

JSW Infrastructure Limited

Company Overview:

JSW Infrastructure Limited is the fastest-growing port-related infrastructure company in terms of growth in installed cargo handling capacity and cargo volumes handled during FY21 to FY23. The company is the second largest commercial port operator in India in terms of cargo handling capacity in FY23. The company operations have expanded from 1 port concession at Mormugao, Goa which was acquired by the JSW Group in 2002 and commenced operations in 2004, to 9 port concessions as of June'23 across India, making a diversified maritime ports company. The company's installed cargo handling capacity in India grew at a CAGR of 15.3% from 119.2 MTPA as of FY21 to 158.4 MTPA as of FY23. During the same period, cargo volumes handled in India grew at a CAGR of 42.8% from 45.6 MMT to 92.8 MMT. In addition to the operations in India, the company operates 2 port terminals under O&M agreements for a cargo handling capability of 41 MTPA in the UAE as of June'23.

Key Highlights:

Business verticals: The company provides maritime-related services including, cargo handling, storage solutions, logistics services, and other value-added services to the customers, and is evolving into an end-to-end logistics solutions provider. As of 1QFY24, the cargo volume mix between JSW Group Customers and 3rd party customers was 63.4% and 36.6% respectively. The contribution from the 3rd party customers has increased from 24.8% in FY21 to 36.6% in 3MFY24.

Diversified Operations: The company has evolved into a large maritime infrastructure company and has developed and operated 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. The company currently handles 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).

Port concession periods: The company develops and operates ports and port terminals pursuant to Port Concessions. The ports and port terminals typically have long concession periods ranging between 30 to 50 years, providing the company with long-term revenue visibility. As of June'23, the capacity-weighted average balance concession period of the operational ports and terminals is approximately 25 years. Jaigarh Port is one of the largest assets of the company, having a balance concession period of 35 years.

Pan India presence: The company operates in various parts of India, including Maharashtra, Goa, Karnataka, Odisha, and Tamil Nadu. They have port terminals near industrial areas and are close to their customers. This helps them serve different regions and mineral-rich areas effectively. They also have good transportation systems like ships, trains, and roads to move cargo.

Valuation: The company is valued at an FY23 PE multiple of 33.3x and EV/EBITDA of 17.0x, at the upper price band on post-issue capital. The company is well placed to encash on growth opportunity in terms of cargo handling at ports organically as well as inorganically. In addition, there is scope for an increase in the revenue share from 3rd party customers which currently stands at 36.6% in 3MFY24.

Issue Details	
Date of Opening	25 th September 23
Date of Closing	27 th September 23
Price Band (Rs)	113 – 119
Issue Size (Rs cr)	2,800
No. of shares	24,77,87,611 – 23,52,94,118
Face Value (Rs)	2
Post Issue Market Cap (Rs cr)	23,871 – 24,990
BRLMs	JM Financials, Axis Capital, Credit Suisse, DAM Capital, HSBC, ICICI Securities, Kotak Mahindra Capital, SBI Capital Market
Registrar	KFin Technologies Limited
Bid Lot	126 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB (HNI) shares	15%

Objects of Issue	
	(Rs Cr.)
Prepayment/Repayment of Debt	136.0
Capex for expansion/upgradation of Jaigarh Port	1029.0
Capex for expansion at Mangalore Container Terminal	151.1
General Corporate Purpose	-

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	1,79,78,65,800	96.4
Public & Others	6,68,41,650	3.6
Total	1,86,47,07,450	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	1,79,78,65,800	85.1
Public & Others	31,46,29,261	14.9
Total	2,11,24,95,061	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	1,79,78,65,800	85.6
Public & Others	30,21,35,768	14.4
Total	2,10,00,01,568	100.0

