JNK India Limited

22-April-24

SUBSCRIBE- LONG TERM

Manan Goyal
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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	6,495
Fresh Issue (No. of Shares in Lakhs)	72.28
Offer for Sale (No. of Shares in Lakhs)	84.21
Bid/Issue opens on	23-Apr-24
Bid/Issue closes on	25-Apr-24
Face Value	₹ 2
Price Band	395-415
Minimum Lot	36

Objects of the Issue

- **Fresh Issue: ₹3,000 million**
  - Funding working capital requirements of the Company.
  - General corporate purposes
- **Offer for sale: 3,495 million**

Book Running Lead Managers
IIFL Securities Limited
ICICI Securities Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	200.00
Subscribed paid up capital (Pre-Offer)	96.78
Paid up capital (Post - Offer)	111.24

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	94.6	67.9
Public	5.4	32.1
Total	**100**	**100**

Financials

Particulars (₹ In million)	9M FY24	FY23	FY22	FY21
Revenue from operations	**2,534**	**4,073**	**2,964**	**1,377**
Operating expenses	1,865	3,380	2,426	1,124
EBITDA	**669**	**693**	**538**	**253**
Other Income	34	42	7	7
Depreciation	40	66	30	19
EBIT	**662**	**669**	**516**	**242**
Interest	55	42	38	13
Profit before tax	**607**	**627**	**478**	**228**
Tax	145	163	118	63
Consolidated PAT	**462**	**464**	**360**	**165**
EPS	**8.31**	**8.34**	**6.47**	**2.96**
Ratios	**9M FY24**	**FY23**	**FY22**	**FY21**
EBITDAM	26.39%	17.01%	18.16%	18.35%
PATM	18.24%	11.38%	12.14%	11.96%
Sales growth		37.42%	115.21%	

Sector- Electric Equipment's **Company Description**

JNK India are in the business of manufacturing the process fired heaters, reformers, and cracking furnaces (together, the "Heating Equipment") that are required in process industries such as for oil and gas refineries, petrochemical, and fertilizer industries. They have capabilities in thermal designing, engineering, manufacturing, supplying, installing, and commissioning Heating Equipment and cater to both domestic and overseas markets. The Indian heating equipment market is closely competed among seven companies with their Company and Thermax Limited being the most prominent and comparable players. Over the years, they have diversified into flares and incinerator systems and have been developing capabilities in the renewable sector with green hydrogen.

A process fired heater 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 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. Further, 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. The process of breaking down hydrocarbons is known as cracking, and it typically involves heating the hydrocarbon feedstock in the presence of a catalyst. The Heating Equipment are required in process industries such as oil and gas refineries, petrochemicals, fertilizers, hydrogen, and methanol plants etc. Their business model involves collaboration with their customers, from the initial consultation, specification, and design stage to the final installation of the Heating Equipment. They believe that due to their long-standing relationship with their customers and their capability to provide customized solutions with a proven track record in product development and execution catering to the diverse needs of their customers, they have a competitive advantage, since there are very few competitors with similar capabilities.

As of December 31, 2023, they have served 21 Customers in India and 8 Customers overseas. Further, 7 out of the 12 oil refining companies in India are their customers, and they have supplied or are in the process of supplying Heating Equipment to 11 of the 24 operating oil refineries across India. Some of their domestic Customers include Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited, and Numaligarh Refinery Limited. Further, they have catered to overseas Customers such as a leading engineering, procurement, and construction ("EPC") company in Europe, a leading oil & gas exploration & production company in Oman, and a Middle East arm of a European EPC company in oil and gas. Also, they have enjoyed repeat orders from certain large domestic Customers such as Rashtriya Chemical & Fertilizers Limited, Tata Projects Limited, Numaligarh Refinery Limited, and Indian Oil Corporation Limited.

Valuation

JNK India Ltd has an Established track record with a diverse customer base with well-positioned to capture industry tailwinds through their demonstrated capabilities over time and Diversifying product portfolio to cater to varied industries along with Demonstrated financial performance with a robust Order Book reflecting revenue visibility for last three Fiscals.

At the upper price band company is valuing at P/E of 49.38x, EV/EBITDA 33.13x with a market cap of ₹ 23,082 million post issue of equity shares and return on net worth of 47.71%.

We believe that the IPO is fairly priced and recommend a "**Subscribe-Long term**" rating to the IPO.

