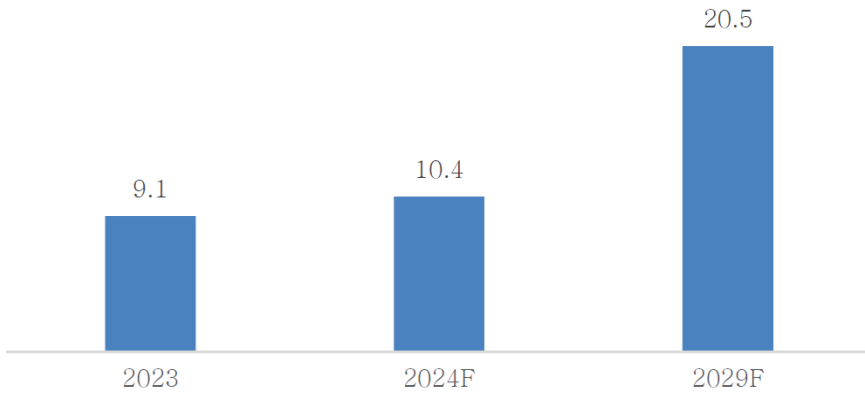
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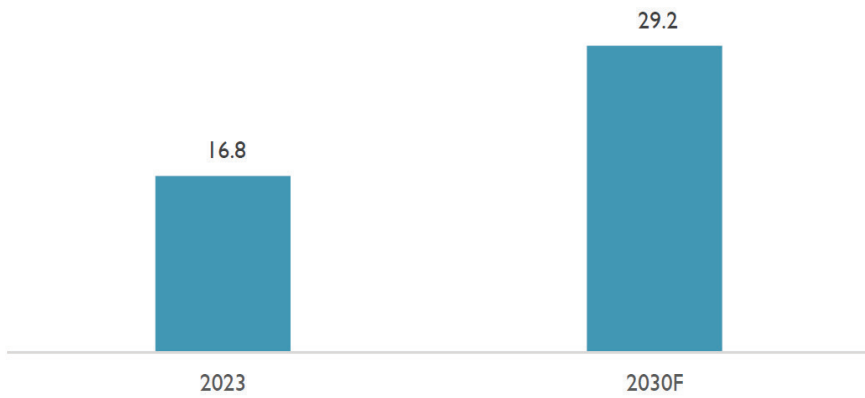
Email : vikas.i.jain@relianceada.com

Exhibit 1: Indian HVAC Market (in USD Billion)



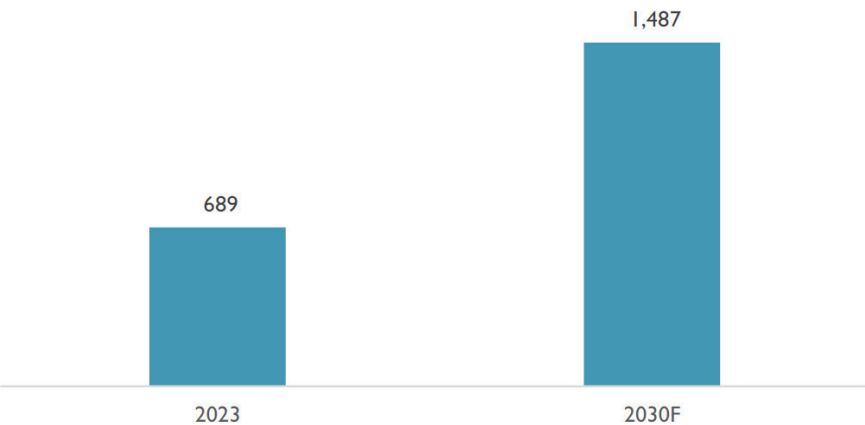
Source: RHP, Insights from Primary Research, F - Forecast

Exhibit 2: Global Heat Exchanger Market: Growth Forecast (in USD Billion)



