"JSW Infrastructure Limited

Q4 FY '24 Earnings Conference Call"

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MANAGEMENT: **MR. ARUN MAHESHWARI – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – JSW INFRASTRUCTURE LIMITED**
MR. LALIT SINGHVI – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – JSW INFRASTRUCTURE LIMITED
MR. VISHESH PACHNANDA – HEAD INVESTOR RELATIONS – JSW INFRASTRUCTURE LIMITED

MODERATOR: **MR. MOHIT KUMAR – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to GSW Infrastructure Q4 FY '24 Earnings Conference Calls, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Kumar from ICICI Securities. Thank you and over to you, sir.

Mohit Kumar: Thank you, Manav. On behalf of ICICI Securities, we welcome you all to the Q4 FY '24 Earnings Call of JSW Infrastructure. To discuss the results today, we have with us Mr. Arun Maheshwari, Joint Managing Director and CEO, Mr. Lalit Singhvi, Whole Time Director and CFO, and Mr. Vishesh Pachnanda, Head, Investor Relations. We'll start with a brief opening remarks by the management, which will be followed by Q&A. Over to you, sir.

Arun Maheshwari: Thanks, Mohit, and good evening and thank you all for joining our Earnings Call for the quarter and the year ending March 31, '24. I'm Arun Maheshwari. India's economy continues to perform better than most major economies due to strong domestic demand, momentum in manufacturing, and ongoing investments in infrastructure.

The Indian government is taking major steps to make the logistics sector more effective and efficient. Central and state governments are working in tandem to increase the country's total port handling capacity to 10,000 million tons by 2047, from the current capacity of 2,600 million tons per annum. In alignment with the vision, the role of private players is being progressively augmented with public-private partnership terminals.

Major ports in India, which are central government-owned, have a total capacity above 50% of India's port capacity today, and a significant portion of it is yet to be privatized. This offers a huge opportunity for a business enterprise like ours to leverage our growth of our businesses.

Moving on to the performance of JSW Infrastructure Limited for the financial year 2024, the year has been a year of milestones and delivering on our promises. Most successful equity listing in October '23, we have acquired a liquid storage terminal at Fujairah in the United Arab Emirates, and acquired a majority stake in PNP port, which is opposite to our Dharamtar port in the state of Maharashtra. On the development of Greenfield port, a concession agreement has been signed with Karnataka Medicine Board to develop a 30 million ton all-weather multi-cargo deepwater commercial port in a location called Keni, which is south of Karwar in north Karnataka.

We emerged as a winner bid for 7 million ton per annum of drivable terminal in Tuticorin as well, through a PPP mode, and signed a concession agreement with Jawaharlal Nehru Port Authorities for the two liquid bursts for 4.5 million ton during the last quarter. For the period April '23 to March '24, the total cargo handled stood at 106 million tons, which is 15% year-on-year growth. Our third party grew by 36% year-on-year to 42 million tons, and the share of third party increased to 40% in the overall mix of 33% a year ago. Total revenue for the year stood at INR4,032 crores, reflecting a growth of 20% year-on-year.

EBITDA for the period stood at INR2,234 crores. This is 24% year-on-year growth, and the net profit grew by 55% to INR1,161 crores. The board has recommended a dividend of INR0.55 paise per share, that's INR0.55 per share. Given the strong fundamentals of the sector, and in line with our strategy to deliver growth, we have embarked on a 2030 growth plan aimed to enhancing our present cargo handling capacity by 2.4x, from existing 170 million tons to 400 million tons by 2030. This represents a CAGR of 15%. We are actively pursuing and exploring various project development opportunities, and already have a robust project pipeline in hand.

Moreover, there are additional levers to accelerate the growth, like the privatization bids of terminals to births in the government-owned major ports, an enormous opportunity. We are one of the largest terminal holders in India in the major ports. Further, we will keep on exploring value-added inorganic opportunities in the areas of port and related infrastructures.

The detailed 2030 roadmap is also available on page 14 of our presentation, which has been uploaded on stock exchanges. With a strong balance sheet in the sector, we are well-positioned to pursue organic and inorganic growth opportunities. With this, let me hand over to Mr. Lalit Singhvi to take through the financials and other details for the time period we are talking about.

Lalit Singhvi: Thank you, Arun. And good evening, everyone. Let me first give you a sense of our quarterly performance first, and then talk about the full year. In Q4 FY '24, company handled cargo volumes of 29.3 million tons, as compared to 26.8 million tons in the quarter ended March '23. This 9% cargo growth is mainly driven by Paradip coal terminal and Ennore coal terminal, which grew by 26% and 18% respectively. Newly acquired assets, PNP and liquid terminal at UAE also contributed to the growth.