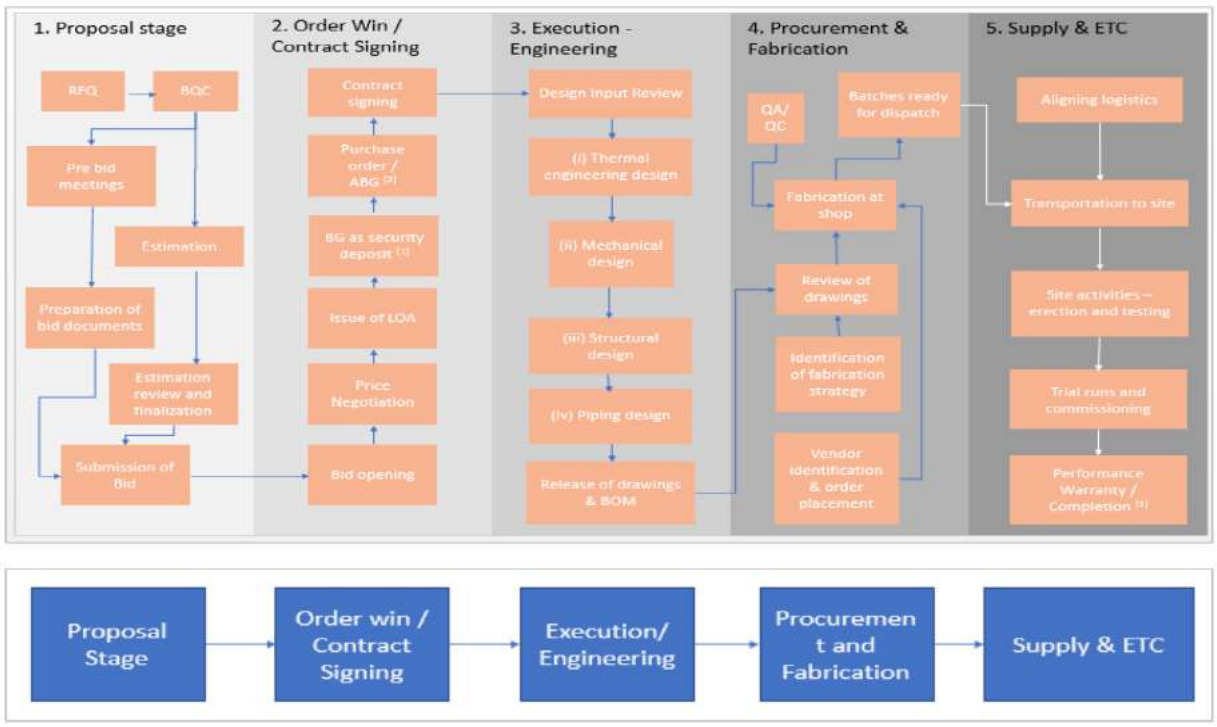
Description of Business

Typical Order flow and working capital requirement.

The company's order flow and working capital requirement is provided below.

Order flow.

The entire order workflow can be divided into five steps as provided below:



Products Portfolio

Over the years, companies have developed a wide range of products to meet the evolving requirements of their customers. They offer a wide range of products primarily categorized under two segments – (a) Heating Equipment and (b) Flares, incinerators and others.

Heating Equipment

Process fired heaters.

A process fired heater is a type of industrial heater used to heat fluids or gases directly by burning a fuel source such as natural gas or propane. In a process fired heater, the fuel is burned in a combustion chamber, and the heat is transferred to the fluid or gas being heated through direct contact. The heated fluid or gas is then circulated through a system to provide heat to a process or space. Process fired heaters come in a variety of designs, including vertical and horizontal configurations, and can be customized to meet specific heating requirements. They are generally more efficient than indirect fired heaters, which require a heat transfer medium such as thermal oil or steam to heat the fluid or gas. Process fired heaters are an effective and efficient heating solution for a wide range of industrial applications, but proper thermal design, installation, and operation are critical to ensure safe and reliable performance.

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. Reformers typically operate at high temperatures and use a catalyst to promote the conversion of hydrocarbons into syngas. There are two main types of reformers:

- **Steam reformers:** These use steam and a catalyst to react with hydrocarbons to produce syngas. Steam reforming is the most common method for producing syngas, as it is highly efficient and can handle a wide range of feedstocks.

- **Autothermal reformers:** These use a combination of steam and oxygen to promote the reaction between hydrocarbons and water. Autothermal reforming can produce syngas at a higher temperature and pressure than steam reforming and can be more efficient for certain feedstocks.

Cracking furnaces

The company have capabilities in designing, engineering, manufacturing, supplying, installing, and commissioning cracking furnaces as well. 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. The process of breaking down hydrocarbons is known as cracking, and it typically involves heating the hydrocarbon feedstock in the presence of a catalyst. Cracking furnaces operate at high temperatures and pressures and are typically fuelled by natural gas or fuel oil. They can be either fired or electrically heated and can be configured in a variety of ways, including vertical and horizontal designs. The most common type of cracking furnace is the steam cracking furnace, which uses steam as a diluent to prevent thermal cracking and promote the formation of smaller hydrocarbons.

These products are being used in refineries, petrochemicals, and fertilizer plants. The product versus application mapping is presented below.

Segments	Process fired heaters	Reformers	Cracking furnace
Refinery	✓		
Petrochemicals	✓	✓	✓
Fertilizers	✓	✓	

Manufacturing capacity and capacity utilization at their two facilities.

Facility	Nine months ended December 31, 2023			Financial year								
				2023			2022			2021		
	Annual Installed Capacity (in metric tonnes)	Actual Production (in metric tonnes)	Capacity Utilization	Annual Installed Capacity (in metric tonnes)	Actual Production (in metric tonnes)	Capacity Utilization	Annual Installed Capacity (in metric tonnes)	Actual Production (in metric tonnes)	Capacity Utilization	Annual Installed Capacity (in metric tonnes)	Actual Production (in metric tonnes)	Capacity Utilization
Mundra Gujrat- 20,243 M^2												
Fabrication and Modularization of process fired heaters/reformers	5,000	319	6.38	5,000	2,200	44.00%	5,000	1,500	30.00%	N.A.	N.A.	N.A.
Sub-total	**5,000**	**319**	**6.38**	**5,000**	**2,200**	**44.00%**	**5,000**	**1,500**	**30.00%**	**N.A.**	**N.A.**	**N.A.**
Jajpur, Odisha, 16,187 M^2												
Fabrication and Modularizatio n of process fired heaters	1,000	783	78.30	1,000	750	75.00%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Sub-total	**1,000**	**783**	**78.30**	**1,000**	**750**	**75.00%**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**
Total	**6,000**	**1,102**	**18.37**	**6,000**	**2,950**	**49.16%**	**5,000**	**1,500**	**30.00%**	**N.A.**	**N.A.**	**N.A.**

Strengths:

- **Established track record with a diverse customer base.**

  Companys is in the business of manufacturing the process fired heaters, reformers, and cracking furnaces (together, the "Heating Equipment") that are required in process industries such as for oil and gas refineries, petrochemical, and fertilizer industries. They commenced operations in 2010 and have a successful project completion track record of over 10 years. They have successfully completed projects which were based in far-reaching locations, including projects in India at Numaligarh, Assam; Kochi, Kerala; Barauni, Bihar; and overseas at Lagos, Nigeria. In recognition of their efforts, they have been accorded incentives by their Customers for early completion of projects in India and overseas.

