December 8, 2024 | Initiating Coverage

JNK INDIA LIMITED

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JNK India Ltd (JNK) is a leading player in India's heating equipment sector, holding a market share of ~ 27% and serving diverse industries, including oil & gas refineries, petrochemicals, and fertilizers. With capabilities in thermal design, engineering, manufacturing and commissioning of process-fired heaters, reformers and cracking furnaces, JNK enjoys a competitive advantage due to high entry barriers and strong support from JNK Global. The company is well-positioned to capitalize on India's growing energy demand, which is set to increase 3.5x by 2047E, with a substantial contribution from oil and natural gas. The country's refining capacity is expected to nearly double by 2030E, offering significant growth opportunities. Additionally, renewable energy initiatives like the ₹197 bn Green Hydrogen Mission and 500 GW non-fossil targets by 2030E further drive low-carbon goals, creating new avenues for JNK. With a strong order book of ₹13.1 bn as of H1FY25, up nearly 9x since FY21, and a robust revenue growth of ~4x over the same period. We expect the company to deliver sales/PAT CAGR of 25%/23% over FY24-27E. JNK's expanding client base and higher Total Addressable Market (TAM) in both India and international markets ensure continued revenue visibility and growth potential. Hence we initiate coverage on JNK with a **BUY** rating and TP of ₹815.

Investment Rationale

Well placed to capitalize on industry demand in domestic and overseas market: JNK is set to thrive as demand for heating equipment surges, powered by major refinery and petrochemical expansions in India and worldwide. Domestically, 18 refinery projects (124 MMTPA) and 15 petrochemical projects (~23 MMTPA) are planned by FY31E, alongside India's push for urea self-reliance by FY26E. This translates to an estimated ₹270.9 bn demands for heating equipment between FY24-FY29E (~₹45 bn annually). Globally, 53 new refineries, adding 9.15 mn barrels per day capacity, are expected by 2030E.

High entry barriers: JNK India specializes in the design, engineering, manufacturing, and commissioning of heating equipment for highly regulated industries, creating significant entry barriers for new players. With limited suppliers capable of delivering these critical components, JNK India has established itself as a leader, serving 7 of the 12 oil refining companies in India. The market for process-fired heaters is highly competitive, with JNK India and Thermax being the most prominent players. High entry barriers arise from the complex engineering requirements, the critical need for uninterrupted operations, and the potential for substantial losses if downtime occurs.

Key Financials	FY23	FY24	FY25E	FY26E	FY27E
Total Sales (₹ mn)	4,073	4,802	6,472	7,443	9,330
EBITDA Margins	17.1%	20.7%	16.0%	17.0%	17.6%
PAT Margins	11.4%	13.0%	11.7%	12.0%	12.5%
EPS (₹)	9.7	12.9	13.7	16.1	21.1
P/E (x)	64	48	45	39	29
P/BV (x)	24.4	15.4	6.1	5.3	4.5
EV/EBITDA (x)	43.7	30.8	27.9	22.7	17.6
RoE	38.1%	32.1%	13.3%	13.6%	15.2%
RoCE	41.6%	43.7%	16.8%	17.8%	19.9%

BUY

Current Market Price (₹)	623
12M Price Target (₹)	815
Potential upside (%)	31

Stock Data

Sector :	Industrial Products
Face Value (₹) :	2
Total Market Cap (₹ bn) :	35
Free Float Market Cap (₹ bn) :	10
52-Week High / Low (₹)	897 / 550
BSE Code / NSE Symbol	544167 / JNKINDIA
Bloomberg :	JNKINDIA:IN

Shareholding Pattern

(%)	Sep-24	Jun-24	Apr-24
Promoter	67.98	67.97	67.97
MFs	18.18	17.98	5.97
FPIs	3.41	3.50	4.61
Insurance	0.27	0.33	0.62
AIFs	0.22	0.22	0.95
Others	9.94	10.00	19.88

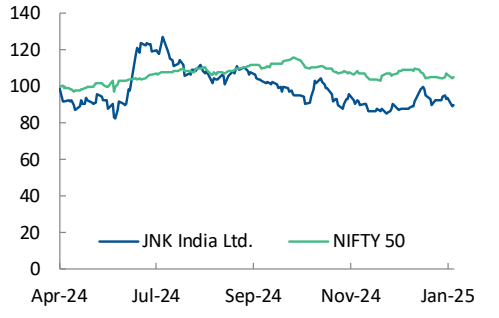
Source: BSE

Price Performance

(%)	1M	3M	6M	9M
JNK	2.5%	-0.8%	-29.1%	-9.9%
Nifty 50	-3.9%	-4.4%	-2.5%	4.9%

** To date / current date : January 7, 2024*

JNK vs Nifty 50



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LKP Research

The intricate design demands expertise in oil products and energy efficiency, crucial for refineries, petrochemicals and fertilizer plants depends on the performance of these heaters. Rigorous supplier selection processes emphasize strong credentials and proven reliability, further solidifying JNK India's market position.

Strong Order book provides revenue visibility: The Order Book to sales ratio has grown multifold from 1.04x (FY21) to 6.8x (H1FY25). The order book stood at ₹13.1 bn as of H1FY25, registering a CAGR of 88.14% over 3.5 years out of which 91.5% was from the Indian market and 8.5% was from overseas market largely dominated by heating equipment orders. Pipeline of prospective projects for which the contracts are currently at various stages of negotiations along with higher TAM in India and overseas markets reflect clear business visibility.

Diversified product portfolio and customer base to cater to varied industries: JNK is expanding into waste gas handling systems, including flares and incinerators, targeting a global market of ₹64.53 bn by 2028E and ₹21.5 bn in India (FY24-FY29E). It remains the only Indian company in a sector traditionally dominated by global players, offering custom-engineered heating equipment. JNK has served 21 Customers in India and 8 Customers overseas. Further, 7 out of the 12 oil refining companies in India are JNK's customers, and the company has supplied or is in the process of supplying Heating Equipment to 11 of the 24 operating oil refineries across India.

Support from JNK Global aids JNK: JNK India has benefited from its partnership with JNK Global (CY23 revenue of USD 123 mn) , a leader in process-fired heaters. JNK India is able to leverage JNK Global's global position, to bid for larger projects in collaboration with JNK Global. However, JNK India is reducing its reliance on JNK Global, with its revenues related to JNK Global decreasing from 77% in FY22 to 69% in FY23 and gradually to 27% in FY24 while order book concentration of JNK Global at 73.2% in FY21 reduced to 17.5% in FY23.

Strategies for Further Growth: The company is actively pursuing inorganic growth strategies, focusing on technology acquisitions and expanding into new markets, with Europe as a key target. It aims to strengthen its presence in sizable regions such as Italy, the Middle East, and Africa by forming strategic partnerships with technology providers specializing in areas like flares, incinerators, and electrolyzer technologies for hydrogen generation. In tandem, JNK is making significant strides in the renewable energy sector, emphasizing green hydrogen production through onsite hydrogen generation, hydrogen fuel stations and solar photovoltaic systems reflecting its commitment to sustainability and innovation.

