ANANDRATHI

JSW Infrastructure Limited

25-September-23

Subscribe- Long Term

Manan Goyal
manangoyal@rathi.com

Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	28,000
Fresh Issue (No. of Shares in Lakhs)	2,353.94
Offer for Sale (No. of Shares in Lakhs)	Nil
Bid/Issue opens on	25-Sep-23
Bid/Issue closes on	27-Sep-23
Face Value	₹ 2
Price Band	113-119
Minimum Lot	126

Objects of the Issue

- **Fresh Issue: ₹28,000 million**
  - Full or part repayment and/or prepayment of certain outstanding secured borrowings availed by the company.
  - Financing capital expenditure requirements through investment in the wholly owned subsidiary
  - General corporate purposes

Book Running Lead Managers
ICICI Securities Limited
Axis Capital Limited
JM Financial Limited
Credit Suisse Securities (India) Private Limited
DAM Capital Advisors Limited
HSBC Securities and Capital Markets (India) Private Limited
Kotak Mahindra Capital Company Limited
SBI Capital Markets Limited
Registrar to the Offer
Kfin Technologies Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	10,332.85
Subscribed paid up capital (Pre-Offer)	3,729.41
Paid up capital (Post - Offer)	4,200.00

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	96.4	85.6
Public	3.6	14.4
Total	**100**	**100**

Financials

Particulars (₹ In million)	For the quarter ended 30th June 2023	For the quarter ended 30th June 2022	FY23	FY22	FY21
Revenue from operations	**8,781**	**8,197**	**31,947**	**22,731**	**16,036**
Operating expenses	4,268	3,887	15,746	11,636	7,871
EBITDA	**4,513**	**4,310**	**16,202**	**11,094**	**8,164**
Other Income	401	414	1,781	1,057	747
Depreciation	947	917	3,912	3,695	2,707
EBIT	**3,967**	**3,807**	**14,071**	**8,456**	**6,205**
Interest	(158)	1,398	5,961	4,196	2,279
PBT before excep item	**4,125**	**2,409**	**8,110**	**4,260**	**3,926**
Tax	903	483	615	955	1,080
Consolidated PAT	**3,222**	**1,926**	**7,495**	**3,304**	**2,846**
EPS	**1.53**	**0.92**	**3.57**	**1.57**	**1.36**
Ratios	**For the quarter ended 30th June 2023**	**For the quarter ended 30th June 2022**	**FY23**	**FY22**	**FY21**
EBITDAM	51.40%	52.58%	50.71%	48.81%	50.91%
PATM	36.69%	23.49%	23.46%	14.54%	17.75%
Sales growth	-	-	40.55%	41.75%	-

Company Description

Company is the fastest growing port-related infrastructure company in terms of growth in installed cargo handling capacity and cargo volumes handled during Fiscal 2021 to Fiscal 2023, and the second largest commercial port operator in India in terms of cargo handling capacity in Fiscal 2023. Their operations have expanded from one Port Concession at Mormugao, Goa that was acquired by the JSW Group in 2002 and commenced operations in 2004, to nine Port Concessions as of June 30, 2023 across India, making them a diversified maritime ports company. Their installed cargo handling capacity in India grew at a CAGR of 15.27% from 119.23 MTPA as of March 31, 2021 to 158.43 MTPA as of March 31, 2023. During the same period, their cargo volumes handled in India grew at a CAGR of 42.76% from 45.55 MMT to 92.83 MMT. Further, their installed cargo handling capacity in India grew from 153.43 MTPA as of June 30, 2022 to 158.43 MTPA as of June 30, 2023, and the volume of cargo handled by them in India grew from 23.33 MMT for the three month period ended June 30, 2022 to 25.42 MMT for the three month period ended June 30, 2023. In addition to their operations in India, they operate two port terminals under O&M agreements for a cargo handling capability of 41 MTPA in the UAE as of June 30, 2023.

They provide maritime related services including, cargo handling, storage solutions, logistics services and other value-added services to their customers, and are evolving into an end-to-end logistics solutions provider. They develop and operate ports and port terminals pursuant to Port Concessions. Their ports and port terminals typically have long concession periods ranging between 30 to 50 years, providing them with long-term visibility of revenue streams. As of June 30, 2023, the capacity weighted average balance concession period of their operational ports and terminals is approximately 25 years with Jaigarh Port, one of their largest assets, having a balance concession period of 35 years.

They have a diversified presence across India with Non-Major Ports located in Maharashtra and port terminals located at Major Ports across the industrial regions of Goa and Karnataka on the west coast, and Odisha and Tamil Nadu on the east coast. This enables them to serve the industrial hinterlands of Maharashtra, Goa, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana, and mineral rich belts of Chhattisgarh, Jharkhand and Odisha making their ports a preferred option for their customers. In addition, they benefit from strong evacuation infrastructure at their ports and port terminals that comprises of multi-modal evacuation techniques, such as coastal movement through a dedicated fleet of mini-bulk carriers, rail, road network and conveyor systems.

Valuation

JSW Infrastructure Limited is Fastest growing port-related infrastructure and second largest commercial port operator in India with Strategically located assets at close proximity to JSW Group Customers (Related Parties) and industrial clusters supported by a multi-modal evacuation infrastructure and Predictable revenues driven by long-term concessions, committed long-term cargo and stable tariffs along with Diversified operations in terms of cargo profile, geography and assets and also have benefit from strong corporate lineage of the JSW Group and a qualified and experienced management team.

At the upper price band company is valuing at P/E of 27x, EV/EBITDA 17x with a market cap of ₹ 2,49,900 million post issue of equity shares and return on net worth of 18.80%.

We believe that valuations of the company is fairly priced and recommend a "**Subscribe-Long Term**" rating to the IPO.

