



**SMC Ranking**  
★ ★ ☆ ☆ ☆ (2/5)

### Issue Highlights

Industry	Capital Goods
Offer for sale (Shares)	8,421,052
Fresh Issue (Shares)	7,594,936
<b>Net Offer to the Public</b>	<b>16,015,988</b>
Issue Size (Rs. Cr.)	632-665
Price Band (Rs.)	395-415
Offer Date	23-Apr-24
Close Date	25-Apr-24
Face Value	2
Lot Size	36 shares

### Issue Composition

	In shares
Total Issue for Sale	16,015,988
QIB	8,007,994
NIB	2,402,398
Retail	5,605,596

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	94.56%	67.53%
QIB	0.00%	14.30%
NIB	5.44%	8.16%
Retail	0.00%	10.01%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The company intends to use the net proceeds from the issue to finance the following objects:

- Working capital requirements; and
- General corporate purposes.

#### Book Running Lead Manager

- ICICI Securities Limited
- IIFL Securities Limited

#### Name of the registrar

- Link Intime India Private Limited

### About the company

JNK India Limited was incorporated in 2010 and is engaged in the design, manufacture, supply, installation, and commissioning of process-fired heaters, reformers and cracking furnaces (Heating Equipment) for industries such as for oil and gas refineries, petrochemical and fertilizer industries. The company has completed projects in Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Maharashtra, Tamil Nadu and West Bengal and has implemented projects globally, including in Nigeria and Mexico. As of December 31, 2023, it has served 21 Customers in India and 8 Customers overseas. The domestic clients include Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited and Numaligarh Refinery Limited. The manufacturing is done at the in-house manufacturing facilities and/or third-party vendors. One of the manufacturing facilities is located in the Multi-Product Special Economic Zone in Mundra, Gujarat, where production is exclusively for export. It is spread over an area of about 20,243 square metres with an installed capacity of 5,000 metric tonnes for manufacturing and modularization per annum. Over the years it has diversified into flares and incinerator systems and has been developing capabilities in the renewable sector with green hydrogen.

### Strength

**Established track record with a diverse customer base:** It has commenced operations in 2010 and has a successful project completion track record of over 10 years. As of December 31, 2023, it has served 21 Customers in India and 8 Customer overseas. Further, 7 out of the 12 oil refining companies in India, are its Customers and it has supplied or are in the process of supplying Heating Equipment to 11 of the 24 operating oil refineries across India. Some of its domestic Customers include Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited and Numaligarh Refinery Limited. Further it has catered to overseas customers such as a leading oil & gas exploration & production company in Oman and a middle east arm of European EPC company in oil and gas.

**Well-positioned to capture industry tailwinds through its demonstrated capabilities over time:** The overall demand for Heating Equipment from Indian refineries, petrochemicals and fertilizer (urea) segments between Fiscal 2024 and Fiscal 2029 is estimated at Rs. 27,089 crore i.e.,

Approx. Rs. 4,500 crore on annualized basis. Of this, 61% of this demand would come from petrochemicals followed by 37% from refineries and 2% from fertilizers (urea). Further, 46% of this demand would come from cracking furnaces followed by 24% from low capex process fired heaters, 16% from high capex process fired heaters, and 14% from reformers. This potential is based on the projects announced till date and may go up if more projects commissioned during the forecast period. Similarly, there has been a rise in the global oil and gas refinery and petrochemical capacities thereby by driving the growth in the global process fired heaters market. It plan to leverage its knowledge of the industry, and engineering capabilities, and through its extensive experience, established product portfolio and proven track record, it is well positioned to capitalize on the upcoming demand of Heating Equipment.

**Diversifying product portfolio to cater to varied industries:** It has recently diversified into waste gas handling systems which includes flares and incinerators systems. Flare system is a gas combustion device used in industrial plants such as petroleum refineries, chemical plants, natural gas processing plants, at oil or gas production sites with oil wells, gas wells, offshore oil and gas rigs, and landfills. Globally, the demand for waste gas

handling systems which includes flares and incinerators, from the refineries in the countries of interest between calendar year 2023 and calendar year 2028 would be Rs. 6,453 crore which is approximately Rs.1,075 crore on an annualized basis. Similarly, it has started with renewable energy systems in Fiscal 2022. It is building capabilities in renewable sector with onsite hydrogen production and Solar PV-EPC, in doing so it would also leverage the technical know-how of JNK Global to capitalize on future growth opportunities in renewable energy systems in India. Indian renewable energy sector is the third most attractive renewable energy market in the world, which is a key part of the energy transition.

