

JSW Infrastructure | BUY

PNP port acquisition a good fit, value-accretive

JSW Infrastructure (JSWIL) in its filing yesterday announced the acquisition of a majority stake (50% equity plus 1 share) in PNP Port Maritime Service Pvt Ltd (PNPL) from Shapoorji Pallonji Group for a cash consideration of INR 2.7bn (enterprise value of INR 7bn, 16.7x FY23 EV/EBITDA as per our calculations). This is in line with JSWIL's value-accretive acquisition strategy, as outlined in our coverage note ([link](#)). JSWIL has already announced two acquisitions (liquid terminal in Fujairah and CTO licence in Nov'23) since its listing in Oct'23. PNPL operates multi-purpose jetties and has good road and rail connections to industries in Maharashtra, Madhya Pradesh, Karnataka, and other states and can, consequently, help JSWIL expand its third-party volume. PNPL also has adequate land to expand its capacity from 5mntpa currently to 19mntpa. We reflect this acquisition in our estimates (1-2% increase in FY25/26 EPS estimate) and revise our Mar'25TP to INR 255 (earlier INR 250), basis 18x FY26 EV/EBITDA. We maintain BUY.

- Background on PNPL port:** PNPL is an operational port situated at Shahabad in Raigad, Maharashtra, with a 30-year concession (expiring in Sep'29) from Maharashtra Maritime Board. It currently has a capacity of 5mntpa and handled bulk cargo of 3.9mnt in FY22 (2.9mnt in 1HFY23). PNPL has a strategic location advantage with direct access to large cargo centres in Maharashtra through the Central and Konkan Railway networks and the Mumbai-Goa highway. This will help in seamless handling of container, liquid, and bulk cargo shipments and enable JSWIL to cater to diverse customer needs.
- A strategic acquisition:** This acquisition is in line with JSW Infrastructure's strategic vision to organically or inorganically expand to offer comprehensive logistics services closer to areas where cargo is consumed or generated. PNP port is expected to strengthen JSWIL's ability to provide Hub & Spoke model services to customers (and also expand the share of third-party customers) and also develop huge synergies with its existing ports and terminals. Further, JSWIL has the option to modernise the port's facilities and expand its capacity from 5mntpa currently to 19mnt in phases.
- Value accretive strategy at work:** Post listing in Oct'23, JSWIL acquired a) Marine Oil Terminal Corp, which operates a liquid storage terminal with a capacity of 4,65,000 cbm and is situated at Fujairah Oil Industry Zone (FOIZ) in Fujairah, and b) Container Train Operator (CTO)/Concession licence from Sical to ply container trains throughout the Indian Railways network in both export-import and domestic segments.
- Revise Mar'23TP to INR 255 (INR 250 earlier):** We believe that this strategic acquisition will grant JSW Infra access to more regions in the hinterland and expand the share of 3rd party cargo. Presently, the PNP port primarily handles coal imports, which are being carried out manually, leading to low margins (~20%). We believe JSWIL will be able to expand PNP's margins over time by adequately investing in its modernisation. We reflect this acquisition in our estimates and arrive at a revised Mar'25 TP of INR 255 basis, 18x FY26 EV/EBITDA.



Achal Lohade
achal.lohade@jmfl.com | Tel: (91 22) 66303081

Vicky Waghwani
vicky.waghwani@jmfl.com | Tel: (91 22) 66303574

Vineet Shanker
vineet.shanker@jmfl.com | Tel: (91 22) 66303574

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	NR
Current Price Target (12M)	255
Upside/(Downside)	12.3%
Previous Price Target	250
Change	2.0%

Key Data – JSWINFRA IN

Current Market Price	INR227
Market cap (bn)	INR476.8/US\$5.7
Free Float	11%
Shares in issue (mn)	1,795.7
Diluted share (mn)	2,103.9
3-mon avg daily val (mn)	INR0.0/US\$0.0
52-week range	235/142
Sensex/Nifty	69,296/20,855
INR/US\$	83.4

Price Performance

%	1M	6M	12M
Absolute	32.4	0.0	0.0
Relative*	23.0	0.0	0.0

* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	22,731	31,947	36,953	47,061	54,006
Sales Growth (%)	41.7	40.5	15.7	27.4	14.8
EBITDA	11,094	16,202	19,678	25,536	29,419
EBITDA Margin (%)	48.8	50.7	53.3	54.3	54.5
Adjusted Net Profit	3,279	7,398	12,081	15,241	17,556
Diluted EPS (INR)	1.8	4.1	5.8	7.2	8.3
Diluted EPS Growth (%)	12.3	126.4	39.6	25.9	15.2
ROIC (%)	8.8	17.5	16.9	19.1	20.5
ROE (%)	10.6	20.4	20.4	18.0	18.0
P/E (x)	124.7	55.1	39.5	31.3	27.2
P/B (x)	12.5	10.2	6.1	5.3	4.6
EV/EBITDA (x)	40.0	26.8	20.9	15.8	13.4
Dividend Yield (%)	0.0	0.0	0.4	0.6	0.9