Company's ports and terminals

They operate in a capital-intensive industry which requires substantial levels of funding. The following table sets out their capital expenditure (excluding additions on account of business combinations) for the periods indicated:

Particulars (₹ In million)	For the quarter ended 30th June 2023	For the quarter ended 30th June 2022	FY23	FY22	FY21
	(₹ million)				
Capital expenditure (excluding additions on account of business combinations)	27.79	283.57	2,456.11	14,511.21	3,442.41

Capacity and utilization

The table below sets forth information on their installed capacities, actual volume of cargo handled in India and capacity utilization at their Port Concessions as of and for the periods indicated:

Particulars	For the quarter ended 30th June 2023	For the quarter ended 30th June 2022	FY23	FY22	FY21
Installed capacity (MTPA)	158.43	153.43	158.43	153.43	119.23
Total cargo volume handled in India (MMT)	25.42	23.33	92.83	61.96	45.55
Capacity utilization (%)	62.64%	59.10%	56.88%	38.41%	35.19%

Volume of Cargo (by type of cargo and evacuation channel)

The table below sets forth a break-down of total volume of cargo handled in India by type of cargo and evacuation channel, for the periods indicated:

Particulars	For the quarter ended 30th June 2023		For the quarter ended 30th June 2022		FY23		FY22		FY21	
	Cargo volume handled in MMT	Percentage of total cargo handled (%)	Cargo volume handled in MMT	Percentage of total cargo handled (%)	Cargo volume handled in MMT	Percentage of total cargo handled (%)	Cargo volume handled in MMT	Percentage of total cargo handled (%)	Cargo volume handled in MMT	Percentage of total cargo handled (%)
Cargo mix										
Iron ore	8.53	33.55%	7.72	33.09%	29.91	32.22%	19.73	31.84%	15.82	34.73%
Thermal coal	8.19	32.22%	6.16	26.40%	26.92	29.00%	5.21	8.41%	3.88	8.52%
Other than thermal coal (which includes coking coal, steam coal and others)	5.91	23.25%	5.5	23.57%	23.57	25.39%	27.8	44.87%	19.5	42.81%
Liquid and gas cargo	0.15	0.59%	0.08	0.35%	0.53	0.57%	0.27	0.44%	0.25	0.55%
Container	0.64	2.52%	0.56	2.40%	2.17	2.34%	NA	NA	NA	NA
Other bulk and break bulk cargo	2	7.87%	3.31	14.19%	9.73	10.48%	8.96	14.46%	6.09	13.37%
Total (India)	**25.42**	**100.00%**	**23.33**	**100.00%**	**92.83**	**100.00%**	**61.96**	**100.00%**	**45.55**	**100.00%**
Channel Mix										
Rail	8.51	34.03%	7.55	33.45%	34.09	36.66%	20.58	32.79%	14.48	31.21%
Road	5.41	21.64%	5.44	24.11%	19.83	21.33%	15.4	24.54%	13.24	28.54%
Waterways	4.12	16.47%	3.21	14.20%	13.65	14.68%	7.84	12.49%	4.22	9.10%
Conveyor	6.97	27.87%	6.37	28.23%	25.42	27.33%	18.94	30.18%	14.45	31.15%
Total (India)	**25.01**	**100.00%**	**22.57**	**100.00%**	**92.98**	**100.00%**	**62.76**	**100.00%**	**46.39**	**100.00%**

Strengths:

- **Fastest growing port-related infrastructure company and second largest commercial port operator in India.**

  They are the fastest growing port-related infrastructure company in terms of growth in installed cargo handling capacity and cargo volumes handled from Fiscal 2021 to Fiscal 2023. Their installed cargo handling capacity in India grew at a CAGR of 15.27% between March 31, 2021 and March 31, 2023, and the volume of cargo handled in India also grew at a CAGR of 42.76% from Fiscal 2021 to Fiscal 2023. Further, their installed cargo handling capacity in India grew from 153.43 MTPA as of June 30, 2022 to 158.43 MTPA as of June 30, 2023, and the volume of cargo handled by them in India grew from 23.33 MMT for the three month period ended June 30, 2022 to 25.42 MMT for the three month period ended June 30, 2023.

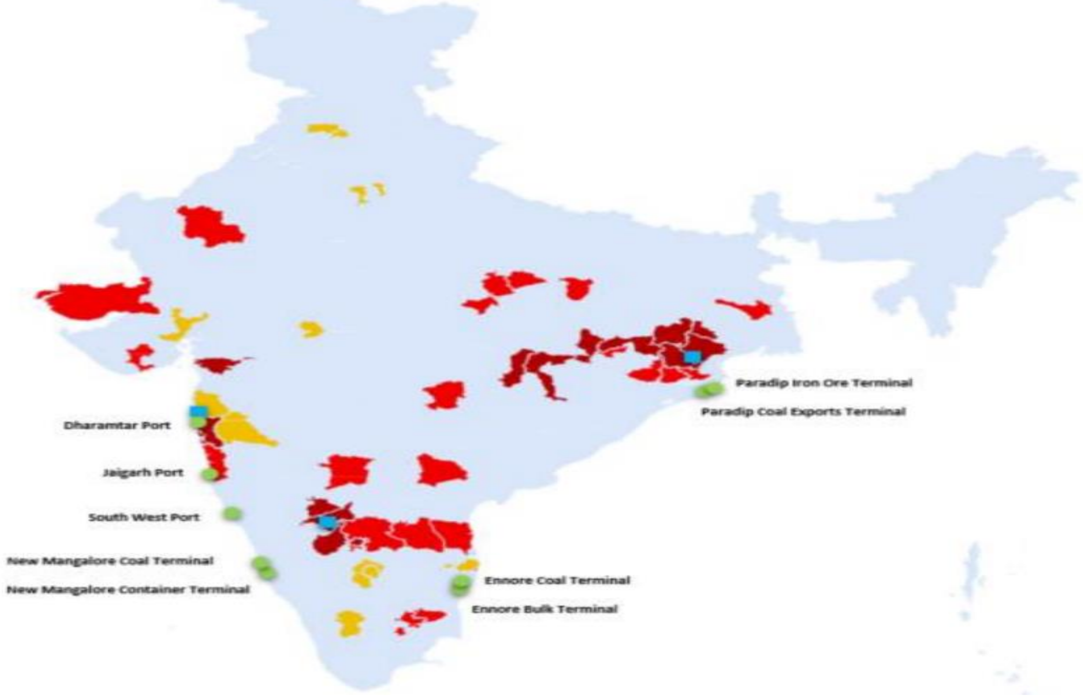
  They have grown by catering to the growing demand for their services that they have been able to meet efficiently through assets located in close proximity to industrial and mineral rich hinterlands. They are also the second largest commercial port operator in India (in terms of cargo handling capacity in Fiscal 2023) in an industry that has several entry barriers. The maritime infrastructure industry is capital intensive with long gestation periods and significant regulatory requirements. Ports in India also require substantial investments in evacuation infrastructure and skilled resources, resulting in a small number of new industry entrants in recent year
  Company operate nine Port Concessions in India with an installed cargo handling capacity of 158.43 MTPA as of June 30, 2023, and their position in the Indian maritime infrastructure industry enables them to leverage economies of scale in project development capabilities and resource optimization. Based on the expertise they have developed over the years, they are able to provide a wide range of maritime services and cater to their customers' diverse cargo needs across key locations, which they believe is difficult to replicate, and creates significant barriers for new entrants. Their experience, scale of operations, track record and related brand equity positions them well to qualify for additional opportunities such as bidding for larger Port Concessions and strengthening their position in the Indian maritime infrastructure industry.

