JSW INFRASTRUCTURE LIMITED
IPO Note
Date: 22.09.2023

JSW Infrastructure Limited ("JSW Infra") 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. They propose to to develop a port at Jatadhar (Odisha) to cater to JSW Steel Limited's ("JSW Steel") upcoming steel facility in Odisha. They also expect to continue to benefit from the growth of various businesses within the JSW Group.

Company's revenue and EBIDTA shows growth of 41% and 42% respectively in terms of 2 year CAGR. EBIDTA Margins have remained steady at 53% despite a fall in FY2022. This issue is available at P/EPS of 28.88x which appears reasonably priced as the company's revenue visibility is strong for future with steady margins. Hence, we recommend to subscribe the issue for listing gains and long term.

Issue details

Price Band (Rs in per share)	113-119
Issue size (Rs in Crore)	2800.00
Fresh Issue size (Rs in Crore)	2800.00
OFS Issue size (Rs in Crore)	NA
Issue open date	25-09-2023
Issue close date	27-09-2023
Tentative date of Allotment	03-10-2023
Tentative date of Listing	06-10-2023
Total number of shares (lakhs)	2477.88-2352.94
No. of shares for QIBs (75%) (lakhs)	1858.41-1764.71
No. of shares for NII (15%) (lakhs)	371.68-352.94
No. of shares for retail investors (10%) (lakhs)	247.79-235.29
Minimum order quantity	126
Face value (in Rs)	2.00
Amount for retail investors (1 lot)	14238-14994
Maximum number of shares for Retail investors at lower Band	1764(14 Lots)
Maximum number of shares for Retail investors at upper band	1638(13 lots)
Maximum amount for retail investors at lower Band- upper band (in Rs)	199332-194922
Exchanges to be listed on	BSE, NSE

About the Company:

JSW Infra Ltd. 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. 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.

RESEARCH ANALYST

Sankita V
sankita@canmoney.in | Tel 022-43603863
canmoney.in
A route to making money online

Promoters

- Sajjan Jindal

Objective of the Offer

- Prepayment or repayment, in full or part, of all or a portion of certain outstanding borrowings through investment in their wholly owned Subsidiaries, JSW Dharamtar Port Private Limited and JSW Jaigarh Port Limited
- Financing capital expenditure requirements through investment in their wholly owned Subsidiary, JSW Jaigarh Port Limited, for proposed expansion/upgradation works at Jaigarh Port i.e., i) expansion of LPG terminal ("LPG Terminal Project"); ii) setting up an electric sub-station; and iii) purchase and installation of dredger
- Financing capital expenditure requirements through investment in their wholly owned Subsidiary, JSW Mangalore Container Terminal Private Limited, for proposed expansion at Mangalore Container Terminal ("Mangalore Container Project")
- General corporate purposes

Financials

Brief Financials				
Particulars (Rs. Cr)*	**JUNE23**	**FY23**	**FY22**	**FY21**
Share Capital	359.58	359.58	59.93	59.93
Net Worth	4246.10	3934.64	3212.13	2831.18
Revenue	878.10	3194.74	2273.06	1603.57
EBIDTA	491.48	1798.30	1215.11	891.13
Net Profit	322.20	749.51	330.44	284.62
EBITDA Margin (%)	53.52%	53.32%	51.08%	53.10%
Basic EPS	1.78	4.12	1.82	1.62
Net Asset Value (Rs)	23.62	21.88	17.87	15.75
Total Borrowings	4228.39	4243.70	4408.69	3945.82
P/E#	16.71	28.88	NA	NA
P/B #	5.04	5.44	NA	NA

*Source: RHP # Calculated at the upper price band, * Restated summary*

Industry Review:

Indian port industry

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.

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. 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.

Cargo at Indian ports

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.