  Further, in March 2022, they were recognized for their safety compliance by one of the private refinery companies of a multinational industrial conglomerate from Nigeria and were awarded a certificate of appreciation towards 'Safety Compliance and Campaign Performance'. Also, in November 2022, they were awarded a certificate of appreciation by the same refinery company, for providing four million safe manhours without a lost time incident and recognizing their effective contribution towards the installation of process fired heaters. As of December 31, 2023, they have served 21 Customers in India and 8 Customers overseas. Further, 7 out of the 12 oil refining companies in India are their Customers, and they have supplied or are in the process of supplying Heating Equipment to 11 of the 24 operating oil refineries across India. Some of their domestic Customers include Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited, and Numaligarh Refinery Limited. Further, they have catered to overseas Customers such as a leading oil & gas exploration & production company in Oman and a Middle East arm of a European EPC company in oil and gas. Also, they have enjoyed repeat orders from certain large domestic Customers such as Rashtriya Chemical & Fertilizers Limited, Tata Projects Limited, Numaligarh Refinery Limited, and Indian Oil Corporation Limited.

  Company believe they have built a diverse Customer base with over more than a decade of their presence in the Heating Equipment industry. They focus on assisting Customers to meet their requirements across the spectrum of their engagement with them, including in terms of cost, productivity, product reliability, and on-time execution. Due to their long-standing experience with their Customers and their capability to provide customized solutions with a proven track record in product development and execution catering to the diverse needs of their Customer base, it gives them a competitive advantage, since there are very few competitors with similar capabilities.

- **Well-positioned to capture industry tailwinds through their demonstrated capabilities over time.**

  The growing demand for transportation fuels and petrochemical feedstock are the primary growth enablers of the Indian refinery industry. There are 18 refinery projects expected to be commissioned by Fiscal 2031 with a cumulative capacity of 124.0 MMTPA. Further, with the progressive GDP growth, petrochemical products demand is expected to grow significantly over the medium to long-term. Driven by increased domestic consumption and global demand, the Indian petrochemical sector has invested in capacity additions to benefit from the market opportunities. There are 15 petrochemical projects expected to be commissioned by Fiscal 2031 with a cumulative capacity of 23.0 MMTPA. Similarly, given that urea is the major fertilizer used in India and accounts for about 60% of the total fertilizer consumption in India. Local production of urea is not able to meet the domestic demand and about 30% of the demand is met through imports. India is planning capacity additions in the segment to reduce its import dependency and has a target to become self-reliant by calendar year 2025.

There are about four urea projects expected to be commissioned by Fiscal 2026. Thus, the overall demand for Heating Equipment from Indian refineries, petrochemicals, and fertilizer (urea) segments between Fiscal 2024 and Fiscal 2029 is estimated at ₹ 270,890 million i.e., approximately ₹ 45,000 million on an 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 driving the growth in the global process fired heaters market. Further, in the overseas market where they operate, there are 52 refinery projects that are likely to be commissioned between calendar year 2025 and calendar year 2030, with an installed capacity of these projects being 510.9 MMTPA and an estimated capital expenditure of USD $ 186 billion.

Further, considering a two-year lag between equipment ordering and project commissioning, these projects will generate demand for Heating Equipment between calendar year 2023 and calendar year 2028. The Heating Equipment account for 3.3% of the total capital expenditure of a refinery project, hence, demand for Heating Equipment from the refineries between calendar year 2023 and calendar year 2028 would be ₹490,450 million which is approximately ₹81,750 million on an annualized basis. This potential is based on the projects announced till date and may go up if more projects are announced in the coming years.

- **Diversifying product portfolio to cater to varied industries.**

Their Heating Equipment are required in process industries such as oil and gas refineries, petrochemicals, fertilizers, hydrogen, and methanol plants etc. Their Company receives orders from domestic and overseas oil and gas refining, petrochemical, and fertilizers companies. Their diversified Customer base has helped them in expanding their markets and improve profitability. Their Customers are primarily from, amongst others, the oil and gas, petrochemical, and fertilizers industries.

Set out in the table below is the revenue from operations for the nine months ended December 31, 2023, Fiscals 2023, 2022, and 2021 generated by the key industries they cater to:

Particulars	Nine months ended December 31, 2023		Financial year					
			2023		2022		2021	
	Revenue (in ₹ million)	% of revenue from operations	Revenue (in ₹ million)	% of revenue from operations	Revenue (in ₹ million)	% of revenue from operations	Revenue (in ₹ million)	% of revenue from operations
Oil and gas	2,532.56	99.95%	3,146.51	77.25%	2,828.72	95.44%	1,278.89	92.86%
Petrochemical	0.96	0.04%	658.72	16.17%	56.76	1.92%	37.40	2.72%
Fertilizers	Nil	Nil	8.32	0.20%	1.28	0.04%	50.07	3.64%
Others*	0.41	0.01%	259.47	6.38%	77.20	2.60%	10.85	0.78%
Total	**2,533.93**	**100%**	**4.037.02**	**100%**	**2.963.96**	**100%**	**1,377.21**	**100%**