- **Strategically located assets at close proximity to JSW Group Customers (Related Parties) and industrial clusters supported by a multi-modal evacuation infrastructure**

  Location is a major differentiator in the ports industry. Ports which are closer to major shipping routes enjoy competitive advantage as shipping from those ports translates into cost savings for importers and exporters. Their Port Concessions are strategically located on the west and east coasts of India and are well connected to their customers including JSW Group Customers (Related Parties) located in the industrial hinterlands of Maharashtra, Goa, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana, and mineral rich belts of Chhattisgarh, Jharkhand and Odisha.

  These states manage large volumes of cargo from coastal areas and the broader hinterland. The location of their assets helps them provide end-to-end logistics services as they are connected to cargo origination as well as cargo consumption points. Majority of their assets have the natural advantage of a deep draft enabling direct berthing of larger vessels like cape size and post panamax vessels. Their Jaigarh Port on the west coast has a draft of 17.5 meters, which is one of the deepest draft ports in India. The strategic location of the Jaigarh Port allows them to operate a hub-and-spoke model of cargo handling with its ability to handle cape size vessels with DWT of 192,498 tonnes and its ability to trans-ship cargo to Dharamtar Port, which is a riverine/ lower draft port located at a distance of 18 nautical miles from Mumbai. The Paradip Coal Exports Terminal has opened up avenues for coastal shipping by handymax to cape size vessels through achieving economies of scale for larger parcel sizes such as minicape size vessels of 110,000 DWT as compared to handling the cargo in smaller vessels.

  Set forth below is a map illustrating the location of their assets and their proximity to the facilities of their JSW Group Customers (Related Parties) and key industrial clusters in India. The location of the key industrial clusters is as follows:



- **Predictable revenues driven by long-term concessions, committed long-term cargo and stable tariffs**

Port Concessions are long life assets with concession periods typically ranging between 30 to 50 years. Their Jaigarh Port (Maharashtra) was awarded a concession for a period of 50 years in 2008, while their Dharamtar Port (Maharashtra) and each of their other port terminals located at Major Ports, were awarded concession/ license periods of 30 years. As of June 30, 2023 the capacity weighted average balance concession period of their ports and port terminals is approximately 25 years, providing them long-term visibility of revenue streams. They have long-term contracts with their JSW Group Customers (Related Parties) for cargo handling services at their Port Concessions, some of which have take-or-pay provisions which provides long-term visibility of cargo and revenue at their ports.

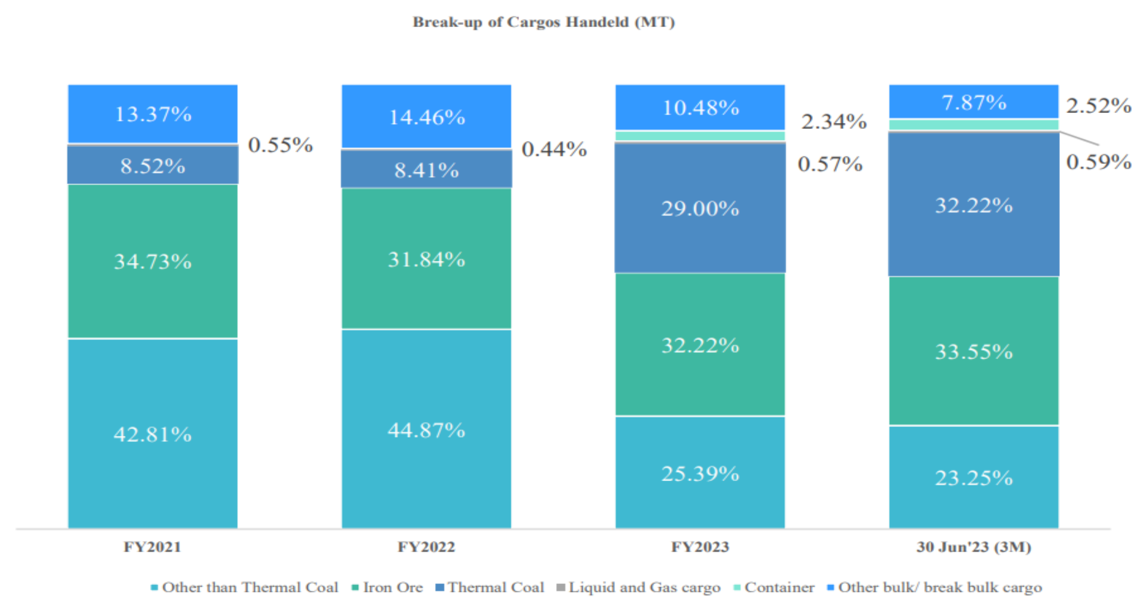
The majority of their take-or-pay contracts are extendable on an arm's length basis as may be mutually agreed. The tariff they are able to charge their customers is typically governed by the concession agreement for the relevant port or port terminal. Under some of their concessions, tariff is escalated annually and is linked to the WPI. For their other concessions, the tariff may be determined by them based on prevailing market conditions. Their long-term take-or-pay contracts (with JSW Group Customers (Related Parties) and Long-Term Third-Party Customers) are similarly subject to WPI-linked escalations.

