India

REDUCE *(Initiating coverage)*

Consensus ratings*:	Buy 2	Hold 1	Sell 1

Current price:	Rs212
Target price:	Rs145
Previous target:	NA
Up/downside:	-31.6%
EIP Research / Consensus:	-30.4%
Reuters:	
Bloomberg:	JSWINFRA IN
Market cap:	US$5,368m
	Rs445,725m
Average daily turnover:	US$16.1m
	Rs1340.9m
Current shares o/s:	2,100.0m
Free float:	14.4%

**Source: Bloomberg*

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.8)	23.3	0.0
Relative (%)	(13.5)	14.2	0.0

Major shareholders	% held
Promoter and Promoter group	85.6
SBI Funds Management Ltd	1.3
HDFC Asset Management Co Ltd	0.4

JSW Infrastructure Ltd

FY23-26F growth at odds with rich valuation

- We expect 8.6% volume CAGR (FY23-26F) vs. 47% CAGR over FY21-23. Changing port mix led to tariff dip & we expect ~4% tariff CAGR (FY23-26F).
- Initiate coverage on the stock with a REDUCE rating & a target price of Rs145.

Jaigarh, South West ports & Paradip coal jetty are near-term drivers

JSW Infrastructure (JSWI) has nine assets in India of 158mt capacity (Sep 2023) & 61% capacity utilization (1HFY24). Five of its ports are on the west coast (63% of 1HFY24 volume). Jaigarh, South West (SW) ports & Paradip coal jetty are near-term drivers (58% of 1QFY24 revenue). We expect muted growth at (a) the Paradip iron ore & Ennore coal terminals (18% of 1QFY24 sales) as capacity utilization is 107%, and (b) at Dharamtar port (14% of 1QFY24 sales) in the absence of capacity ramp-up at JSW Steel's Dolvi plant.

We expect 8.6% volume CAGR (FY23-26F), lower than in FY21-23

Over FY21-23, cargo traffic grew by 115% (a 48mt rise) driven by (a) a 100% growth (22mt rise) at Jaigarh and Dharamtar due to doubling in JSW Steel's Dolvi capacity, and (b) ramp-up in new assets (Paradip coal jetty by 12mt & Ennore coal terminal by 6mt). We expect muted growth (over FY23-26F) because (a) while JSW Steel plans to add 8.8mt capacity by FY25F, we expect only a 5% CAGR in anchor cargo volume for JSWI (FY23-26F) and (b) newer ports have more than 1.5 years' track record and supernormal growth is unlikely.

Changing port mix led to tariff dip; we expect ~4% CAGR (FY23-26F)

Over FY21-1QFY24, sales rose by 119% (vs. a 137% volume growth) with anchor sales rising by 98% (vs. 88% volume growth) and the remaining rising by 147% (less than half of the volume growth of 357%). The tariff for anchor clients stood at 56% of third-party tariff. The 8% tariff decline (FY21-1QFY24) is not a structural trend. Tariff for third-party clients dipped by 46% as the revenue contribution from Paradip coal jetty rose from zero (FY22) to 10% (1QFY24). The tariff at Paradip coal jetty is just 59% of the tariff at other ports. Over FY23-26F, we factor in anchor/third-party tariff to rise by 2-3% per annum each, but blended tariff to rise higher because of a rise in the proportion of third-party cargo traffic.

Strong yoy volume growth in 2QFY24 is unlikely to sustain in FY24F

Volume rose by 27% yoy on a low base (2QFY23 cargo fell 20% qoq due to cyclone and monsoon, as per JSWI). We note that MPs (major ports) & APSEZ 2QFY23 cargo fell 5% qoq, implying that JSWI's 2QFY23 qoq volume dip was due to company-specific issues.

Initiate coverage with a REDUCE rating and a target price of Rs145

JSWI has 13% of Adani Ports' (APSEZ) EBITDA, its RoCE is higher, and the remaining life of its assets is similar. We expect its EBITDA to rise by a15% CAGR (FY23-26F), similar to APSEZ. JSWI trades at 20.5x FY25F EV/EBITDA and 5.7x FY24F P/BV, at 23%/19% premium to APSEZ. We value JSWI at 12x FY26F EV/EBITDA, at a 15% discount on APSEZ's six- year median (14x). We believe the discount is warranted as 45% of JSWI's 1QFY24 sales came from a single client. On a relative basis, we prefer APSEZ at its current valuation. The key upside risk for JSWI is a sharper volume growth than our estimate.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	22,731	31,947	35,875	40,012	45,807
Operating EBITDA (Rsm)	11,094	16,202	18,834	21,207	24,507
Net Profit (Rsm)	3,279	7,398	11,476	11,694	14,268
Core EPS (Rs)	2.1	5.5	5.1	5.6	6.8
Core EPS Growth	40.1%	168.6%	(7.6%)	8.7%	22.0%
FD Core P/E (x)	120.19	53.28	38.84	38.12	31.24
DPS (Rs)	0.0	0.0	0.0	2.8	3.4
Dividend Yield	0.00%	0.00%	0.00%	1.47%	1.79%
EV/EBITDA (x)	39.05	26.01	24.47	21.75	18.80
P/FCFE (x)	50.44	34.13	(12.63)	71.18	52.05
Net Gearing	106.6%	64.4%	17.8%	17.1%	15.4%
P/BV (x)	12.05	9.87	5.61	5.27	4.91
ROE	12.4%	28.4%	18.0%	14.3%	16.3%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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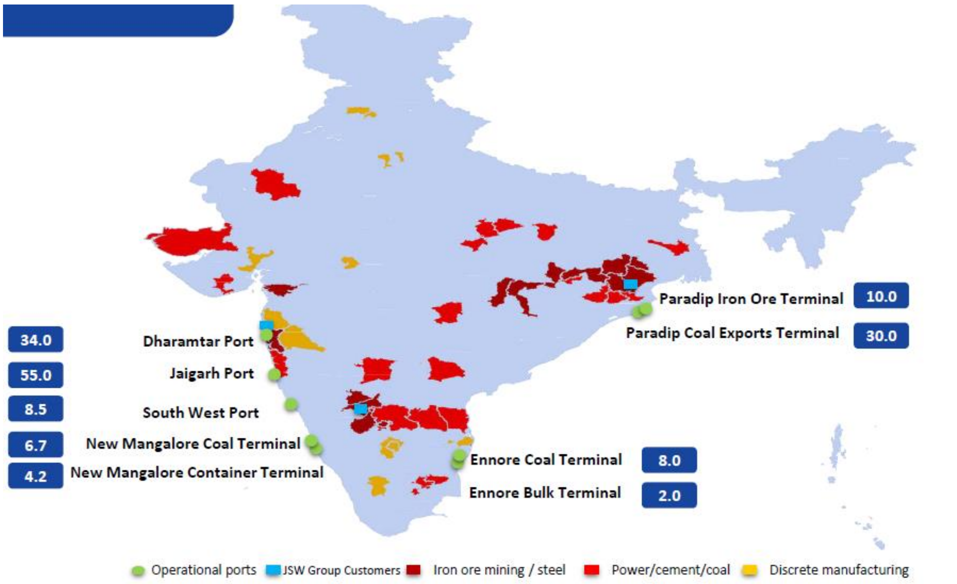
FY23-26F growth at odds with rich valuation

