

26 September 2023

JSW Infrastructure – SUBSCRIBE

Investment Thesis

JSW Infrastructure Ltd. (JSW Infra) is coming out with an initial public offering (IPO) on September 25, 2023. The issue comprises of fresh issue of 235,294,118 equity shares worth up to Rs.28,000mn. The IPO proceeds will be utilized for prepayment or repayment of borrowings through investment in the wholly owned Subsidiaries, JSW Dharamtar Port Pvt Ltd., JSW Jaigarh Port Ltd. and capital expenditure for LPG Terminal Project at Jaigarh Port, etc.

JSW Infra has emerged as an end-to-end logistics solutions provider, provides maritime related services including, cargo handling, storage solutions, logistics services and other value-added services. It has 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, which help it to serve the industrial hinterlands of Maharashtra, Goa, Karnataka, Tamil Nadu, Andhra Pradesh and Telangana as well as mineral rich belts of Chhattisgarh, Jharkhand and Odisha.

JSW Infra is the fastest growing port-related infrastructure company in terms of growth in installed cargo handling capacity and cargo volumes handled during FY21-23. It operates 9 port concessions in India with an installed cargo handling capacity of 158.4MTPA as of Q1FY24. Its presence in Indian maritime infrastructure industry enables it to leverage economies of scale in project development capabilities and resource optimization. Based on its experience, scale of operations, track record and related brand equity placed JSW Infra to qualify for additional opportunities such as bidding for larger port concessions and strengthening the position in the Indian maritime infrastructure industry.

JSW Infra plans to focus on expanding non-major ports where it can broaden its operations to provide fully integrated logistics solutions with an optimum cargo mix of bulk, container, liquid and gases while continuing to expand its presence across major ports. JSW Infra also plans to increase capacity at Jaigarh Port by developing a terminal with a proposed capacity of up to 2MTPA for handling LPG, propane, butane and similar products as well as develop a non-major port at Jatadhar (Odisha) with a capacity of up to 52MTPA to cater to JSW Steel's upcoming steel facility in Odisha. Both of these projects will be developed in a phased manner.

Revenue from business Verticals

- During the past 5 years, revenue of JSW Infra grew at a CAGR of 22.8% while PAT grew at CAGR of 31.2% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	FY24E	FY25E
Revenue	16,036	22,731	31,947	36,740	42,250
EBITDA	8,082	11,094	16,202	18,632	21,427
% growth	92.6	37.3	46.0	15.0	15.0
PAT	2,914	3,280	7,398	8,508	9,784
EPS (Rs.) #	1.4	1.6	3.5	4.1	4.7
P/E (x) **	85.8	76.2	33.8	29.4	25.5
RoE (%) #	9.0%	9.0%	18.2%	19.3%	20.3%

* At highest price band # Post listing

IPO Details

Issue Open Date	25 September 2023
Issue Close Date	27 September 2023
Price Band (Rs.)	Rs. 113 – Rs. 119
Issue Size*	Rs. 28,000 Mn
Issue Size (Shares)	235,294,118
Market Lot	126 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 2/-

* At highest price band

Key Details

Fresh Issue*	Rs. 28,000 Mn
Issue Type	Book Building
Book Running Lead Manager	JM Financial, Axis Capital, Credit Suisse Securities (India), Dam Capital, HSBC Securities & Capital Markets, ICICI Securities, Kotak Mahindra Capital and SBI Capital Markets
Issue structure	Anchor Investor: 45% QIB: 30% Non Institutional: 15% Retail: 10%
Credit of Shares to Demat Account	05 October 2023
Issue Listing Date	06 October 2023

* At highest price band

Key Business Highlights

- JSW Infra is the fastest growing port-related infrastructure company in terms of growth in installed cargo handling capacity and cargo volumes handled during FY21-23 and the 2nd largest commercial port operator in India in terms of cargo handling capacity in FY23. To be a diversified maritime ports company, JSW Infra has expanded its operations from one Port Concession at Mormugao, Goa (acquired by the JSW Group in 2002 and commenced operations in 2004) to 9 Port Concessions as of Q1FY24 across India.
- JSW Infra's installed cargo handling capacity in India grew by a CAGR of 15.3% to 158.4MTPA in FY23 from 119.2MTPA in FY21. Its cargo volumes handled in India also grew by a CAGR of 42.8% to 92.8MMT from 45.5MMT during the same period and 23.3MMT during Q1FY24. Apart from its operations in India, JSW Infra operate 2 port terminals under O&M agreements for a cargo handling capability of 41MTPA in the UAE by the Q1FY24.
- JSW Infra provides maritime related services like, cargo handling, storage solutions, logistics services and other value-added services and evolved as an end-to-end logistics solutions provider. JSW Infra develop and operate ports and port terminals in accordance with port concessions, which have typically long concession periods ranging between 30 to 50 years, providing long-term visibility of revenue streams.

