

Company: JSW Infrastructure Ltd – IPO Note
Industry: Ports, Ports Services and Logistics
Not Rated
Date: 25th Sept, 2023
ISSUE HIGHLIGHTS

- ❖ JSW Infrastructure IPO worth ₹2,800 crore comprises entirely of a fresh issue of shares with no offer for sale component in the IPO.
- ❖ The fresh issue component of the company IPO will entail the issue of 23,52,94,118 equity shares (23.53 crore shares approx) which at the upper end of the price band of ₹119 per share would result in the total issue size of ₹2,800 Crore.
- ❖ The issue constitutes 11.20% of the post-IPO paid-up capital of the company.
- ❖ The objectives of the IPO are as follows:

Particulars	Amount (In Cr)
Prepayment or repayment, in full or part, of all or a portion of certain outstanding borrowings through investment in wholly owned Subsidiaries, JSW Dharamtar Port Pvt Ltd and JSW Jaigarh Port Ltd	880.00
Financing capital expenditure requirements through investment in wholly owned Subsidiary, JSW Jaigarh Port Limited, for proposed expansion/upgradation works at Jaigarh Port	
i) expansion of LPG Terminal Project	865.75
ii) setting up an electric sub-station	59.40
iii) purchase and installation of dredger	103.88
Financing capital expenditure requirements through investment in wholly owned Subsidiary, JSW Mangalore Container Terminal Pvt Ltd, for proposed expansion at Mangalore Container Terminal	151.05
General corporate purposes*	[●]
TOTAL	[●]

* To be finalised upon determination of the Issue Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

ISSUE DETAILS

Price Band	₹113 to ₹119 per share
Face Value	₹2 per share
Total Offer Size	Up to [●] Equity Shares (aggregating up to ₹2,800 Cr)
Fresh Issue Size	Up to [●] Equity Shares (aggregating up to ₹2,800 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	126 Shares
Allocation to anchor investors	Friday, September 22, 2023
Issue Opens	Monday, September 25, 2023
Issue Closes	Wednesday, September 27, 2023
Listing on	NSE and BSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	Tuesday, October 3, 2023
Unblocking of Funds	Wednesday, October 4, 2023
Credit of shares to Demat Account	Thursday, October 5, 2023
Listing on exchange	Friday, October 6, 2023

JSW Infrastructure IPO Reservation

QIB Shares	Not less than 75.00% of Net offer
HNI Shares	Not more than 15.00% of Offer
Retail Shares	Not more than 10.00% of Offer

COMPANY OVERVIEW

1. Leading Port-Related Infrastructure Player in India:

- ✦ Established in 1999 as the ports business of the JSW Group, JSW Infrastructure was incorporated in 2006 and is now the second largest commercial port operator in India.
- ✦ Its operations have expanded from one Port Concession at Mormugao, Goa which was acquired by the JSW Group in 2002, to nine Port Concessions across India, and 2 port terminals in the UAE making it a diversified maritime ports company.
- ✦ They offer a wide spectrum of maritime services including cargo handling, storage solutions, and logistics, leveraging strategic locations and robust multi-modal evacuation infrastructure. The company has diverse cargo handling capabilities and currently manages various cargo types including dry bulk, break bulk, liquid bulk, gases, and containers. Noteworthy cargoes include thermal coal, iron ore, sugar, urea, steel products.
- ✦ JSW Infrastructure is not only a port service provider but is evolving into an end-to-end logistics solutions provider, offering a comprehensive suite of services including cargo handling, storage, and logistics solutions.

2. Long Concession Periods: This transformation into also being a logistics player is backed by its extensive concession periods, with the Jaigarh Port boasting an impressive 35-year concession period. JSW Infrastructure's ports and port terminals concession periods typically range from 30 to 50 years. This affords the company a robust foundation of long-term revenue streams.

3. Extensive Geographical Presence: The company is present across India with Non-Major Ports in Maharashtra and port terminals at Major Ports in Goa, Karnataka (west coast), Odisha, Tamil Nadu (east coast), with additional operations in UAE, managing two port terminals with a capacity of 41 MTPA.

4. Rapid Capacity Growth: The company has an installed cargo handling capacity of 158.43 MTPA as of June 30, 2023. The installed cargo handling capacity has witnessed growth of 15.3% CAGR from 119.23 MTPA (March 31, 2021) to 158.43 MTPA (March 31, 2023). During the same period, its cargo volumes handled in India grew at a CAGR of 42.76% from 45.55 MMT to 92.83 MMT.