Asset details – Jaigarh, South West ports & Paradip coal terminal are near-term growth drivers (58% of 1QFY24 sales)

JSWI has nine assets in India of 158mt capacity (as of Sep 2023-end) and 61% capacity utilization (1HFY24). The blended remaining life of its assets is 26 years. five of its ports are on the west coast (63% of 1HFY24 volume).

- Two non-major ports (Jaigarh & Dharamtar: 49% of 1HFY24 volume) where tariff is market-driven, and revenue share is benign.
- Seven terminals at major ports (MPs) have an average 32% revenue share and the tariff is regulated with WPI-linked escalation.
- O&M contracts in the UAE at two terminals of 41mt capacity (1% of 1QFY24 sales).

Figure 1: Map of the portfolio of JSWI ports



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Port details – Jaigarh, South West (SW) ports & Paradip coal jetties are near-term drivers (58% of 1QFY24 revenue); we expect muted growth at (a) Paradip iron ore & Ennore coal terminals (18% of 1QFY24 sales) as capacity utilization is 107%, and (b) at Dharamtar (14% of 1QFY24 sales)

	Capacity (mt)	State	Balance life (yrs)	Volume mt 1HFY24	1QFY24 Tariff Rs/t	NMP/ MP	Draft (m)	Revenue share %	Tariff	Capacity Util. % 1HFY24	% of overall Capacity	% of overall 1QFY24 Revenue	% of overall 1HFY24 Volume
West	108			30.2	384					56	68	70	63
Jaigarh	55	Maharashtra	35	11.0	581	NMP	17.5	~6-7	Commercial	40	35	39	23
Dharamtar	34	Maharashtra	21	12.7	188	NMP	5	~10	Commercial	75	21	14	26
SW port	9	Goa	6	3.4	440	at MP	14	18	WPI linked	80	5	9	7
New Mangalore coal	7	Karnataka	24	1.8	397	at MP #	14	31	Fixed & WPI linked	54	4	5	4
New Mangalore container	4	Karnataka	27	1.3	401	at MP	14	Rs951/TEU	Fixed & WPI linked	62	3	3	3
East	50			17.8	296					71	32	30	37
Paradip Iron ore - exports	10	Odisha	22	5.1	361	at MP	16	21	Fixed & WPI linked	102	6	9	11
Ennore Coal	8	Tamil Nadu	15	4.5	359	at MP #	16	53	Fixed	113	5	9	9
Ennore Bulk	2	Tamil Nadu	22	0.7	224	at MP #	15	36	Fixed	70	1	1	1
Paradip coal exports	30	Odisha	24	7.5	229	at MP	15	32	Fixed & WPI linked	50	19	10	16
Total	**158**		**26**	**48.0**	**353**					**61**	**100**	**100**	**100**

acquired in 2020 from Chettinad grp for Rs10bn, implying Rs600m/mt of capacity

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Jaigarh: 85% of FY23 cargo (20.2mt) is to anchor clients (JSW Steel: 13.8mt, JSW Energy: 3.4mt)

- Anchor clients are JSW Steel (10mt Dolvi steel plant) and JSW Energy (1.2GW Ratnagiri coal power; operational since 2011).
- Cargo for JSW Dolvi steel plant is taken by mini bulk carriers from Jaigarh to Dharamtar.
- We estimate that JSW Energy's Ratnagiri plant needs 3-4mtpa of coal, supplied via a conveyor.
- Cargo grew by 95% (FY20-23), driven by doubling JSW Steel's Dolvi capacity (10mtpa). 1Q/ 2QFY24 cargo grew by 4%/ 34% yoy, respectively. Third-party cargo was ~3.5mt in FY22-23.
- Post-IPO, JSWI is building a 2mtpa LPG terminal at Jaigarh at a capex of Rs8.7bn. Thus, the port's capacity will rise from 55mtpa to 57mtpa.

Dharamtar (95% of FY23 cargo of 24mt is to anchor clients) is a riverine port with 5 metres draft. Key client is JSW Steel (10mt Dolvi steel plant). Almost the entire cargo is evacuated via a conveyor. The port is permitted to handle third-party cargo up to 25% of the total of previous year and charges at 1.5x of captive cargo.