Heating Equipment such as process fired heaters and reformers are used in a typical refinery and are also an effective and efficient heating solution for a wide range of industrial applications, but proper design, installation, and operation are critical to ensure safe and reliable performance. Process fired heaters are the critical equipment in a refinery. Around 10 – 20 process fired heaters are used in any typical refinery. Of all the process fired heaters, four applications such as the CDU, VDU, delayed coker unit, and catalytic reforming units are the most critical and the capex for these heaters is also high when compared with the other heater application areas in the refinery. Other applications for process fired heaters are hydrotreaters, hydrocrackers, FCC, etc. Key processes where process fired heaters are used in a refinery are CDU, VDU, FCCU, hydrocracker unit, visbreaker unit, delayed coker unit, catalytic reforming unit, hydrotreating unit, and bitumen blowing unit. Further, various Heating Equipment such as process fired heaters, reformers, and cracking furnaces are used in a petrochemical plant as well. Reformers and cracking furnaces are the most critical equipment in a petrochemical plant. Process fired heaters and reformers are also used primarily in the ammonia plant of an integrated urea plant. Reformers are the most critical equipment in an ammonia plant. Reformers are used in ammonia production, which is later converted into urea.

Similarly, they started with renewable energy systems in Fiscal 2022. The Indian renewable energy sector is the third most attractive renewable energy market in the world, which is a key part of the energy transition. India's installed cumulative solar energy capacity stood at approximately 66,780 MW at the end of Fiscal 2022, representing 53% of the overall installed renewable energy capacity of 125,160 MW in the country by the end of Fiscal 2023. Solar power installed capacity has increased by more than 25 times, from 2.63 GW in March 2014 to almost 67 GW at the end of Fiscal 2022. India has added nearly 13 GW of solar power in Fiscal 2023. Further, India is targeting an ambitious 500 GW of installed renewable energy capacity by calendar year 2030 of which about 300 GW (over 60%) is expected from solar. India has committed to generating 500 GW of power from non-fossil (e.g., solar, wind, hybrid power sources, hydrogen, biofuels, etc.) fuel sources by calendar year 2030, and reducing carbon emissions by one billion tons by the end of the decade. They are building capabilities in the renewable sector with onsite hydrogen production and Solar PV-EPC, in doing so they will also leverage the technical know-how of JNK Global to capitalize on future growth opportunities in renewable energy systems in India

- **Significant product development and focussed engineering capabilities**

Company have a dedicated R&D team of 145 employees, as of September 30, 2023, housed at their two R&D centres located in Gurugram, Haryana, and Bengaluru, Karnataka. Their R&D team focuses on power electronics design, firmware, system engineering (including mechanical and thermal design), EV Charger development, and battery pack/BMS development. To validate their designs, they have developed internal failure detection capabilities and they also tie up with third-party laboratories for compliance testing as per the required standards. On battery development, company have developed capabilities in end-to-end battery pack design and development including BMS and related algorithms which they aim to optimize to give their customers high cycle life and optimal performance. They

attribute their market position in their EV Charger Business to their ability to work backward from desired customer use-case and experience and develop products with the required technical specifications accordingly. They were one of the early entrants in India to manufacture EV Chargers and developed Bharat Standard chargers (namely AC001 and DC001) in 2019. Company utilized their domain knowledge in power electronics to further scale R&D for EV chargers by developing multi-standard high power Harmony charger for high voltage battery electric vehicles in late 2019, Wallbox AC charger for home use in 2020, fast charger for electric 2W in 2021, and portable charger for PVs in 2022. Some core technology features in DC chargers include the ability of their chargers to work in an energy-efficient manner, at a wide temperature range (up to 55 degrees Celsius), and wide output voltage range (200V to 1,000V) enabling compatibility across vehicle models/segments.

They attribute the deployment of their AC chargers at homes by OEM customers to their performance, design, and technological features, and their focus on reliability in Indian operating conditions. Company continue to advance their product development journey through a combination of incremental improvements and innovative enhancements, all aimed at enhancing the value and versatility of their product portfolio across various usage scenarios. In their Critical Power Business, they focus on products with high efficiency, connectivity, reliability, and flexibility which would help their customers to power the digital communication infrastructure at reduced energy cost. They launched Integrated Power Management Systems ("IPMS") in 2011 to manage complete power management at a telecom site through smart controllers, sensors, and automation. In 2013, they launched advanced chemistry-based Li-ion Batteries for load backup applications at telecommunications towers with BMS, which have achieved deployment to the extent of 2.10 GWh across India and overseas, as of September 30, 2023. Company introduced hybrid renewable systems in 2015 which make use of solar to deliver energy efficiency and reduce reliance on diesel generator sets.

Key Strategies:

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

  There are a total of 53 refineries expected to be commissioned in 21 countries by calendar year 2030. Cumulative capacity of these 53 refineries is 9.15 million barrels per day or 460.7 MMTPA. These countries are South Korea, Malaysia, Thailand, Indonesia, Philippines, Singapore, Vietnam, Iran, Iraq, Qatar, Nigeria, Algeria, Angola, Mexico, Canada, Uzbekistan, Kazakhstan, Saudi Arabia, Oman, Egypt, and Gabon. There are 52 refinery projects that are likely to be commissioned between calendar year 2025 and calendar year 2030, with a total installed capacity of these projects being 510.9 MMTPA and an estimated capital expenditure of USD $ 186 billion. Further, considering a two-year lag between equipment ordering and project commissioning, these projects will generate demand for Heating Equipment from the 1,435.7 6 5,434.5 7 8,682.7 0 8,450.2 7 Fiscal 2021 Fiscal 2022 Fiscal 2023 Nine months ended December 31, 2023 Order Book 2,114.52 6,284.95 7,712.74 2,265.47 Fiscal 2021 Fiscal 2022 Fiscal 2023 Nine months ended December 31, 2023 New Order Booking 1.04 1.83 2.13 2.50# Fiscal 2021 Fiscal 2022 Fiscal 2023 Nine months ended December 31, 2023 Order book / Sales 183 refineries in the countries of interest, between calendar year 2023 and calendar year 2028. The Heating Equipment account for 3.3% of the total capital expenditure of a refinery project, hence, demand for Heating Equipment from the refineries in between calendar year 2023 and calendar year 2028 would be ₹490,450 million which is approximately ₹81,750 million on an annualized basis. This potential is based on the projects announced till date and may go up if more projects are announced in the coming years.

