

Rating: Subscribe

Issue Offer

Fresh Issue of 7,594,936 equity shares up to INR 3,000mn and OFS of 8,421,052 shares by Promoters group taking the total issue size at INR 6,494.7mn

Issue Summary

Price Band (INR)	395-415
Face Value (INR)	2
M.Cap (INR Mn)	23,235
Market Lot	36
Issue Opens on	Apr 23, 2024
Issue Close on	Apr 25, 2024
No. of share pre-issue	48,392,000
No. of share post issue	55,986,936
Listing	NSE, BSE

Issue Break-up (%)

QIB Portion	≤ 50
NIB Portion	≥15
Retail Portion	≥35

Book Running Lead Managers

IIFL Securities Ltd
ICICI Securities Ltd

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	94.56%	66.7%
Public & Others	5.44%	33.3%

Objects of the issue

- Funding working capital requirements
- General Corporate Purposes

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Avi Agarwal

JNK India Ltd is one of India's leading Heating Equipment companies in terms of new order bookings and having a market share of 27%. They enjoy competitive advantage since the industry has several entry barriers in terms of capabilities and successful order completion in history. It has fabrication infra at Mundra port with 5,000 MT installed capacity. The order book and revenue has grown 6x and 3x respectively in 3 years starting in FY21. The company will commission India's first green hydrogen fuel station in Faridabad next month. Revenue from flares and incinerators segment has grown at 115% CAGR in 3 years from FY21-23. The company cater to diverse industries from oil and gas refineries, petrochemical and fertilizers.

Investment Rationale

Strong Order book shows business visibility: The Order Book to sales ratio has doubled from 1.04x (FY21) to 2.13x (FY23). The order book stood INR 8,450mn as of Q3FY24, out of which 86.3% was from the Indian market and 13.7% was from overseas market. Pipeline of prospective projects for which the contracts are currently at various stages of negotiation, reflect clear business visibility.

High entry barriers: JNK India has capability in thermal designing, engineering, manufacturing, supplying, installing and commissioning Heating Equipment to companies forming part of some highly regulated industries, acts as a significant entry barrier to new entrants. There are limited suppliers who can supply these critical equipment. Further, 7 out of the 12 oil refining companies in India are customers of JNK India. The Indian heating equipment market is closely competed among seven companies with JNK India and Thermax being the most prominent and comparable players.

Focus to capitalize on global refineries expansion: There are a total of 53 refineries expected to be commissioned in 21 countries by CY30. Cumulative capacity of these 53 refineries is 460.7 MMTPA. These countries are Nigeria, Algeria, Saudi Arabia, Oman, Egypt to name a few. The Heating Equipment accounts for 3.3% of the total capital expenditure of a refinery project; hence, demand for Heating Equipment from the refineries in between CY23 and CY28 would be INR 490.5bn which is ~INR 81.7bn on annualized basis.

Growing demand for company offerings: There are 18 refinery projects expected to be commissioned by FY31 with a cumulative capacity of 124 MMTPA. There are 15 petrochemical projects expected to be commissioned by FY31 with a cumulative capacity of 23 MMTPA. India has target to become self reliant for Urea by commissioning 4 projects by FY26. Thus, the overall demand for Heating Equipment between FY24-29E is estimated at INR 270.9bn which is ~INR 45bn on annualized basis

Diversified offerings to various industries: The company caters to oil and gas refineries, petrochemicals and fertilizers. It is the only Indian company in the heating equipment space which was originally dominated by European and Korean companies since all orders are custom engineer made. The company has recently diversified in flares and incinerators for which the global demand would be INR 64,530mn (FY23-28E). The company has have started with renewable energy systems in FY22 with onsite hydrogen production and Solar PV-EPC.