Through its subsidiary, **JNK Renewable Energy**, the company is driving advancements in the rapidly growing green hydrogen market, which is projected to expand fivefold to 28 mn tons by 2050E, with 80% expected to be green. Notably, JNK has already installed a hydrogen refueling station at the Indian Oil R&D Centre, positioning itself as a key player in sustainable energy solutions and reinforcing its strategic focus on innovation and long-term growth.

Valuation

JNK has an established track record and a diverse customer base, positioning it to capture significant growth opportunities driven by industry tailwinds. The company's strong financial performance, supported by a robust order book, ensures revenue visibility, while its expanding product portfolio caters to a variety of industries. With demonstrated capabilities and a solid growth trajectory, JNK is well-positioned for long-term success. Given its market leadership, consistent financial results, strong return ratios and growth potential, we expect the company to deliver sales/PAT CAGR of 25%/23% over FY24-27E. JNK's expanding client base and higher TAM in both India and international markets ensure continued revenue visibility and growth potential. Hence we initiate coverage on JNK with a **BUY** rating and TP of ₹815.

Risks:

- JNK India uses JNK Global's experience and technology support for select projects. Any kind of dissociation with JNK Global may have an adverse impact on the business, results of operations and cash flows.
- JNK has notable working capital requirements, and the need to secure additional financing, borrow funds, or provide bank or performance guarantees in the future could affect its business, cash flows, and operational results.
- Any downside in the capital expenditure of oil and gas, petrochemical and fertilizers industry would create an adverse impact on the revenue from operations, cash flows and financial conditions.

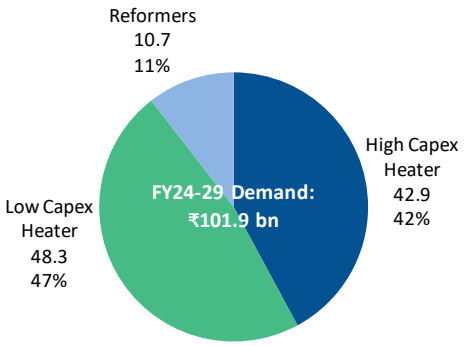
Industry Overview remains bright

India Outlook

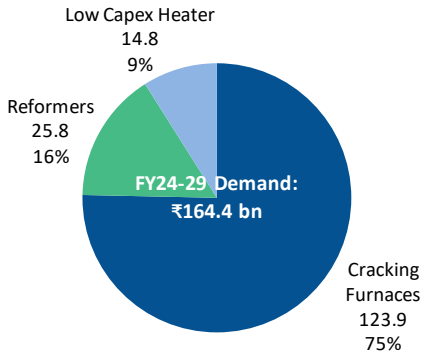
India, the third-largest consumer and fourth-largest refiner of crude oil, plans to increase its refining capacity to 309.5 MMTPA by 2028E. In FY24, crude oil production was 29.4 MMTPA, while petroleum product consumption rose to 234.3 MMTPA. The government's decarbonization efforts include a 1% Sustainable Aviation Fuel (SAF) blending target for international flights by 2027E. Key initiatives in the petrochemical sector, such as plastic parks and revised PCPIR policies, aim to boost growth and position the sector as a major contributor to industries like agriculture, packaging, and construction. There are 18 refinery projects expected to be commissioned by FY31E with a cumulative capacity of 124.0 MMTPA

Domestic Heating Equipment Demand between FY24 to FY29

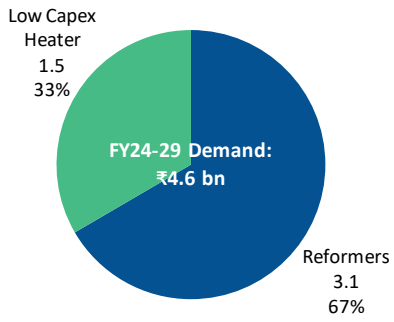
Refinery segment



Indian Petrochemical segment

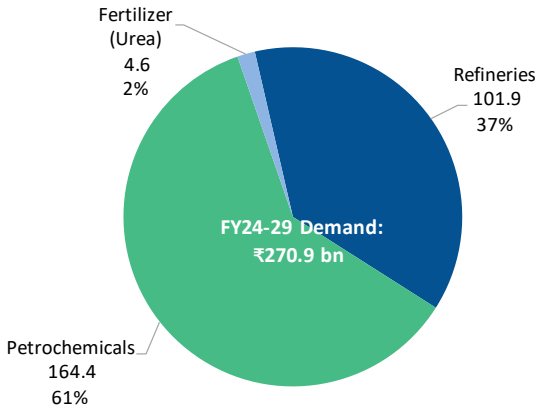


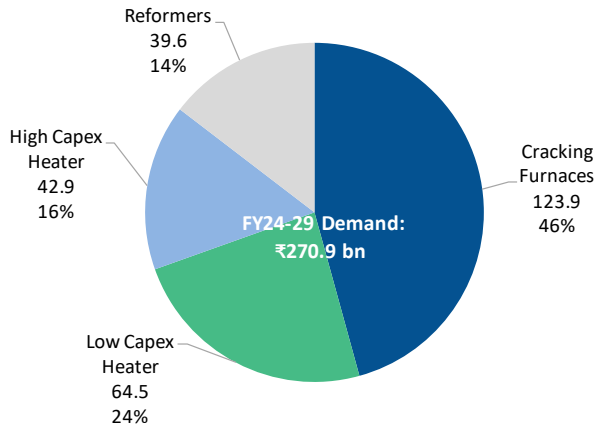
Indian Fertiliser (Urea) segment



Source: Company RHP, LKP Research

Overall domestic demand potential by segment and by type of Heating Equipment between FY24 to FY29





Source: Company RHP, LKP Research

Competitive landscape in Heating Equipment

The process fired heaters market has high barriers to entry and there are only a handful of suppliers, despite surge in demand. The market has high entry barriers as the engineering of industrial process fired heaters requires a complex understanding of various oil products.