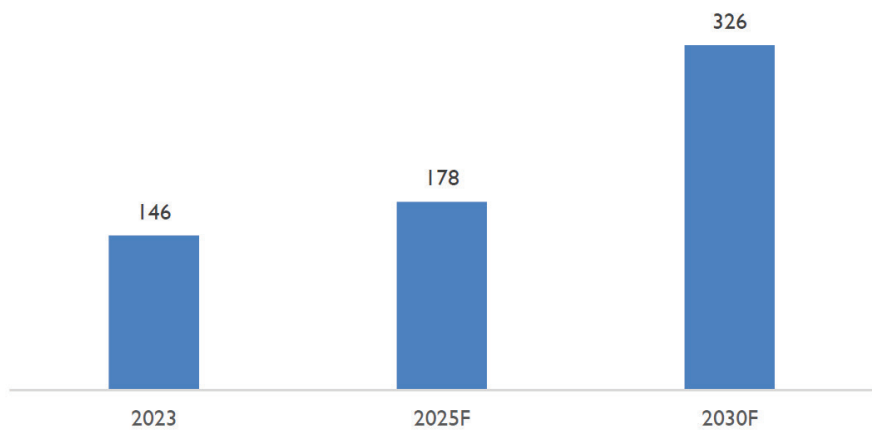
Source: RHP, D&B Analysis, Insights from Primary Survey

Exhibit 3: Indian Heat Exchanger Market: Growth Forecast (in USD million)



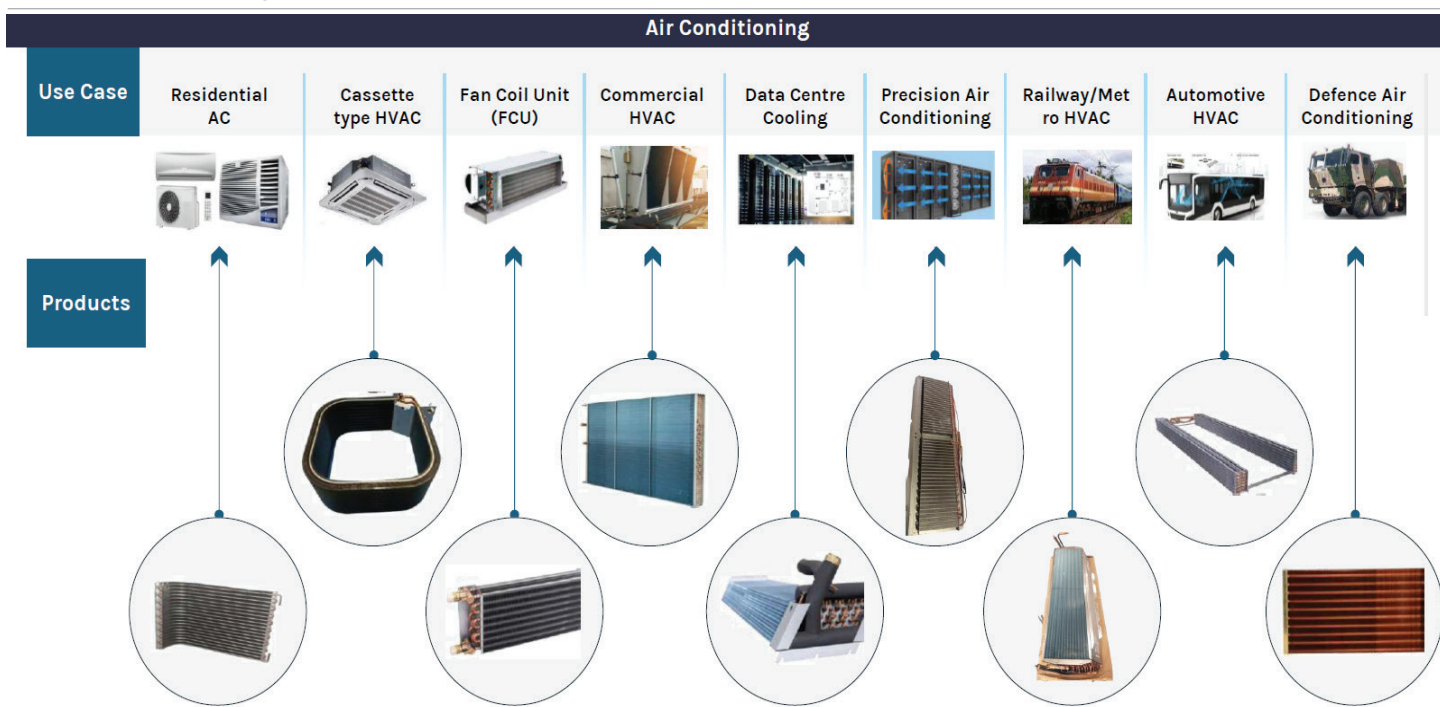
Source: RHP, D&B Analysis, Insights from Primary Survey

