



JNK India Limited

IPO Note

Recco - **APPLY**



IPO Details		Company Background					
Opening Date	Apr 23, 2024	<ul style="list-style-type: none"> JNK India Limited was originally incorporated in the year 2010 and has its registered office in Thane, Maharashtra, India. The Company is in the business of manufacturing process-fired heaters, reformers and cracking furnaces (together, the “Heating Equipment”). The company has capabilities in thermal designing, engineering, manufacturing, supplying, installing and commissioning Heating Equipment and caters to both domestic and overseas markets. The company have completed projects in Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Maharashtra, Tamil Nadu, West Bengal and globally have completed projects in Nigeria and Mexico. As of December 31st, 2023, the Company had 235 employees on its payroll. 					
Closing Date	Apr 25, 2024						
Stock Exchange	BSE, NSE						
Lot Size	36 Shares						
Issue Price	₹395 to ₹415 per share						
Issue Size	Aggregating up to 649.47 Cr.						
Fresh Issue	Aggregating up to 300.00 Cr.						
Offer for Sale	Aggregating up to 349.47 Cr.						
Application Amount (Price at Upper Band)	Min. Inv. - ₹ 14,940 (36 shares) Max. Inv. - ₹ 1,94,220 (468 shares)						
IPO Objective							
1. Working capital requirements.							
2. General corporate purposes.							
Pre-Issue Shareholding							
Category	No. of Shares	% of Total Shares	Market Capitalization (In Cr.)				
Promoter & Promoter Group	4,57,60,000	94.56%	Pre-Issue	Post-Issue			
Public	26,32,000	5.44%	₹ 2,008	₹ 2,323			
Promoter of the Company			Financial Summary (In Cr.)				
1. Arvind Kamath			For the Period Ended	Mar-21	Mar-22	Mar-23	Dec-23
2. Goutam Rampelli			Total Assets	125.12	268.32	337.78	453.39
3. Dipak Kacharulal Bharuka			Net Assets	36.82	72.18	122.17	168.56
4. Mascot Capital and Marketing Private Limited			Total Borrowings	8.95	5.99	33.76	8.70
5. JNK Global Co. Ltd (formerly known as JNK Heaters Co. Ltd)			Total Revenue	138.45	297.14	411.55	256.76
Competitive Strengths			Profit After Tax	16.52	35.98	46.36	46.21
1. Established track record with a diverse customer base.			Tentative Timeline				
2. Well-positioned to capture industry tailwinds through the demonstrated capabilities over time.			Opening Date	Apr 23, 2024			
3. Diversifying product portfolio to cater to varied industries.			Closing Date	Apr 25, 2024			
4. Demonstrated financial performance with a robust Order Book reflecting revenue visibility for the last three Fiscals.			Basis of Allotment	Apr 26, 2024			
5. Skilled and experienced Promoters and management team with a committed employeebase			Initiation of Refunds	Apr 29, 2024			
			Credit of Shares to Demat	Apr 29, 2024			
			Listing Date	Apr 30, 2024			

Company Background and Analysis

The company is a leading manufacturer of process-fired heaters, reformers, and cracking furnaces – essential equipment for oil and gas refineries, petrochemical plants, and fertiliser production. Based in India, they operate globally, serving clients in multiple Indian states and countries such as Nigeria and Mexico. They have served 21 Indian customers (including 7 out of 12 major oil refining companies) and 8 international clients, among them Indian Oil Corporation Limited, Tata Projects Limited, and leading overseas EPC firms with a robust Order Book value of 845.02 crores (as of Dec 31, 2023) indicating future revenue visibility.

Product Portfolio:

Heating Equipment:

- Process-fired heaters.

This is a type of industrial heater used to heat fluids or gases directly by burning a fuel source such as natural gas or propane.

- Reformers

In industrial processes, reformers are devices used to convert hydrocarbons, such as natural gas or naphtha, into synthesis gas or syngas, which is a mixture of hydrogen and carbon monoxide. Syngas is a key building block to produce a wide range of chemicals, including methanol, ammonia, and synthetic fuels.

- Cracking furnaces

Cracking furnaces are used to break down large hydrocarbon molecules into smaller ones, which can then be used to produce a variety of products, including fuels, chemicals, and plastics.