As a result, the tariff they charge their customers across all their Port Concessions is escalated annually in line with the WPI thereby providing strong visibility of revenue streams. Going forward, there is a positive outlook for the underlying industries of their customers engaged in the business of steel, power and cement, giving them strong cargo visibility and increasing their proportion of "sticky cargo" due to repeat customer orders. The structure of their revenue model, through tariff stability and volume security, helps achieve long-term predictable revenue streams and provides operational resilience.

- **Diversified operations in terms of cargo profile, geography and assets**

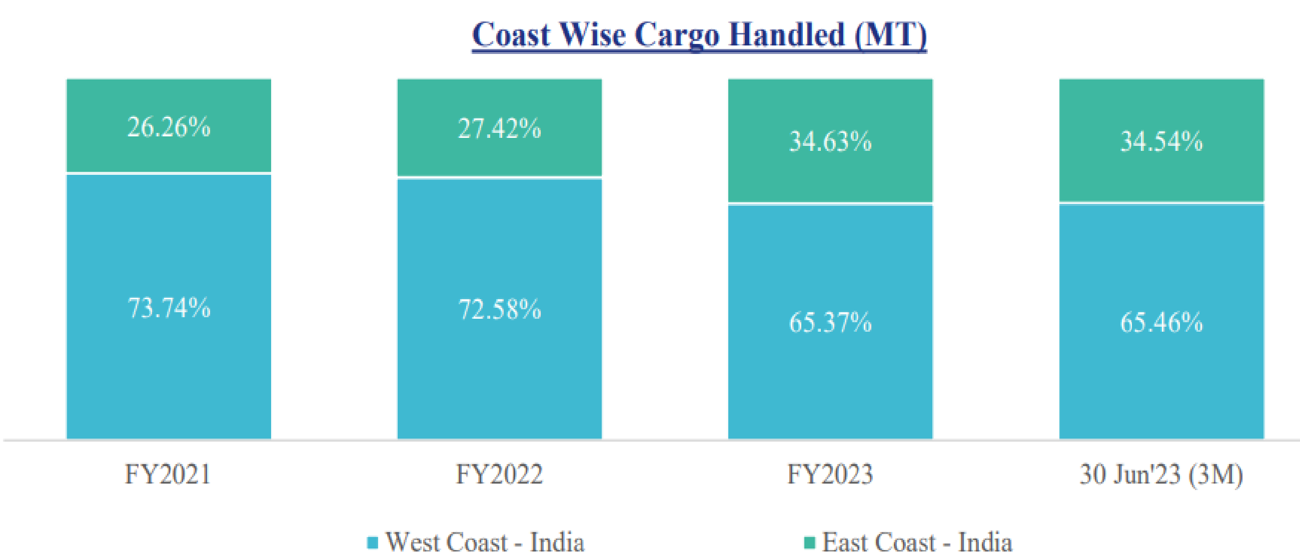
They have evolved into a large maritime infrastructure company and have developed and operate multi-cargo ports and port terminals that are equipped to handle various categories of cargo, including dry bulk, break bulk, liquid bulk, LPG, LNG and containers. They currently handle various types of cargo including coal, fluxes and iron ore, sugar, urea, steel products, rock phosphate, molasses, gypsum, barites, laterites, and edible oil. Coal comprises of (i) thermal coal; and (ii) other than thermal coal (which includes coking coal, steam coal and others).

The chart below sets forth volume of cargo handled in India by cargo-type for the periods indicated:



They have expanded their operations geographically from having a limited presence along the west coast of India for their JSW Group Customers (Related Parties) to handling diverse cargo types along the east and west coasts of India for both JSW Group Customers (Related Parties) as well as third-party customers. Their Non-Major Ports are located in Maharashtra along the west coast. Their terminals are located at Major Ports across Goa and Karnataka in the west coast, and Odisha and Tamil Nadu along the east coast.

The chart below sets forth coast-wise volume of cargo handled in India for the periods indicated:



- **Demonstrated project development, execution and operational capabilities**

They have a demonstrated track record of developing, acquiring and operating nine Port Concessions, as of June 30, 2023. Their installed cargo handling capacity in India has grown at a CAGR of 15.27% from March 31, 2021 to March 31, 2023, and the volume of cargo handled by them in India has grown at a CAGR of 42.76% between Fiscal 2021 and Fiscal 2023. Further, their installed cargo handling capacity in India grew from 153.43 MTPA as of June 30, 2022 to 158.43 MTPA as of June 30, 2023, and the volume of cargo handled by them in India grew from 23.33 MMT for the three month period ended June 30, 2022 to 25.42 MMT for the three month period ended June 30, 2023. The application of their operational expertise in running large ports and port terminals has contributed significantly towards this growth.

They have won numerous bids for developing and operating terminals at Major Ports, such as Paradip Coal Exports Terminal, Paradip Iron Ore Terminal and New Mangalore Container Terminal; developed Greenfield ports such as Jaigarh Port and Dharamtar Port; and successfully acquired three terminals in 2020, i.e., Ennore Bulk Terminal, Ennore Coal Terminal and New Mangalore Coal Terminal. They have accumulated deep domain knowledge of trade flows, particularly for bulk cargos, giving them a competitive advantage as they plan their next phase of growth. Furthermore, they have also been successful in establishing strong relationships with their vendors for development/ construction of their assets and supply of cargo handling equipment.