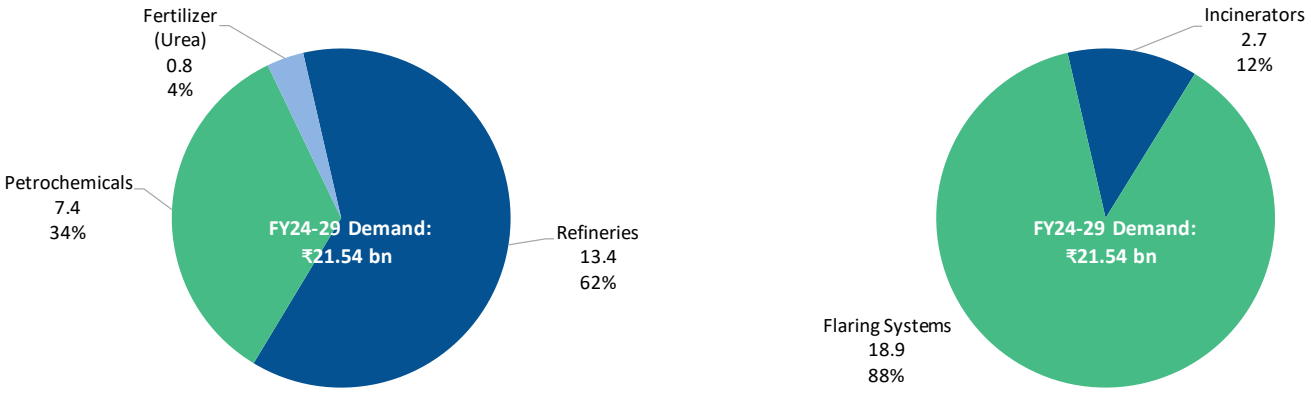
Domestic Competitive landscape for Heating Equipment

	Company Name	Origin	Process Fired Heaters	Reformers	Cracking Furnace
1	**JNK India**	**India**	✓	✓	✓
2	Thermax	India	✓		
3	Bharat Heavy Electrical	India	✓		
4	Esteem Projects	India	✓		
5	Heurtey Petrochem Solutions	France	✓	✓	✓
6	TR Engineering	Spain	✓		
7	ITT Engineering India	Italy	✓	✓	✓

Source: Company RHP, LKP Research

Domestic market demand overview for Waste Gas Handling Equipment

Domestic Waste Gas Handling Equipment demand overview



Source: Company RHP, LKP Research

Competitive landscape in Waste Gas Handling Equipment

	Company Name	Origin	Flare Systems	Incinerators
1	**JNK India**	**India**	✓	✓
2	Zeeco	USA	✓	✓
3	John Zink Hamworthy	USA	✓	✓
4	Airoil Flaregas	India	✓	
5	Ador Welding	India	✓	

Source: RHP, LKP Research

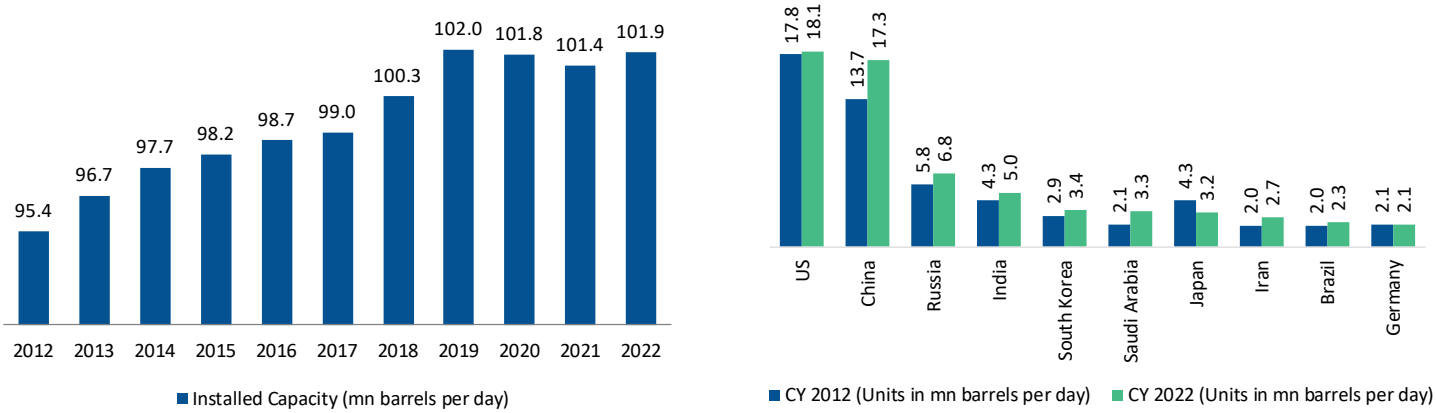
Renewable Energy System

The renewable energy sector, especially in EPC for hydrogen fuelling stations and solar PV plants, is growing rapidly due to national and global clean energy initiatives. India's solar capacity has surged over 25 times, from 2.63 GW in 2014 to 67 GW in 2023, making it a key part of the renewable mix. The solar EPC market is expected to grow further with technological advancements and government support, while the National Green Hydrogen Mission aims to develop 5 MMT of green hydrogen capacity by 2030E, attracting investments of over ₹8 tn. These trends highlight the growing role of renewable energy in reducing emissions and achieving energy independence.

Global Demand Scenario

The global demand for oil refining is driven by growing investments in refinery infrastructure, as well as expanding aviation and road transportation sectors. Additionally, increasing industrialization, urbanization, and population growth in developing countries like China and India are raising the need for automobiles, thereby boosting demand for refined petroleum products. As of 2022, there were 732 refineries globally, with 43% located in Asia, 26% in North America, and 21% in Europe. The number of active refineries rose to 825 in 2023, though regional data is not available. The top five refining nations—USA, China, Russia, India, and South Korea - accounted for 50.5 mn barrels per day in 2022, representing 49.4% of the world's refining capacity.

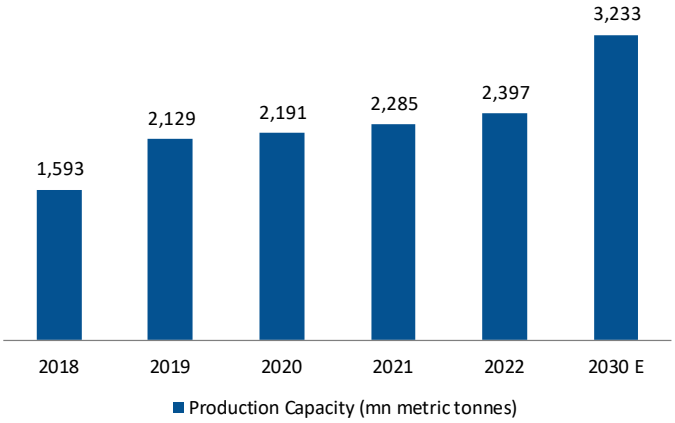
Crude Oil Refinery Installed Capacity – Top 10 Countries, World

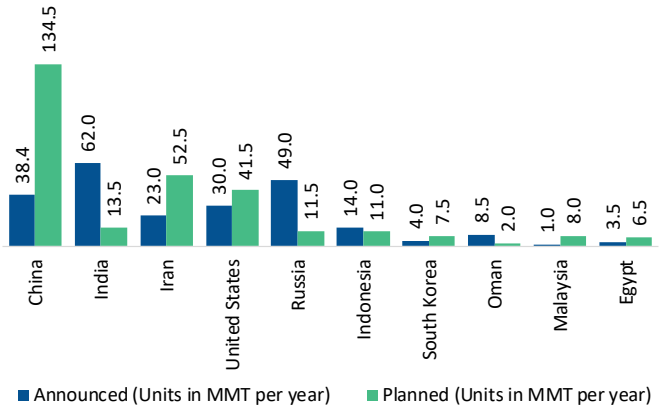


Source: F&S Industry Report, LKP Research

The global petrochemical industry was valued at USD 585 bn in 2022, growing at a CAGR of 2.1% from 2018 to 2022. Demand is expected to rise, driven by key sectors like packaging and construction, particularly in China, India, and Southeast Asia. The market is projected to reach USD 771 bn by 2026E, with a CAGR of 7.1% from 2022 to 2026E. Petrochemical production, once dominated by Western Europe, the USA, and Japan, has grown significantly in the Middle East and Asia in recent decades. By 2022, global capacity reached 2,397 MMT, with Asia Pacific being the largest consumer. The USA's shale gas boom also contributes to growth, and by 2030E, global capacity is expected to reach 3,231 MMT, driven by China, India, and Iran.