The increase at Paradip and Ennore locations and acquisitions has significantly contributed to an increase in third-party cargo of 35% in the current quarter on an overall basis. Third-party cargo has increased to 30.5 million tons from 10 million tons in the previous period. The growth in cargo volume resulted in an increase in operational revenue for the quarter from INR915 crores to INR1,096 crores year-on-year growth of 20%.

Other income for the quarter is INR104 crores, as against INR58 crores in March '23, mainly driven by an increased income from fixed deposits and gains of mutual funds. EBITDA for quarter ended March '24 was at INR685 crores, up from INR530 crores in quarter ended March '23, an increase of 29%. Strong EBITDA growth was mainly on increased revenue.

Depreciation was INR134 crores and finance cost was INR75 crores in the current quarter, as compared to INR98 crores and INR70 crores respectively in the quarter ended March '23. Profit before tax stood at INR417 crores, a 41% increase year-on-year. Tax for the current quarter is INR329 crores, as compared to INR302 crores for the quarter ended March '23, representing an increase of 9%.

Moving on to the full year results. During the year, company handled cargo volumes at 106 million tons, which is higher by 15% over the last year. Increase in volume is primarily on the back of increased capacity utilization at the iron ore and coal terminals of Paradip and Mangalore coal terminals.

Newly acquired assets that is PNP and liquid terminal UAE, also contributed to this growth. The third-party cargo volume increased grew by 36% year-on-year, and the share of third-party in the overall volume stood at 40% versus 33% a year ago. The higher volume translated to 18% growth in the operating revenue, which stood at INR3,763 crores. Increased revenue, the benefit of operating leverage and cost control meant EBITDA of INR2,234 crores, which is a 24% year-on-year, with a strong margin of 55.4%. Depreciation was INR436 crores and finance loss was INR289 crores during the year, as compared to INR391 crores and INR282 crores respectively in the financial year.

PAT grew at 55% to INR1,161 crores. As of March '24, our net debt is just INR65 crores, so practically zero net debt and one of the strongest balance sheets in the sector. This, coupled with steadily increasing annual cash flows from the current asset base, we are well-equipped to pursue a growth plan aimed at enhancing our present cargo handling capacity to 400 million tons by FY 2030 or earlier. With this, I request the operator to open the line for questions.

Moderator: We have our first question from the line of Priyankar Biswas from BNP Paribas. Please go ahead.

Priyankar Biswas: Sir, congratulations for strong results today. So, my first question to you is, can you shed some light on what sort of capex given the growth pipeline that you see we should be looking at for, let's say next 3 years to 4 years? And what is the, let's say, target ROCE for such capex? And additionally, on top of that like if you can also elaborate let's say growth opportunities like Murbe Port and the volume aspirations at Tuticorin?

Lalit Singhvi: Yes. So, as regards to capex pipeline as we mentioned in the investor presentation that we are going to be 400 million companies by 2030. This is base cargo and on top of it there will be some acquisitions or privatization programs, etc.

So, as regards to capex, on the base up to 400 million we are expecting around INR30,000 crores of investment in next 6 years from 2024-2025 to 2030. So, if you look at - if you want to have a 3-year horizon it would be around say INR14,000 crores, and the second 3 years it would be INR16,000 crores. This is what we are tentatively committing to capex for this period.

Arun Maheshwari: So, Mr. Biswas, regarding your question regarding Murbe and Tuticorin, I'll take Tuticorin first wherein we have been a declared winner for the bid we had submitted. The concession agreement is in the framing stage as of now and we'll update the market as and when it gets signed. So, this is an update on the Tuticorin side.

On Murbe it is a Swiss challenge which we had submitted and we are waiting for the further directions from the authorities on this subject. So, as and when we get any further thing to hear about it, we'll let all of us know.

Priyanka Biswas: Okay, sir. Sir, one more question. So, typically, there would be some ESOP effect in the employee expenses? So, what would be that for the full year in FY24 and should we see that in FY25 as well?

Lalit Singhvi: Yes. So, in the 23-24, the provisioning was around INR148 crores and now 24-25 it will be much less. It will be around INR65 to INR70 crores.

Priyanka Biswas: Thank you, sir. I will get back into the queue.

Lalit Singhvi: Thank you.

Moderator: Thank you. We have our next question from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Yes. Again, as I was saying, congratulations on a great result. There are a couple of questions that I had on the capex side. What was the capex for the current year and then how are we proceeding in the next 2 years to 3 years to come? That is number one.

And two is at Tuticorin, what are we expecting in terms of potential capacity addition in the next couple of years?