Company also strive to execute infrastructure projects on schedule and within cost and establish achievable objectives in their current and future development plans. Furthermore, their cargo handling systems are largely mechanized, which has enabled quick turnaround times and efficient use of resources. For example, they have modern ship-loaders/ unloaders and are well equipped to load/ unload cargo efficiently including feeding mechanized conveyor systems. Similarly, their stacker-reclaimer, in-motion wagon loading system, track hopper, tipplers and other equipment have increased the efficiency at their Port Concessions.
Their development, execution and operational capabilities have led to an improvement in their ROCE, with their ROCE which is not annualized for the three month period ended June 30, 2023 and June 30, 2022, being 5.68% and 4.98%, respectively, and for Fiscals 2023, 2022 and 2021 being 19.49%, 10.88% and 8.15%, respectively.

Key Strategies:

- **Continue to pursue greenfield and brownfield expansions with a focus on Non-Major Ports**

Cargo volumes at Non-Major ports in India increased from 577 MMT in Fiscal 2021 to 604 MMT in Fiscal 2022, and traffic at Non-Major ports in India is expected to grow at a CAGR of 3% to 6% between Fiscals 2024 and 2028. They intend to focus on expansion in Non-Major Ports where they can broaden their operations to provide fully integrated logistics solutions with an optimum cargo mix of bulk, container, liquid and gases while continuing to expand their presence across Major Ports. They intend to increase capacity at the Jaigarh Port by developing a terminal with a proposed capacity of up to 2 MTPA for handling LPG, propane, butane and similar products.

The proximity of the LPG terminal to the industrial hinterlands and bottling plants of LPG, propane and butane in Maharashtra will provide them the opportunity to increase their proportion of "sticky cargo" with repeat customer orders. They intend to utilize proceeds from the Issue to pursue some of their expansion plans. They propose to develop a non-major port at Jatadhar (Odisha) with a capacity of up to 52 MTPA to cater to JSW Steel's upcoming steel facility in Odisha. Each of these projects will be developed in a phased manner and once completed, are expected to add up to 54 MTPA of installed cargo handling capacity to their capabilities in India. They have also submitted a bid for developing an all-weather deep water Greenfield port at Keni district in Karnataka on a DBFOT model.

They have previously participated in PPP at Major Ports and were awarded concessions for two terminals in Fiscal 2016 and Fiscal 2017, respectively, from the Paradip Port Authority and were awarded the New Mangalore Container Terminal in Fiscal 2020 from the New Mangalore Port Authority. They currently have submitted bids for PPP projects, and intend to continue pursuing PPP opportunities in line with their growth strategies. Further, are undertaking capacity expansions at their container terminals in New Mangalore (Karnataka).

- **Pursue acquisition opportunities in similar businesses**

They have in the past acquired Port Concessions in the states of Tamil Nadu and Karnataka as part of their efforts to increase their capacity, expand their footprint across geographies and products and to cater to growing cargo volumes. They plan to further expand their asset portfolio and grow their operations by evaluating acquisition opportunities to strengthen their presence in handling container and liquid cargo, with a focus on increasing their third-party customer base.

They evaluate potential targets based on their strategic fit with their existing assets, expansion potential, and investment returns. For instance, they acquired two terminals at Kamarajar Port, Ennore, Tamil Nadu (the Ennore Coal Terminal and Ennore Bulk Terminal) and one terminal at New Mangalore Port, Mangalore, Karnataka (the New Mangalore Coal Terminal), from the Chettinad Group in November 2020, that added an aggregate 16.73 MTPA of operational capacity. This acquisition provided them with access to third-party customers and helped further spread their footprint along the east coast of India.

They have successfully integrated these acquired assets which include operations and administration of the port as well as integrating strategies, procedures, systems and human resources. They intend to leverage on the experience of their past acquisitions to execute their strategic objectives and are primarily focused on pursuing opportunities in India, as well as overseas, that align with their growth strategy.

- **Pursue opportunities in synergistic businesses to increase revenue diversification**

They intend to pursue synergistic businesses such as development of container terminals, liquid storage terminals, container freight stations ("CFS"), multi-modal logistics parks ("MMLP") and inland container depots ("ICD") to enable them to provide end-to-end logistics solutions to their customers. Container Terminals. They intend to develop or acquire new container terminals to handle container vessels to cater to the global trend of increase in containerized cargo. For example, they were awarded a concession from the New Mangalore Port Trust ("NMPT") to develop and operate the New Mangalore Container Terminal in 2019 which they have developed and which has subsequently commenced operations in April 2022. They propose to actively pursue other similar opportunities. They currently have liquid storage tanks at their Jaigarh Port to store molasses and edible oil that are provided to customers under long-term rental arrangements. They intend to similarly develop or acquire liquid storage tanks in India and have obtained licenses for storage of various types of liquid cargo at their Jaigarh Port for their customers so they can store and transport a range of liquid cargo. They also intend to pursue similar opportunities to capitalize on the growth of tank farms outside India. CFS/ MMLP/ ICD. They are also seeking to enter the CFS/ MMLP/ ICD segments of the maritime infrastructure business to support container ports/ terminals and provide end-to-end logistic solutions such as stuffing, de-stuffing and such other value added services to their customers.

- **Increasing their third-party customer base**

They aim to widen their mix of their customers to achieve a balanced customer base and have been focusing on strengthening their relationships with third-party customers. They seek to derive diversification benefits by expanding their base of third-party customers while also maintaining their JSW Group Customers (Related Parties) relationships that lend greater stability and predictability to their operations.