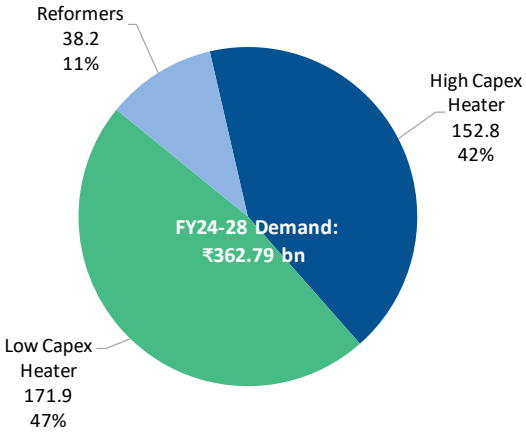
Global Petrochemical production capacity



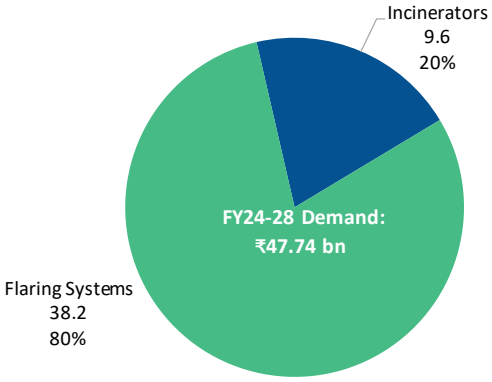


Source: F&S Industry Report, LKP Research

Global Demand for heating equipment from refineries



Global Demand for waste gas handling systems from refineries



Source: Company RHP, LKP Research

Global Competitive landscape for Heating Equipment

	Company Name	Origin	Process Fired Heaters	Reformers	Cracking Furnace
1	**JNK Korea**	**South Korea**	✓	✓	✓
2	Furnace Engineering Inc.	Japan	✓	✓	✓
3	Furnace Improvement Services (FIS)	USA	✓	✓	✓
4	Heurtey Petrochem Solutions	France	✓	✓	✓
5	ITT S.p.A	Italy	✓	✓	✓
6	Tecnicas Reunidas (TR)	Spain	✓	✓	
7	Unit Birwelco	UK	✓		
8	Boustead International Heaters	UK	✓		
9	Born Heaters Inc	USA	✓		

Source: Company RHP, LKP Research

Investment rationale

Industry Tailwinds Driving Heating Equipment Demand

Between FY24 and FY29E, the demand for heating equipment in India's refinery, petrochemical, and fertilizer sectors is estimated at ₹271 bn, with petrochemicals contributing 61%, refineries 37%, and urea manufacturers 2%. Cracking furnaces are expected to account for 46% of the demand, followed by low-capex process-fired heaters (24%), high-capex process-fired heaters (16%), and reformers (14%). Globally, the expansion of oil, gas, and petrochemical capacities is fueling the demand for process-fired heaters, with 52 refinery projects expected to be commissioned between CY25E and CY30E. The heating equipment market is projected to reach ₹362 bn between CY23 and CY28E. With its strong industry expertise, engineering capabilities, and comprehensive product portfolio, the company is well-positioned to capitalize on this growing demand.

Revenue mix increase towards domestic market in FY24

	FY21	FY22	FY23	FY24
Domestic (₹ mn)	499	730	1,265	4,283
Share (%)	36.5	25.3	31.1	89.4
Overseas (₹ mn)	869	2,158	2,800	507
Share (%)	63.5	74.7	68.9	10.6

Source: Company, LKP Research

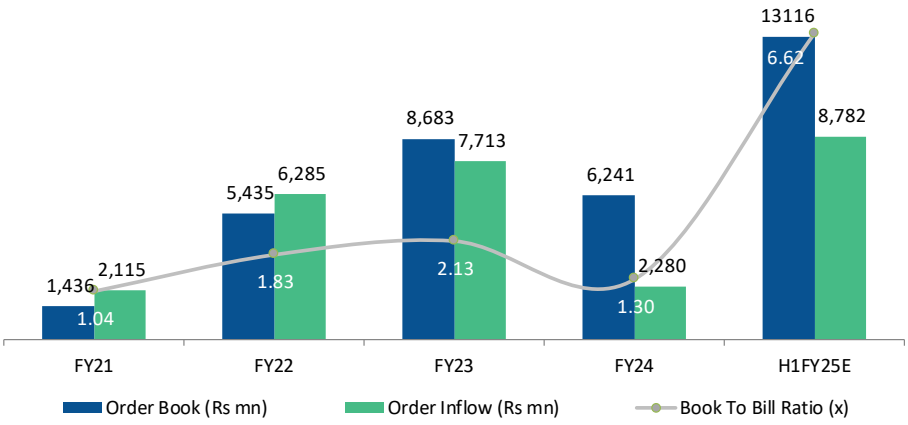
The data highlights a strategic shift towards capitalizing on domestic opportunities with marquee customers including Indian Oil Corporation Limited, Tata Projects Limited, Rashtriya Chemicals & Fertilizers Limited and Numaligarh Refinery Limited.

High Barriers to Entry in the Process Fired Heaters Market: The process-fired heaters market has significant barriers to entry, with only a few suppliers despite growing demand. Designing these heaters requires a deep understanding of various oil products and processes. Even a single day of operational downtime can lead to major losses, making the selection of suppliers a careful and rigorous process. Since energy efficiency is crucial in refineries, petrochemical plants, and fertilizer industries—and largely depends on the efficiency of process-fired heaters—suppliers need strong credentials and proven references. Additionally, suppliers must comply with strict regulatory standards, further limiting the number of companies able to provide this critical equipment. Customers in these industries typically follow very stringent selection criteria when choosing heating equipment suppliers.