- Cargo grew 87% (FY20-23), driven by doubling of JSW Steel's Dolvi capacity to 10mtpa. 1Q/ 2QFY24 cargo grew by 14%/ 33% yoy, respectively.

We await clarity on capacity addition at JSW Dolvi steel plant before building in a rise in anchor cargo at Jaigarh and Dharamtar ports. This is a key driver – the 10mt Dolvi steel plant contributed to 36.6mt cargo for JSWI in FY23.

Paradip coal exports / coastal caters to thermal coal from Mahanadi Coalfields. Its cargo is insulated from the risk of reduction in thermal coal imports and stands to benefit if imported coal is replaced by domestic coal using the coastal route.

SW port primarily caters to coking-coal imports. The capacity is being raised from 8.5mtpa to 12.5mtpa. It has a remaining concession period of around six years. The port can handle Handymax and Panamax vessels up to 100,000DWT.

Evacuation in 1QFY24: 16% of the cargo used waterways, 28% cargo used conveyors, 34% cargo used rail lines and 22% cargo used road transport.

Over FY23-26, we expect 8.6% volume CAGR, lower than the growth over FY21-23

Over FY21-23, cargo traffic grew 115% (a 48mt rise), driven by the following:

- 100% growth (a 22mt rise) in Jaigarh and Dharamtar ports due to doubling in JSW Steel's Dolvi capacity.
- Ramp-up in new assets (mainly Paradip coal terminal by 12mt & Ennore coal terminal by 6mt).

Figure 3: Port-wise cargo (ex-standalone volume)

Volume mt	FY21	FY22	FY23	FY21-23 CAGR %	1QFY24	2QFY24	yoy growth % 1QFY24	yoy growth % 2QFY24	FY24F	FY25F	FY26F	FY23-26F CAGR %
West	30.0	42.0	58.0	39	16.1	14.1	7	22	61.9	66.0	74.8	8.9
Jaigarh	9.2	14.0	20.2	48	5.9	5.1	4	34	22.6	26.0	29.4	13.2
Dharamtar	12.9	17.2	24.0	37	6.6	6.1	14	33	26.0	26.0	26.0	2.7
SW port	6.8	6.9	7.1	2	1.8	1.6	-	(11)	7.0	7.1	11.9	18.9
New Mangalore coal	1.0	3.8	4.5	109	1.2	0.6	-	(25)	3.7	3.9	4.1	(2.9)
New Mangalore container	-	-	2.2	na	0.6	0.7	20	17	2.7	3.1	3.5	17.5
East	12.0	17.0	32.1	64	8.8	9.0	14	36	36.5	38.5	40.7	8.2
Paradip Iron ore exports	8.4	7.5	9.5	6	2.2	2.9	(19)	123	10.5	10.5	10.5	3.2
Ennore Coal	3.1	8.0	8.7	66	2.3	2.2	(8)	16	9.2	9.2	9.2	2.0
Ennore Bulk	0.4	1.2	1.9	120	0.4	0.3	(20)	(50)	1.4	1.6	1.7	(2.8)
Paradip coal exports	-	0.3	12.0	na	3.9	3.6	95	29	15.4	17.2	19.3	17.0
Total	**42.0**	**58.9**	**90.1**	**47**	**24.9**	**23.1**	**10**	**27**	**98.4**	**104.5**	**115.5**	**8.6**

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Over FY23-26, we expect 8.6% volume CAGR because of the following:

JSW Steel's 1HFY24 India output was 12.4mt (88% utilization; 28.2mt capacity; up 11% yoy). JSW Steel's 1HFY24 consolidated output was at 13mt vs. FY24F guidance of 26.3mt. JSW Steel plans to raise its capacity by 31% (8.8mt) by FY25F, of which 7mt capacity addition is at Vijayanagar (12.5mt capacity now).

We expect 5mt incremental cargo for JSWI in FY26F from JSW Steel's capex over FY24F-25F.

- Iron ore required for JSW Vijayanagar steel plant is sourced from the mines nearby. Coking coal for JSW Vijayanagar steel plant is presently sourced via Krishnapatnam port (Adani Ports) and Ennore coal terminal (JSWI). JSWI's Ennore coal terminal's capacity utilization in 1HFY24 was 113%.
- Assuming 90% capacity utilization of the incremental 7mt steel capacity in FY26F, we estimate incremental coking-coal requirement of 5mt in FY26F. JSWI intends to source it via SW Port, and we factor in the same. We estimate that the increased capacity of SW port (12.5mtpa) would suffice to handle the incremental cargo of 5mt (vs. 7.1mt in FY23).

JSW Energy has plans to ramp up capacity from 6.8GW currently to 9.8GW by FY25F. However, coal power capacity is planned to rise just by 700MW (Ind Barath, Jharsuguda, Odisha) from 3.2GW to 3.9GW. This would have an incremental requirement of just ~3mtpa of coal. We believe no port will be used for the same as the power plant is located away from the coast and is close to domestic coal mines.

JSWI's newer port assets have a track record of more than six quarters. Thus, they are unlikely to report supernormal growth going ahead.

Figure 4: Cargo breakdown into anchor cargo and third-party cargo (ex-standalone volume)

	FY21	FY22	FY23	FY21-23 CAGR %	1QFY24	1QFY24 yoy growth %	2QFY24	2QFY24 yoy growth %	FY24F	FY25F	FY26F	FY23-26F CAGR %
Volume (mt)	42.0	58.9	90.1	47	24.9	10	23.1	27	98.4	104.5	115.5	8.6
Anchor	34.3	46.2	61.9	34	16.1	(2)	15.1	25	64.0	65.2	71.3	4.9
3rd party	7.7	12.8	28.3	91	8.8	40	8.0	31	34.4	39.3	44.2	16.1
Anchor as % of total	82	78	69		65		65		65	62	62	

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Commodity-wise cargo breakdown (1QFY24)

Iron ore (34% of cargo) grew at 38% CAGR (FY21-23), driven by JSW Steel's ramp-up while iron ore cargo at MPs declined by 20% CAGR.