Source: RHP, SSL Research

Risk factors

- **Concession period:** The company relies on concession and license agreements from government and quasi-governmental organizations to operate and grow the business. The company has several obligations under these agreements and a breach of the terms could lead to termination, which could materially adversely affect the business, results of operations, financial condition and cash flows.
- **Cargo handled:** A substantial portion of the volume of cargo handled by the company is dependent on a few types of cargo (**Iron ore, Thermal coal, Coking coal, Steam coal and others**) and a significant reduction in, or the elimination of such cargo could adversely affect the profitability.
- **Related party transaction:** The company has entered into and may continue to enter into a substantial amount of related party transactions with entities in the JSW Group.
- **Capital-intensive industry:** The company operates in a capital-intensive industry and the current and future expansion plans may require significant capital that the company may be unable to raise.
- **Receivables:** Any inability to collect receivables and default in payment from the customers could result in the reduction of the profits and affect the cash flows.

Growth strategy

- **Expansion:** Continue to pursue greenfield and brownfield expansions with a focus on Non-Major Ports.
- **Acquisition:** Pursue acquisition opportunities in similar businesses.
- **Revenue diversifications:** Pursue opportunities in synergistic businesses to increase revenue diversification.
- **Revenue mix:** Increasing our third-party customer base
- **Environment-friendly:** Focus on building environment-friendly and sustainable operations along with growth.

Break-down of Total Volume of Cargo Handled in India by Type of Cargo and Evacuation Channel

	FY21		FY22		FY23		3MFY23*		3MFY24*	
	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	15.82	34.73%	19.73	31.84%	29.91	32.22%	7.72	33.09%	8.53	33.55%
Thermal coal	3.88	8.52%	5.21	8.41%	26.92	29.00%	6.16	26.40%	8.19	32.22%
Other than thermal coal (which includes coking coal, steam coal and Others) others)	19.50	42.81%	27.80	44.87%	23.57	25.39%	5.50	23.57%	5.91	23.25%
Liquid and gas cargo	0.25	0.55%	0.27	0.44%	0.53	0.57%	0.08	0.35%	0.15	0.59%
Container ^	NA	NA	NA	NA	2.17	2.34%	0.56	2.40%	0.64	2.52%
Other bulk and break bulk cargo#	6.09	13.37%	8.96	14.46%	9.73	10.48%	3.31	14.19%	2.00	7.87%
Total (India)	45.55	100.00%	61.96	100.00%	92.83	100.00%	23.33	100.00%	25.42	100.00%
Channel mix										
Rail	14.48	31.21%	20.58	32.79%	34.09	36.66%	7.55	33.45%	8.51	34.03%
Road	13.24	28.54%	15.40	24.54%	19.83	21.33%	5.44	24.11%	5.41	21.64%
Waterways	4.22	9.10%	7.84	12.49%	13.65	14.68%	3.21	14.20%	4.12	16.47%
Conveyor	14.45	31.15%	18.94	30.18%	25.42	27.33%	6.37	28.23%	6.97	27.87%
Total (India)**	46.39	100.00%	62.76	100.00%	92.98	100.00%	22.57	100.00%	25.01	100.00%

Source: RHP, SSL Research

* Not annualized.

^ We were awarded a concession from NMPT to develop and operate a container terminal project in 2019 which we have developed and which has subsequently commenced operations in April 2022.

Other cargo comprises fluxes.

** Channel-wise volume is not adjusted for the cargo related to prior periods but evacuated in current year or the cargo related to current year but not evacuated as at the end of relevant period.

Revenue from Cargo Handling Services and Vessel Related Charges

Revenue from each customer category	FY21		FY22		FY23		3MFY23*		3MFY24*	
	Amount (Rs cr)	Percentage of total revenue from operations (%)	Amount (Rs cr)	Percentage of total revenue from operations (%)	Amount (Rs cr)	Percentage of total revenue from operations (%)	Amount (Rs cr)	Percentage of total revenue from operations (%)	Amount (Rs cr)	Percentage of total revenue from operations (%)
Cargo Handling**										
JSW Group Customers (Related Parties)	906.24	56.51%	1,266.79	55.73%	1,657.30	51.88%	429.96	52.45%	447.991	51.02%
Third-Party Customers	484.63	30.22%	663.87	29.21%	1,050.36	32.88%	244.68	29.85%	295.78	33.68%
Vessel Related Charges***										
Vessel related charges	212.70	13.26%	342.41	15.06%	487.08	15.25%	145.06	17.70%	134.33	15.30%
Revenue from operations	1,603.57	100.00%	2,273.06	100.00%	3,194.74	100.00%	819.70	100.00%	878.10	100.00%

