

JSW Infrastructure Limited

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JSW Infrastructure Ltd. (JSWIL) has rapidly emerged as India's second-largest commercial port operator in terms of cargo handling capacity and volumes from FY21 to FY23. The company's journey began with the acquisition of the concession port in Mormugao, Goa, in 2004. As of June 30, 2023, JSWIL boasts an impressive portfolio of 9 port concessions, including 2 greenfield ports, and 7 terminals, with a combined cargo handling capacity of 158.43 million metric tons per annum (MTPA). Additionally, JSWIL manages 2 port terminals in the UAE through operation and maintenance agreements, with a capacity of 41 MTPA.

JSWIL strategically positions its ports in close proximity to JSW group assets and industrial clusters. Most of its capacity, totaling 108.4 MTPA, lies along the West coast, with the remaining 50 MTPA along the East coast. This advantageous location allows the company to efficiently serve the group's demand, thanks to a significant share of "sticky cargo," all while maintaining healthy profit margins. In terms of cargo volumes, related parties contribute 63.4% as of 3M FY24, while third-party customer share has grown from 24.8% in FY21 to 36.6% in 3M FY24.

The remarkable performance of JSWIL is evident through its impressive growth rates. Revenue from operations, EBITDA and PAT exhibited substantial CAGR of 41.15%, 42.06%, and 62.28%, respectively. EBITDA margins have remained stable at 53% from FY21 to FY23, while PAT margins have surged from 17% to 22% and reached 35% for 3M FY24. This accelerated PAT growth can be attributed to favorable financial leverage and improved utilization rates, with current utilization rates standing at 56.88% for FY23 and 62.64% for 3M FY24.

JSWIL's ports and terminals concessions offer a strong revenue visibility, with a residual weighted average life of 25 years. The cargo profile primarily consists of bulk and break-bulk cargo, including thermal and coking coal, as well as iron ore, with approximately 66% of this cargo handled on the West coast. Furthermore, nearly 75% of the volumes consist of import-export cargo, while the remaining 25% pertains to coastal movement, which is notably higher on the East coast.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	Adj BVPS (₹)	RoE (%)	RoIC (%)	EV/EBITDA (X)	P/E (X)
FY21	1,604	816	285	50.9	17.7	1.4	14.7	9.8	8.4	35.1	87.8
FY22	2,273	1,109	330	48.8	14.5	1.6	16.5	10.1	11.1	25.6	75.6
FY23	3,195	1,620	750	50.7	23.5	3.6	19.5	18.8	19.5	16.8	33.3

Source: Ventura Research

Industry	Infrastructure
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Issue Details

Listing	BSE & NSE
Open Date	25 th Sep 2023
Close Date	27 th Sep 2023
Price Band	INR 113-119
Face Value	INR 2
Market Lot	126 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue	100%
Issue Size (Amt)	INR 2,800 cr
Issue Size (Shares)	23,52,94,118
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 10%
Pre issue sh (nos)	1,86,47,07,450
Post issue sh (nos)	2,10,00,01,568
Post issue M Cap	24,990 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	96.42	85.61
Public	3.58	14.39
TOTAL	100	100

Industry Analysis

Overview

The Indian economy benefits from its strategic location with a vast coastline of 7,517 km, serving as a hub for international trade, especially in the Indian Ocean region. Ports in India handle the majority of the country's external trade, including crucial imports like crude petroleum, iron ore, and coal. India also boasts an extensive network of inland waterways spanning 20,275 km across 24 states.

India's central position in the Indian Ocean, responsible for 80% of global maritime oil trade, positions it favorably for further economic growth. The government has facilitated this growth by allowing 100% foreign direct investment (FDI) in port and harbor development and offering tax incentives to businesses involved in port and waterway operations.

The Indian port sector comprises major ports, controlled by the central government, and non-major ports, under state government jurisdiction. As of December 2022, India has 12 major ports and around 217 non-major ports, all contributing significantly to the nation's economic development.