Thermal coal (32% of cargo) grew at 163% CAGR (FY21-23) while for MPs, thermal coal cargo grew at 28% CAGR. JSWI's growth was driven by commencement of operations at Paradip port (12mt in FY23), ramp-up at New Mangalore port (by 3.5mt in FY21-23) and Ennore coal terminal (by 5.6mt in FY21-23). We believe that concerns over the fall in thermal coal, in case domestic production rises, will be unfounded due to the following factors:

- Paradip (48% of thermal coal) is coastal-based, which should benefit from a fall in thermal coal imports.
- JSW Energy's Ratnagiri power plant's coal requirement of 1mt/quarter is sticky (12% of thermal coal volume).
- If imports are replaced by coastal cargo, it should benefit Indian ports sector as two Indian ports will be used (source & destination) instead of one for imports.

Coking coal (23% of cargo) grew at a 10% CAGR (FY21-23), while at MPs, coking-coal cargo grew at 4% CAGR.

Figure 5: Commodity-wise cargo traffic

	FY20	FY21	FY22	FY23	1QFY24	1QFY24 yoy growth %	FY21-23 CAGR
Commodity-wise cargo (mt)							
Coking coal	15	20	28	24	6	7	10
Iron ore	9	16	20	30	9	10	38
Paradip	1	8	8	10	2	(14)	6
Iron ore ex-Paradip	8	7	12	20	6	23	66
Thermal coal	5	4	5	27	8	33	163
Paradip	-	-	0	12	4	97	na
Thermal coal ex-Paradip	5	4	5	15	4	2	96
Containers new mangalore	-	-	-	2	1	14	na
Liquid and gas	0	0	0	1	0	88	46
Others	5	6	9	10	2	(40)	26
Total incl Mormugao	**34**	**46**	**62**	**93**	**25**	**9**	**43**
As a % of overall							
Coking coal	45	43	45	25	23		
Iron ore	25	35	32	32	34		
Thermal coal	15	9	8	29	32		
Containers	-	-	-	2	3		
Liquid and gas	0	1	0	1	1		
Others	15	13	14	10	8		

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Changing port mix led to a decline in blended tariff – we expect ~4% CAGR in tariff over FY23-26F

Over FY21-1QFY24, revenue rose 119% (below volume growth of 137%), with anchor revenue rising by 98% (above volume growth of 88%) and the remaining rising 147% (less than half of the volume growth of 357%).

In 1QFY24, anchor clients contributed 65% to JSWI's volume but just 51% to JSWI's sales. Over FY21-1QFY24, anchor clients' volume contribution declined by 1,700bp vs. just a 600bp dip in revenue contribution.

Figure 6: Anchor vs. third-party volume, revenue and tariff

	FY21	FY22	FY23	FY21-23 CAGR %	1QFY24	1QFY24 yoy growth %	2QFY24	2QFY24 yoy growth %	FY24F	FY25F	FY26F	FY23-26F CAGR %
Volume (mt)	42.0	58.9	90.1	47	24.9	10	23.1	27	98.4	104.5	115.5	8.6
Anchor	34.3	46.2	61.9	34	16.1	(2)	15.1	25	64.0	65.2	71.3	4.9
3rd party	7.7	12.8	28.3	91	8.8	40	8.0	31	34.4	39.3	44.2	16.1
Anchor as % of total	82	78	69		65		65		65	62	62	
Revenue (Rs bn)	16	23	32	41	9	7	8	28	36	40	46	12.8
Anchor	9	13	17	35	4	4	na	na	17	18	20	6.9
3rd party	7	10	15	48	4	10	na	na	19	22	26	18.4
Anchor as % of total	57	56	52		51		na	na	48	45	44	
Overall tariff (Rs)	382	386	355	(4)	353	(2)	367	1	365	383	396	3.8
Anchor	265	274	268	1	278	6	na	na	268	276	284	2.0
Anchor ex-Dharamtar	333	322	310	(4)	335	na	na	na	na	na	na	na
Others	904	788	544	(22)	489	(21)	na	na	544	560	577	2.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Two important trends emerge.

- Tariff for anchors is 56% of third-party tariff in 1QFY24, partly due to low tariff at Dharamtar. Even ex-Dharamtar, tariff for anchors is 68% of third-party clients.
- **8% tariff decline (FY21-1QFY24) is not a structural trend:** Anchor tariff rose 5%, but tariff for the rest dipped by 46%. This is because of the rise in revenue contribution from Paradip coal terminal from zero (FY22) to 10% (1QFY24). **Tariff at Paradip coal terminal is just 59% of that at other ports in JSWI's portfolio in FY23-1QFY24.**

Note: Tariff was steady at all ports (FY22-1QFY24) except Jaigarh (18% dip).

Figure 7: Port-wise contribution to revenue and port-wise tariff

	% of total revenue			Tariff	Tariff growth %
	FY22	FY23	1QFY24	1QFY24	FY22-1QFY24
Jaigarh	45	41	39	592	(18)
South-West Port	13	9	9	435	6
Dharamtar	14	15	14	188	1
Paradip Iron Ore	12	10	9	354	(6)
Paradip Coal	0	8	10	229	(39)
Ennore Coal	10	8	9	368	30
Ennore Bulk	1	1	1	236	85
New Mangalore Coal	5	5	5	403	30
New Mangalore Container	-	3	3	376	na

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Over FY23-26F, we factor in anchor and third-party tariffs to rise by 2-3% per annum each. However, we expect blended tariff to rise at ~4% CAGR, driven by a rise in the proportion of higher tariff third-party cargo. As a result, we expect sales to grow at ~13% CAGR.