Source: RHP, SSL Research

* Not annualized

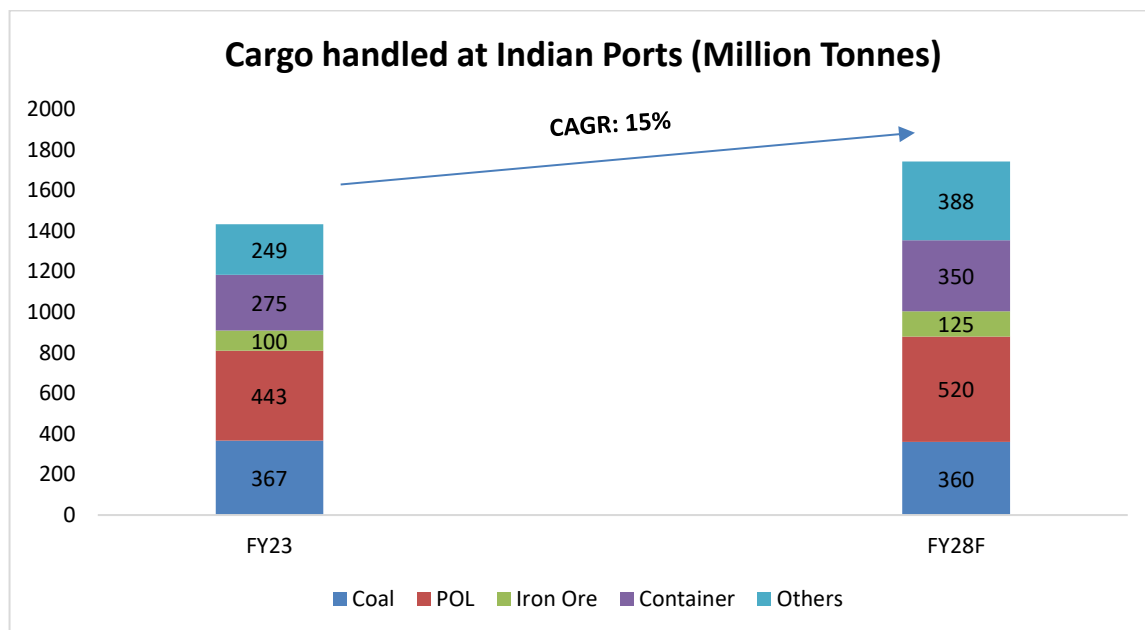
**Includes cargo handling, storage and value added services such as evacuation, sorting, mixing, bagging.

***Vessel related charges such as berth hire charges, port dues, pilotage and towage billed to shipping agents pertaining to the cargo.

handled for our JSW Group Customers (Related Parties) as well as our third-party customers.