Lalit Singhvi: We spent around INR150 crores on a sustainable capex and around INR75 crores on the regular capex. You are looking at a capex number because your voice was not very clear

Arun Maheshwari: So, Nidhi, the total capex including sustainable capex was close to about INR225 crores in FY24. And as we had mentioned in the previous call, that the total capex expected in another 3 years would be close to 1NR14,000 crores. And the capacity addition, if I have to look at in commensurate with that, in the next three years, would be close to about… 85 million.

Nidhi Shah: Okay. Lastly, if I could ask you about what you think are the opportunities that we could foresee in the upcoming years?

Arun Maheshwari: Well, see, the government is very clear that they would like to go more and more privatization. So, there are many opportunities keep coming up. There are opportunities in multiple major ports coming in.

So, we exactly won't be able to comment how many opportunities would come in. But there are continuously opportunities out there, whether it's Kandla, whether it's Haldia, whether it's Vizag or Tuticorin. So, we keep assessing those opportunities. And as and when it fits into our overall strategy and the growth plans, we do consider them for bidding.

Nidhi Shah: Okay, all right. Thank you so much.

Arun Maheshwari: Thank you.

Moderator: Thank you. We have our next question from the line of Alok Deora from Motilal Oswal Financial Services. Please go ahead.

Alok Deora: Good evening, sir, and congratulations on very good numbers. So, sir, just first on the volume, we have done pretty decent volumes in this quarter and full year. So, what is the outlook there for the next couple of years on the volume growth, assuming that we are at this capacity and some capacity additions will also happen? So, what's the growth we are looking at as far as tonnage is concerned?

Arun Maheshwari: So, generally, the growth, as the base grows up, the percentage will be tapered down to that extent. But I would fairly assume 10% to 12% kind of volume percentage growth should be there. Our CAGR, because it's a big infrastructure company, it's a very long horizon.

So, year-on-year growth would be a bit of a misnomer, if I have to look at it that way. If a long-term sustainable, if I were to look at it, it would be around 15%-17% kind of CAGR. But year-on-year, if I were to talk about immediate next year, probably the guidance would be 10% to 12% of growth in terms of volume.

Alok Deora: Got it, sir. And, sir, we are talking about a pretty massive jump in capacity over the next five years or so. It's almost more than doubling capacity. So, it's a related question to the previous question which came through. Are those kind of projects which are upcoming? Or how is the situation? Because it's like 170

Moderator: Ladies and gentlemen, we have the management line disconnected. Please stay connected while we reconnect them. Thank you for patiently waiting. We have the management line back with us.

Arun Maheshwari: Yes. So, Mr. Deora, you were asking about what kind of projects, pipeline and. So, we have given those details on the page 14 of the presentation which is uploaded. So, primarily, just for the sake of clarity to the group over here, for the growth of about 85 to 88 million tons in another three to four years' time is largely coming from a variety of projects which were declared. And which are approved projects for us. So, that is what we have mentioned over here.

And thereafter, we have taken the Keni project which is the concession agreement is signed. That we have taken after post three years because that the gestation period is a little longer. And there are several other projects which are in pipeline, potential projects, which we'll keep on updating as and when we move towards that. Forming of those projects in the approved line. So, the details of the projects are already mentioned in that presentation.

Alok Deora: Got it, sir. And just a last question from my side. So, are we also looking to, you know, from a longer term perspective since we have so much funds also available. Are we looking to increase or increase logistics activity in the sense that setting up a logistics vertical in a bigger way where we can provide end-to-end services? Any color on that?

Arun Maheshwari: So, we have been maintaining this, you know, stand that we would be developing our portfolio not only in port but also the retail infrastructure. Which is value-accredited to the port business as well. So, last mile connectivity getting into the logistics play is part of that. So, we are definitely considering that to be in that sector. And we are working on this sector very closely. If anything comes up, definitely we'll update the market.

Alok Deora: Sure, that's all from my side. Thank you and all the best, sir.

Arun Maheshwari: Thank you.

Moderator: Thank you, sir. We have our next question from the line of Ravi Naredi from Naredi Investments. Please go ahead. Mr. Ravi, are you there? Hello, Mr. Ravi, are you there?

Arun Maheshwari: Operator, let's move on.

Moderator: As is. We have our next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Congratulations on a decent set of results this time and thank you for the opportunity. My first question related more to the 10% to 12% growth guidance that you've given, which basically translates into about 11 million to 13 million tons additional growth for next year. Just want to kind of get things in some perspective.