Source: Company data, JM Financial. Note: Valuations as of 05/Dec/2023

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Acquisition value

Particulars	INR mn
Enterprise Value	7,000
Debt	1,600
Share Value (100%)	5,400
Acquisition Value (50% stake)	2,700

Source: Company, JM Financial

Exhibit 2. Key financials - PNPL

Particulars	FY19	FY20	FY21	FY22	FY23
Revenue	1,692	2,007	1,641	1,952	2,116
Growth	9.8%	18.6%	-18.3%	19.0%	8.4%
EBITDA	342	330	280	368	348
EBITDA Margin	20.2%	16.5%	17.1%	18.8%	16.5%
PAT	20	34	107	66	105

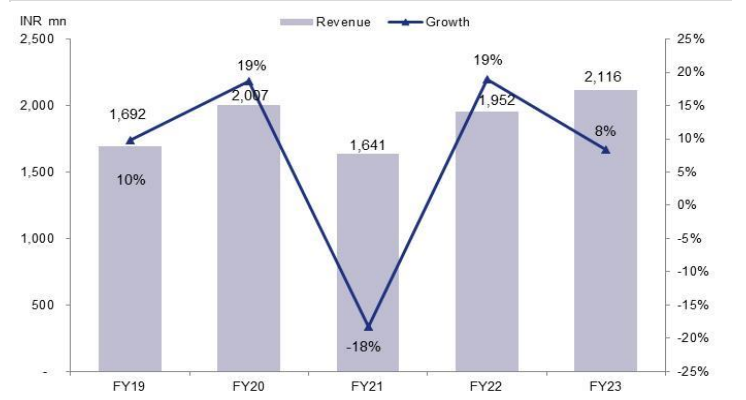
Source: MCA, JM Financial

Exhibit 3. Port Location



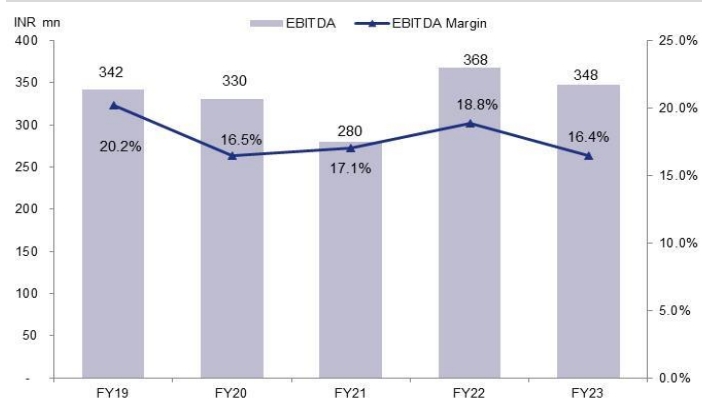
Source: Company, JM Financial

Exhibit 4. Revenue Trend - PNPL



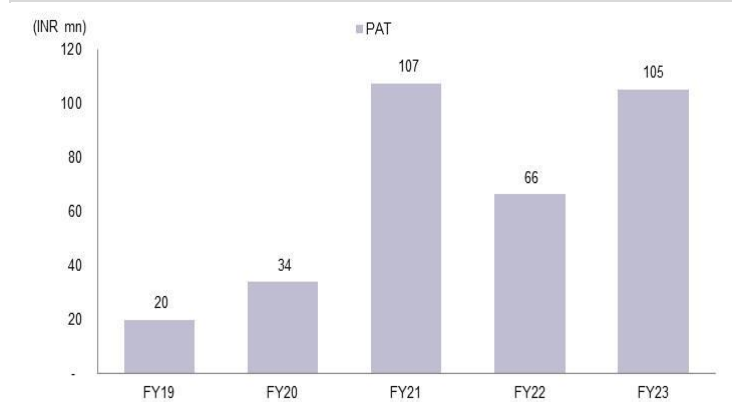
Source: MCA, JM Financial

Exhibit 5. EBITDA Trend - PNPL



Source: MCA, JM Financial

Exhibit 6. PAT Trend - PNPL



Source: MCA, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	22,731	31,947	36,953	47,061	54,006
Sales Growth	41.7%	40.5%	15.7%	27.4%	14.8%
Other Operating Income	0	0	0	0	0
Total Revenue	22,731	31,947	36,953	47,061	54,006
Cost of Goods Sold/Op. Exp	8,582	12,066	12,998	17,767	20,942
Personnel Cost	1,497	2,300	2,897	2,309	2,125
Other Expenses	1,558	1,380	1,380	1,449	1,522
EBITDA	11,094	16,202	19,678	25,536	29,419
EBITDA Margin	48.8%	50.7%	53.3%	54.3%	54.5%
EBITDA Growth	35.9%	46.0%	21.5%	29.8%	15.2%
Depn. & Amort.	3,695	3,912	4,194	5,290	5,877
EBIT	7,399	12,290	15,484	20,246	23,541
Other Income	1,057	1,781	1,650	2,250	2,560
Finance Cost	4,196	5,961	1,883	3,300	3,300
PBT before Excep. & Forex	4,260	8,110	15,251	19,196	22,801
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	4,260	8,110	15,251	19,196	22,801
Taxes	955	615	3,070	3,806	5,083
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	25	97	100	148	163
Reported Net Profit	3,279	7,398	12,081	15,241	17,556
Adjusted Net Profit	3,279	7,398	12,081	15,241	17,556
Net Margin	14.4%	23.2%	32.7%	32.4%	32.5%
Diluted Share Cap. (mn)	1,801.9	1,795.7	2,100.0	2,103.9	2,103.9
Diluted EPS (INR)	1.8	4.1	5.8	7.2	8.3
Diluted EPS Growth	12.3%	126.4%	39.6%	25.9%	15.2%
Total Dividend + Tax	0	0	1,812	3,048	4,389
Dividend Per Share (INR)	0.0	0.0	0.9	1.4	2.1