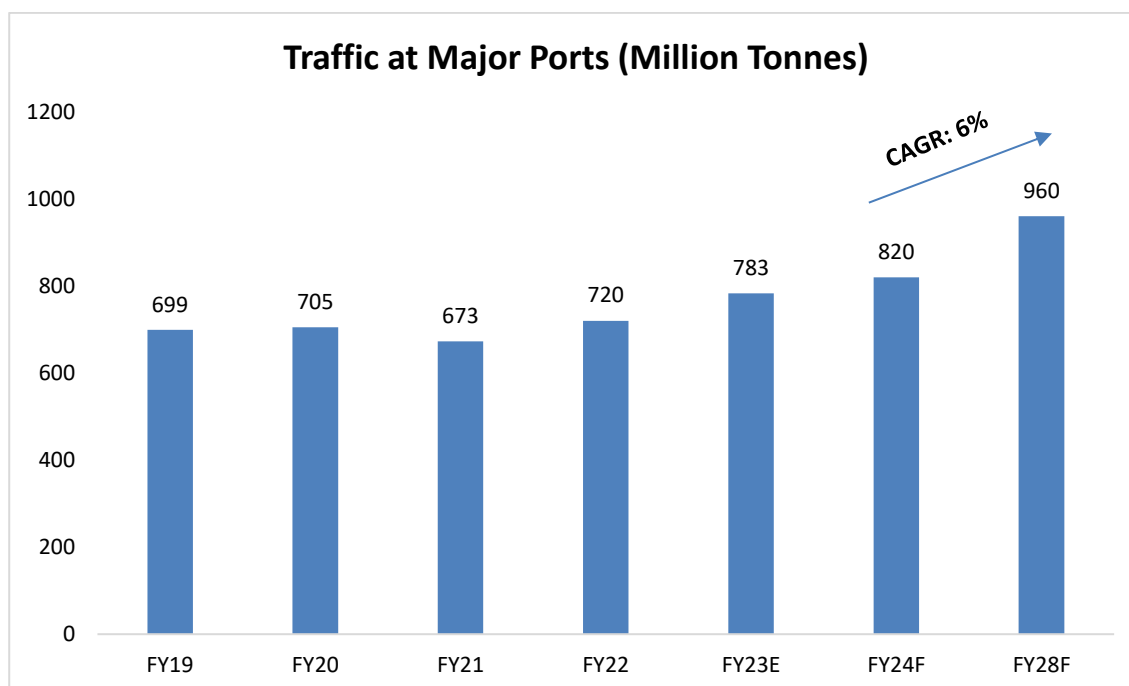
Industry Overview

Cargo Handled at Indian Ports from FY23 – FY28



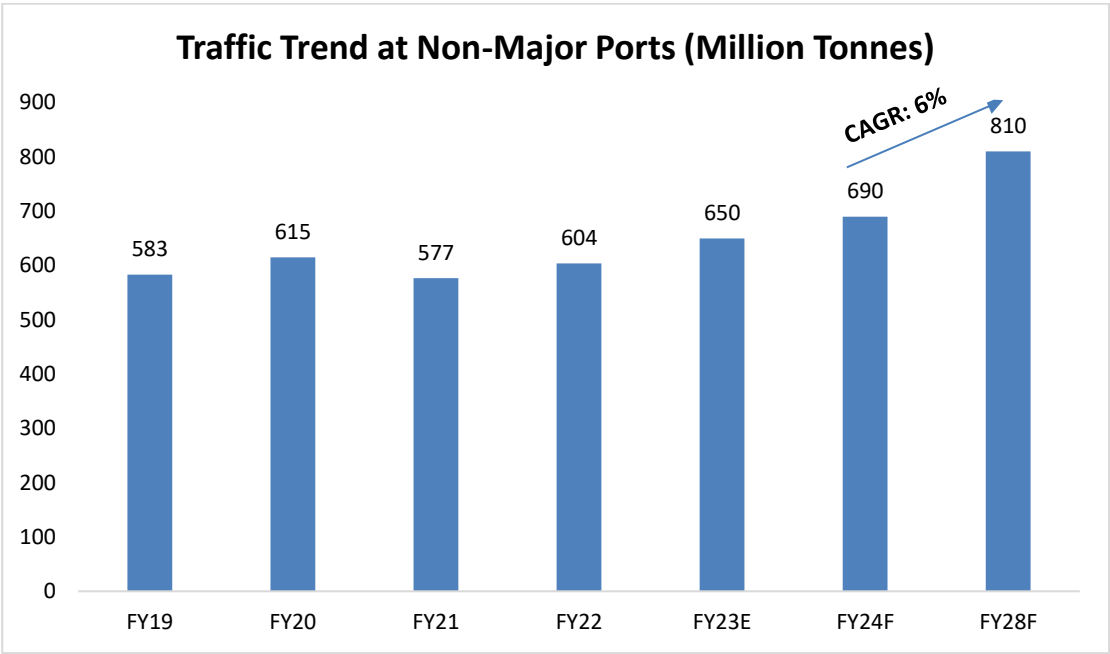
Source: RHP, SSL Research

Traffic at Major Ports from FY24 – FY28



Source: RHP, SSL Research

Traffic Trend at Non-Major Ports from FY24 -FY28



Source: RHP, SSL Research

Financial Snapshot

JSW Infrastructure Limited				
Particulars (Rs cr)	FY21	FY22	FY23	1QFY24
Net Sales	1,603.6	2,273.1	3,194.7	878.1
Total Income	1,678.3	2,378.7	3,372.9	918.2
EBIDTA	816.4	1,109.4	1,620.2	451.3
PAT	284.6	330.4	749.5	322.2
Equity Share Capital	59.9	59.9	359.6	359.6
No of Equity Shares (cr)	30.0	30.0	179.8	179.8
Cash and Bank	264.8	1,038.2	1,631.6	1,743.2
Debt	3,945.8	4,408.7	4,243.7	4,228.4
Net Debt	3,681.0	3,370.5	2,612.1	2,485.2
Net worth	2,891.2	3,272.1	3,994.6	4,306.1
Face Value (Rs)	2.0	2.0	2.0	2.0
EPS (Rs)	9.5	11.0	4.2	1.8
BV per share (Rs)	96.5	109.2	22.2	24.0
Debt/Equity (x)	1.4	1.3	1.1	1.0
Net Debt/Equity (x)	1.3	1.0	0.7	0.6
Net Debt/EBITDA (X)	4.5	3.0	1.6	5.5
EBITDA Margins (%)	50.9	48.8	50.7	51.4
Net Margins (%)	17.7	14.5	23.5	36.7
ROE (%)	9.2	9.5	18.3	7.5
ROCE (%)	8.2	10.9	19.5	4.6

Particulars	FY21	FY22	FY23	1QFY24
Installed Capacity (MTPA)	119.2	153.4	158.4	158.4