Support from JNK Global Boosts JNK India's Growth: Since its inception, JNK India has had a close partnership with JNK Global, one of its promoters. JNK Global, with revenue of USD 120 mn in 2023, has been designing, manufacturing, and installing process-fired heaters since the 1980s. It is the only producer of industrial process-fired heaters in Korea and is among the top three global producers in this field. The growth of global oil, gas, and petrochemical industries is driving demand for process-fired heaters. JNK India benefits from JNK Global's strong global presence, allowing it to bid for larger projects together. However, JNK India is reducing its reliance on JNK Global, with its revenues related to JNK Global decreasing from 77% in FY22 to 69% in FY23 and gradually to 27% in FY24 while order book concentration of JNK Global at 73.2% in FY21 reduced to 17.5% in FY23.

Strong Order book and healthy order pipeline provides revenue visibility: The Order Book to sales ratio has grown multifold from 1.04x (FY21) to 6.8x (H1FY25). The order book stood ₹13.1 bn as of H1FY25, registering a CAGR of 88.14% over 3.5 years out of which 91.5% was from the Indian market and 8.5% was from overseas market largely dominated by heating equipment orders. Pipeline of prospective projects for which the contracts are currently at various stages of negotiation along with higher TAM in India and overseas markets reflect clear business visibility.

Book-to-bill ratio to remain healthy



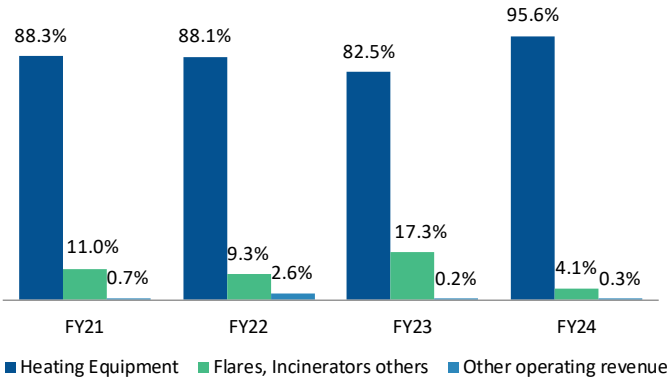
Source: Company, LKP Research

Diversifying Product Portfolio to Serve Multiple Industries: JNK has recently expanded into waste gas handling systems, including flare and incinerator systems. Flare systems are used in industrial plants such as petroleum refineries, chemical plants, natural gas processing plants, oil or gas production sites, offshore rigs, and landfills to safely dispose of gaseous wastes. Flaring is intermittent and occurs when there is excess pressure in the system. While flare systems are used across refineries, petrochemical, and fertilizer plants, incinerators are mainly used in refineries for tail gas incineration in the Sulfur Recovery Unit (SRU).

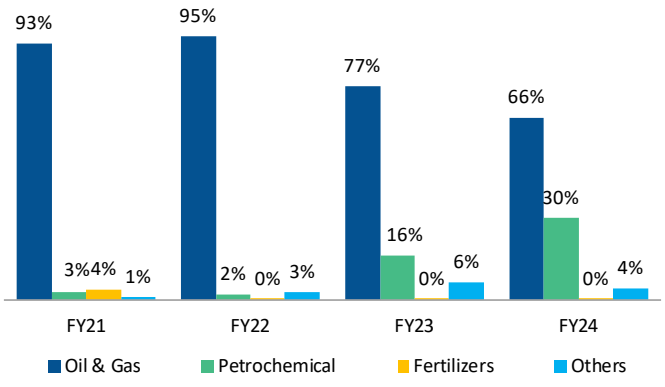
Globally, demand for waste gas handling systems, including flares and incinerators, from refineries in key markets between CY23-28E is projected at ₹64.53 bn, averaging ~ ₹10.75 bn annually. This estimate is based on announced projects and could increase if more projects are added in the coming years. In India, the total demand for waste gas handling systems from refineries, petrochemicals, and fertilizer (urea) segments between FY24-29E is estimated at ₹21.54 bn, or ~₹3.60 bn annually.

Customized Solutions and a Diverse Customer Base: JNK's business model focuses on close collaboration with customers, from the initial consultation and design phase to the final installation of heating equipment. The company prides itself on building long-lasting relationships and delivering customized solutions, supported by a proven track record in product development and execution. This approach gives JNK a competitive advantage, as few competitors can offer the same level of service. By December 2023, JNK had served 21 customers in India and 8 internationally. Notably, 7 out of India's 12 oil refining companies are clients, and JNK has either supplied or is in the process of supplying heating equipment to 11 out of the 24 operational refineries in the country.

Oil & gas continues to be key sector for JNK



Heating equipment is the key segment for JNK



Source: Company, LKP Research

Heating equipment is essential in various process industries like oil and gas refineries, petrochemicals, fertilizers, hydrogen, and methanol plants. The company receives orders from both domestic and international oil and gas refining, petrochemical, and fertilizer companies. The diversified customer base has facilitated market expansion and enhanced profitability. The company's customers are predominantly from the oil and gas, petrochemical, and fertilizer sectors.

Strategies for Further Growth: JNK is actively pursuing inorganic growth strategies by acquiring advanced technologies and entering new markets, with Europe as a primary focus. To strengthen its footprint in significant regions like Italy, the Middle East, and Africa, JNK is forming strategic partnerships with technology providers specializing in critical areas such as flares, incinerators, and electrolyzer technologies for hydrogen generation.

JNK began its venture into renewable energy systems in FY22, aligning with the rapid expansion of India's renewable energy sector. By the end of FY22, India's total installed solar capacity reached approximately 66.8 GW, accounting for 53% of the nation's total renewable energy capacity of 125.2 GW. With a national target of 500 GW of renewable energy capacity by CY30E—of which over 60% (approximately 300 GW) is expected to be from solar energy—JNK is strategically positioning itself to capitalize on this growth.

The company is focused on building its capabilities in green hydrogen production through onsite hydrogen generation and Solar PV-EPC solutions. Green hydrogen production, projected to grow fivefold to 28 mn tons by 2050E, represents a key opportunity. By leveraging the technical expertise of its subsidiary, JNK Global, the company aims to drive innovation and capture future growth in India's renewable energy market. Notably, JNK has already installed a hydrogen refueling station at the Indian Oil R&D Centre, further establishing itself as a significant player in sustainable energy solutions.

