



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

सहायक महाप्रबंधक Assistant Manager

निगम वित्त विभाग Corporation Finance Department

Registration Approval and Correspondences

निर्गम एवं सूचीबद्धता प्रभाग Division of Issues and Listing – 2

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SEBI/HO/CFD/RAC-DIL2/P/OW/2023/45278/1

November 09, 2023

IIFL Securities Limited

10th Floor, IIFL Centre, Kamala City,
Senapati Bapat Marg,
Lower Parel (W), Mumbai 400 013

Kind Attention: Mr. Mukesh Garg

Dear Sir,

Sub: Additional Clarification sought for proposed IPO of JNK India Limited

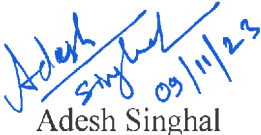
We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated August 22, 2023.

Initial clarification have been sought through letter dated September 15, 2023. You have submitted your reply through letter dated September 27, 2023.

In reference to the above, you are advised to comply/clarify on the following points mentioned in Annexure A.

You are requested to submit your response within 5 working days of the receipt of this letter.

Yours faithfully,


Adesh Singh

(Encl.: As above)

Annexure A

Additional Clarifications sought on the DRHP of JNK India Limited

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify the following points:

1. LM is advised to consider re-drafting of the phrase “ON UTILIZATION OF PRE IPO PLACEMENT PROCEEDS (IF ANY) PRIOR TO THE COMPLETION OF THE OFFER, IT SHALL BE APPROPRIATELY INTIMATED TO THE PRE-IPO PLACEMENT SUBSCRIBERS THAT THERE IS NO GUARANTEE THAT THE OFFER MAY BE SUCCESSFUL AND RESULT IN TO LISTING OF THE EQUITY SHARES OF OUR COMPANY ON THE STOCK EXCHANGE.” at all relevant sections of the offer document.
2. LM is advised to include all Financial Metrics Numbers disclosed in DRHP as a separate portion under Sub-Section “Summary of Financial Information”. This section must include different segment of revenue including Revenue Classification based on Customer Category (Contracting Customers and End Customers), Customer Segment (Oil Refineries, Petrochemicals, Fertilizers, etc.), Geography (Within India and Outside India), Product Wise (Heating Equipment, Flares, Renewable Energy etc.), Category of Contracts (Over a period of time basis and At a point in time basis).
3. **Definitions and Abbreviations:**
 - a. LM is advised to name few of the contracting customers.
 - b. LM is advised to define “New Order Booking” and “Order Book wins”.
4. **Summary of the Offer Document:**
 - a. **Summary of Business :-**
 - i. LM is advised to consider re-drafting of the details being disclosed in this section. It is advisable to start the paragraph with the operations of the company. Further, LM is advised to disclose information about diversified product portfolio and delete the phrase “We are one of the well-recognized process fired heater companies in India, having a market share of approximately 27% in the Indian Heating Equipment market, in terms of new order booking in Fiscal 2023. (Source: F&S Report)”.
 - b. **Pre-Offer shareholding of Promoters, Promoter Group and Selling Shareholders :-**
 - i. LM is advised to disclose Shareholding details of “Mascot Capital” as a footnote to the table.

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c. Summary of Related Party Transactions :-

- i. LM is advised to disclose the reason for significant increase in Professional fees expenses of Bang Hee Kim. Further, LM is advised to explain how the professional fees of Bang Hee Kim is determined.
- ii. LM is advised to re-define the relationship of all the related parties. For instance, JNK Heaters Co. Ltd (Korea) is Corporate Promoter, JNK Heaters Co. Ltd (Project Office, India) is also a Corporate Promoter, Mascot Dynamics Private Limited, Mascot Business Solution Private Limited, Mascot Flowtech Private Limited and Porvair Filtration India Private Limited are Entities owned by Promoter i.e. Arvind Kamath, Arvind Kamath, Goutam Rampelli and Dipak Bharuka are Promoters, Bang Hee Kim are major Shareholder and CEO of Corporate Promoter (JNK Heaters Co. Ltd), Mascot Capital and Marketing Private Limited is Corporate Promoter significantly owned by Arvind Kamath, Priya Bharuka is Wife of Promoter, etc.
- iii. LM is advised to include the following table in addition to the table being disclosed in the offer document :-

Particulars	FY 2023	FY 2022	FY 2021
Revenue from Operations from all related parties			
% of Total Revenue from Operations			
Employee Benefit Expenses Towards all related parties			
% of Total Employee Benefit Expenses			
Particular 3			
Particular 4, etc..			