  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.

  The table below shows their revenue from Indian market as a % of revenue from operations for the respective periods for nine months ended December 31, 2023, Fiscals 2023, 2022 and 2021 respectively:

Particulars	Nine Months Ended December 31,2023	FY23	FY22	FY21
Revenue from Indian market (in ₹ million)	2,069.23	1,265.05	729.91	499.18
As a % of revenue from operations	81.66	31.06	24.63	36.25

  The table below shows their revenue from overseas market as a % of revenue from operations for the respective periods for nine months ended December 31, 2023, Fiscals 2023, 2022 and 2021 respectively:

Particulars	Nine Months Ended December 31,2023	FY23	FY22	FY21
Revenue from overseas market (in ₹ million)	464.70	2,800.46	2,158.10	868.81
As a % of revenue from operations	18.34	68.76	72.81	63.08

- **Enhance their diversified offerings including renewables.**

  They will continue to expand their product portfolio and plan to provide diversified offerings to their customers through augmenting engineering capacities and technology partnership. They believe that investment in engineering and design is essential for onboarding new Customers and retaining existing Customers by aligning their product and service offerings with their requirements. In this regard, their endeavor is to, among others, leverage processes and best practices that may be prevalent in other sectors and industries as well. As of December 31, 2023, they had 77 employees in the engineering department, which is approximately 33% of their overall employee strength, and they intend to add more experienced employees in the engineering team. They will continue to focus significantly on product

innovation, engineering, and design to expand their offerings and increase their market presence. They have recently also diversified into waste gas handling systems which include flares and incinerator systems as well.

They design, engineer, install, and service flares and incinerator systems. With emission control norms getting stricter, there is an increased demand for flares and incinerator systems both in India and other developed countries. Globally, the demand for waste gas handling systems which includes flares and incinerators, from the refineries between calendar year 2023 and calendar year 2028 would be ₹64,530 million which is approximately ₹10,750 million on an annualized basis. This potential is based on the projects announced till date and may go up if more projects are announced in the coming years. Further, overall demand for waste gas handling system from Indian refineries, petrochemicals, and fertilizer (urea) segments between Fiscal 2024 and Fiscal 2029 is estimated at ₹ 21,540 million which is approximately ₹3,600 million on an annualized basis. While 62% of this demand would come from refineries followed by 34% from petrochemicals and 4% from fertilizers (urea), 88% of this demand would come from flaring systems and the remaining from incinerators. Demand for incinerators would come from refineries only.

Order Book for flares, incinerators and others as of December 31, 2023, was of ₹132.72 million. The company is in the process of licensing or acquiring companies in this segment to capture the growing global demand. They are also working on building capabilities in the renewable sector with green hydrogen as well through their subsidiary JNK Renewable Energy Private Limited. Currently company supply grey hydrogen through onsite and offsite production and storage systems, and they further propose to foray into engineering solutions for hydrogen or green energy industry.

- **Pursue strategic investment, partnerships and acquisition opportunities and integrate them with their business operations.**

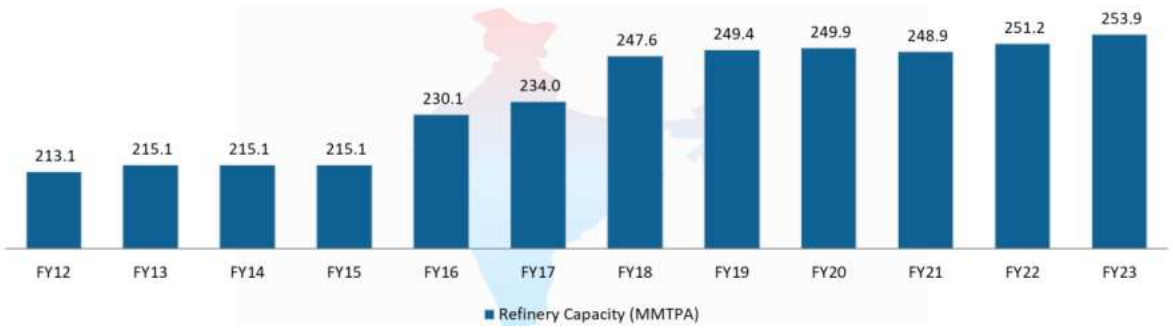
Company intends to selectively pursue strategic investments, partnerships, and acquisition opportunities that complement their business and enhance technological capabilities, add credentials, or establish their presence in their targeted domestic and overseas markets. They are open to consideration and will continue to evaluate and selectively pursue opportunities for acquisitions, partnerships, and investments in a prudent manner. Some of the factors which they consider include, among other things, access to technology, industry expertise, delivery capabilities, key Customers, and geographic locations. They believe that a targeted and opportunistic inorganic growth strategy will complement their significant organic growth strategy.