These are essential for refineries, petrochemical plants, and fertilizers production.

Flares & Others:

A flare system is a gas combustion device used in industrial plants such as petroleum refineries, chemical plants, and natural gas processing plants, at oil or gas production sites with oil wells, gas wells, offshore oil and gas rigs, and landfills. There are two types of flaring systems such as Vertical Flare Systems, and Ground Flare Systems.

Additionally, the company is expanding into renewable energy with hydrogen refuelling stations and solar power plant projects. Onsite hydrogen production, hydrogen fuel stations, and solar PV-EPC projects – are all crucial for the green hydrogen value chain. This diversification positions them favourably as an industry leader with a competitive edge.

The bifurcation of income from various industries that the company caters to for the last 3 financial years and stub period are as under:

(Amt in Cr.)

Industry	Mar-21		Mar-22		Mar-23		Dec-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Oil and gas	127.89	92.86	282.87	95.44	314.65	77.25	253.25	99.95
Petrochemical	3.74	2.72	5.676	1.92	65.872	16.17	0.09	0.04
Fertilisers	5.007	3.64	0.128	0.04	0.832	0.20	Nil	Nil
Others*	1.085	0.78	7.72	2.60	25.947	6.38	0.04	0.01
Total	137.72	100.00	296.40	100.00	407.30	100.00	253.38	100.00

Overall, the company delivers customized, cost-effective, and reliable solutions for its clients in process industries. It boasts a proven track record, industry expertise, and a diversified portfolio in renewables and waste gas systems. This, coupled with strong financials and a strategic partnership, positions them well for growth. However, dependence on their partner, material costs, and a competitive market pose challenge. The company's potential lies in global expansion, meeting stricter environmental demands, pursuing renewables, and strategic acquisitions for further growth.



Business Strategies

1. Geographical expansion with a focus on high-growth markets to capitalize on the industry tailwinds -

The company plans to leverage the knowledge of the industry, and engineering capabilities, in the international markets as well. The company intends to accelerate and expand to the new geographies such as expanding to European countries and opening sales offices in the Middle East and Africa.

2. Enhance the diversified offerings including renewables -

The company continues to expand its product portfolio and plans to provide diversified offerings to customers through augmenting engineering capacities and technology partnerships.

3. Pursue strategic investment, partnerships and acquisition opportunities and integrate them with the business operations -

The company intends to selectively pursue strategic investment, partnerships and acquisition opportunities that complement the business and enhance technological capabilities, add credentials, or establish a presence in the targeted domestic and overseas markets. The company intends to expand the customer network in some of the overseas markets including Europe for the company to capitalize on the untapped opportunities.

Competitive Scenario and Peer Mapping

Competition

The industry is competitive. The Indian heating equipment market is closely competed among seven companies. The company's profitability and growth can also be affected by other competitive pressures such as competition for skilled engineering and technology professionals with a proven delivery track record. The entry barriers are moderate in the industry in which the company operates. The bargaining power with the suppliers is high and the bargaining power with the customers is also high in the industry in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -

Particulars	JNK India Limited	Thermax Limited	Bharat Heavy Electricals Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	11.38%	5.46%	2.00%
EBITDA Margin	17.01%	9.18%	5.65%
Return on Capital Employed	43.10%	14.47%	3.03%
Return on Equity	19.75%	11.64%	1.78%
EPS (INR)	9.51	39.98	1.37

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

Particulars	JNK India Limited	Thermax Limited	Bharat Heavy Electricals Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	12.14%	4.99%	2.06%
EBITDA Margin	18.16%	8.77%	5.70%
Return on Capital Employed	59.68%	11.76%	2.63%
Return on Equity	26.70%	8.94%	1.68%
EPS (INR)	7.50	27.73	1.28

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -

Particulars	JNK India Limited	Thermax Limited	Bharat Heavy Electricals Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	11.96%	4.22%	-
EBITDA Margin	18.35%	8.38%	-
Return on Capital Employed	57.04%	8.63%	-8.97%
Return on Equity	22.55%	6.35%	-10.38%
EPS (INR)	3.43	18.34	-7.75

Industry Overview

Exhibit 1: Construction industry market size, Global, calendar year 2020 – calendar year 2026E.