Strong Financials

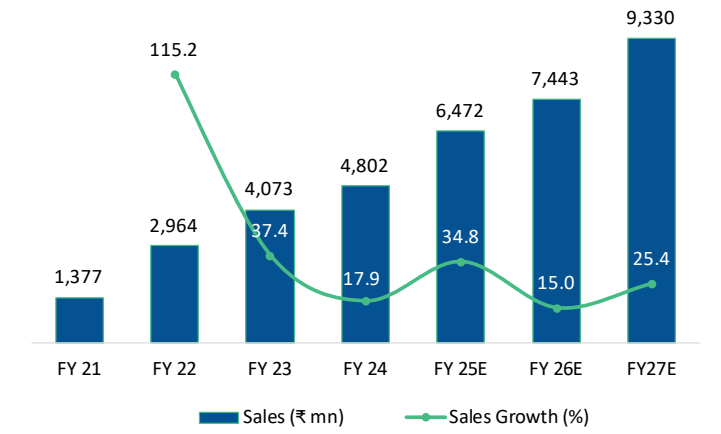
In Fiscal 2024, JNK India achieved robust revenue growth of ₹4,802 mn, reflecting a strong CAGR of 51.64% over three years, with its heating equipment segment contributing 95.64% of revenues. JNK reported an EBITDA of ₹993 mn, showcasing a strong CAGR of 57.80% over three years. The company consistently maintained healthy EBITDA margins in the range of 18-20% during this period, reflecting efficient cost management and strong operational performance. On the other hand, PAT reached ₹626 mn, with consistent ROCE & ROE figures averaging over 40% from FY22 to FY24. However, operating cash flows turned negative in FY23 and FY24, primarily due to rising inventory levels and trade receivables driven by operational scale-up and a growing PSU customer base. This led to a surge in working capital days from 4 in FY21 to 132 in FY24, underscoring the strain on cash flows despite the company's strong financial performance and market expansion.

Despite these challenges, JNK India has effectively managed its capital structure with a healthy average debt-to-equity ratio of 0.2 over FY21-FY24. The company has relied on debt mainly to finance working capital due to the capital-intensive nature of its operations. Nevertheless, its strong profitability and healthy margin profile have enabled it to maintain solid interest coverage ratios. Furthermore, JNK India has kept capex minimal, focusing primarily on the Mundra plant, and operates on a modularization model to optimize cost and scalability.

H1FY25 result update: The company reported a revenue of ₹1,918 mn H1FY25, registering a growth of 43.6% YoY. Company also reported an EBIDTA of ₹213 mn which is a decline of 28.30% YoY. This decline was mainly attributed to the increase in employee expense on account of ESOP cost being incurred as per the company policies. Order book valued at an all-time high of ₹13.1 bn as of September 30, 2024, with new orders inflow of ₹8,782 mn during H1FY25. Increased receivables from public sector undertakings (PSUs) have led to deterioration in working capital, with net cash from operating activities at negative ₹634.35 mn in H1FY25 compared to positive ₹105.32 mn in H1FY24.

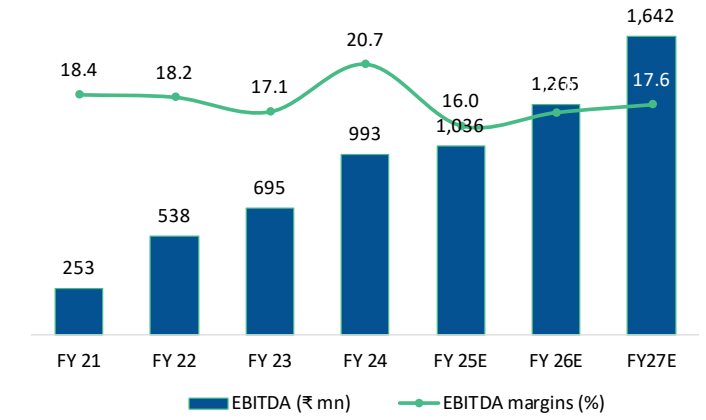
We expect Sales/PAT CAGR growth of 25%/23% while the ROCE/ ROE are expected to be 19%/15% in FY27E. Lower return ratios vs the highs we have seen in FY23 and FY24 can be attributed to the fresh issue proceeds from IPO amounting to ₹3 bn, increasing the capital employed via securities premium in other equity. Any value unlocking can see the return ratios to move up once again.