Port Traffic in India

Port traffic in India is expected to grow at a rate of 3–6% in Fiscal 2024, following a robust 8.2% growth in Fiscal 2023. The growth in Fiscal 2023 was driven by a significant increase in coal cargo traffic due to higher domestic power demand, resulting in a 26% growth in coal traffic. However, container traffic saw slower growth at 3% in Fiscal 2023 due to macroeconomic challenges.

In Fiscal 2024, the growth in port traffic is expected to moderate, with coal traffic projected to grow by 2–7% and container traffic expected to increase by 4–7%, mainly due to a low base, higher imports, and lower container prices. Iron ore traffic is anticipated to experience robust growth at 10–15%, while POL (petroleum, oil, and lubricants) traffic is expected to have subdued growth at 2–5%.

Looking ahead to Fiscals 2024 to 2028, port growth is expected to remain at 3–6%. However, factors such as reduced growth in coal imports, plateauing iron ore exports, and sluggish growth in the POL segment due to slower crude oil consumption will moderate cargo traffic over the long term.

The share of major ports is decreasing as non-major ports offer better efficiencies, shorter turnaround times, and competitive rates. Over the next five years, non-major ports are expected to grow at a similar pace to major ports due to declining imports and slight growth in coastal traffic.

Key Growth Drivers of Ports in India

1. Thrust on manufacturing through Make in India, Atmanirbhar Bharat and PLI bodes well for merchandise trade and augurs well for container trade.

2. Robust POL trade, including the LNG demand led by climate change concerns and LPG demand from improved household penetration.

3. Thermal coal demand from the power sector will remain strained. However, coal demand from steel and captive power will support volumes.

4. Sagarmala program implemented by the Government includes more than n 800 projects at an estimated cost of around Rs 5.48 trillion have been identified for implementation.

5. Adoption of the Landlord model by the Government enables private operators to minimize Investments and provides lucrative opportunity for operating ports across India.

6. Trend towards increasing privatization of terminals at major ports. The Ministry of Ports has a robust pipeline of 81 projects of more than Rs. 424.00 million which are going to be awarded on PPP till Fiscal 2025.

Company Highlights

- The company's port profile consists of 9 concessions which includes 2 greenfield ports and 7 terminals located at 6 locations. Company's installed capacity has grow at a CAGR of 15.27% FY21 to FY23.

Port Capacity and Utilization Summary

Coast	Port	Hinterland	Type	Berth Length (meters)	Capacity (MTPA)	Cargo handled in FY23 (MMT)	Utilization (%)	% of total cargo handled in India
West	Jaigarh	Maharashtra	Non-Major	2,319	55.0	20.2	37%	21.80%
	Dharamtar	Maharashtra	Non-Major	771	34.0	24.0	71%	25.90%
	Southwest	Goa	Major	450	8.5	7.1	83%	10.53%
	New Mangalore Container Terminal	Karnataka	Major	350	4.2	2.2	52%	2.34%
	New Mangalore Coal Terminal	Karnataka	Major	315	6.7	4.5	66%	4.80%
Total					108.4	58.0	53%	
East	Paradip Iron Ore Terminal	Odisha	Major	370	10.0	9.5	95%	10.26%
	Paradip Coal Terminal	Odisha	Major	686	30.0	12.0	40%	12.96%
	Ennore Coal Terminal	Tamil Nadu	Major	348	8.0	8.7	109%	9.38%
	Ennore Bulk Terminal	Tamil Nadu	Major	270	2.0	1.9	95%	2.04%
Total					50.0	32.1	64%	100%
UAE	Fujairah Terminal	NA	NA	619	24.0	11.8	49%	NA
	Dibba Terminal	NA	NA	650	17.0	0.0	0%	NA
Total					41.0	11.8	29%	
Grand Total					199.4	101.9	51%	

- The company has weighted average residual concessions of 25 years for its ports. Jaigarh Port which contributed ~41% to company's revenue has residual concession of 35 years.
- The company handled 92.83 MMT of volumes in FY23 and 25.42 MMT in 3M FY24 out of which ~67% was for JSW group customers providing strong internal demand. Out of the total cargo ~65% was handled at West Coast.
- The Bulk cargo which includes Iron Ore & Coal contributes to ~90% of the company's cargo profile. Other than these, the company also handles containers, sugar, urea, molasses, edible oils, etc.