They may further expand their operations overseas. Their acquisition strategy will primarily focus on strengthening the flares and incinerators systems segment and providing access to newer technologies, industries, and geographies. In pursuit of their inorganic initiatives, they keep evaluating opportunities in acquiring technology and know-how with an aim to enhance their presence in newer product categories and deepen their penetration in the target markets. They intend to expand their customer network in some of the overseas markets, including Europe, to capitalize on untapped opportunities. They propose to continue to pursue inorganic growth opportunities in relatively larger markets such as Italy, the Middle East, and Africa. Further, their company is also evaluating tie-ups/arrangements with players having technology know-how in areas such as flares and incinerators systems and electrolyzer technology for hydrogen generation.

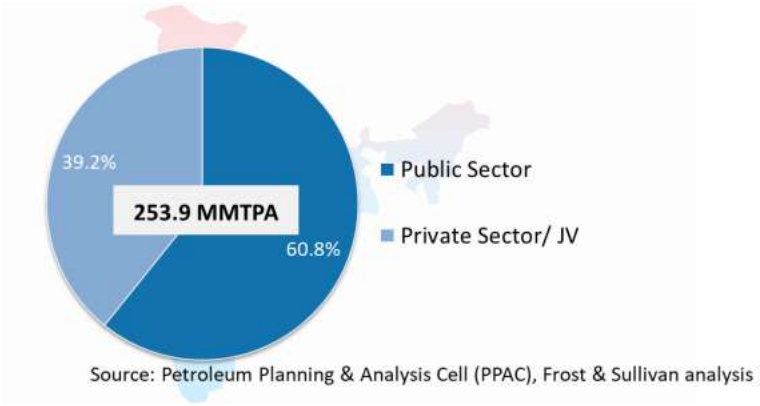
- **Industry Snapshot:**

Sectoral Analysis –

Refinery: India has witnessed solid growth in the refining industry in the past decade. The country has achieved self-sufficiency in refining demand and today is a key exporter of quality refined petroleum products. Country's installed refining capacity at the end of the Fiscal 2023 is at 253.9 million metric tons per annum ("MMTPA") and is the fourth largest in the world after USA, China, and Russia. The installed refining capacity grew by a CAGR of 1.6% between Fiscal 2012 and Fiscal 2023.

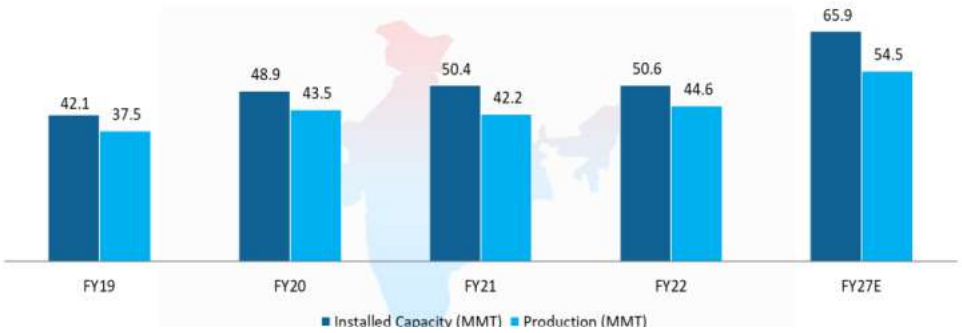


Oil demand in India is expected to reach 38 million barrels per day by calendar year 2045. Diesel demand in India is projected to reach 163 MT by Fiscal 2030; diesel and gasoline are expected to account for 58% of India's oil demand by calendar year 2045. To launch Make in India campaign in oil & gas sector, the government approved a policy to provide "Purchase Preference linked with Local Content ("PP-LC")" in all public sector plants under Ministry of Petroleum & Natural Gas in calendar year 2017. The objective of the policy is to incentivize the growth in local content in by implementing oil and gas projects in India and providing purchase preference to the manufacturers/ consumers who meet the local content targets in oil and gas business activities.



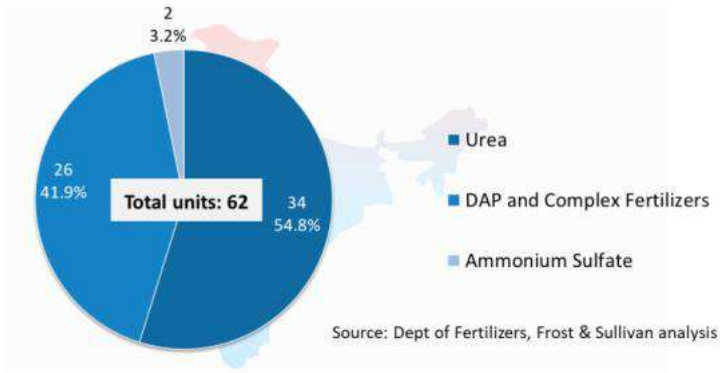
Sectoral Analysis –

Petrochemicals: Petrochemical market in India is currently valued at USD 190 billion and has a high growth potential backed by the lower per capita consumption when compared to the developed economies. The production in Fiscal 2021 was 42.2 MMTPA and is expected to reach 54.5 MMPTA by Fiscal 2027, registering a growth of around 4.1% CAGR between Fiscal 2022 and Fiscal 2027, backed by a large population base and increasing penetration of petrochemical products in India. India is expected to add about 23 MMTPA of petrochemical capacity by calendar year 2030.



