

JSW INFRASTRUCTURE LTD

25-09-2023 TO 27-09-2023

Industry: Port & Port Services

Price Band: ₹ 113 - 119

Recommendation: Subscribe for Long term

Post Implied Market Cap: ₹ 23,871 – 24,990 Cr

Key Data

Issue Size (₹ Cr)	2,800
Fresh	2,800
OFs	-
No of shares	247,787,610 – 235,294,117
Face Value (₹ /share)	2
Bid Lot	126

Introduction

JSW Infrastructure Limited (JSW Infra) is a fastest growing maritime infrastructure company in India, specializing in port-related services. As of Fiscal 2023, it stands as the second-largest commercial port operator in the country by cargo handling capacity. The company offers a range of maritime services, including cargo handling, storage solutions, logistics services and other value-added services with a strategic aim to become a comprehensive end-to-end logistics solutions provider. Operating under substantial port concessions lasting 30 to 50 years, JSW Infra has expanded its operations from a single port concession in Goa to a diversified portfolio of nine port concessions across India as of June 30, 2023. Additionally, the company manages two port terminals in the UAE, further enhancing its global presence and capacity, with a total cargo handling capability of 41 million metric tons per annum as of June 30, 2023.

Investment Rationales

1) India's fastest-growing port company, second in commercial port operations:

JSW Infra is a leading port-related infrastructure company in India, experiencing rapid growth in cargo handling capacity and volumes from Fiscal 2021 to 2023. Their success stems from meeting increasing demand efficiently through strategically located assets near resource-rich areas. With 9 Port Concessions and 158.43 MTPA handling capacity as of June 2023, they capitalize on economies of scale and a strong industry position, offering diverse maritime services and enjoying barriers to entry due to expertise and brand equity. Their experience positions them well for future opportunities, including larger Port Concessions and strengthening their industry presence.

2) Benefit from strong corporate lineage of the JSW Group and a qualified and experienced management team:

JSW Infra as a part of JSW group, benefits from the strong support provided by the group to their business and they grow alongside other growing JSW Group businesses. The company received initial cargo from group customers, which supported them for asset ramp-up and capacity utilization. They also align with the group's sustainability vision and have adopted policies relevant to their operations and activities for setting short-term carbon reduction targets. With a strong management team and experienced board of directors, they demonstrate expertise in the port infrastructure sector and possess diverse industry experience.

3) Diversified operations in terms of cargo profile, geography and assets:

The company is currently expert at handling a diverse range of cargo, encompassing coal (including thermal and non-thermal types like coking coal and steam coal), fluxes, iron ore, sugar, urea, steel products, rock phosphate, molasses, gypsum, barites, laterites, and edible oil. For the fiscal year 2023, the cargo breakdown reveals a balanced distribution, iron ore consists of 32.22%, thermal coal – 29%, other than thermal coal- 25.39%, container – 2.34%. Liquid & Gas cargo – 0.57%, and other bulk/break bulk cargo 10.48%. Additionally, the company has strategically diversified its operations geographically and in terms of assets, evident in the well-distributed port-wise revenue from port concessions.

4) Focused on Non-Major Port expansions (greenfield and brownfield):

The company is strategically focusing on expanding its footprint in Non-Major Ports, where they can broaden their operations to provide fully integrated logistics solutions with an optimum cargo mix of bulk, container, liquid and gases while continuing to expand their presence across Major Ports. The company is keen on enhancing capacity at the Jaigarh Port through the development of a terminal, projecting a capacity of up to 2 MTPA. This terminal will be dedicated to efficiently handling LPG, propane, butane, and related products, potentially tapping into a growing market demand for such goods. Furthermore, the company's forward-thinking approach includes the development of a non-major port at Jatadhar (Odisha) with a substantial capacity of up to 52 MTPA. This initiative is strategically aligned with supporting JSW Steel's upcoming steel facility in Odisha, showcasing a synergistic approach within the JSW Group.

5) Pursue acquisition opportunities in similar businesses:

Company demonstrates a smart approach in assessing potential targets, emphasizing strategic alignment with existing assets, growth potential, and investment returns. During this strategic move, the company acquired two terminals at Kamarajar Port in Tamil Nadu (Ennore Coal Terminal and Ennore Bulk Terminal) and one terminal at New Mangalore Port in Karnataka (New Mangalore Coal Terminal) from the Chettinad Group. This smart acquisition significantly bolstered their operational capacity by 16.73 MTPA and also provided them with access to third-party customers which helped them to further spread their footprint along the east coast of India. This integration spans across operational and administrative of the port, including strategic alignment, procedural harmonization, system integration, and effective utilization of human resources. Looking ahead, the company plans to leverage the experience gained from past acquisitions to execute their strategic vision. Their key focus remains on identifying and pursuing growth prospects within India and overseas, aligning effortlessly with their primary growth strategy.