Total Cargo Handled in India (MMT)	45.6	62.0	92.8	25.4
Capacity Utilisation (%)	35.2	38.4	56.9	62.6

Particulars (Days)	FY21	FY22	FY23
Debtor's days	110	97	46
Inventory days	63	36	31
Creditor's days	137	117	91
Working Capital Days	36	16	-14

Particulars (Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	990.2	1,176.2	1,797.2
Cash flow from Investing Activities	-1,636.8	-801.3	-620.8
Cash flow from Financing Activities	640.9	2.6	-1,086.6
Free Cash Flow	1,120.3	1,178.5	1,807.5

Source: RHP, SSL Research

Peer Comparison

	JSW Infrastructure Limited	Adani Ports and SEZ Limited
CMP	119.0	825.0
Sales (Rs cr)	3,194.7	20,852.0
EBITDA (Rs cr)	1,620.2	10,947.0
Net Profit (Rs cr)	749.5	5,393.0
M.Cap (Rs Cr)	24,990.0	1,78,395.0
Enterprise Value (Rs cr)	27,602.1	2,27,283.0
EBITDA Margin (%)	50.7	52.5
Net Margin (%)	23.5	25.9
PE(x)	33.3	21.6
EV/EBITDA	17.0	20.8
RoE (%)	20.6	7.4
RoCE (%)	17.7	9.4

(Source: RHP, SSL Research)

The data is based on FY23 financial data, For JSW Infrastructure Limited the Market cap, PE(x), and EV/EBITDA are calculated on post-issue equity share capital based on the upper price band.

CMP as on 25th September'23.

SBICAP Securities Limited

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