Valuation

- JSW Infra currently handle various types of cargo, including dry bulk, break bulk, liquid bulk, gases and containers. Some of the cargo its currently handle include coal, iron ore, sugar, urea, steel products, rock phosphate, molasses, gypsum, barites, laterites, edible oil, LNG, LPG and containers. JSW Infra's diversification of cargo has enabled it to develop capabilities and expertise in handling various types of bulk cargo, including liquid commodities such as edible oil and chemicals; LNG and LPG following the commissioning of India's first Floating Storage and Regasification Unit ('FSRU') based LNG terminal at its Jaigarh Port as well as urea and other fertilizers at their Jaigarh Port. It has plans to further diversify its cargo mix by increasing the contribution of containers, LPG, LNG and liquid bulk.
- JSW Infra has diversified customer base to include third-party customers across geographies and has expanded cargo mix by leveraging locational advantage and maximizing asset utilization. Efforts to expand customer base has led to an increase in cargo handled for third-party customers in India which grew at a CAGR of 65.6% to 31.0MMT in FY23 from 11.3MMT in FY21. Cargo handled for third-party customers in India as a proportion of total cargo handled (by volume) in India also increased to 33% in FY23 from 25% in FY21.
- Ports and port terminals typically have long concession periods ranging between 30-50 years, providing long-term visibility of revenue streams. As of Q1FY24, capacity weighted average balance concession period of operational ports and terminals of JSW Infra was ~25 years with Jaigarh Port, one of the largest assets, having a balance concession period of 35 years. While Dharamtar Port (Maharashtra) and each of the other port terminals located at major ports, were awarded concession/ license periods of 30 years, providing long-term revenue visibility.
- With emergence of an end-to-end logistics solutions provider, installed cargo handling capacity of 158.4MTPA, plans to focus on expanding non-major ports, diversification helped it to develop capabilities and expertise in handling various types of bulk cargo and diversified customer base to include third-party customers, we are recommending **SUBSCRIBE** rating to the IPO of JSW Infrastructure Ltd. for medium to long term perspective.

Risk & Concern

- JSW Infra's major portion of the total volume of cargo handled comprises coal (55%) and iron ore (34%). Hence, it is inclined to a significant downturn in the trade or transportation of coking coal, iron ore and thermal coal.
- Government is introducing legislations to restrict emissions and incentivize adoption of renewable energy as well as reducing the demand for coal for industrial use. Any such restrictions may impact JSW Infra's coal handling or reduction in coal traffic at the ports may have an adverse impact.

Graphs & Charts

Figure 1: Net Sales Trend

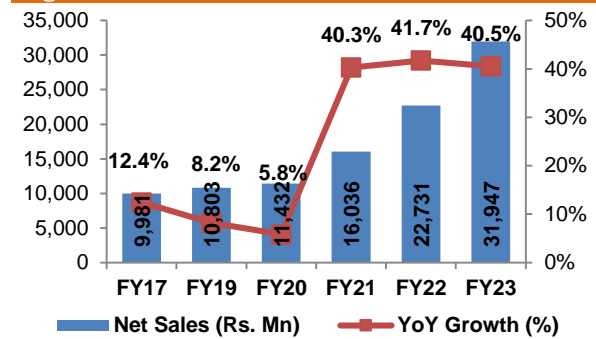


Figure 2: EBITDA & EBITDA Margin Trend

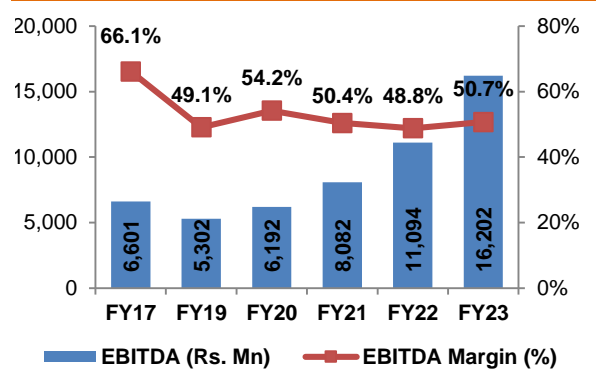


Figure 3: PAT & PAT Margins

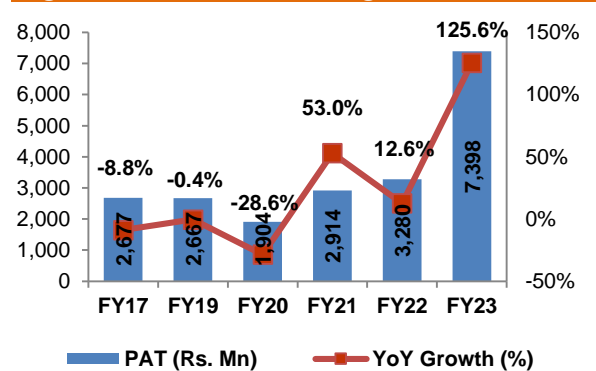
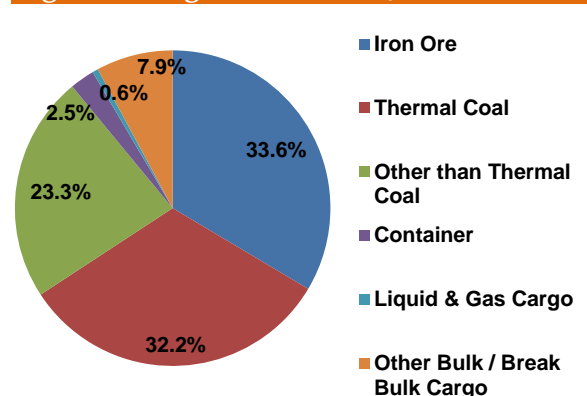


Figure 4: Cargos Handled (Q1FY24)



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