Exhibit 4: Growth Forecast: Indian Finned Tube Heat Exchanger Segment (in USD Million)



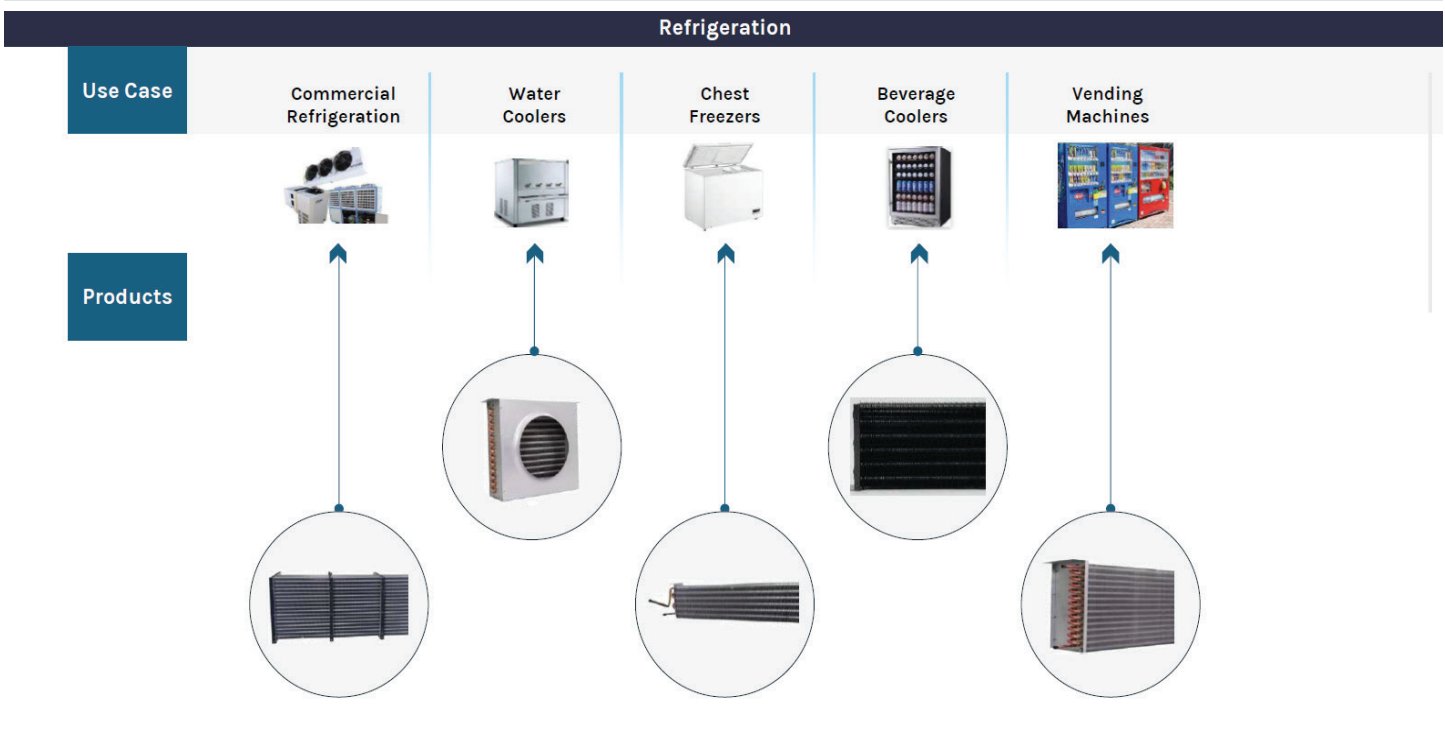
Source: RHP, D&B Analysis, Insights from Primary Survey