**Demonstrated financial performance with a robust Order Book reflecting revenue visibility for last three Fiscals:** For Fiscals 2021 to 2023, its revenue from operations, EBITDA and profit after tax had grown at a CAGR of 71.97%, 68.09% and 67.75%, respectively, demonstrating growth in its financial performance in recent years. The EBITDA margin during the nine month period ending December 2023 improved to 27.72% as compared to 18.05% in FY2023, 18.41% in FY2022 and 18.89% in FY2021. Further, its Order Book to sales ratio has doubled from 1.04 times for Fiscal 2021 to 2.13 times for Fiscal 2023. Its Order Book value was Rs. 845.03 crore on December 31, 2023, out of which Rs. 729.20 crore or 86.29% was from the Indian market and Rs. 115.83 crore or 13.71% was from the overseas market. With a robust Order Book amounting to Rs. 845.03 crore as of December 31, 2023, which represents 2.50 times of the revenue from operations for December 31, 2023 calculated on an annualised basis, and a pipeline of prospective projects for which the contracts are currently at various stages of negotiation, reflect clear revenue visibility.

## Strategy

**Geographical expansion with focus on high growth markets to capitalise on the industry tailwinds:** As of December 31, 2023, it has served 21 Customers in India and 8 Customers overseas. Further it is currently serving Customers such as Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited, Numaligarh Refinery Limited in India and one of the private refinery companies of a multinational industrial conglomerate from Nigeria, a leading oil & gas exploration & production company in Oman and a middle east arm of European EPC company in oil and gas, and Customers in Algeria, and Lithuania. It is also evaluating to increase its presence in other Middle East, Europe and African markets as well.

It intends on accelerating and expanding to new geographies such as expanding to European countries and opening sales offices in the Middle East and Africa. Further, in this pursuit, it has a Co-operation Agreement with JNK Global, which governs its relationship in relation to, amongst others, marketing and geography of operations.

**Enhance its diversified offerings including renewables:** It would continue to expand its product portfolio and plan to provide diversified offerings to its customers through augmenting engineering capacities and technology partnership.

It has recently also diversified into waste gas handling systems which includes flares and incinerators systems as well. It design, engineer, install and service flares and incinerators systems. Its Order Book for flares, incinerators and others as of December 31, 2023, was of Rs. 13.27 crore. The Company is in process of licensing or acquiring companies in this segment to capture the growing global demand. It is also working on building capabilities in renewable sector with green hydrogen as well through its subsidiary JNK Renewable Energy Private Limited. As of December 31, 2023, it has installed one hydrogen refuelling stations, at Indian Oil R&D Centre, Faridabad, Haryana. It plan to leverage the technical know-how of JNK Global to capitalize on future growth opportunities in the hydrogen refuelling station systems in India.

**Pursue strategic investment, partnerships and acquisition opportunities and integrate them with its business operations:** It intend to selectively pursue strategic investment, partnerships and acquisition opportunities that complement its business and enhance technological capabilities, add credentials, or establish its presence in its targeted domestic and overseas markets. It may further expand its operations overseas. Its acquisition strategy would primarily focus on strengthening the flares and incinerators systems segment, and providing access to newer technologies industries and geographies. It intends to expand its Customer network in some of the overseas markets including

Europe for it to capitalize on the untapped opportunities. It proposes to continue to pursue inorganic growth opportunities in relatively larger markets such as Italy, Middle East and Africa.

### Risk factor

- The Company derived majority of its revenues from its Corporate Promoter, JNK Global and use their experience and technology support for select projects. Dissociation with JNK Global may have an adverse impact on its business.
- Increase in commodity prices
- Dependency on third-party for most of its projects with regards to fabrication process.
- High working capital requirement and may require alternate funding in FY-2024 and FY-2025.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
B H E L	22856.01	-119.78	0.00	0.00	3.40	74.91	2.00	254.45	88601.10
Thermax	8870.60	610.94	45.94	104.80	14.38	334.85	2.00	4814.60	57368.99
JNX India Limited**	337.86	61.61	11.01	37.71	4.65	89.16	2.00	415.00	2323.46

\*Peer companies financials are TTM based

\*\*JNX India Limited financials are based on Estimated Annualized FY24

### Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.415, the stock is priced at pre issue P/E of 32.59x on Estimated Annualised FY24EPS of Rs.12.73. Post issue, the stock is priced at a P/E of 37.741x on its EPS of Rs.11.01. Looking at the P/B ratio at Rs.415 pre issue, book value of Rs. 34.83 of P/Bvx 11.91x. Post issue, book value of Rs. 89.16 of P/Bvx 4.65x.

Considering the P/E valuation, on the lower end of the price band of Rs.395, the stock is priced at pre issue P/E of 31.02x on Estimated Annualised FY24EPS of Rs.12.73. Post issue, the stock is priced at a P/E of 35.89x on its EPS of Rs.11.01. Looking at the P/B ratio at Rs.395 pre issue, book value of Rs. 34.83 of P/Bvx 11.34x. Post issue, book value of Rs. 89.16 of P/Bvx 4.43x.