Exhibit 2: Refinery installed capacity, South Korea, calendar year 2011 – calendar year 2022.



(Source: prospectus)

Refinery Industry -

Global refining capacity in the last one decade has grown at a paltry CAGR of 0.8% - from 95.0 million barrels per day (“MBPD”) in calendar year 2011 to 101.9 mbpd in calendar year 2021. The capacity has been largely stagnant in the last 3 years and has marginally increased in calendar year 2022. Asia Pacific, North America, and Europe are the top three regions in terms of installed refining capacity with shares of 36%, 21% and 15% respectively. The Middle East region that houses most of the large Oil & Gas producers in the world, accounts for 11% share. Africa has the least share among all the regions at 3%.

There has been a rise in the global oil and gas refinery and petrochemical capacities thereby driving the growth in the global process fired heaters market. Further, the global demand for oil refining is driven by increasing investment in refinery capex and construction sector. The demand for petroleum products is driven by a positive outlook towards aviation and road transportation segments. Further, rapid industrialization and urbanization, along with increase in population among developing countries, such as China and India, is expected to create demand for automobiles, which would in turn drive the demand for refined petroleum products.

- Demand for oil and other petroleum products.
- Country level initiatives to improve self-sufficiency in refining capacity.
- Increasing investments in construction.

Demand for oil and petroleum products: Population growth, transportation, industrial investments, and electricity generation are the key factors driving the energy demand in the world.

- Growth in passenger and commercial vehicles drive demand for petroleum and diesel: Looking into the future, global vehicle sales are expected to grow at a CAGR of 3.4% from calendar year 2020 to calendar year 2030. Developing economies are expected to drive the demand for automobiles in the long-term. Strong economic growth and increasing per capita incomes are the major factors that would positively impact the demand for passenger cars in the developing countries. The growth in automobile sales would in turn create demand for fuels such as petrol and diesel, and thereby the demand for refining capacities.
- Aviation industry's growth creating demand for aviation fuel: The aviation industry is a vital engine of global socio-economic growth creating direct and indirect employment, supporting tourism and local businesses, and stimulating foreign investment and international trade. Major factors driving the demand for aviation services are rising disposable income, rapidly growing middle class, and increased travel demand. With the e-commerce operations increasing rapidly since COVID-19, the air cargo market has increased, and thus the demand for freighter aircraft is expected to grow in the long-term. The growth in the aviation sector would create demand for jet fuel, which would positively impact the demand for refining capacity.

(Source: prospectus)

Key Managerial Personnel

Arvind Kamath, aged 55 years, is one of the Promoters, Chairperson and Whole Time Director of the Company. He holds a bachelor's degree in chemical engineering. He was previously associated with Sulzer Pumps India Private Limited, and Chetra Seals Private Limited. He has extensive experience in the capital equipment industry.

Goutam Rampelli, aged 68 years, is one of the Promoters and Whole-Time Director of the Company. He has completed his bachelor's degree in chemical engineering and also completed his master's degree in chemical engineering. He was previously associated with Larsen and Toubro Limited and L&T Hydrocarbon Engineering Limited. He has extensive experience in the fire heaters and reformer packages industry.

Dipak Kacharulal Bharuka, aged 48 years, is one of the Promoters, Whole Time Director and Chief Executive Officer of the Company. He is also associated as a designated partner in NIAA Ventures LLP. He has completed his master's degree of engineering in Mechanical and Industrial (Machine Design Engineering) and Executive master's in business administration. He was previously associated with Larsen and Toubro Limited. He has extensive experience in the fire heaters and reformer packages industry.

Bang Hee Kim, aged 62 years, is the Non-Executive Director of the Company. He has completed his bachelor's degree in science. He was previously associated with DL E&C CO., Limited. He has extensive experience in the fire heaters and reformer packages industry.

Balraj Kishor Namdeo, aged 67 years, is the Independent Director of the Company. He holds a bachelor's degree in engineering and a master's degree in the interdisciplinary program of industrial management. He has experience in the oil and gas industry and the petrochemical industry and was previously associated with Hindustan Petroleum Corporation Limited and Ratnagiri Refinery and Petrochemicals Limited.