They propose to achieve this by participating and bidding for new port concessions (across both Major and Non-Major Ports). For instance, they were awarded concessions for two terminals in Fiscal 2016 and Fiscal 2017, respectively, from the Paradip Port Authority, and were awarded the New Mangalore Container Terminal in Fiscal 2020 from the New Mangalore Port Authority, that primarily service third-party customers. They propose to similarly explore further diversification opportunities to expand their customer base. The table below sets forth the volume of cargo handled for their third-party customers in India for the periods indicated:

Particulars	For the three month period ended June 30, 2023*		For the three month period ended June 30, 2022*		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Cargo volume handle d in MMT	Percentag e of total cargo handled in India (%)	Cargo volume handled in MMT	Percentage of total cargo handled in India (%)	Cargo volume handled in MMT	Percentage of total cargo handled in India (%)	Cargo volume handled in MMT	Percentage of total cargo handled in India (%)	Cargo volume handled in MMT	Percentage of total cargo handled in India (%)
Third party Customers	9.30	36.60%	7.03	30.12%	30.98	33.37%	15.79	25.49%	11.3	24.81%

- **Diversification of cargo mix**

They currently handle various types of cargo, including dry bulk, break bulk, liquid bulk, gases and containers. Some of the cargo they currently handle include coal, iron ore, sugar, urea, steel products, rock phosphate, molasses, gypsum, barites, laterites, edible oil, LNG, LPG, and containers. Coal comprises of (i) thermal coal; and (ii) other than thermal coal (which includes coking coal, steam coal and others). The diversification of their cargo has enabled them to develop capabilities and expertise in handling various types of bulk cargo, including (i) liquid commodities such as edible oil and chemicals; (ii) LNG and LPG following the commissioning of India's first Floating Storage and Regasification Unit ("FSRU")-based LNG terminal at their Jaigarh Port; (iii) urea and other fertilizers at their Jaigarh Port; and (iv) further expanding their footprint in containers.

In order to handle such diversified cargo, they have created cargo-specific facilities such as a facility for LPG storage and neem coating facilities for urea. They also provide other value-added services such as bagging services to urea importers, and covered storage sheds for iron ore, coal and agriculture commodities such as sugar to minimize loss during cargo handling operations in adverse conditions such as rains. They propose to further diversify their cargo mix by increasing the contribution of containers, LPG, LNG and liquid bulk. They intend to utilize the proceeds from the Issue to develop a terminal at the Jaigarh Port with a proposed capacity of up to 2 MTPA for handling LPG, propane, butane and similar products.

- **Focus on building environment friendly and sustainable operations along with growth**

Building an environment friendly and sustainable business is becoming increasingly critical and businesses must adopt practices that minimize their impact on the environment. They have focused on building and operating their assets in an environment friendly and sustainable way while also being focused on growth and profitability.

Their assets comply with pollution controlling measures as prescribed by the respective Pollution Control Boards and as part of their efforts to deliver on the Sustainability Vision, they have adopted policies relevant to their operations and activities and have set specific short-term carbon reduction targets in relation to their GHG Emission Intensity. They have also aligned their climate change targets to India's Nationally Determined Contribution targets for reducing emission intensity under the Paris Agreement. The overall target for reduction of GHG emissions, approved by their Board of Directors, is a 15% reduction of their GHG Emission Intensity by Fiscal 2026 and a 35% reduction by Fiscal 2031, in each case from the base year of Fiscal 2021.

In January 2022, they issued a USD 400 million 4.95% sustainability-linked senior secured notes due in 2029. Furthermore, in their journey towards sustainability they have developed covered storage sheds for coal and iron ore at their Jaigarh Port to contain the spread of air borne pollutants. They will continue strengthening the environmental aspects of their operations and adopt measures such as cover sheds, water sprinklers and windshields for dust suppression, monitoring systems for pollutants, and green vegetation surrounding their facilities. They will also continue to actively engage local communities around their ports and terminals through various CSR activities, including projects relating to health and nutrition, education, water, environment and sanitation, and livelihoods and skill enhancement to continue to grow their business sustainably.

Industry Snapshot:

Overview of ports in India

The Indian economy occupies a commercially enviable location on the global map, straddling Bay of Bengal, Indian Ocean, and Arabian Sea with a coastline of approximately 7,517 km. Ports in India handle 90% by volume and 70% by value of India's external trade. The maritime route is used to import crude petroleum, iron ore, coal, and other critical goods.

India also has an extensive network of inland waterways in the form of rivers, canals, backwaters, and creeks. The total length of national waterways is 20,275 km spread across 24 States in the country. The Indian Ocean encompasses about one-fifth of the world's sea area and supports approximately 80% of global maritime oil trade. India's central and strategic location in the Indian Ocean region provides an advantage to capitalize on the same as India's maritime trade increases.

According to the Chief Economic Advisor, India is poised to become a 5 trillion dollar economy and ports would play a significant role in the growth story. The Indian government plays a key support role in the development of the port industry. It has opened up the automated route to 100% FDI for port and harbour building and maintenance projects. It has also made it easier for businesses that create, maintain, and operate ports, inland waterways, and inland ports to take advantage of a 10 year tax break. The Indian port sector is divided into two segments: major ports and non-major ports. As on December 2022, the Indian coastline is dotted with 12 major and nearly 217 non-major ports. Major ports are administered directly by central government, whereas non-major ports fall under the jurisdiction of state governments.

Overview of Major ports

The Major Port Authorities Act, 2021 provides for regulation, operation and planning of major ports in India. The Major Port Authorities Act, 2021 revises the provisions of earlier act and vests the administration, control and management of such ports to the boards of major port authorities. The legislation empowers these ports to perform with greater efficiency on account of increased autonomy in decision making and by modernizing their institutional framework.

These port authorities are empowered to fix scale of rates for port services and assets. PPP concessionaires are free to fix tariffs based on market conditions. This aspect was earlier governed by Tariff Authority for Major Ports ("TAMP"), which significantly impacted the autonomy of the concessionaires. The compact board with professional independent members also aids in decision-making and strategic planning. Major ports derive almost entire revenues from port related activities, which comprises of port services as well as royalty and revenue shares received from terminal operators.

Consumption patterns in the hinterland have a considerable bearing on the type of cargo handled at Ports. For instance, industrial hinterlands of Maharashtra, Goa, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana and mineral rich belts of Chhattisgarh, Jharkhand and Odisha manage large volumes of cargo from coastal areas and the broader hinterland. Ports in vicinity of refineries such as Cochin, Kandla, Mumbai, and Mangalore have a significant chunk of petroleum, oil and lubricants (collectively referred to as "POL") traffic, whereas ports close to mines such as Paradip and Mormugao get a large chunk of their traffic from coal and iron ore mines.