Valuation & Outlook: JNK India has strong position in the heating equipment market, with a focus on diverse offerings and order book stood at INR 8,450mn as of Q3FY24 shows potential revenue visibility. The company's growth potential is underscored by increasing demand from India's refinery, petrochemical, and fertilizer sectors, as well as its expansion into global markets. High entry barriers and a strategic emphasis on capitalizing on global refinery expansions further solidify its investment appeal. With a track record of impressive revenue growth and clear revenue visibility, JNK India presents a compelling opportunity for investors seeking exposure to the heating equipment sector. At the upper band of INR 415, the issue is valued at an EV/EBITDA of 33.5x based on FY23 EBITDA of INR 693 Mn and P/E of 43.6x based on FY23 EPS of INR 9.5. We are recommending "Subscribe for Long Term" for this issue.

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Revenue	1,377	2,964	4,073
Operating expenses	534	1,635	2,503
Gross Profit	843	1,329	1,570
Gross Margin (%)	61.2%	44.8%	38.6%
Employee Cost	326	414	532
Other Expenses	264	376	345
EBITDA	253	538	693
EBITDA Margin (%)	18.4%	18.2%	17.0%
Depreciation	(19)	(30)	(66)
Interest expense	(13)	(38)	(42)
Other income	7	7	42
Share of profits associate & JV	-	-	-
Profit before tax	228	478	627
Taxes	(63)	(118)	(163)
PAT	165	360	464
PAT Margin (%)	12.0%	12.1%	11.4%
EPS (INR)	3.4	7.5	9.5

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Equity capital	6	96	96
Reserves	362	626	1,126
Net worth	368	722	1,222
Provisions	1	-	15
Debt	117	150	441
Other non-current liabilities	30	15	159
Total Liabilities	516	887	1,837
Fixed assets	8	55	54
Capital Work In Progress	1	4	4
Other Intangible assets	26	142	149
Other non current assets	5	91	117
Net working capital	102	179	919
Inventories	52	624	821
Sundry debtors	540	1,100	1,144
Loans & Advances	2	8	3
Other current assets	244	243	493
Sundry creditors	(249)	(453)	(398)
Other current liabilities & Prov	(486)	(1,343)	(1,143)
Cash	272	257	472
Other Financial Assets	102	158	122
Total Assets	516	887	1,837

Source: Company Reports, Arihant Capital Research

Cashflow summary

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Profit before tax	228	478	627
Depreciation	19	30	66
Tax paid	(63)	(118)	(163)
Working capital Δ	(102)	(77)	(740)
Change in Goodwill	-	-	-
Operating cashflow	81	313	(210)
Capital expenditure	(28)	(80)	(65)
Free cash flow	53	233	(275)
Equity raised	204	(6)	36
Investments	-	-	-
Others	(132)	(259)	3
Debt financing/disposal	117	33	291
Dividends paid	-	-	-
Other items	31	(16)	159
Net Δ in cash	272	(15)	215
Opening Cash Flow	272	272	257
Closing Cash Flow	272	257	472

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY21	FY22	FY23
Growth matrix (%)			
Revenue growth		115.2%	37.4%
Op profit growth		113.0%	28.7%
Profitability ratios (%)			
OPM	18.4%	18.2%	17.0%
Net profit margin	12.0%	12.1%	11.4%
RoCE	48.2%	58.3%	37.4%
RoNW	44.7%	49.9%	37.9%
RoA	31.9%	40.6%	25.2%
Per share ratios (INR)			
EPS	3.43	7.50	9.51
Book value per share	349.6	685.5	25.5
Valuation ratios (x)			
P/E	121.0	55.3	43.6
P/B	1.2	0.6	16.3
EV/EBITDA	91.8	43.1	33.5
Payout (%)			
Tax payout	27.8%	24.8%	26.1%
Liquidity ratios			
Debtor days	143	135	102
Inventory days	35	139	120
Creditor days	81	68	43
WC Days	260	343	265

Source: Company Reports, Arihant Capital Research

Arihant Research Desk

[Email: instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

BUY
ACCUMULATE
HOLD
NEUTRAL
REDUCE
SELL

Absolute Return

>20%
12% to 20%
5% to 12%
-5% to 5%
-5% to -12%
<-12%

**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Website

www.arihantcapital.com

Email Id

instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880