### Industry Outlook

Overall demand for heating equipment from Indian refineries, petrochemicals and fertilizer (Urea) segments between Fiscal 2024 and Fiscal 2029 is estimated at Rs. 27,089 crore i.e., approx. Rs. 4,500 crore on an annualized basis. 61% of this demand would come from petrochemicals followed by 37% from refineries and 2% from fertilizers (Urea). With strong pipeline of Oil & Gas downstream projects till calendar year 2030, the order booking is likely to increase in the coming years. Heating equipment suppliers indicated that order booking has grown by 25% in the last 2 years and the market is showing an upward trend – cumulative order booking for heating equipment in the last 6 years was approximately Rs. 15,000 crore i.e., Rs. 2,500 crore on annualized basis. Considering the same, cumulative order booking in the next 6 years (Fiscal 2024-Fiscal 2029) may see an approximate 80% jump from the cumulative order booking in the last 6 years.

### Outlook

The Company has successful project completion track record of over 10 years and serviced customers across refineries, petrochemicals and fertilizer (urea) segments, thus well positioned to capture growing demand. It is entering into new business and geographies which would drive future growth. The robust order book amounting to Rs. 845.03 crore as of December 31, 2023, and a pipeline of prospective projects indicate sustain growth visibility. However, its dependence on third party for fabrication process and high working capital requirement poses business risk. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	23-April-24
BID/ISSUE CLOSES ON	25-April-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	26-April-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	29-April-24
Credit of Equity Shares to Demat Accounts of Allottees	29-April-24
Commencement of trading of the Equity Shares on the Stock Exchanges	30-April-24

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Dec-23 (9 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	253.39	407.30	296.40
Total expenditure	186.52	338.04	242.56
<b>Operating Profit</b>	<b>66.87</b>	<b>69.26</b>	<b>53.84</b>
OPM%	26.39	17.01	18.16
Other Income	3.37	4.24	0.74
<b>Total Net Income</b>	<b>70.24</b>	<b>73.51</b>	<b>54.58</b>
Interest	5.51	4.21	3.77
<b>PBDT</b>	<b>64.74</b>	<b>69.29</b>	<b>50.81</b>
Depreciation	4.05	6.58	2.99
<b>Re-stated Profit / (Loss) before exceptional items and tax</b>	<b>60.69</b>	<b>62.71</b>	<b>47.83</b>
Tax	14.48	16.35	11.84
<b>PAT</b>	<b>46.21</b>	<b>46.36</b>	<b>35.98</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 31-Dec-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	8.39	5.44	5.45
Capital work-in-progress	1.44	0.00	0.00
Right-of-use assets	15.36	14.92	14.22
Intangible assets	0.31	0.36	0.44
Financial assets	0.00	0.00	0.00
- Investments	1.55	0.00	0.00
Other financial assets	21.67	8.89	8.10
Deferred tax assets (net)	2.23	2.49	0.80
Other non-current assets	0.12	0.33	0.00
<b>Total non-current assets</b>	<b>51.06</b>	<b>32.43</b>	<b>28.99</b>
<b>Current asset</b>			
<b>Financial Assets</b>			
- Inventories	107.23	82.05	62.44
- Investment	0.00	0.00	11.06
- Trade receivables	136.21	114.35	110.01
. Cash and cash equivalents	18.73	15.39	22.52
. Other bank balances	17.86	31.79	3.19
- loans & Advances	0.58	0.29	0.82
- Other financial assets	47.59	12.21	4.79
Other current assets	74.15	49.27	24.30
<b>Total current assets</b>	<b>402.34</b>	<b>305.35</b>	<b>239.13</b>
<b>Total Assets</b>	<b>453.40</b>	<b>337.78</b>	<b>268.12</b>
<b>Non-current liabilities</b>			
-- Borrowings	3.23	3.24	2.69
- Lease liabilities	9.40	8.05	7.52
- Other financial liabilities	0.00	0.91	0.40
Non current Liabilities	0.00	15.00	1.11
Provisions	4.45	1.55	0.00
<b>Total Non- Financial liabilities</b>	<b>17.08</b>	<b>28.74</b>	<b>11.72</b>
<b>Financial Liabilities</b>			
Borrowings	53.51	30.52	3.30
Lease Liability	1.81	2.26	1.47
Trades Payable - MSME	14.00	4.57	12.28
Trades Payable - MESE	47.38	35.18	33.03
Other financial liabilities	16.82	15.86	18.57
Provisions	0.00	0.00	0.00
Current tax liabilities (net)	105.21	84.49	107.66
Other Current liabilities	13.25	6.22	3.00
<b>Total Financial liabilities</b>	<b>267.76</b>	<b>186.86</b>	<b>184.23</b>
<b>Total</b>	<b>284.83</b>	<b>215.61</b>	<b>195.95</b>
Net worth represented by:			
Equity Share Capital	9.68	9.60	9.60
Other equity	158.88	112.57	62.58
<b>Net Worth</b>	<b>168.56</b>	<b>122.17</b>	<b>72.18</b>

## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★★
<b>FAIR</b>	★★★
<b>GOOD</b>	★★★★
<b>EXCELLENT</b>	★★★★★

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