Sudha Bhushan, aged 45 years, is the Independent Director of the Company. She has successfully cleared her examination for a bachelor's degree in commerce. She is a fellow member of the Institute of Chartered Accountants of India and an associate member of the Institute of Company Secretaries of India. She is also a registered valuer (securities or financial assets) and an insolvency professional, registered with the Insolvency and Bankruptcy Board of India.

Raman Govind Rajan, aged 66 years, is the Independent Director of the Company. He holds a bachelor's degree in chemical engineering and a Master of Business Administration. He has experience in the oil and gas, chemicals and fertilizers industry.

Mohammad Habibulla, aged 70 years, is the Independent Director of the Company. He holds a master's degree in chemical engineering from the Indian Institute of Technology, Kanpur. He has experience in the hydrocarbon industry. He is currently the director of engineering with NPCC Engineering Private Limited.

To conclude, the company has 5 promoters and 3 of them are individual promoters and are involved in the management. The Promoters have good experience in the industry in which the company operates in. The Directors of the company have good experience in the industry in which the company operates and in the fields which help in the growth of the business.

Financial Snapshot

Profit and Loss Statement				(In Cr.)
Particulars	FY 21	FY 22	FY 23	Dec-23
Revenue from Operations	137.72	296.40	407.30	253.39
Other Income	0.73	0.74	4.24	3.37
Total Income	138.45	297.14	411.55	256.76
Expenses				
Purchase of Stock-in-trade	30.268	150.30	160.17	122.80
Changes in Inventories of Finished Goods, Stock-in Trade and Work-in-Progress	-4.808	-57.261	-19.616	-25.175
Project Expenses	27.936	70.449	109.73	44.526
Employee Benefit Expenses	32.626	41.448	53.238	25.525
Finance Costs	1.347	3.765	4.212	5.505
Depreciation and amortization expenses	1.859	2.986	6.582	4.048
Other expenses	26.421	37.625	34.518	18.845
Total Expenses	115.65	249.31	348.83	196.07
Earnings Before Interest, Taxes, Depreciation & Amortization	25.33	53.84	69.26	66.87
EBITDA Margin	18%	18%	17%	26%
Profit before exceptional and extraordinary items and tax	22.80	47.83	62.71	60.69
Exceptional items	-0.05			
Profit/(Loss) before tax	22.85	47.83	62.71	60.69
Tax Expense				
Current Tax	5.941	12.841	18.044	14.218
Deferred Tax Expense / (credit)	0.392	-0.998	-1.695	0.261
Total Tax Expense	6.33	11.84	16.35	14.48
Profit/(Loss) for the year	16.52	35.98	46.36	46.21
Net Profit Margin	12%	12%	11%	18%

Balance Sheet				(In Cr.)
Particulars	FY 21	FY 22	FY 23	Dec-23
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	0.80	5.45	5.44	8.39
Right of Use Assets	2.57	14.22	14.92	15.36
Capital work-in-progress	-	-	-	1.44
Intangible assets	0.11	0.44	0.36	0.31
Financial Assets	-	-	-	-
(i) Loans & Advances	-	-	-	1.55
(ii) Other Financial Assets	0.29	8.10	8.89	21.66
Deferred Tax Assets (Net)	-	0.80	2.49	2.23
(i) Other non-current Assets	0.20	0.20	0.33	0.12
Total non-current assets	3.95	29.19	32.43	51.06
Current Assets				
Inventories	5.18	62.44	82.053	107.23
Financial Assets	-	-	-	-