Sectoral Analysis –

Fertilizers: The Indian fertilizer sector fuels the nation's agriculture, playing a critical role in food security and farmer well-being. While a major consumer and producer globally, imports are still needed for some fertilizers. Though government subsidies aid affordability, challenges like high costs and infrastructure limitations persist. Emphasis on balanced fertilizer use, sustainability, and distribution improvements pave the way for future growth, driven by rising food demands and increased farmer awareness. Crops are primarily rain-fed and cultivated on a single piece of land over time, leading to a gradual decrease in soil fertility in many areas. As a result, the use of nitrogen fertilizers has increased significantly in the country. The Indian government has implemented various economic reforms to help make fertilizers more affordable and boost agricultural productivity, leading to improvements in the nation's food security. There are about 62 fertilizer manufacturing units in India and 34 of them produce urea. Total fertilizer production in the country stood at 47.8 MMT in Fiscal 2023, registering the highest ever growth of 9.6%. Marketing and promotional activities are key for the penetration of fertilizers in the country. Several governmental and non-governmental awareness campaigns are being conducted to educate farmers on the benefits of fertilizers. Multi modal approach through television, radio and customized rural workshops are expected to increase the consumption of fertilizers in the coming years. Increasing rural incomes and easy availability of loans are also expected to have a positive impact on fertilizer demand in the long-term.



Demand for Products of Interest

End user sector outlook

Refinery sector: Growth drivers and outlook

India is the third largest oil consumer in the world and the oil demand is expected to reach 11 million barrels per day by calendar year 2045, recording 2X growth between calendar year 2022 and calendar year 2045. Growing demand for transportation fuels and petrochemical feedstock are the primary growth enablers of the Indian refinery industry. India is expected to be one of the largest contributors to non-OECD petroleum consumption globally. As per Ministry of Petroleum and Natural Gas ("MoPNG"), the country's consumption of petroleum products during Fiscal 2023 increased by 10% compared to Fiscal 2022, reaching a volume of nearly 223 million metric tonnes. There are 18 refinery projects expected to be commissioned by Fiscal 2031 with a cumulative capacity of 124.0 MMTPA.

Petrochemicals sector:

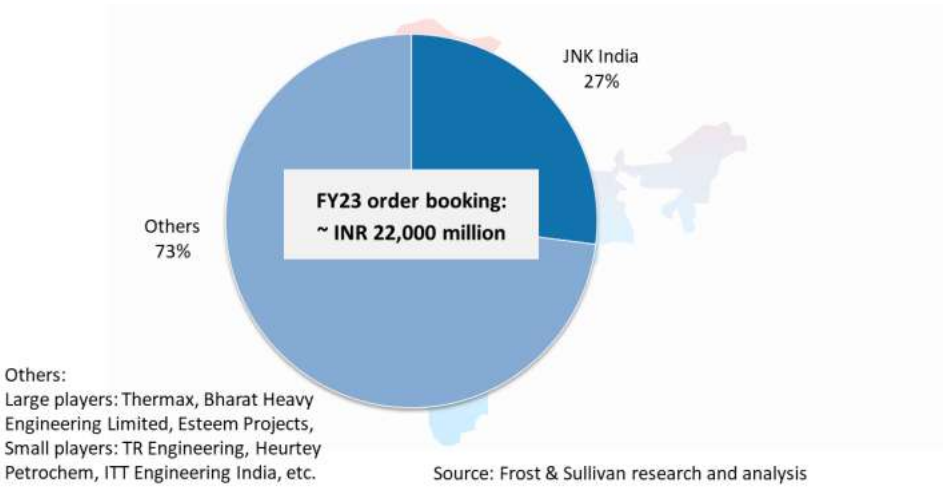
Growth drivers and outlook Petrochemicals are key elements in the Indian industrial segment and a major driver for economic growth. In calendar year 2020, the per capita consumption of polymers in India was around 12 kilograms, while the global average was 37 kilograms. With the progressive GDP growth, demand for petrochemical products is expected to grow significantly over medium to long- term. Driven by increased domestic consumption and global demand, the Indian petrochemical sector is seeing investments to benefit from the market opportunities.

Fertilizer sector:

Growth drivers and outlook India is an agricultural economy and about 80% of the people depend on agriculture. India surpassed China to become the most populous country in calendar year 2023. With the growing population, there is a need to increase agricultural production and diversify agricultural bases. The government is focusing on irrigation, adoption of new agricultural technologies, credit facilities to farmers and the use of various agriculture input like better quality seeds, efficient and balanced use of fertilizers and insecticides to improve the yield. Fertilizer is one of the main agriculture inputs for increasing food grain production. It strengthens the soil and enhances its fertility. Chemical fertilizers are the most used types in India, and they are classified into Urea, Diammonium Phosphate ("DAP"), Single Super Phosphate ("SSP"), Muriate of Potash ("MOP") and other Complex fertilizers like Calcium Ammonium Nitrate ("CAN") and various grades of NPK Fertilizers (Fertilizers having different grades of Nitrogen (N), Phosphorus (P), and Potassium (K)). Urea is the major fertilizer used in India and accounts for about 60% of the total fertilizer consumption in India. Local production of urea is not able to meet the domestic demand and about 30% of the demand is met through imports. India is planning capacity additions in this segment to reduce its import dependency and has a target to become self-reliant by calendar year 2025. There are about four urea projects expected to be commissioned by Fiscal 2026.

Market size and market share analysis

Based on discussion held with the leading heating equipment suppliers, approximately ₹ 22,000 million of heating equipment have been ordered in Fiscal 2023. There is a boost in the order booking in the last few years with most of the suppliers reported their order booking has significantly increased in the last 2-3 years. The majority of these orders have come from PSU refineries. With strong pipeline of Oil & Gas downstream projects till calendar year 2030, the order booking is likely to increase in the coming years.