Growth Strategy

- **Pursue Brownfield Expansion-** Increasing existing port capacities at Jaigarh at Mangalore terminal.
- **Pursue Greenfield Expansions-** Development of non-major ports at Jatadhar (Odisha) and Keni (Karnataka).
- **Acquisitions-** Acquisitions to add to product portfolio with focus on liquid, gas & containers having geographical advantage.
- **Increase third party customers-** Bidding for port concessions and entering into long term agreements with third parties.

Investment Rationale

- JSWIL is fastest growing port operator in India. The revenue, EBITDA and PAT have grown at an average CAGR of 41% from FY21 to FY23.
- Strategically located assets in proximity of JSW group companies and industrial clusters especially industries in Iron Ore, Steel, Power, Cement and Coal sector in the hinterlands.
- The ports are supported by multi-modal evacuation infrastructure with strong railway and national road networks connecting the terminals.
- The average residual concession period of assets is high along with long term contracts and strong internal demand provides enhanced revenue visibility.
- Increased power demand and India becoming a manufacturing hub, the port activity is set to grow.
- Company is looking to bid for Government tenders for port terminals which allows it to acquire terminals with low capex eventually improving capacities.
- High entry barriers due to regulatory requirements for biddings and high capex requirements. Hence, competition is lower with only few key players in the sector.
- Favorable Government policies and evolving regulatory framework.

Key Concerns

- Slowdown in global Economy
- Competition from bigger players.
- Changes in Government regulations.
- Natural disasters.
- Changes in Vessel technology

Issue Structure and Offer Details

The proposed issue size of JSWIL is INR 2,800 Cr (100% Fresh Issue) and the price band for the issue is in the range of INR 113-119 and the bid lot is 126 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 75% of the Offer	17,64,70,588
NIB	Not less than 15% of the Offer	3,52,94,118
Retail	Not less than 10% of the Offer	2,35,29,412

Number of shares based on a higher price band of INR 119

Source: Company Reports

Objects of the Issue

Objects	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 Private Limited and JSW Jaigarh Port Limited	880
Financing capital expenditure requirements through investment in wholly owned Subsidiary, JSW Jaigarh Port Limited, for proposed expansion/upgradation works at Jaigarh Port as follows:	
(i) LPG Terminal Project ⁽¹⁾	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 Private Limited, for proposed expansion at Mangalore Container Terminal	151.05
General Corporate purposes	-

JSW Jaigarh Port Limited has availed bridge financing of ₹ 500.00 million from South Indian Bank Limited on June 27, 2023, for the LPG Terminal Project ("Bridge Loan"). As of August 31, 2023, an amount of ₹ 93.93 million has been utilized from the Bridge Loan towards the LPG Terminal Project. The funds utilized from the Bridge Loan towards the LPG Terminal Project shall be repaid out of the Net Proceeds.