5. Summary of the Offer Document:

- a. **Risk Factor 1 :-** LM is advised to disclose if there any restrictive covenants in the contractual arrangements/agreements with Contract Customers. Further, LM is advised to disclose if in future, the company can undertake projects awarded by customers of "Contracting Customers" as "End Customers". For instance, if Company A is Customer of JNK Heaters Co. Ltd., then whether company can undertake projects of Company A as End Customers in future. Also, LM is advised to disclose No. of Contracting Customers added and Lost during last 3 FYs and stub period if any. Also, LM is advised to provide an explanation for difference between Revenue from Operations from projects provided by JNK Heaters, being disclosed

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in RF 1, and Sale of goods and services to JNK Heaters, being disclosed in Related Party Transactions.

- b. **Risk Factor 2 :-** LM is advised to disclose No. of Orders awarded during last 3 FYs and Stub period, if any along with Total Expected Consideration from the orders. Further, LM is advised to disclose the instances of time and cost overruns along with their impact on operations and financials of the company during last 3 FYs and stub period. In case, if there is no instance, LM is advised to provide and disclose a negative confirmation to this effect.
- c. **Risk Factor 5 :-** LM is advise to disclose the cost incurred on rectification of defects during last 3 FYs and stub period.
- d. LM is advised to add a separate risk factor in Top 5 risk factors specifically disclosing the dependency of company on JNK Heaters. Further, LM is advised to disclose all restrictive covenants of Cooperation Agreement. For instance, Requirement of consultation with JNK Heaters prior to entering overseas market, Default of contractual obligations may preclude from having projects in certain jurisdictions, Using Trademark of JNK Heaters, rely on JNK heaters for any technological development, etc.
- e. **Risk Factor 8 :-** LM is advise to disclose where company's operations and financial impacted adversely due to any conflict of interest between company and its corporate promoter/directors.
- f. **Risk Factor 9 :-** LM is advise to bifurcate the risk into two risk factors. (one risk factor related to Bank Guarantees and other one related to personal guarantee provided by promoter and corporate promoters).
- g. **Risk Factor 10 :-** LM is advised to provide individual experience instead of cumulative experience. Further, LM is advised to provide attrition rate of KMP and Senior Management during last 3 FYs. Also, LM is advised to provide attrition rates for all employees. In addition to this, LM is advised to provide Employee Benefit Expenses for KMP and senior management and Employee Benefit Expenses for all employees.
- h. **Risk Factor 11 :-** LM is advised to provide more details and substantiate the risk factor with more details and data.
- i. **Risk Factor 12 :-** LM is advised to revise the table in line with Point 4.c.ii above.
- j. **Risk Factor 13 :-** LM is advised to move this risk factor after Top 20 risk factors.

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- k. **Risk Factor 14 :-** LM is advised to disclose the names of the competitors both Indian and Global. Further, LM is advised to disclose if there is any instance where company has to quote low margins due to competition and suffered losses.
- l. **Risk Factor 15 :-** LM is advised to disclose Estimated Margin vis a vis Realized Margin for orders delivered during last 3 FYs and Stub period.
- m. **Risk Factor 16 :-** LM is advised to disclose the name of the lessor, lease tenure, lease rental, address of the property. Further, LM is advised to ensure that there is no conflict of interest between lessor and the company, its promoter, promoter group, director, KMP and senior management. In case if there is a conflict, the same should be adequately disclosed.
- n. **Risk Factor 17 :-** LM is advised to merge this risk factor with Risk Factor 6.
- o. **Risk Factor 18 :-** LM is advised to disclose no. of instances of delay in dispatching parts by the third-party fabricators during last 3 FYs and stub period and impact of such delay on operations and financials of the company.
- p. **Risk Factor 20 :-** LM is advised to move this risk factor to below Top 30 risk factors.
- q. **Risk Factor 21 :-** LM is advised to consider the re-drafting of the heading of the said risk factor as "We do not have any research and development ("R&D") facility and may have to rely on one of our Corporate Promoters, JNK Heaters for any new technological development."
- r. **Risk Factor 22 :-** LM is advised to move this risk factor to below Top 30 risk factors.
- s. **Risk Factor 23 :-** LM is advised to provide current status of pending approval from one of the lender of the company.
- t. **Risk Factor 24 :-** LM is advised to confirm whether ROC records were verified for the share transfer between Mascot Capital and Dipak Bharuka as part of their Due diligence process. Further, LM is advised to provide no. of instances of regulatory actions and penalties levied on the company along with amount paid during last 3 FYs and stub period.
- u. **Risk Factor 25 :-** LM is advised to provide list of all the required licenses along with their expiry date and status of renewal, if applicable. Further, LM is advised to

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provide the rationale behind seeking consent from the Unit Approval Committee, Adani Ports and Special Economic Zone Limited and Office of Development Commissioner with respect to change in shareholding of the company. Also, LM is advised provide current status of the consent.