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Balance Sheet				(In Cr.)
(i) Investments	-	11.06	-	-
(ii) Trade Receivables	54.022	110.01	114.35	136.21
(iii) Cash and Cash Equivalents	8.01	22.52	15.393	18.731
(iv) Bank Balances other than (iii) above	19.22	3.19	31.788	17.856
(v) Loans & Advances	0.18	0.821	0.287	0.575
(vi) Other Financial Assets	10.17	4.788	12.207	47.591
Other current assets	24.39	24.304	49.271	74.146
Total Current assets	121.17	239.13	305.35	402.34
Total Assets	125.12	268.32	337.78	453.39
EQUITY AND LIABILITIES				
Equity				
Share Capital	0.6	9.6	9.6	9.678
Other Equity	36.217	62.58	112.57	158.88
Total Equity	36.82	72.18	122.17	168.56
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Long-term borrowings	0.253	2.692	3.239	3.225
(ii) Lease Liabilities	1.78	7.515	8.05	9.404
(iii) Other Financial Liabilities	0.437	0.402	0.909	-
Deferred Tax Liabilities (Net)	0.203	-	-	-
Other non-current liabilities	2.348	1.111	14.997	-
Provisions	0.105	-	1.548	4.447
Total non-current liabilities	5.13	11.72	28.74	17.08
Current liabilities				
Financial Liabilities				
(i) Short term borrowings	8.697	3.298	30.524	53.508
(ii) Lease Liabilities	0.957	1.47	2.259	1.813
(iii) Trade Payables	-	-	-	-
-total outstanding dues of micro-enterprises and small enterprises	1.648	12.276	4.574	13.999
-total outstanding dues of creditors other than micro-enterprises and small enterprises	23.299	33.027	35.183	47.378
(iv) Other Financial Liabilities	9.683	18.574	15.863	16.816
Other current liabilities	28.004	107.66	84.488	105.21
Short term provisions	8.692	4.926	7.754	15.785
Current tax liabilities (Net)	2.201	3.193	6.217	13.252
Total Current liabilities	83.18	184.42	186.86	267.76
Total Liabilities	88.31	196.14	215.61	284.83
Total Equity and Liabilities	125.12	268.32	337.78	453.39

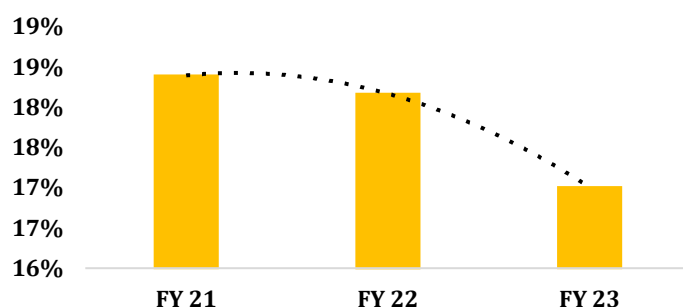
Cash Flow Statement				(In Cr.)
Particulars	FY 21	FY 22	FY 23	Dec-23
Net Cash Flow from Operating Activities	11.45	38.91	-7.22	-9.21
Net Cash Flow from Investing Activities	-16.74	-24.93	-25.02	-6.04
Net Cash Flow from Financing Activities	8.21	0.53	25.12	18.70

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Dec-23*
Per Share Data				
Diluted EPS	3.43	7.5	9.51	11.87
BV per share	6.58	12.89	21.82	90.00
Operating Ratios				
EBITDA Margins	18.39%	18.16%	17.01%	26.39%
PAT Margins	11.93%	12.11%	11.27%	19.41%
Inventory days	13.72	76.89	73.53	116.37
Debtor days	143.17	135.47	102.47	147.82
Creditor days	30.08	11.00	9.06	13.75
Return Ratios				
RoCE	55.95%	60.61%	41.53%	16.52%
RoE	44.87%	49.85%	37.95%	13.19%
Valuation Ratios (x)				
EV/EBITDA	1.49	1.03	2.03	2.28
Market Cap / Sales	16.87	7.84	5.70	6.88
P/E	120.99	55.33	43.64	34.97
Price to Book Value	63.11	32.19	19.02	4.61
Solvency Ratios				
Debt / Equity	0.24	0.08	0.28	0.11
Current Ratio	1.46	1.30	1.63	1.50
Quick Ratio	1.46	1.30	1.63	1.50
Asset Turnover	1.10	1.10	1.21	0.56
Interest Coverage Ratio	17.42	13.51	14.88	11.41