Strong RoCE (1HFY24) driven by rise in capacity utilization

EBITDA rose at 31% CAGR (FY20-1HFY24), driven by volume (33% CAGR). Royalty/t (1QFY24) was 3x of FY20 level. **Over FY23-26F, we expect EBITDA to rise at 15% CAGR, like our estimated sales CAGR of 13%.**

NWC/sales in Sep 2023 (19%) stood a tad higher than in Mar 2023 (15%), but much lower than that in Mar 2022 (26%) and Mar 2021 (37%). There was a decline in related party balances /sales from 34%/ 28% (Mar 2022/ 2021, respectively) to just 10% (Mar 2023). **Over FY24F-26F, we factor in NWC/sales of 19% (like in Sep 2023).**

After the initial public offer or IPO in Sep 2023 of Rs28bn (fresh infusion of 235m shares @ Rs119/share), net debt/ EBITDA is just -0.3x (as of 1HFY24-end). RoCE rose to 21% (1HFY24) from 8% (FY20) due to doubling in capacity utilization and commencement of operations for all assets. Annualized RoE for Sep 2023 (13.2%) was below that in FY23 (27%) due to the recent equity raising.

Figure 8: Key financials and operating metrics

(Rs bn)	FY20	FY21	FY22	FY23	1HFY24	CAGR % FY20-1HFY24	FY24F	FY25F	FY26F	CAGR % FY23-26F
Capacity (mt)	102.5	119.2	153.4	158.4	158.4	11.5	158.4	166.2	166.2	1.6
Volume (mt)	30.8	42.0	58.9	90.1	48.0	32.8	98.4	104.5	115.5	8.6
Sales	11.4	16.0	22.7	31.9	17.3	31.8	35.9	40.0	45.8	12.8
EBITDA	6.2	8.2	11.1	16.2	9.0	30.7	18.8	21.2	24.5	14.8
Margin %	54.2	50.9	48.8	50.7	52.3		52.5	53.0	53.5	
Net interest	1.0	1.8	2.4	1.0	0.6		0.7	0.7	0.7	
Depreciation	2.0	2.7	3.7	3.9	2.0		4.3	5.5	5.5	
Adj PBT	3.1	3.7	5.0	11.3	6.5	42.7	13.9	15.1	18.4	17.7
Tax	0.4	1.1	1.0	0.6	1.6		3.3	3.3	4.0	
Adj. PAT	2.8	2.6	4.0	10.6	4.9	37.0	10.6	11.7	14.3	10.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

HPVS & Associates remained as the auditor for five years till Aug 2022, and after that Shah Gupta & Co is the auditor. ICICI Bank, IndusInd Bank, Yes Bank, IDFC First Bank and Axis Bank are the bankers to the company. Contingent liabilities stood at just Rs0.4bn in Jun 2023.

Figure 9: Key ratios

	FY20	FY21	FY22	FY23	1HFY24	FY24F	FY25F	FY26F
Capacity utilization %	30.1	35.2	38.4	56.9	60.6	62.1	62.9	69.5
Tariff (Rs)	371	382	386	355	360	365	383	396
Royalty/t (Rs)	20	43	56	59	na	na	na	na
EBITDA/t (Rs)	201	195	188	180	188	191	203	212
ROCE %	7.9	8.2	10.9	18.9	20.6	15.8	16.1	18.4
ROE %	10.8	9.0	12.3	26.6	13.2	13.4	13.9	15.8
NWC/ Sales %	53	37	26	15	19	19	19	19
NFA / Sales %	411	377	273	188	170	238	226	207
EBIT margin %	37	34	33	38	41	41	39	42
Related party balances (Rs bn)	2.8	4.5	7.7	3.2	na	na	na	na
Related Party Balances/Sales %	24	28	34	10	na	na	na	na
Net Debt/ EBITDA (x)	4.3	4.5	3.1	1.6	(0.3)	0.8	0.7	0.6
EV/EBITDA (x)						23.1	20.5	17.7
P/BV (x)						5.7	5.3	4.9
P/E (x)						39.2	38.4	31.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Strong yoy growth in 2QFY24 is unlikely to sustain in FY24F

EBITDA rose by 33% yoy, driven by 27% yoy volume growth on a low base (2QFY23 cargo declined by 20% qoq due to cyclone and monsoon – as per JSWI). On qoq basis, EBITDA/ volume was flat/ down 7%, respectively. **We note that major ports (MPs) and Adani Ports' 2QFY23 cargo dipped by just 5% qoq. This implies that JSWI's 20% qoq volume decline in 2QFY23 was due to company-specific issues.**

Figure 10: Quarterly performance

(Rs m)	2QFY24	2QFY23	% Chg	1QFY24	% Chg
Net Sales	8,483	6,620	28	8,781	(3)
EBITDA	4,522	3,410	33	4,513	0
Adjusted PAT	2,499	1,749	43	2,337	7
EBITDA margin (%)	53.3	51.5		51.4	4
EBITDA/t (Rs)	195.7	187.3	4	181.3	8
Tariff (Rs/t)	367.2	363.7	1	352.7	4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Volume performance

(mt)	2QFY24	2QFY23	% Chg	1QFY24	% Chg
Total cargo ex-SA	**23.1**	**18.2**	**27**	**24.9**	**(7)**
Anchor cargo	15.1	12.1	25	16.1	(6)
3rd party cargo	8.0	6.1	31	8.8	(9)
% of 3rd party cargo	35	34		35	(2)
Jaigarh	5.1	3.8	34	5.9	(14)
Dharamtar	6.1	4.6	33	6.6	(8)
SW	1.6	1.8	(11)	1.8	(11)
Paradip iron ore	2.9	1.3	123	2.2	32
Paradip coal	3.6	2.8	29	3.9	(8)
Ennore coal	2.2	1.9	16	2.3	(4)
Others	1.6	2.0	(20)	2.2	(27)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Volume performance of major ports, Adani Ports and JSW Infra