- v. **Risk Factor 26 :-** LM is advised to move this risk factor to Top 15 risk factors.
- w. **Risk Factor 29 :-** LM is advised to add a separate risk factor as “Risk related to suppliers of raw material” under Top 5 risk factors and include all risk factors (RF 26, 29, etc.) as sub-heads to this main heading.
- x. **Risk Factor 31 :-** LM is advised to move this risk factor to last 5 risk factors.
- y. **Risk Factor 33 :-** LM is advised to disclose details about professional fees being paid to directors, etc.
- z. **Risk Factor 35 :-** LM is advised to disclose the name of the lessor, lease tenure, lease rental, address of the property. Further, LM is advised to ensure that there is no conflict of interest between lessor and the company, its promoter, promoter group, director, KMP and senior management. In case if there is a conflict, the same should be adequately disclosed.
- aa. **Risk Factor 36 :-** LM is advised to disclose no. of instances of IT systems failure during last 3 FYs and stub period and impact of such failure on operations and financials of the company.
- bb. **Risk Factor 37 :-** LM is advised to disclose no. of instances of failures identified in internal control systems during last 3 FYs and stub period and impact of such failure on operations and financials of the company.
- cc. **Risk Factor 39 :-** LM is advised to provide more details in the risk factors in line with disclosures made on Pg 99 of the offer document.
- dd. **Risk Factor 41 :-** LM is advised to consider the requirement of the said risk factor at the time of filing of RHP and Prospectus.
- ee. **Risk Factor 51 :-** LM is advised to move this risk factor to Top 15 risk factor under Internal risk factors.
- ff. LM is advised to add a separate risk factor mentioning the fact that majority of the board members do not have prior experience of directorship of any Indian Listed entity.

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gg. LM is advised to add a separate risk factor mentioning the fact of low capacity utilization of Mundra, Gujarat premises.

6. Objects of the Offer :

- a. LM is advised to ensure that amount earmarked for general corporate purpose should not be utilized towards operating expenses of the company.
- b. LM is advised to re-consider the drafting of the phrase “All the expenses relating to the Offer shall be paid by the Company in the first instance and that each of the Selling Shareholders shall reimburse the Company for respective proportion of the expenses upon commencement of listing and trading of the Equity Shares on the Stock Exchanges in accordance with Applicable Law.” LM is advised to ensure that company should be reimbursed by the selling shareholders for their share of offer related expenses even if the offer do not complete successfully in future or the same gets withdrawn by the company.

7. Basis for the offer price :

- a. LM is advised to disclose leadership position of the company or delete the word “leading”.
- b. LM is advised to consider the inclusion of BHEL as listed peer of the company.

8. Our Business :

- a. **Page 158 :-** LM is advised to add phrase “for last 3 FYs” in Point 4.
- b. **Page 168 :-** LM is advised to include “Total” row in the table.

9. History and Certain Corporate Matters :

- a. LM is advised to disclose the operations of the company between 2010-2019. Further, LM is advised to consider re-drafting of phrase_“Received our first purchase order in Nigeria for erection work from a private refinery company of a multinational industrial conglomerate from Nigeria”.

10. Our Management :

- a. **Page 198 :-** LM is advised to explain why Terms of appointment of Mr. Bang Hee Kim was not disclosed in the offer document and disclose the same.

At



- b. LM is advised to disclose if Mr. Bang Hee Kim is a nominee director.
- c. **Page 200 :-** LM is advised to disclose information about Mascot Capital and Marketing Private Limited as a footnote to the table.
- d. LM is advised to disclose reasons for resignation of Mr. Prashant Ghanekar.

11. Our Group Companies :

- a. LM is advised to disclose Shareholding patterns of all the group companies.

12. Financial Information :-

- a. LM is advised to explain the meaning of “Over a period of time basis” and “At a point in time basis”.

13. Miscellaneous :-

- a. LM is advised to provide a brief description of business model of the company and point of recognizing revenue. It is advisable to provide this description in simple and understandable manner.
- b. LM is advised to ensure that agreement Co-operation Agreement is in compliance with SEBI (PIT) Regulations, 2015.

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