Sales and YoY Growth

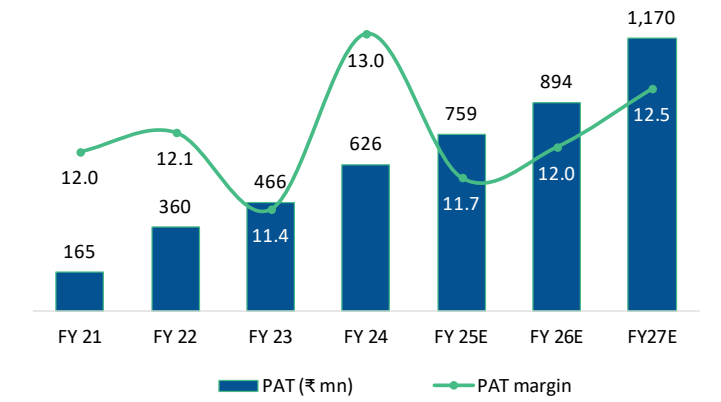


Source: Company, LKP Research

EBITDA & EBITDA Margin

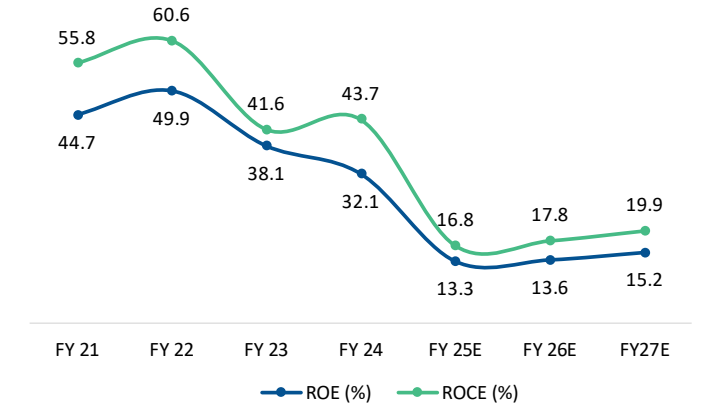


PAT & PAT Margins

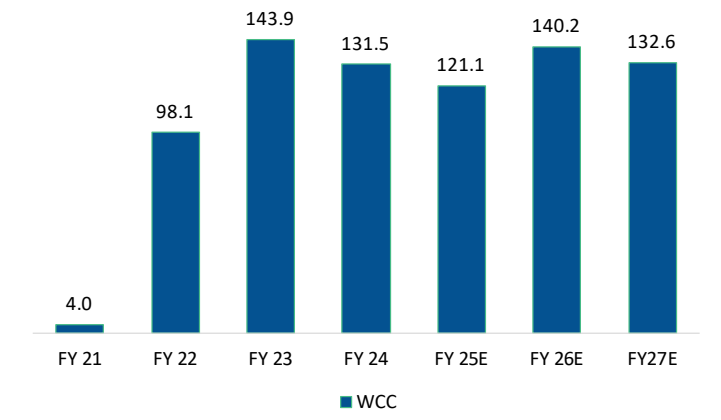


Source: Company, LKP Research

ROE Vs ROCE

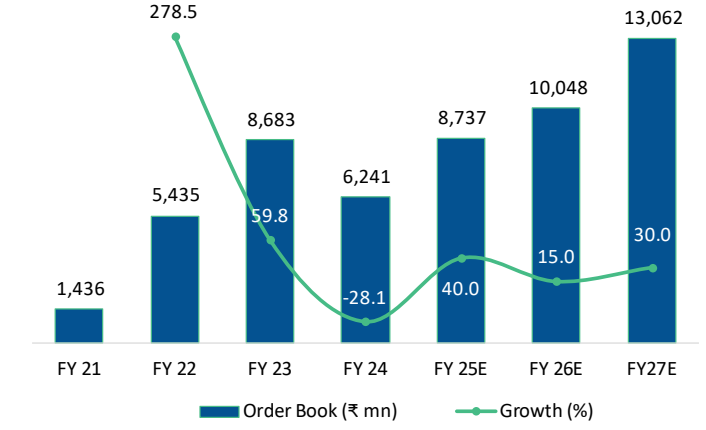


Working Capital Cycle



Source: Company, LKP Research

Order Book Growth



About the company

JNK India Limited (JNK) manufactures process-fired heaters, reformers, and cracking furnaces used in industries like oil and gas refineries, petrochemicals, and fertilizers. The company offers thermal design, engineering, manufacturing, installation, and commissioning services for both domestic and international markets. In the competitive Indian heating equipment market, JNK competes with players like Thermax Limited. Over time, JNK has expanded into flare and incinerator systems and is developing expertise in the renewable energy sector, particularly green hydrogen.

JNK Core Products

Heating equipment: Heating equipment like process-fired heaters, reformers and cracking furnaces play major roles in refineries and various industrial settings.

Heating Equipment

Crude Distillation Unit (CDU) Heaters

Catalytic Reforming Heaters

Pyrolysis Furnaces

Re-boilers / Hot Oil Heaters

Vacuum Distillation Unit (VDU) Heaters

Steam/Hydrogen Reformers

Steam Superheaters

Hydro-treater/HDS Heaters, Hydro Cracker Heaters

Source: Company RHP, LKP Research

- **Process Heaters:** A process-fired heater is an industrial device designed to directly heat fluids or gases by burning fuels like natural gas or propane in a combustion chamber. The generated heat is transferred to the fluid or gas, which is then circulated to meet specific heating requirements. These heaters, available in vertical or horizontal designs, are highly efficient compared to indirect-fired heaters and play a critical role in refinery operations, including crude distillation units (CDU), vacuum distillation units (VDU), and catalytic reforming units. They are also essential in processes such as hydrotreating, hydrocracking, and fluid catalytic cracking (FCC).

- **Reformers:** Reformers convert hydrocarbons like natural gas or naphtha into syngas, a mixture of hydrogen and carbon monoxide. This syngas is a key feedstock for producing chemicals like methanol, ammonia, and synthetic fuels. Operating at high temperatures, reformers utilize catalysts to facilitate this transformation, making them crucial for petrochemical and industrial chemical production.
- **Cracking Furnaces:** Cracking furnaces break down large hydrocarbon molecules into smaller ones, essential for producing fuels, chemicals, and plastics. Using catalysts and operating at high temperatures and pressures, these furnaces can be fired or electrically heated. Steam cracking furnaces, the most common type, use steam to prevent undesired thermal cracking and produce smaller hydrocarbons, playing a pivotal role in modern chemical manufacturing.

Waste gas management: The company has a well-developed waste gas management system to dispose excess gas safely.

Flare systems and Incinerators

Flare Systems

Incinerators

Source: Company RHP, LKP Research

- **Flares:** Flares are gas combustion devices used in industrial plants such as refineries, chemical plants, natural gas processing facilities, and oil and gas production sites, including offshore rigs and landfills. They ensure the safe disposal of excess gaseous waste by burning it, typically during system pressure spikes caused by equipment malfunctions, like a failure in furnace water-cooling systems. Flaring serves as a critical safety measure to protect equipment, maintain operational stability, and comply with environmental standards
- **Incinerators:** Thermal incinerators in sulphur recovery units (SRUs) play a vital role in treating tail gas effluents before atmospheric release. These devices oxidize harmful reduced sulphur compounds—such as hydrogen sulfide (H2S) and carbonyl sulfide (COS)—into sulphur dioxide (SO2), while also supplying thermal energy to elevate the waste gas temperature for effective emission dispersion. This prevents ground-level SO2 concentrations from exceeding pollution standards. Flaring systems are widely used across industries like petrochemicals and fertilizers, whereas incinerators are primarily employed in refineries for managing SRU tail gas emissions.

Renewable energy systems: This is a relatively new segment, and the company provides components for the hydrogen supply chain, including Hydrogen Refueling Stations (HRS) and Solar Photovoltaic Energy Production and Consumption (Solar PVEPC).

- **HRS:** It serves as a station for hydrogen refilling, allowing quick refueling of hydrogen fuel cell vehicles akin to conventional petrol or diesel vehicles. Establishing an HRS involves design, procurement, and construction, typically comprising hydrogen storage tanks, hydrogen gas compressors, a pre-cooling system, and a hydrogen dispenser. The dispenser can supply hydrogen at pressures of 350 bar, 700 bar, or dual pressure, depending on vehicle requirements. As per the Ministry of Renewable Energy, India, two hydrogen refueling stations are operational in India: one at Indian Oil R&D Centre in Faridabad and another at the National Institute of Solar Energy in Gurugram, with the former being set up by them.
- **Solar PV EPC:** This involves the design, procurement and construction of solar power plants. The company handles various project types, including full turn-key EPC projects, partial EPC projects and in-house EPC projects. Some EPC solution providers also engage in project development.

Global Partnership

JNK Global Co. Ltd., one of the leading EPC contractors in Korea and listed on KOSDAQ as well, is one of the major shareholders in the Company. JNK Global was established in 1998 and has been engaged in the design, manufacturing, installation, and maintenance of industrial furnaces. JNK Global, is the only industrial-use process fired heater producer in Korea and is ranked amongst the top three industrial use process fired heater producer globally.

JNK India entered into a cooperation agreement with JNK Global, which governs their relationship in areas such as marketing and the geography of operations. JNK India uses their technology and experience for certain projects and also leverages JNK Global's worldwide position to bid for larger projects in overseas markets and gain entry into new markets. Under the Co-operation Agreement, our Company must pay JNK Global a fee of 3% of the project's revenue (or a mutually agreed lesser amount) for engineering and support services, applicable to projects outside of India and South Korea.

JNK India is the exclusive subcontractor for JNK Global worldwide. Several major projects have been subcontracted to JNK India by JNK Global for the manufacturing and implementation of these projects.

Skilled and Experienced Management: JNK is guided by a highly qualified and experienced management team with deep industry knowledge and a strong understanding of customer preferences. The company's promoters and directors bring decades of expertise in the heating equipment sector and have been instrumental in driving JNK's growth and success.

Promoters and Directors

Arvind Kamath, Chairperson, **Whole Time Director, and Promoter of the company**, holds a chemical engineering degree from Mangalore University and has extensive experience in the capital equipment industry since 2010.