5. Integral Part of JSW Group:

- ✦ It is a member of the renowned JSW Group, actively collaborating with JSW Group Customers for growth initiatives, and is also a beneficiary of JSW Group's international diversified assets across sectors including steel, energy, infrastructure, cement, paints, venture capital, and sports.
- ✦ The company's proximity to JSW Group Customers, coupled with robust evacuation infrastructure utilizing various modes, positions JSW Infra as a preferred option for industrial hinterlands & mineral-rich belts.

6. Strong Growth Trajectory: The have emerged as the fastest-growing port-related infrastructure company in terms of installed cargo handling capacity and cargo volumes handled between Fiscal 2021 to Fiscal 2023.

7. Capitalizing on India's Economic Growth: The company is poised to leverage India's anticipated economic growth between Fiscal 2024 and 2026 by diversifying cargo profile, expanding geographical footprint, and diversifying revenue streams.

8. Ongoing Projects and Workforce: JSW Infra has also developed two greenfield Non-Major Ports, four port terminals at Major Ports, and acquired three port terminals. They are in active pursuit of greenfield projects and selective inorganic growth. As of June 30, 2023, they have a workforce of 673 employees.

RISKS

- 1. Dependency on Government Agreements:** Reliance on concession and license agreements with government and quasi-governmental entities for operations and growth exposes the company to regulatory risks.
- 2. Client Concentration Risk:** Heavy reliance on the top five clients, contributing to 55.8% of 9MFY22 revenue, poses a significant risk. Any decline or cessation of business with these clients could adversely affect revenue.
- 3. Ongoing Legal Disputes Impact:** Ongoing litigation regarding Southwest port's coal and coke handling operations at Mormugao Port in Goa poses a significant threat. An adverse verdict could severely impact the company's operations and financials.

FINANCIALS

Balance Sheet Extracts

Particulars (Rs. Cr)	As on 31 st March 23	As on 31 st March 22	As on 31 st March 21
Share Capital	360	60	60
Reserves & Surplus	3,635	3,212	2,831
Net Worth (Inc Non-controlling Interests)	4,089	3,472	3,088
Fixed Assets including CWIP	6,660	7,093	6,852
Current Assets	2,790	2,336	1,403
Other Liabilities	608	935	753
Borrowings	4,753	5,022	4,413
Capital Employed	8,957	8,523	7,281

Income Statement

Particulars (Rs. Cr)	As on 31 st March 23	As on 31 st March 22	As on 31 st March 21
Revenue from Operations	3,195	2,273	1,604
Other Income	178	106	75
Total Income	3,373	2,379	1,678
EBITDA	1,620	1,109	816
Depreciation	391	370	271
Finance Cost	596	420	228
PBT	811	426	393
Tax	61	96	108
PAT	750	330	285
EPS (In Rs.)	4.12	1.82	1.62

Margin & Ratio Analysis

Particulars	As on 31 st March 23	As on 31 st March 22	As on 31 st March 21
EBITDA Margin (%)	51%	49%	51%
Net Profit Margin (%)	23%	15%	18%
Return on Capital Employed (ROCE%)	19.5%	10.9%	8.1%
Return on Equity (ROE%)	18.3%	9.5%	9.2%
Return on Assets (%)	8%	8%	8%

PEER COMPARISON (TTM Basis)

Company	Market Cap (Rs. Cr)	PE Ratio	Adj ROE (%)	Adj ROCE (%)	OPM (%)
JSW Infrastructure Ltd (Post Issue)	24,990	33.3	12.5%	11.7%	51%
Adani Ports and SEZ Ltd	1,78,654	24.2	14.3%	9.5%	57%

INDUSTRY OUTLOOK

- Over the past nine fiscal years (2013-2022), India's exports demonstrated a CAGR of 7.6%, while imports saw a CAGR of 6.2% in terms of value.
- The "Sagarmala" initiative, launched in April 2016 by the Government of India, aims to optimize infrastructure investment for reduced logistics costs in both domestic and export-import cargo. The program sets out to enhance India's port capacity to over 3,300 MTPA by 2025, with 2,219 MTPA at Major Ports and 1,132 MTPA at Non-Major Ports by 2024-2025, according to the Ministry of Shipping.
- India's strategically advantageous geographical location, with a coastline spanning about 7,517 kilometers along the Bay of Bengal, Indian Ocean, and Arabian Sea, plays a pivotal role in international trade, with ports handling 90% of volume & 70% of value in India's external trade.
- The Indian Ocean, covering one-fifth of the world's sea area and supporting roughly 80% of global maritime oil trade, places India in a prime position to capitalize on maritime trade growth.
- The Indian government actively supports the port industry's development by allowing 100% Foreign Direct Investment (FDI) in port and harbour projects, along with offering a 10-year tax break to businesses involved in port, inland waterway, & inland port operations.

Data Source: Company filings & CSEC Research

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