Overall traffic at Indian ports

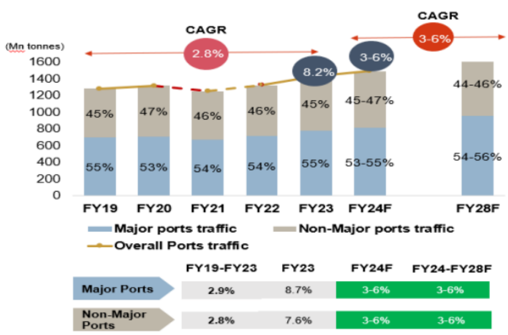
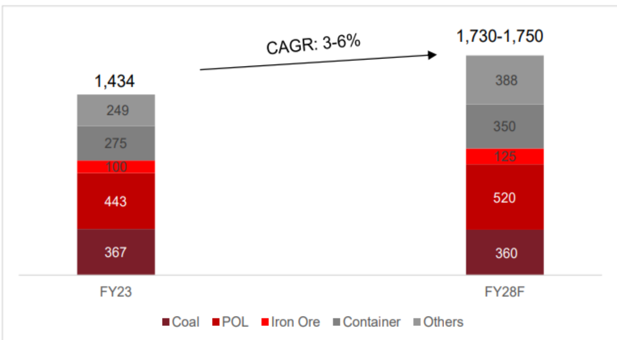


Figure 8: Cargo handled at Indian ports in Fiscal 2023 and Fiscal 2028F (in million tonnes)

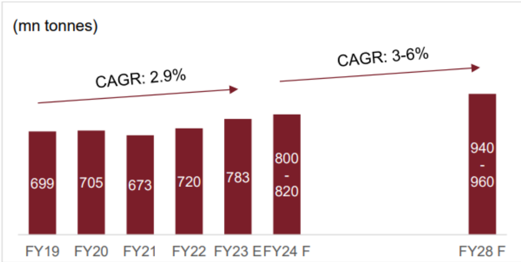


Canara Bank Securities Ltd

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.

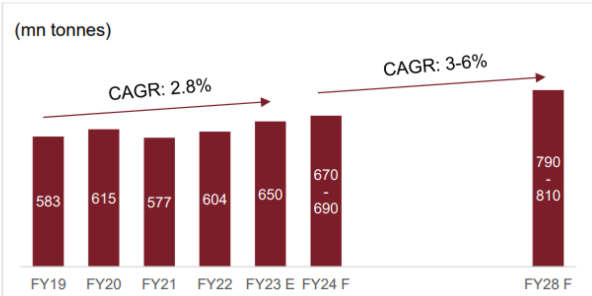
Figure 9: Traffic at major ports



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. 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



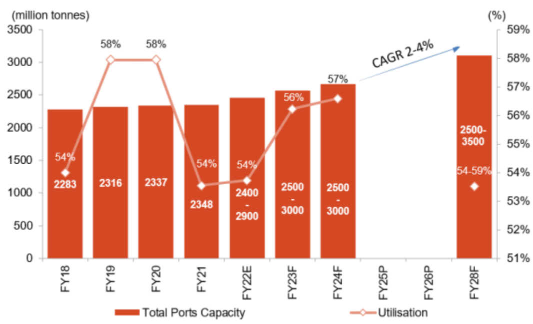
Over Fiscals 2024 to Fiscal 2028, the POL traffic is expected to plateau at a 2-5% CAGR, due to moderation in consumption and slightly lower utilisation of refineries. Crude oil and product demand is expected to moderate to 3-4% over next five years due to alternate fuels and increasing efficiencies of automobiles.

For POL, western ports dominate the traffic with more than 80% of total POL traffic at the Indian ports. The high dependence of POL for western ports is mainly because of connectivity of these ports with 78% of the refining capacity in the country. Moreover, significant exports of petroleum products from these refineries compared to that of eastern ports also contributes to their domination in traffic.

Capacity additions and utilisation for ports in India

CRISIL MI&A expects utilisation levels to be stable at approximately 56% levels in Fiscal 2024 following a growth of 3-6% in overall port traffic.

Utilisation rate of Indian ports



Competitive 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. 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 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.

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. In addition to their locational advantages, their assets benefit from a multi-modal evacuation infrastructure comprising a network of roadways, railways, mini-bulk carriers and conveyor systems, which enables them to provide customized supply chain solutions to their customers.

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

Port Concessions are long life assets with concession periods typically ranging between 30 to 50 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. 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.