India's progress towards Green Hydrogen

- Indian Government aims to transform India into an energy independent nation by calendar year 2047 where green hydrogen will play an active role as an alternate fuel to petroleum/ fossil-based products.
- In calendar year 2020, India's hydrogen demand stood at 6 MT per year. It is estimated that by the calendar year 2030, hydrogen costs will be down by 50 per cent.
- The demand for hydrogen is expected to see a five-fold jump to 28 MT by calendar year 2050 where 80 per cent of the demand is expected to be green in nature.
- Some of the prominent industrial mammoths such as Reliance Industries Limited ("RIL"), Gas Authority of India Limited ("GAIL"), National Thermal Power Corporation ("NTPC"), Indian Oil Corporation Limited ("IOCL") and Larsen and Toubro ("L&T") plan to foray into the green hydrogen space. RIL plans to become a net-carbon zero firm by the calendar year 2035 and invest nearly ₹ 750 billion over the next three years in RE.
- The government-led public sector undertaking ("PSU"), Indian Oil, is at the forefront of the green hydrogen revolution. It is planning to setup India's first green hydrogen unit for the Mathura refinery, which will be used to process crude oil.
- National Thermal Power Corporation ("NTPC") has recently set up a tender to establish a first-of-its kind hydrogen refueling station to be powered entirely by renewables in Leh through a stand-alone 1.25 MW solar system.
- Two hydrogen refueling stations have been established (one each at Indian Oil R&D Centre, Faridabad, and National Institute of Solar Energy, Gurugram). The refueling station at Indian Oil R&D Centre has been set up by JNK India.
- Based on inputs received from the industry experts, hydrogen will work for trucks and buses for intra city and inter-city applications when their daily run is above 200 kms. To start with, hydrogen with fuel dispensing stations ready for refueling in every 200 km range are required every 200 kms on main highways.
- India has declared its ambition to become an exporter of hydrogen to Japan, South Korea, and Europe.
- Various hydrogen powered vehicles have been developed and demonstrated under projects supported by Government of India. These include 6 Cell buses by Tata Motors Ltd., 50 hydrogens enriched CNG ("H-CNG") buses in Delhi by Indian Oil Corporation Ltd. in collaboration with Govt. of NCT of Delhi, 2 hydrogen fueled Internal Combustion Engine buses (by IIT Delhi in collaboration with Mahindra & Mahindra).

- **Accounting ratios**

Particulars	Nine Months Ended December 31,2023	FY23	FY22	FY21
Revenue from operations (in ₹ million)	2,533.93	4,073.02	2,963.96	1,377.21
EBITDA (in ₹ million)	702.43	735.05	545.77	260.15
EBITDA Margin (%)	27.72	18.05	18.41	18.89
PAT (in ₹ million)	462.11	463.62	359.83	164.76
PAT Margin (%)	18.24	11.38	12.14	11.96
RoCE (%)	34.73	57.17	83.25	71.90
RoE (%)	31.79	47.71	66.03	56.96
Order Book (in ₹ million)	8,450.27	8,682.70	5,434.57	1,435.76

Comparison with listed entity

Name of the company	Face Value (₹ per share)	Revenue from operations (₹ million)	EPS (Basic) (₹)	EPS (Diluted) (₹)	P/E	NAV (₹ per share)	Return on net worth (%)
JNK India Limited	2	4,073.02	8.34*	8.34*	49.38**	25.45	47.71
Listed peers							
Thermax Limited	2	80,898.10	39.98	39.98	155.96	343.67	12.24
Bharat Heavy Electricals Limited	2	2,33,649.40	1.37	1.37	139.30	186.02	1.79

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on April 5, 2024.
2) */** P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

Key Risk:

- Company derives a significant portion of their revenue from orders which are contracted to them by contracting customers, any failure to obtain new contracts may impact their revenue from operations, cash flows and financial conditions materially and adversely.
- The number of orders company have received in the past, their current order book and their growth rate may not be indicative of the number of orders they will receive in future. The order wins and any delays in execution of their orders expose them to time and cost overruns and variability in revenue, materially and adversely impacting their revenue from operations, cash flows and financial conditions.
- Company is unable to trace some of the historical records and there have been certain instances of regulatory non-compliances in the past. They may be subject to regulatory actions and penalties for any such past or future non-compliance or delays and their business, financial condition and reputation may be adversely affected.
- Company have derived majority of their revenues from their corporate promoter, JNK Global and use their experience and technology support for select projects. Any kind of dissociation with JNK Global may have an adverse impact on their business, results of operations and cash flows.
- Availability and cost of raw materials may adversely affect their business, results of operations, financial condition, and cash flows. Also, they do not enter any long-term contracts with their suppliers.
- Any downside in the capital expenditure of oil and gas, petrochemical and fertilizers industry would create an adverse impact on their revenue from operations, cash flows and financial conditions.
- Company derives a majority portion of their revenues from sales of Heating Equipment. Loss or decline in the demand of such Heating Equipment may result in an adverse effect on their business, revenue from operations and financial condition.

Valuation:

JNK India Ltd has an Established track record with a diverse customer base with well-positioned to capture industry tailwinds through their demonstrated capabilities over time and Diversifying product portfolio to cater to varied industries along with Demonstrated financial performance with a robust Order Book reflecting revenue visibility for last three Fiscals.

At the upper price band company is valuing at P/E of 49.38x, EV/EBITDA 33.13x with a market cap of ₹ 23,082 million post issue of equity shares and return on net worth of 47.71%.

We believe that the IPO is fairly priced and recommend a "**Subscribe-Long term**" rating to the IPO.

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Large Caps (Top 100 companies)	**>15%**	**0%-15%**	**Below 0%**
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251st company onwards)	>25%	0%-25%	Below 0%

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