(mt)	1QFY22	2QFY22	QoQ chg %	1QFY23	2QFY23	QoQ chg %	1QFY24	2QFY24	QoQ chg %
Major ports	**181**	**166**	**(8)**	**197**	**188**	**(5)**	**200**	**193**	**(3)**
Coal	39	33	(15)	45	49	8	50	43	(14)
Containers	41	41	(2)	43	41	(6)	44	46	5
Crude	52	52	(2)	60	57	(5)	59	60	1
Others	47	41	(14)	48	41	(15)	47	45	(5)
Adani Ports	**84**	**76**	**(10)**	**91**	**87**	**(5)**	**98**	**98**	**(0)**
JSW Infra	**na**	**na**	**na**	**22.7**	**18.2**	**(20)**	**24.9**	**23.1**	**(7)**
Anchor	na	na	na	16.4	12.1	(26)	16.1	15.1	(6)
3rd party	na	na	na	6.3	6.1	(3)	8.8	8.0	(9)

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

Receipt of LoA to build a port at Keni for Rs41.2bn (30mtpa initial capacity) – no impact for now

JSWI received the Letter of Award or LoA (Nov 2023) from Karnataka Maritime Board to develop a greenfield port at Keni (Karnataka) on a public-private partnership (PPP) basis. The concession period is 30 years with a further extension clause. Primary cargo would be coal for steel, cement and power plants. Further, the port would handle iron ore, limestone, dolomite and export steel products. JSWI expects the port to be operational in four-to-five years.

- Hinterland is Bellary, Hosapete, Hubballi, Kalaburagi and South Maharashtra. **Mormugao port is to north and New Mangalore port is to south of Keni.**
- Rail connectivity (8km) is proposed to be in the southern side and will be connected to the Konkan Railway line to the north of Ankola station.

Our view: No impact for now; ports are long-gestation projects (four-to-five years) and cargo ramp-up takes time

- JSWI is a net cash company (Rs6bn) with a net worth of Rs73bn and FY23 EBITDA of Rs16bn. Funding the project should not stretch the balance sheet, but RoCE is likely to be impacted negatively during the construction phase.
- Capex/t of capacity is Rs1,370, higher than JSWI's current capex/t (Rs470) as (a) a bulk of current capacity comprise brownfield projects at MPs, and (b) its non-major ports were built more than a decade ago. APSEZ acquisition of Gangavaram port was at Rs1,000/t and Krishnapatnam port at Rs1,600/t.

Note: JSWI has plans to develop 52mtpa non-major port at Jatadhar Odisha to meet the cargo requirements of JSW Steel's planned 13.2mt steel plant.

Other recent developments

JSWI (Dharamtar), acquired a 50% stake in PNP port from SP Port Maintenance (a Shapoorji Pallonji Group Co.) for Rs2.7bn in Dec 2023. PNP port is located at Shahbaj in Raigad district of Maharashtra, ~20 nautical miles from Mumbai anchorage.

- The port has 5mtpa capacity, with potential to expand till 19mtpa. Revenue in FY23/ 22/21 stood at Rs2.1bn/ Rs2bn/ Rs1.6bn, respectively.
- The 30-year concession agreement with Maharashtra Maritime Board was signed in 1999. Further, PNP Port executed the Deed of Lease for development of a multi-purpose jetty for an additional waterfront area of 1,000m (Apr 2012).
- PNP Port is connected to Central & Konkan Railway network. The port also has road connectivity to Mumbai-Goa Highway.
- **Acquisition EV is Rs7bn. We estimate an acquisition EV/EBITDA of 7x FY23, which is a reasonable valuation, in our view.**

JSWI, via its subsidiary JSW Terminal (Middle East) FZE, acquired a 100% stake in Marine Oil Terminal Corp (incorporated in Marshall Island) with its Fujairah Branch in Dec 2023. The Fujairah branch is operating a liquid storage terminal (4,65,000cbm capacity).

- Revenue stood at Rs1.5bn/ Rs1.9bn in CY22/ 21, respectively. Transaction EV is Rs15bn.
- JSW Terminal (Middle East) FZE has agreed to avail financial assistance via a term facility of maximum Rs9.6bn from Axis Bank for the acquisition. JSWI agreed to issue corporate guarantee of maximum Rs10.1bn in favour of Axis Trustee Services (GIFT City branch) – contingent liability of JSWI.

Comparison with Adani Ports and peer valuations

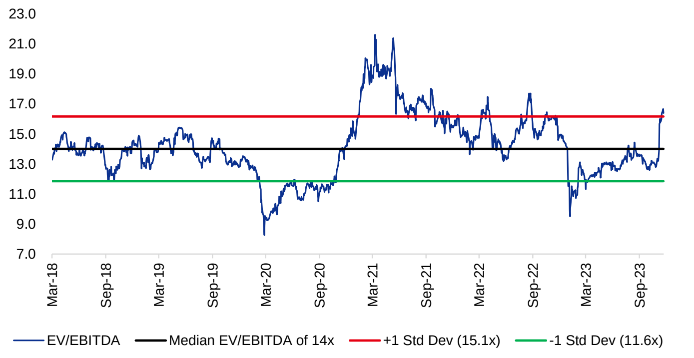
JSWI has ~25% of APSEZ capacity/ volume but 13% of its EBITDA. Its RoCE and RoE are higher than that of APSEZ. Blended remaining life is similar. JSW Steel contributed 45% to JSWI's 1QFY24 sales. We expect JSWI's EBITDA to rise at 15% CAGR (FY23-26F), similar to Adani Ports.

