

KRN HEAT EXCHANGER AND REFRIGERATION LTD

25-09-2024 - 27-09-2024

Industry: HVAC&R

Price Band: ₹209 - 220

Recommendation: Subscribe for Listing Gains

Post Implied Market Cap: ₹1,299 Cr - ₹1,367 Cr

Key Data

Issue Size (₹ Cr)	325 - 342
Fresh (₹)	342
OFS (₹)	0
No. of shares offered	15,543,000
Face Value (₹ /share)	10
Bid Lot	65

About the Company

KRN Heat Exchanger and Refrigeration Ltd ("KRN") specializes in manufacturing aluminium and copper fin-copper tube condenser and evaporator coils for the HVAC&R industry. Their products are used by OEMs in heating, ventilation, air conditioning and refrigeration systems across domestic, commercial and industrial sectors. KRN's product portfolio includes evaporator and condenser coils, fluid and steam coils, condensing units, copper headers and sheet metal parts. The company operates from a consolidated manufacturing facility in Neemrana, Rajasthan.

Investment Rationales

- **Long-standing business relationships with leading clientele:** The company's focus on automated production, R&D and advanced manufacturing technology ensures consistent quality, timely delivery and cost-efficiency, leading to repeat orders from key customers like Daikin Air conditioning which company derives 33.34% revenues, clearly showcase high quality standards.
- **Effective quality control checks:** KRN has an in-house quality control facility, where products undergo stringent checks to ensure top quality. Key production employees hold BS EN ISO-13585 certification, vital for heat exchanger manufacturing. The company's quality management team consists of 41 members, including 25 contractual employees.
- **Established Manufacturing facility:** Company's registered office and manufacturing facilities are located in the well-known RIICO industrial area of Neemrana, Rajasthan. Their manufacturing unit is fully equipped for end-to-end production, providing full-service capabilities across the product cycle. This setup allows KRN to maintain strict quality control and achieve cost advantages.
- **Regular Improvement in product design and development:** KRN has an in-house product design and development centre at their manufacturing facilities. Their design team focuses on creating new heat exchanger designs based on customer specifications, aimed at enhancing product efficiency.
- **Increasing the global footprint and augmenting growth in current geographies:** KRN has steadily expanded its customer network across Europe and plans to further diversify by increasing sales in existing markets and expanding into new geographies, particularly North America and Europe. Their strategy includes establishing a strong local presence, building connections, and leveraging development expertise to boost market share in these regions.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	30-09-2024
Refunds/Unblocking ASBA Fund	01-09-2024
Credit of equity shares to DP A/c	01-09-2024
Trading commences	03-09-2024

Shareholding (No. of shares)

Pre-Issue	46,613,600
Post Issue (Lower price band)	62,156,600
Post Issue (Higher price band)	62,156,600

Shareholding Pattern

Promoter:

Pre Issue	94.39%
Post Issue	70.79%

Public-Others:

Pre Issue	5.61%
Post Issue	29.21%

Risk

- Higher dependency on limited number of customers.
- Higher dependency on limited number of suppliers.
- Fluctuation in the prices of raw materials.

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

MView

We believe KRN Heat Exchanger and Refrigeration Ltd IPO brings an opportunity for investors to invest in a prominent manufacturer specializing in fin and tube-type heat exchangers which are widely used in the growing HVAC&R industry. We think with its established manufacturing capabilities in aluminium and copper condenser and evaporator coils, KRN has positioned itself as a reliable supplier to OEMs across domestic, commercial and industrial markets. We also believe the company's focus on R&D, advanced manufacturing processes and stringent quality control ensures product excellence and fosters long-term customer relationships, evidenced by repeat orders. Additionally, KRN's expansion strategy, targeting key markets in Europe and North America, offers significant growth potential. By looking at the financials, the company has demonstrated impressive growth in revenue from operations/net profit increased by 58.5%/205.1% in FY 2023 and 24.6%/20.9% in FY 2024. On valuation parse at the upper price band of ₹ 220/-, the issue is asking for a market cap of ₹ 1367 cr. Based on FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking for a PE of 35x which seems reasonable looking at its financial growth trajectory and no listed peer to compare. Given their strong in-house design and development team, supported by marquee clients, along with full-service manufacturing capabilities, further enhances their ability to adapt to customer needs and maintain competitive advantages. Hence, we recommend investors to "SUBSCRIBE" the KRN Heat Exchanger and Refrigeration Ltd IPO for listing perspective only.

Other Details

BRLMs: Holani Consultants

Registrar: BigShare Services

Listing: BSE & NSE

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS			
Particulars ₹ (in Crs)	As at Mar' 31		
	2024	2023	2022
	Consolidated	Standalone	
Equity Share Capital	46.14	44.00	44.00
Reserves	85.51	15.57	21.13
Net Worth	131.65	59.57	25.53
Total Borrowings	59.69	36.64	22.12
Revenue from Operations	308.28	247.48	156.11
Revenue Growth	24.6%	58.5%	-
EBITDA	58.45	49.32	16.94
EBITDA Margin (%) as stated	18.96%	19.93%	10.85%
Net Profit for the Year	39.07	32.31	10.59
Net Profit Margin	12.67%	13.06%	6.78%
EPS	8.69	7.34	2.41
ROE (%)	40.86%	75.94%	54.88%
ROCE (%)	31.21%	50.46%	34.65%
Net Asset Value (₹) as stated	28.53	13.54	5.80
Debt to Equity	0.45	0.62	0.87

Source: Company RHP



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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