Risk Factors

Breach of terms in concession and license agreements from government and quasi-governmental could lead to termination and affect business

They operate and manage their ports and port terminals under nine concession and license agreements, and lease deeds with state maritime boards and/or major port trusts/authorities in India, and under two O&M agreements in the UAE. They are required to obtain the concessioning authority's consent for various operational aspects of their business that may delay the execution of their growth strategies or constrain their ability to operate and grow the business in the event such consents are not forthcoming. An inability or failure to obtain such consents may have an adverse impact on their business and operations. They are also bound by certain obligations under their concession agreements, the non-compliance of which may be determined to be an event of default. These obligations include paying royalty/ revenue share to the concessioning authorities, meeting minimum guaranteed throughput or cargo handling targets, complying with conditions under relevant licenses and permits,others. Furthermore, any delay in completing their projects under their Port Concessions may entitle the concessioning authority to claim liquidated damages from them, which is stipulated as a fixed proportion of their performance guarantee.

Significant reduction in types of cargo could affect the business

A substantial portion of the total volume of cargo handled by them comprises coal and iron ore. Coal comprises of (i) thermal coal; and (ii) other than thermal coal (which includes coking coal, steam coal and others). They are therefore susceptible to a significant downturn in the trade or transportation of coking coal, iron ore and thermal coal. Their Subsidiary, SWPL is currently the subject of a public interest litigation that is petitioning for closure of coal/ coke handling operations at the Mormugao Port in Goa due to the pollution caused by handling of coal/ coke at the port. The Government of India ("GoI") is also increasingly introducing legislations to restrict emissions and incentivize adoption of renewable energy, further reducing the demand for coal for industrial use. Any other similar actions involving their other coal handling terminals or any corresponding reduction in coal traffic at their ports will therefore adversely impact their results of operations and profitability.

Company and certain of their Subsidiaries have incurred losses in the past

Their Company has recorded losses in the past. Further, the following Subsidiaries have incurred losses for the periods indicated:

	Profit/ (Loss) after Tax				
	For the three month period ended		For Fiscal		
	June 30, 2023	June 30, 2022	2023	2022	2021
	(₹ million)				
Our Company	660.38	(457.97)	670.66	1,405.43	989.88
Subsidiaries					
Paradip East Quay Coal Terminal Private Limited	(63.44)	(209.57)	(515.86)	(661.57)	80.10
Ennore Bulk Terminal Private Limited[1]	(41.65)	(90.10)	(300.74)	(315.09)	(130.21)
Southern Bulk Terminals Private Limited[2]	(39.15)	(35.07)	(140.70)	(125.70)	(48.47)
Jaigarh Digni Rail Limited	(2.97)	(4.15)	(14.63)	(10.81)	(478.11)
JSW Shipyard Private Limited	(0.02)	(0.04)	(0.07)	(11.09)	(0.07)
JSW Jatadhar Marine Services Private Limited (*formerly known as JSW Salav Port Private Limited*)	(0.01)	0.00	(0.03)	(0.03)	(0.04)
Nandgaon Port Private Limited	(0.11)	(0.04)	0.02	(0.35)	(0.50)
Mangalore Coal Terminal Private Limited[3]	71.18	26.59	81.84	428.44	(465.94)
JSW Mangalore Container Terminal Private Limited	14.37	6.88	26.81	(7.61)	(0.13)
JSW Paradip Terminal Private Limited	48.91	60.94	158.79	(84.36)	91.62
Masad Infra Services Private Limited	(3.34)	0.00	(1.84)	(0.03)	(0.04)
West Waves Maritime & Allied Services Private Limited [4]	NA	NA	NA	NA	(0.03)

In the event their Company and their Subsidiaries continue to incur losses, their consolidated results of operations and financial condition will continue to be adversely affected.

Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	RONW
JSW Infrastructure Limited	3194.74	2.00	4.12	21.88	28.88	5.44	18.80%
Adani Ports and SEZ Limited	20851.91	2.00	24.58	211.02	33.81	3.94	11.65%

P/E & P/B ratio based on closing market price as on September 21, 2023, At the upper price band of IPO, financial details consolidated audited results as on FY23.