Risk

1. Dependence on Government Agreements.
2. Environmental Clearance Challenges.
3. Higher dependency on Coal & iron Ore.

Mview

We believe JSW Infra IPO gives investors an opportunity to invest in the fastest-growing port-related infrastructure company and second largest port operator in terms of cargo handling in India. Being part of the reputable JSW Group, grants JSW Infra vital support and synergies with the group's growing businesses. We think with the strong track record of profitability and growth, JSW Infra is well-positioned to benefit from the continued growth of the Indian economy. We think the company has diversified its cargo profile and geographical spread which have helped them to minimize the risk and ensure stability. We like the way the company is strategically focusing on expanding its footprint in Non-Major Ports which would help them to broaden their operations to provide fully integrated logistics solutions. We believe two strategic acquisition companies have significantly increased their operational capacity and broadened their customer base. By looking at the financials, the company has shown a robust growth in FY 2021 to FY 2023 in Revenue/EBITDA/PAT at a CAGR of 41.15%, 42.06% and 62.28 with EBITDA Margin/ PAT margin for FY 2023 remain at 53.32%/22.22%. On Valuation parse at upper price band of ₹ 119/-, the issue is asking for a Market Cap of ₹ 24990 Cr. Based on annualized FY24 earnings and fully diluted post-IPO paid-up capital, JSW Infra is asking price a P/E of 19x on the consolidated basis which seems the valuations are reasonably priced when compared to peers which are trading in the range of ~28-30x. Given that JSW Infra is committed to expansion in India's port and logistics infrastructure market by targeting 300 MTPA capacity across its ports and terminals by 2030e, we recommend investors "SUBSCRIBE" to JSW Infra IPO offer with a long term perspective.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	03-10-2023
Refunds/Unblocking ASBA Fund	04-10-2023
Credit of equity shares to DP A/c	05-10-2023
Trading commences	06-10-2023

Shareholding (No. of shares)

Pre-Issue	1,86,47,07,450
Post Issue (Lower price band)	2,11,24,95,060
Post Issue (Higher price band)	2,10,00,01,567

Shareholding Pattern

Promoters	
Pre Issue	90.91%
Post Issue	80.72%
Promoters Group:	
Pre Issue	5.51%
Post Issue	4.89%
Shares held by Employee Trust:	
Pre Issue	3.58%
Post Issue	3.18%
Public - Others:	
Pre Issue	0.00%
Post Issue	11.20%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Issue Breakup

BRLMs: Axis Capital, JM Financial, Credit Suisse, DAM Capital, HSBC Securities, ICICI Securities, Kotak Mahindra Capital, SBI Capital Markets

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

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BASIC FINANCIAL DETAILS

Particulars ₹ (in Crs)	As at Jun'30,		As at Mar' 31,		
	2023 (03)	2022 (03)	2023	2022	2021
Equity Share Capital	359.58	59.93	359.58	59.93	59.93
Reserve as stated	3,946.51	3,353.68	3,635.05	3,212.19	2,831.24
Net worth as stated	4,306.09	3,413.61	3,994.63	3,272.12	2,891.17
Revenue from Operations	878.1	819.7	3,194.74	2,273.06	1,603.57
Revenue Growth (%)	7.12%		40.55%	41.75%	
EBITDA as stated	491.48	472.41	1,798.30	1,215.11	891.13
EBITDA Margin (%)	53.52%	54.86%	53.32%	51.08%	53.10%
Profit Before Tax	412.49	240.9	810.99	425.98	392.62
Net Profit for the period	322.2	192.55	749.51	330.44	284.62
Net Profit Margin (%)	35.09%	22.36%	22.22%	13.89%	16.96%
EPS (₹)	1.78	1.06	4.12	1.82	1.62
RONW %	7.56%	5.66%	18.80%	10.21%	10.29%
NAV (₹)	23.62	18.65	21.88	17.87	15.75
ROCE (%)	5.68%	4.98%	19.49%	10.88%	8.15%

Source: RHP, Msearch, Cline

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from operation in FY 2023 (in Cr)	EPS	NAV	P/E	Net Worth	RONW
JSW Infrastructure Ltd	Consolidated	24,990	2	3,194.74	4.12	21.88	19x	3,934.64	18.80%
Adani Ports and SEZ Ltd	Consolidated	1,78,557	2	220,851.91	24.58	211.02	24.2x	45,583.58	11.65%

Source: Msearch, Cline



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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