Goutam Rampelli, Whole Time Director and Promoter of the company, holds a bachelor's degree from NIT Warangal and a master's from IIT Bombay in chemical engineering, with extensive experience in fired heaters and reformer packages since 2015.

Dipak Kacharulal Bharuka, Whole Time Director, CEO, and Promoter of the company, holds a master's degree in engineering from the University of Roorkee and an Executive MBA from S.P. Jain Institute, with extensive experience in fired heaters and reformer packages since 2011.

Bang Hee Kim, Non-Executive Director of the company since 2010, holds a bachelor's degree in science from Yonsei University, South Korea, and is an adjunct professor there, with extensive experience in fired heaters and reformer packages.

Peer group

Company	Revenue (₹ bn)			EBITDA (₹ bn)			EBITDA margin (%)			Adj. EPS (₹)			P/E (x)			ROE (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
JNK India	**6.47**	**7.44**	**9.33**	**1.04**	**1.27**	**1.64**	**16.0%**	**17.0%**	**17.6%**	**14**	**16**	**21**	**45**	**39**	**29**	**13.3%**	**13.6%**	**15.2%**
Thermax	106.87	125.85	147.99	9.66	12.59	15.41	9.0%	10.0%	10.4%	63	82	103	65	50	40	15.2%	17.4%	18.4%
BHEL	324.08	429.49	502.03	18.92	39.83	50.05	5.8%	9.3%	10.0%	2	7	11	105	30	21	3.3%	10.1%	13.4%
The Anup Eng.	7.61	9.69	11.50	1.66	2.16	2.70	21.9%	22.3%	23.5%	59	78	97	59	45	36	19%	22%	23%

*Source: *Bloomberg Estimate, LKP Research*

Consolidated Income Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,073	4,802	6,472	7,443	9,330
Change	*37%*	*18%*	*35%*	*15%*	*25%*
RM Cost	2,503	3,004	4,013	4,615	5,654
Employee Cost	532	519	971	819	1,064
Other Expense	343	286	453	744	970
Total Expenditure	3,378	3,809	5,437	6,178	7,688
% of Sales	*82.9%*	*79.3%*	*84.0%*	*83.0%*	*82.4%*
EBITDA	695	993	1,036	1,265	1,642
Margin	*17.1%*	*20.7%*	*16.0%*	*17.0%*	*17.6%*
Depreciation	66	56	49	61	65
EBIT	629	937	987	1,204	1,577
Int. & Fin charges	42	100	40	50	63
Other Income	42	52	65	37	47
PBT	629	889	1,012	1,191	1,560
Tax	163	262	253	298	390
Reported PAT	466	626	759	894	1,170
Change	*29%*	*35%*	*21%*	*18%*	*31%*
Margin	*11.4%*	*13.0%*	*11.7%*	*12.0%*	*12.5%*
EPS (Rs.)	9.7	12.9	13.7	16.1	21.1

Key Ratios

YE Mar	FY23	FY24	FY25E	FY26E	FY27E
Profitability Ratios					
ROA	13.8%	11.9%	8.4%	9.0%	10.2%
ROE	38.1%	32.1%	13.3%	13.6%	15.2%
ROCE	41.6%	43.7%	16.8%	17.8%	19.9%
ROIC	29.8%	25.0%	12.8%	13.1%	14.6%
Valuation (x)					
Rep. PE	64	48	45	39	29
EV/Sales	7	6	4	4	3
EV/EBITDA	44	31	28	23	18
P/BV	24	15	6	5	4
Turnover Ratios (x)					
Asset Turnover	0.3	0.3	0.2	0.2	0.2
Fixed Assets Turnover	74.8	55.8	52.0	53.8	60.4
Efficiency Ratios (x)					
Inventory in days	105.4	100.4	87.8	96.0	95.3
Debtor days	100.5	124.4	127.6	121.2	109.9
Creditors days	62.0	93.4	94.3	77.0	72.6
Liquidity Ratios (x)					
Current	1.6	1.5	2.7	2.9	3.1
Leverage Ratios (x)					
Debt/Equity	0.2	0.2	0.0	0.0	0.0
Interest Coverage	14.9	9.4	24.9	24.2	25.0

Consolidated Balance Sheet

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Assets					
Net Block	204	265	279	293	311
Other intangible assets	4	3	5	2	8
Deferred tax assets	25	30	30	30	30
Other non-current assets	92	265	291	319	350
Total non-current assets	324	564	605	645	700
Inventories	821	832	1,099	1,327	1,627
Debtors	1,144	2,131	2,394	2,549	3,067
Cash & Cash Equivalents	154	55	1,451	1,716	1,651
Other current assets	936	1,696	3,433	3,745	4,374
Total current assets	3,053	4,714	8,377	9,337	10,719
Total assets	**3,378**	**5,278**	**8,982**	**9,982**	**11,419**
Equity and Liabilities					
Equity share capital	96	97	111	111	111
Other equity	1,128	1,857	5,578	6,445	7,580
Total equity	1,224	1,954	5,689	6,556	7,691
Long Term Borrowings	32	26	26	46	62
Deferred tax liabilities (net)	0	0	0	0	0
Other non current liabilities	255	164	164	164	164
Total non-current liabilities	287	190	190	210	225
Short term- Provs & Borrows	381	674	347	383	442
Trade Payables	398	1,139	934	1,011	1,239
Other current liabilities	1,088	1,321	1,821	1,821	1,821
Total current liabilities	1,867	3,134	3,102	3,216	3,502
Total equity and liabilities	**3,378**	**5,278**	**8,982**	**9,982**	**11,419**

Consolidated Cash Flow Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from operating activities					
Profit before tax	**629**	**889**	**1,012**	**1,191**	**1,560**
Depreciation & amortisation	66	56	49	61	65
Finance costs	18	68	40	50	63
Others	40	121	0	0	0
Change in WC	**-690**	**-1,115**	**-794**	**-646**	**-1,250**
Income taxes paid, net of refund	-150	-120	-253	-298	-390
CFO	**-87**	**-101**	**53**	**359**	**48**
Cash flows from investing activities					
Net CAPEX (PP&E)	-75	-117	-65	-73	-89
Others	-175	-24	-1,203	0	0
CFI	**-250**	**-141**	**-1,268**	**-73**	**-89**
Cash flows from financing activities					
Issue of equity shares	0	1	14	0	0
Securities Premium Proceeds	0	0	2,986	0	0
Net change in borrowings	278	210	-327	57	74
Dividend Paid	-14	-15	-23	-27	-35
Finance cost	-10	-56	-40	-50	-63
Others	**13**	**5**	**0**	**0**	**0**
CFF	266	145	2,610	-20	-25
C&CE opening balance	**225**	**154**	**55**	**1,451**	**1,716**
Net CF	-71	-97	1,395	266	-66
Exchange rates adjustments	-0.1	-2.0	0.0	0.0	0.0
C&CE at the end of the years	**154**	**55**	**1,451**	**1,716**	**1,651**

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