Figure 13: Comparison of JSWI with Adani Ports

	Adani Ports	JSWI	JSWI as % of Adani Ports
Capacity (mt) - 1HFY24	602	158	26
Volume (mt) - 1HFY24	203	48	24
Remaining life (yrs)	~22	25.7	
Port revenue (Rs bn) - 1HFY24	99.6	17.3	17
Port EBITDA (Rs bn) - 1HFY24	71.5	9.0	13
ROCE % FY23	12.0	18.9	
ROE % FY23	17.9	26.6	
Interest rate %	~6	~6	
NWC/ Sales % FY23	47	15	
Net Debt/ EBITDA (x) FY24F	2.7	0.8	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Adani Ports' one-year forward EV/EBITDA chart – six-year median is 14x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

JSWI trades at 20.5x FY25F EV/EBITDA, which is at a 23% premium to Adani Ports' valuation (16.7x FY25F EV/EBITDA). Over the last six years, Adani Ports' median one-year forward EV/EBITDA was 14x. On a P/BV basis, JSWI is trading at 5.7x FY24F, at a 19% premium to APSEZ (4.8x FY24F). On a relative basis, we prefer Adani Ports at its current valuation.

Figure 15: Peer valuations

	P/E (x)		P/BV (x)		ROE (%)		EV/EBITDA	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Adani Ports	22.9	20.2	3.8	3.3	17.4	17.7	15.4	13.9
Gujarat Pipavav	18.6	16.6	3.5	3.4	18.7	20.2	10.8	9.9
Shanghai Intl. Port group	7.9	7.5	0.9	0.8	11.1	10.9	7.0	6.6
China Merchant Port Holdings	6.2	6.1	0.4	0.4	6.5	6.9	10.7	10.3
Median	**13.3**	**12.1**	**2.2**	**2.0**	**14.3**	**14.3**	**10.7**	**10.1**

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG ESTIMATES

Initiate coverage on JSWI with a REDUCE rating and a target price of Rs145

We value JSWI at 12x EV/EBITDA. Our target EV/EBITDA is at 15% discount to Adani Ports' six-year median multiple. We believe the discount is warranted as 45% of JSWI's 1QFY24 sales was from a single client (JSW Steel). Key upside risk to our thesis is a sharper volume growth for JSWI.

Figure 16: Target price valuation

	Rs bn	Rs/ share	Rationale
EBITDA FY26F	25		
Target EV	292	139	Valued at 12x EV/EBITDA FY26F
Less Net Debt FY25F	(15)	(7)	
Add: Recent acquisitions and CWIP FY25F	28	13	Valued at book value
Target Equity value	**305**	**145**	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

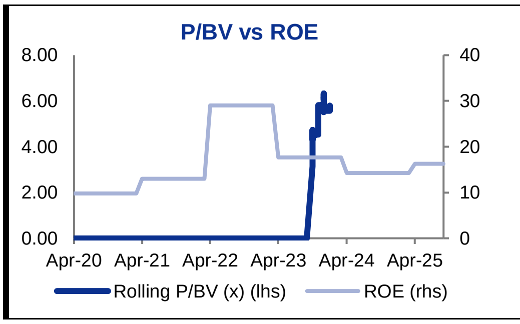
Appendix: Key management personnel

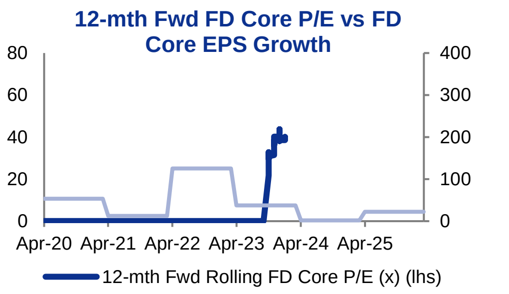
Figure 17: Key management personnel

Name	Designation	Remarks
Sajjan Jindal	Chairman, Non-Executive Director & Promoter	BE from Bangalore University. Associated with JSW Steel as its MD since 1997 and currently the Chairperson and MD of JSW Steel.
Nirmal Kumar Jain	Vice Chairman & Independent Director	B.Com from Jiwaji University, Gwalior. He has passed the final examination held by ICAI and ICSI.
Arun Sitaram Maheshwari	Joint Managing Director & CEO	B.Com from Ajmer University. He is an MBA from Mohanlal Sukhadia University, Udaipur. Previously associated with Jindal Strips, Jindal Iron & Steel and Jindal Vijaynagar Steel.
Lalit Chandanmal Singhvi	Whole-time Director & CFO	B.Com from University of Jodhpur and fellow member of ICAI. Associated with JSWI since Jan 2015 (SVP Finance & Commercial).
Kantilala Narandas Patel	Non-Executive Director	B.Com from University of Bombay and participated in the management development programme from IIM, Calcutta.
Ameeta Chatterjee	Independent Director	B.Com from University of Delhi, where she was awarded the M. C. Shukla Prize in 1993 for highest marks in business & company law. MBA from IIM Bangalore.
Gerard Earnest Paul Da Cunha	Independent Director	BA from University of Delhi. Founder of the architecture firm, Architecture Autonomous. Won the first prize for "Prime Minister's National Award for Excellence in Urban Planning and Design, 1998-99" for Jindal Vijaynagar Steel Township, Bellary by the Ministry of Urban Development.
Amitabh Kumar Sharma	Independent Director	He holds LLB and has been enrolled as an advocate with the Bar Council of Delhi since Aug 1995.
Gazal Qureshi	Company Secretary & Compliance Officer	B.Com from University of Mumbai and Company Secretary (ICSI). Associated with JSWI since 2011.