Port	State	Year of incorporation	Type
East Coast			
Kolkata/Haldia	West Bengal	1970	All weather- Riverine port
Paradip	Orissa	1966	All weather- Artificial lagoon port
Vizag	Andhra Pradesh	1933	All weather- Natural Harbour
Chennai	Tamil Nadu	1875	All weather- Artificial harbour with wet docks
Tuticorin	Tamil Nadu	1974	All weather- Artificial deep sea harbour
Ennore	Tamil Nadu	2001	All weather- Artificial harbour
West Coast			
Cochin	Kerala	1936	All weather- Natural Harbour
New Mangalore	Karnataka	1974	All weather- Artificial lagoon port
Mormugao	Goa	1963	All weather- Open protected harbour
Mumbai	Maharashtra	1873	All weather- Natural Harbour
JNPT	Maharashtra	1989	All weather- Tidal port
Kandla	Gujarat	1952	All weather- Natural Harbour

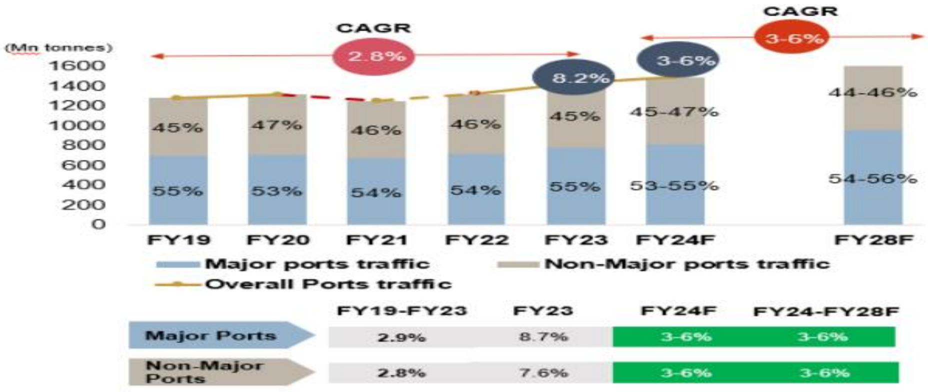
Port traffic

As per CRISIL MI&A estimates, port traffic is expected to grow by 3-6% in Fiscal 2024, after growing by 8.2% in Fiscal 2023. The growth in Fiscal 2023 was primarily driven by the robust growth in coal cargo traffic on the back of higher domestic demand due to increased power requirements in the country. Coal traffic grew by 26% in Fiscal 2023. On the other hand, container traffic remained sluggish due to macroeconomic headwinds and witnessed a muted growth of 3% in Fiscal 2023.

Firm coastal movement resulted in a growth of 7% for the overall iron ore traffic at Indian ports. POL traffic increased 5% in Fiscal 2023 due to revival of demand across all end-user industries. In Fiscal 2024, the growth in port traffic is expected to moderate to 3-6%. Coal traffic is likely to grow by 2-7% due to flattish imports. Similarly, container traffic is also expected to be slightly higher at 4-7% in Fiscal 2024 due to the low base, higher imports, and cheaper container prices. Iron ore traffic is expected to register 10-15% growth in Fiscal 2024.

Contrastingly, the growth in POL traffic would be subdued at 2-5%. Over Fiscals 2024 to Fiscal 2028, growth at Indian ports is expected to be at 3-6%. However, factors such as tapering growth in coal due to import substitution along with plateauing of iron ore exports and muted growth in POL segment led by slower consumption in crude oil are expected to moderate cargo traffic over the long term. Share of Major ports has been reducing as non-major ports are able to provide better efficiencies and lower turnaround time ("TAT") with competitive rates. Over the next five years, CRISIL MI&A expects non-major ports to grow at a pace like major ports due to a fall in imports & slight growth in coastal traffic

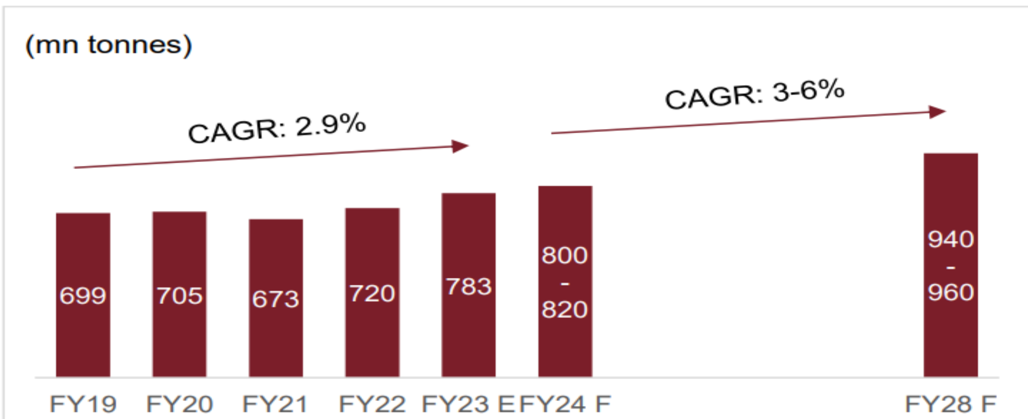
Overall traffic at Indian Ports



Traffic at major ports

In Fiscal 2023, cargo traffic at major ports in India saw a rise of 8.7%, higher than the growth levels of 7.0% in Fiscal 2022. This was attributable to the revival in economic activity in India, rising crude oil imports and a strong rebound in the container traffic. In Fiscal 2024, CRISIL MI&A expects traffic at major ports to grow by 3-6%, led by growth in traffic in the coal and POL segments and recovery in container traffic. Over Fiscal 2024 to Fiscal 2028, traffic at major ports is expected to be in the range of 3-6%, therefore maintaining a steady pace of growth.