Source: Company Reports

JSWIL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	1,603.6	2,273.1	3,194.7	Adjusted EPS (INR)	1.4	1.6	3.6
YoY Growth (%)	40.3	41.7	40.5	Adjusted Cash EPS (INR)	2.6	3.3	5.4
Raw Material Cost	0.0	0.0	0.0	Adjusted BVPS (INR)	14.7	16.5	19.5
RM Cost to Sales (%)	0.0	0.0	0.0	Adjusted CFO per share (INR)	4.7	5.6	8.6
Employee Cost	111.3	149.7	230.0	CFO Yield (%)	4.0	4.7	7.2
Employee Cost to Sales (%)	6.9	6.6	7.2	Adjusted FCF per share (INR)	(2.1)	4.7	9.9
Other Expenses	675.8	1,014.0	1,344.6	FCF Yield (%)	(1.7)	4.0	8.3
Other Exp to Sales (%)	42.1	44.6	42.1	Solvency Ratio (X)			
EBITDA	816.4	1,109.4	1,620.2	Total Debt to Equity	1.3	1.3	1.0
Margin (%)	50.9	48.8	50.7	Net Debt to Equity	1.2	1.0	0.6
YoY Growth (%)	31.9	35.9	46.0	Net Debt to EBITDA	4.4	3.0	1.4
Depreciation & Amortization	270.7	369.5	391.2	Return Ratios (%)			
EBIT	545.8	739.9	1,229.0	Return on Equity	9.8	10.1	18.8
Margin (%)	34.0	32.6	38.5	Return on Capital Employed	5.8	7.5	13.8
YoY Growth (%)	30.8	35.6	66.1	Return on Invested Capital	8.4	11.1	19.5
Other Income	74.7	105.7	178.1	Working Capital Ratios			
Bill discounting & other charges	227.9	419.6	596.1	Payable Days (Nos)	49	44	34
Fin Charges Coverage (X)	2.4	1.8	2.1	Inventory Days (Nos)	23	14	12
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	110	97	46
PBT	392.6	426.0	811.0	Net Working Capital Days (Nos)	83	66	23
Margin (%)	24.5	18.7	25.4	Net Working Capital to Sales (%)	23	18	6
YoY Growth (%)	67.7	8.5	90.4	Valuation (X)			
Tax Expense	108.0	95.5	61.5	P/E	87.8	75.6	33.3
Tax Rate (%)	27.5	22.4	7.6	P/BV	8.1	7.2	6.1
PAT	284.6	330.4	749.6	EV/EBITDA	35.1	25.6	16.8
Margin (%)	17.7	14.5	23.5	EV/Sales	17.8	12.5	8.5
YoY Growth (%)	44.8	16.1	126.8	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	392.6	426.0	811.0
Net Profit	284.6	330.4	749.6	Adjustments	648.7	891.9	838.6
Margin (%)	17.7	14.5	23.5	Change in Working Capital	56.9	(46.1)	209.1
YoY Growth (%)	49.5	16.1	126.8	Less: Tax Paid	(108.0)	(95.5)	(61.5)
Balance Sheet				Cash Flow from Operations	990.2	1,176.2	1,797.2
Share Capital	59.9	59.9	359.6	Net Capital Expenditure	(1,592.5)	(506.8)	(269.0)
Total Reserves	3,028.5	3,411.9	3,729.3	Change in Investments	(44.3)	(294.5)	(351.8)
Shareholders Fund	3,088.4	3,471.9	4,088.9	Cash Flow from Investing	(1,636.8)	(801.3)	(620.8)
Long Term Borrowings	3,390.5	4,094.7	4,095.4	Change in Borrowings	868.7	423.0	(490.5)
Deferred Tax Assets / Liabilities	(76.1)	(96.9)	138.5	Less: Finance Cost	(227.9)	(419.6)	(596.1)
Other Long Term Liabilities	625.0	697.2	410.5	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	(0.8)	0.0
Long Term Provisions	6.6	7.1	3.3	Dividend Paid	0.0	0.0	0.0
Total Liabilities	7,034.4	8,174.0	8,736.6	Cash flow from Financing	640.9	2.6	(1,086.6)
Net Block	4,924.0	6,133.9	5,974.5	Net Cash Flow	(5.7)	377.5	89.9
Capital Work in Progress	292.1	70.1	45.0	Forex Effect	0.0	0.0	0.0
Intangible assets under developi	832.9	9.6	1.0	Opening Balance of Cash	157.1	151.4	528.8
Non Current Investments	295.5	283.0	453.5	Closing Balance of Cash	151.4	528.8	618.7
Long Term Loans & Advances	177.6	152.5	135.5				
Other Non Current Assets	28.7	95.2	50.8				
Net Current Assets	483.6	1,429.7	2,076.2				
Total Assets	7,034.4	8,174.0	8,736.6				

Source: Ventura Research

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