Exhibit 5: Product & Usage Scenarios



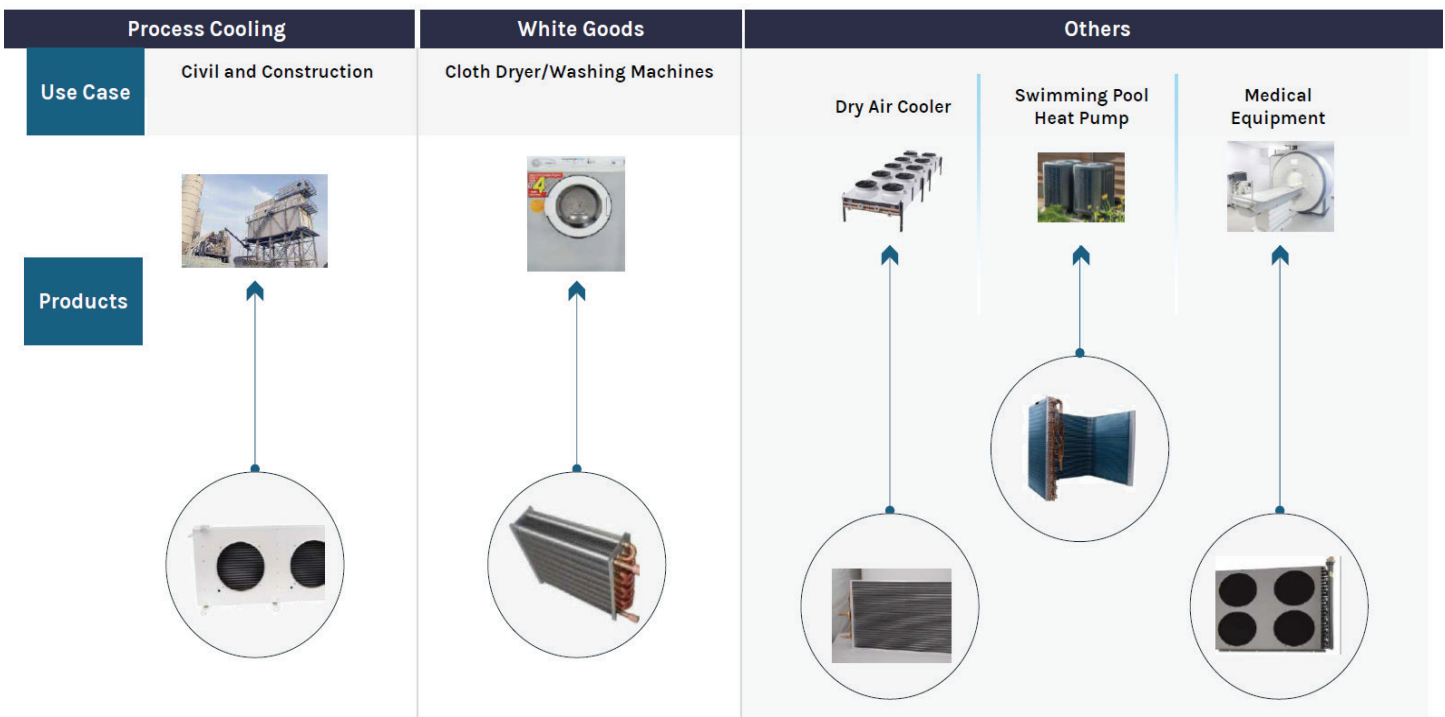
Source: RHP,

Exhibit 6: Product & Usage Scenarios



Source: RHP,

Exhibit 7: Product & Usage Scenarios



Source: RHP,

Exhibit 8: New Products

Bar & Plate Exchanger

Oil Cooling Unit with Blower & Motor

Roll Bond Evaporator



Source: RHP,

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