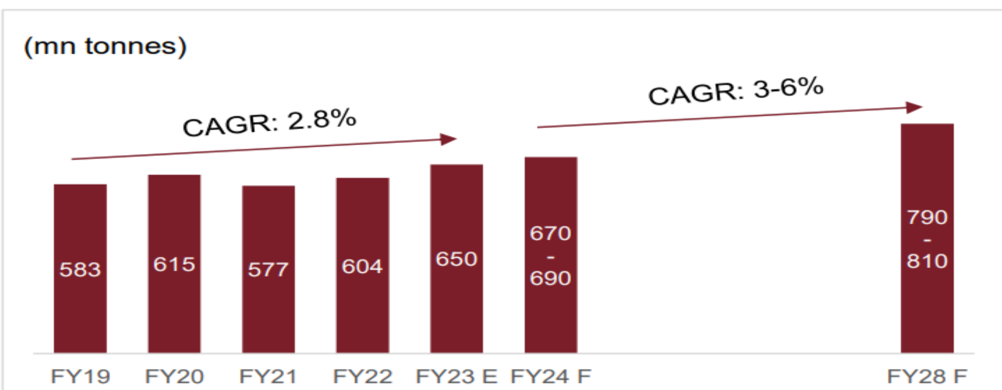
Figure 9: Traffic at major ports



Traffic at non-major ports

In Fiscal 2023, cargo traffic at non-major ports in India saw a rise of 7.6%, higher than the growth of 4.7% in Fiscal 2022 led by a strong rise in POL and coal traffic. In Fiscal 2024, the traffic at non-major ports is expected to grow by 3-6% led by a recovery in container traffic. Over Fiscals 2024 to Fiscal 2028, CRISIL expects non-major ports to grow at 3-6%. This would be largely due to moderation in POL traffic and coal imports at non major ports. Coal traffic would moderate over the medium term as thermal coal imports are expected to slow down with steady increase in production by Coal India Limited. POL consumption would also moderate due to alternative fuels and higher efficiencies of automobiles.

Figure 10: Traffic trend at non-major ports



- **Accounting ratios**

Particulars (₹ In million)	For the quarter ended 30th June 2023	For the quarter ended 30th June 2022	FY23	FY22	FY21
	(₹ million)				
Revenue from operations	8,781	8,197	31,947	22,731	16,036
EBITDA	4,915	4,724	17,983	12,151	8,911
EBITDA Margin (%)	53.52%	54.86%	53.32%	51.08%	53.10%
Restated profit after tax	3,222	1,926	7,495	3,304	2,846
PAT Margin (%) (3)	35.09%	22.36%	22.22%	13.89%	16.96%
Net Debt (7)	18,738	31,914	22,158	33,311	36,091
ROE (%)(8)	7.32%	5.32%	18.33%	9.52%	9.22%
ROCE (%)(9)	5.68%	4.98%	19.49%	10.88%	8.15%
Operating Cash Flow	3,644.62	3,926.80	17,972.28	11,762.32	9,901.88

Comparison with listed entity

Name of the company	Face value	Revenue from operations for Financial Year 2023 (₹ million)	EPS (Basic) (₹)	EPS (Diluted) (₹)	P/E	RONW (%)	NAV per equity share (₹)
JSW Infrastructure Limited	2	31,947.40	3.57**	3.57**	27.69*	18.80%	21.88
Listed peers							
Adani ports and SEZ Limited	2	2,08,519.10	24.58	24.58	24.58	11.65%	211.02

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on September 11, 2023.
2) */** P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

Key Risk:

- They rely on concession and license agreements from government and quasi-governmental organizations to operate and grow their business. They have several obligations under these agreements and a breach of the terms could lead to termination, which could materially adversely affect their business, results of operations, financial condition and cash flows.

- A substantial portion of the volume of cargo handled by them is dependent on a few types of cargo and a significant reduction in, or the elimination of such cargo could adversely affect their profitability.

- The environmental clearance for capacity enhancement issued to their Subsidiary, South West Port Limited has been challenged before the National Green Tribunal and is subject to the outcome of certain other litigations. Any adverse outcome in these litigations may have an adverse effect on their business, financial condition, results of operations and cash flows.

- They have entered into and may continue to enter into a substantial amount of related party transactions with entities in the JSW Group.

- They operate in a capital-intensive industry and their current and future expansion plans may require significant capital that they may be unable to raise. Furthermore, their investments in developing additional services and facilities for their port business may not be successful.

- Company have substantial indebtedness which requires significant cash flows to service, and limits their ability to operate freely. Any breach of terms under their financing arrangements or their inability to meet their obligations, including financial and other covenants under their debt financing arrangements could adversely affect their business and financial condition.

- They do not own the JSW trademark, and their ability to use the trademark, name and logo may be impaired. Any reputational damage to this trademark or the JSW Group, name or logo could have an adverse effect on their financial condition, cash flows and results of operations.

- They are yet to place orders for certain equipment and certain civil works for expansion of projects proposed to be funded through this Issue. In the event of any delay in placing the orders, or in the event the vendors are not able to provide the equipment or services in a timely manner, or at all, it may result in time and cost over-runs and their business, prospects and results of operations may be adversely affected

- Their financial condition and business prospects could be materially and adversely affected if they do not complete their greenfield and brownfield expansion projects as planned or if they experience delays or cost overruns

- Their business and operations are subject to extensive environmental and other related regulations and policies and any onerous amendments to such regulations and policies may involve incurring added compliance costs.

Valuation:

JSW Infrastructure Limited is Fastest growing port-related infrastructure and second largest commercial port operator in India with Strategically located assets at close proximity to JSW Group Customers (Related Parties) and industrial clusters supported by a multi-modal evacuation infrastructure and Predictable revenues driven by long-term concessions, committed long-term cargo and stable tariffs along with Diversified operations in terms of cargo profile, geography and assets and also have benefit from strong corporate lineage of the JSW Group and a qualified and experienced management team.

At the upper price band company is valuing at P/E of 27x, EV/EBITDA 17x with a market cap of ₹ 2,49,900 million post issue of equity shares and return on net worth of 18.80%.

We believe that valuations of the company 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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