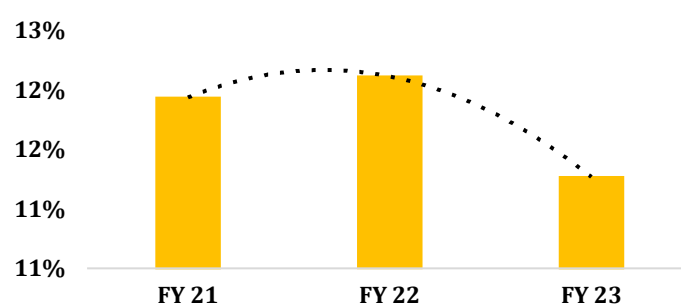
*Annualized Figures

Financial Charts

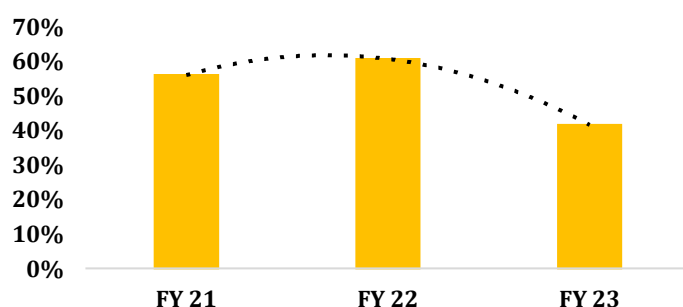
EBITDA Margin



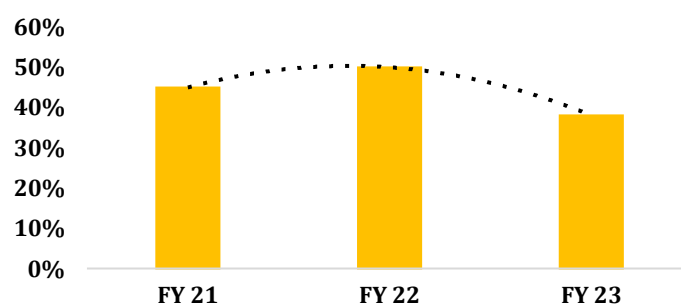
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. The company has derived the majority of its revenues from the Corporate Promoter, JNK Global. Any kind of dissociation with JNK Global may have an adverse impact on the business, results of operations and cash flows.
2. The company has certain contingent liabilities amounting to Rs. 22 lakhs which, if materialized, may adversely affect the financial condition.
3. There are outstanding legal proceedings involving the Company, Promoters, and Directors amounting to Rs. 48 lakhs Any adverse outcome in such legal proceedings may affect the business, results of operations and financial condition.

Track Record of Lead Manager

The lead managers to the issue are ICICI Securities and Iifl Securities Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

ICICI Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Bharti Hexacom Limited	4,275.00	570.00	April 12, 2024	927.00
2.	Popular Vehicles and Service Limited	601.55	295.00	March 19, 2024	239.00
3.	Bharat Highways Infrastructure Investment Trust	2,500.00	100.00	March 12, 2024	107.00
4.	Juniper Hotels Limited	1,800.00	360.00	February 28, 2024	468.00
5.	Entero Healthcare Solutions Limited	1,600.00	1,258.00	February 16, 2024	1,204.0

ICICI Securities Limited has had 64 mandates in the last three years.

Iifl Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Bharti Hexacom Limited	4,275.00	570.00	April 12, 2024	927.00
2.	R K Swamy Limited	423.56	288.00	March 12, 2024	283.00
3.	Bharat Highways Infrastructure Investment Trust	2,500.00	100.00	March 12, 2024	107.00
4.	Medi Assist Healthcare Services Limited	1,171.58	418.00	January 23, 2024	484.00
5.	DOMS Industries Limited	1,200.00	790.00	December 20, 2023	1,817.0

Iifl Securities Limited has had 45 mandates in the last three years.

*CMP for the above-mentioned companies is taken as of 23rd. April 2024.

As per the offer document from the above-mentioned mandates Popular Vehicles and Service Limited, Entero Healthcare Solutions Limited, and R K Swamy Limited have opened a discount and the remaining mandates have opened at a premium on the listing date.



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Recommendation

The company has been in the industry since 2010 and thus has vast experience in the industry. The company has seen an increasing trend in its top-line financials. The company's management overview is good.

The P/E on a post-IPO and annualized basis is around 34.97 times which makes it fairly priced by looking at the performance of the company and its peers. The Sector P/E is 47.6 times.

The company operates in a competitive segment. The company has seen a consistency in the increase of its top line and bottom line of the financials. The company is also entering into the renewable energy sector. The company has a good order book which we believe will provide good growth for the company in the future. Thus, we recommend **APPLY** to this IPO.



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