SOURCE: INCRED RESEARCH, COMPANY REPORTS,

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	**22,731**	**31,947**	**35,875**	**40,012**	**45,807**
Gross Profit	**14,149**	**19,882**	**22,601**	**25,608**	**29,775**
Operating EBITDA	**11,094**	**16,202**	**18,834**	**21,207**	**24,507**
Depreciation And Amortisation	(3,695)	(3,912)	(4,266)	(5,493)	(5,493)
Operating EBIT	**7,399**	**12,290**	**14,568**	**15,714**	**19,014**
Financial Income/(Expense)	(3,480)	(2,819)	(2,400)	(1,900)	(1,900)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,057	1,781	1,700	1,250	1,250
Profit Before Tax (pre-EI)	**4,976**	**11,252**	**13,868**	**15,064**	**18,364**
Exceptional Items	(716)	(3,142)	917		
Pre-tax Profit	**4,260**	**8,110**	**14,785**	**15,064**	**18,364**
Taxation	(955)	(615)	(3,253)	(3,314)	(4,040)
Exceptional Income - post-tax					
Profit After Tax	**3,304**	**7,495**	**11,532**	**11,750**	**14,324**
Minority Interests	(25)	(97)	(56)	(56)	(56)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**3,279**	**7,398**	**11,476**	**11,694**	**14,268**
Recurring Net Profit	3,835	10,302	10,761	11,694	14,268
Fully Diluted Recurring Net Profit	**3,835**	**10,302**	**10,761**	**11,694**	**14,268**

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	11,094	16,202	18,834	21,207	24,507
Cash Flow from Invt. & Assoc.					
Change In Working Capital	164	951	(2,069)	(680)	(953)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(716)	(3,142)	917		
Other Operating Cashflow					
Net Interest (Paid)/Received	(2,423)	(1,038)	(700)	(650)	(650)
Tax Paid	(955)	(615)	(3,253)	(3,314)	(4,040)
Cashflow From Operations	**7,163**	**12,359**	**13,730**	**16,562**	**18,864**
Capex	(4,730)	(738)	(29,495)	(10,300)	(10,300)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(83)	1,653	3		
Cash Flow From Investing	**(4,812)**	**915**	**(29,492)**	**(10,300)**	**(10,300)**
Debt Raised/(repaid)	5,464	(1,726)	(17,489)		
Proceeds From Issue Of Shares			28,000		
Shares Repurchased					
Dividends Paid				(6,549)	(7,990)
Preferred Dividends					
Other Financing Cashflow	(81)	(2,569)	(216)	(56)	(56)
Cash Flow From Financing	**5,383**	**(4,295)**	**10,294**	**(6,605)**	**(8,046)**
Total Cash Generated	7,734	8,979	(5,467)	(342)	518
Free Cashflow To Equity	**7,815**	**11,548**	**(33,251)**	**6,262**	**8,564**
Free Cashflow To Firm	**5,831**	**16,093**	**(13,362)**	**8,162**	**10,464**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	10,382	19,361	13,894	13,552	14,069
Total Debtors	6,013	4,024	5,022	5,602	6,413
Inventories	854	1,022	1,022	1,022	1,022
Total Other Current Assets	8,590	6,363	7,503	8,368	9,580
Total Current Assets	**25,840**	**30,770**	**27,441**	**28,543**	**31,084**
Fixed Assets	39,413	38,901	65,340	71,347	77,355
Total Investments	2,830	25			
Intangible Assets	22,723	21,304	20,095	18,895	17,695
Total Other Non-Current Assets					
Total Non-current Assets	**64,966**	**60,231**	**85,434**	**90,242**	**95,049**
Short-term Debt	3,140	1,483			
Current Portion of Long-Term Debt					
Total Creditors	2,748	3,016	6,626	7,391	8,461
Other Current Liabilities	6,817	3,462			
Total Current Liabilities	**12,705**	**7,960**	**6,626**	**7,391**	**8,461**
Total Long-term Debt	40,947	40,954	25,000	25,000	25,000
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,315	3,239	3,187	3,187	3,187
Total Non-current Liabilities	**44,262**	**44,194**	**28,187**	**28,187**	**28,187**
Total Provisions	(880)	(2,042)	(2,143)	(2,143)	(2,143)
Total Liabilities	**56,087**	**50,112**	**32,670**	**33,435**	**34,505**
Shareholders Equity	32,721	39,946	79,423	84,568	90,846
Minority Interests	1,998	942	782	782	782
Total Equity	**34,719**	**40,889**	**80,205**	**85,350**	**91,628**

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	41.7%	40.5%	12.3%	11.5%	14.5%
Operating EBITDA Growth	35.9%	46.0%	16.2%	12.6%	15.6%
Operating EBITDA Margin	48.8%	50.7%	52.5%	53.0%	53.5%
Net Cash Per Share (Rs)	(19.93)	(14.17)	(6.81)	(6.97)	(6.72)
BVPS (Rs)	17.62	21.51	37.82	40.27	43.26
Gross Interest Cover	2.13	4.36	6.07	8.27	10.01
Effective Tax Rate	22.4%	7.6%	22.0%	22.0%	22.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	86.96	57.34	46.02	48.46	47.87
Inventory Days	39.25	28.37	28.09	25.89	23.26
Accounts Payables Days	104.19	87.18	132.57	177.59	180.44
ROIC (%)	11.1%	18.1%	22.4%	17.0%	19.4%
ROCE (%)	9.7%	14.8%	15.3%	14.4%	16.6%
Return On Average Assets	8.8%	14.8%	12.8%	11.8%	13.2%

Key Drivers

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Volume growth (%)	40.5%	52.9%	9.2%	6.2%	10.6%
Anchor volume growth (%)	34.8%	34.0%	3.4%	2.0%	9.3%
Non-Anchor volume growth (%)	65.6%	121.3%	21.9%	14.0%	12.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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