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	4,260	8,109	15,251	19,196	22,801
Depn. & Amort.	3,695	3,912	4,194	5,290	5,877
Net Interest Exp. / Inc. (-)	3,457	5,805	233	1,050	740
Inc (-) / Dec in WCap.	1,077	1,724	1,672	534	19
Others	496	228	409	645	806
Taxes Paid	-1,222	-1,807	-3,070	-3,806	-5,083
Operating Cash Flow	11,762	17,972	18,689	22,909	25,161
Capex	-5,091	-2,796	-25,700	-11,188	-12,500
Free Cash Flow	6,672	15,176	-7,011	11,721	12,661
Inc (-) / Dec in Investments	-3,443	-5,232	3,070	0	0
Others	521	1,820	1,650	2,250	2,560
Investing Cash Flow	-8,013	-6,208	-20,980	-8,938	-9,940
Inc / Dec (-) in Capital	0	0	28,444	58	0
Dividend + Tax thereon	0	0	-1,812	-3,048	-4,389
Inc / Dec (-) in Loans	3,646	-7,912	2,785	-5,000	5,000
Others	-3,621	-2,953	-1,133	-3,300	-3,300
Financing Cash Flow	26	-10,866	28,283	-11,291	-2,689
Inc / Dec (-) in Cash	3,775	899	25,992	2,681	12,532
Opening Cash Balance	3,145	10,382	16,316	42,888	46,269
Closing Cash Balance	6,919	11,281	42,309	45,569	58,801

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	32,721	39,946	78,659	90,909	104,076
Share Capital	599	3,596	4,200	4,208	4,208
Reserves & Surplus	32,122	36,351	74,459	86,701	99,868
Preference Share Capital	0	0	0	0	0
Minority Interest	1,997	942	1,792	1,941	2,104
Total Loans	44,087	42,437	45,222	40,222	45,222
Def. Tax Liab. / Assets (-)	-969	-2,121	-1,712	-1,067	-261
Total - Equity & Liab.	77,837	81,205	123,961	132,005	151,141
Net Fixed Assets	61,773	59,843	79,399	86,609	93,231
Gross Fixed Assets	73,400	74,788	92,988	110,488	119,988
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	12,424	15,395	19,589	24,879	30,756
Capital WIP	797	450	6,000	1,000	4,000
Investments	2,830	3,070	0	0	0
Current Assets	26,202	28,087	56,210	59,156	73,340
Inventories	854	1,022	1,012	1,289	1,480
Sundry Debtors	6,013	4,023	4,556	5,157	5,919
Cash & Bank Balances	10,382	16,316	42,888	46,269	59,501
Loans & Advances	8,590	6,363	5,441	5,441	5,441
Other Current Assets	362	362	2,312	1,000	1,000
Current Liab. & Prov.	12,969	9,795	11,648	13,760	15,431
Current Liabilities	12,828	8,921	11,040	12,987	14,543
Provisions & Others	141	874	607	774	888
Net Current Assets	13,233	18,292	44,562	45,396	57,909
Total - Assets	77,836	81,205	123,961	132,005	151,141

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	14.4%	23.2%	32.7%	32.4%	32.5%
Asset Turnover (x)	0.3	0.4	0.3	0.3	0.4
Leverage Factor (x)	2.7	2.4	1.8	1.6	1.5
RoE	10.6%	20.4%	20.4%	18.0%	18.0%

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	18.2	22.2	37.5	43.2	49.5
ROIC	8.8%	17.5%	16.9%	19.1%	20.5%
ROE	10.6%	20.4%	20.4%	18.0%	18.0%
Net Debt/Equity (x)	1.0	0.7	0.0	-0.1	-0.1
P/E (x)	124.7	55.1	39.5	31.3	27.2
P/B (x)	12.5	10.2	6.1	5.3	4.6
EV/EBITDA (x)	40.0	26.8	20.9	15.8	13.4
EV/Sales (x)	19.5	13.6	11.1	8.6	7.3
Debtor days	97	46	45	40	40
Inventory days	14	12	10	10	10
Creditor days	86	70	96	98	99

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
28-Nov-23	Buy	250	

Recommendation History

APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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