OUR VIEWS

JSW Infrastructure Limited ("JSW Infra") 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 2nd largest commercial port operator in India in terms of cargo handling capacity in Fiscal 2023. They propose to to develop a port at Jatadhar (Odisha) to cater to JSW Steel Limited's ("JSW Steel") upcoming steel facility in Odisha. They also expect to continue to benefit from the growth of various businesses within the JSW Group. For example, our JSW Group Customers (Related Parties) are in the process of achieving expanded installed capacities at their facilities in India with JSW Steel aiming to achieve up to 37.00 MTPA in Fiscal 2025 from 27.7 MTPA in Fiscal 2023, and JSW Energy aiming to achieve up to 10 GW in Fiscal 2025 from 4.8 GW in Fiscal 2023.

Company's revenue and EBIDTA shows growth of 41% and 42% respectively in terms of 2 year CAGR. EBIDTA Margins have remained steady at 53% despite a fall in FY2022. This issue is available at P/EPS of 28.88x which appears reasonably priced as the company's revenue visibility is strong for future with steady margins. Hence, we recommend to subscribe the issue for listing gains and long term.

Analyst Certification

We/I, Sankita V, MBA, Mcom Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Disclosures and Disclaimers

CANARA BANK SECURITIES LTD (CBSL), a wholly owned subsidiary of CANARA BANK, is a SEBI registered intermediary offering broking services to its institutional and retail clients; we also run a proprietary trading desk. CBSL is member of BSE & NSE. We are registered as RESEARCH ANALYST under SEBI (INH000001253). CBSL or its associates do not have an investment banking business. Hence, they do not manage or co mange any public issue. Neither CBSL nor its associates, neither the research analysts nor their associates nor their relatives (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the end of the month immediately preceding the date of publication of the research report OR date of the public appearance (iv) have received any compensation from the subject company in the past twelve months (v) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vi) have received any compensation for any other product or services from the subject company in the past twelve months (vii) have received any compensation or other benefits from the subject company or third party in connection with the research report. (viii) Research Analyst involved in the preparation of Research report discloses that he /she has not served as an officer, director, or employee of subject company (ix) is involved in market making activity of the company.

We shall adhere to SEBI guidelines from time to time.

We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of CBSL. The Research Desk does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of CBSL. CBSL will not treat recipients as clients by virtue of their receiving the research report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, the Research Desk does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive it. The securities discussed in the report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive the research report should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in the research report and of evaluating the merits and risks involved in the securities forming the subject matter of the reports. All projections and forecasts in research reports have been prepared by our research team.

The client should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by CBSL For these reasons; The client should only consider the projections and forecasts described in the research reports after carefully evaluating all of the information in the report, including the assumptions underlying such projections and forecasts. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. CBSL or its research team involved in the preparation of the research reports, accept no liabilities for any loss or damage of any kind arising out of the use of these reports. The technical levels and trend etc mentioned in our reports are purely based on some technical charts/levels plotted by software used by us and these charts/levels are believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. The recommendation expressed in the reports may be subject to change. The recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. This research reports are for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of CBSL. The Research reports or any portion hereof may not be printed, sold or distributed without the written consent of CBSL. The research report is strictly confidential and is being furnished to client solely for client's information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely based on certain assumptions & calculations and are given as part of the normal research activity of CBSL and are given as of this date and may be subject to change. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. The report has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Any opinions and projections contained herein are entirely based on certain assumptions and calculations. None of the directors of the company or any other persons in the research team accepts any liability whatsoever for any loss arising from any use of the research report or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that the client has read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India (SEBI) before investing in Securities Market. Please remember that investment in stock market is subject to market risk and investors/traders need to do study before taking any position in the market.

Research Desk
Canara Bank Securities Ltd
SEBI: RESEARCH ANALYST REGISTRATION: INH000001253
BSE: INB 011280238, BSE F&O: INF 011280238
NSE: INB 23180232, F&O: INF 231280232, CDS: 231280232
Maker Chambers III, 7th floor,
Nariman Point, Mumbai 400021
Contact No. : 1800220369/18001031369, 022 - 22802441/42, 43603841/42
Email id: researchdesk@canmoney.in Website: www.canmoney.in