Our sense is that about 2 million, 2.5 million tons would have happened because of PNP and Fujairah in the last quarter. Between 7.5 million tons of growth happened just from that. It seemed as if the guidance was kind of single digit for the remaining ports. Could you give us a sense of what is the split of this growth across your third party cargo ports and the other mature assets on an organic basis?

Arun Maheshwari: So if you look at the group company cargo grows as and when there's a growth in the capacity in the group company. And that's where the, and these are lumpy growth. These are not very every year there is no growth.

So there's a continuous growth on a scale of 5 to 10 years kind of scale. But where in the third party is a continuous growth momentum. If you have to, if you have to notice for the last four or five years what we have done. So the third party business continued to grow. Like we were 33% last year. We are 40% this year. We may try to improve from 40% from this year onwards. So probably we would like to aim closer to 45%. As we move forward, we will be there at around 45%by the next year end.

Coming to that what would be the incremental growth on this particular thing? I would say the group company cargo would remain where it was. It won't be increasing much because that is a lumpy growth. As and when the capacity improves in the captive cargo, then only it increases. So that is in works. Probably it will shape up next to next year. Where in third party business will continue to grow. So any infrastructure, if you have to look at, you have to look at, as I said earlier, it has to be looked on a time horizon. It cannot be looked at year on year basis. So we continue to maintain that. Though it is 10% to 12% for next year guidance. On a sustainable basis, it would be around 15% to 17% CAGR.

Aditya Mongia: Understood. The second thing I just want to kind of clarify. How much is the ESOP cost provisioning for the quarter gone by?

Arun Maheshwari: What cost? Sorry?

Aditya Mongia: The ESOP cost provisioning for the quarter gone by. Have you given the numbers for this year? But if you could also give a sense of what the fourth quarter number.

Arun Maheshwari: Just a minute. INR34 crores.

Aditya Mongia: 34 crores. And the other question that I had was, given our best sense of assets that we have won in the recent past. Obviously, Fujairah is a high margin asset. But on the other assets, the Tuticorin one and the JNPA one, should one expect a similar kind of EBITDA margin profile as is being seen at a consolidated level right now? Or could there be meaningful differences?

Arun Maheshwari: So, I would say whenever we bid for any terminal, we definitely consider the IRRs before bidding it. So, I'm sure these assets are yet to get operationalized, whether Tuticorin or JNPA. And as and when we get operationalized, probably you will see the similar kind of outputs from there. So, I'm fairly confident on that.

Aditya Mongia: Great. I have more questions. I'll come back into the queue. Thank you.

Arun Maheshwari: Thank you.

Moderator: Thank you. We have a follow-up question from the line of Priyankar Biswas from BNP Paribas. Please go ahead.

Priyankar Biswas: Sir, thanks for the opportunity. So, my question is we have seen recently commissioning by JSW Steel of, I think, close to another 5 million tons of capacity. So, why shouldn't we be seeing the group cargo going? Because as you were highlighting that as they expand capacity, there should be some lumpy volumes also adding to your mix.

Arun Maheshwari: Yes. So, the thing is that what you are seeing 5 million tons addition is at Vijayanagar Steel Plant. And that is largely catered by the ports of Goa, Ennore, Mangalore and Krishnapatnam. These are the four large major ports which serve them. So, Goa port is in the process of building the capacity. It is under, the shed is under construction.

So, it will take another 9 months to 10 months time for the shed to get completed. So, that volume of this additional 5 million tons will get impacted from there. Otherwise, our two other terminals are largely full. So, we don't have any overflow of cargo cannot be handled over there. So, once we have our Goa port completed in another 10 months time, those volumes will start reflecting over there. From existing 8.5 million tons, we are taking it to 15 million tons.

Priyankar Biswas: So, have we got the EC clearance for that? Because I think that was a hindrance for Goa, right?

Arun Maheshwari: So, we have an approval. All the relevant approvals are there with us. After the shed is approved, then we have to go to the local authority to get the clearance. Otherwise, all the clearance from MoEF is in place.

Priyankar Biswas: Okay. That's very helpful, sir.

Moderator: Ladies and gentlemen, we have the management line disconnected again. We will quickly try now. Ladies and gentlemen, we have the management back with us. Over to you, sir.

Arun Maheshwari: Yes. Operator, you can take the next question.

Moderator: Okay. Thank you. We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Thanks for the opportunity. I wanted to kind of check that beyond port operations and logistics operations, are there other means of work that the company is taking to investing? And I recall a previous discussion happening around slurry pipelines. I just thought I'd kind of check with you if any plans are incremental beyond logistics and maybe some sort of other agencies that you're looking forward to?

Arun Maheshwari: Yes. So, definitely. Thanks, Aditya, for asking this question. So, being an infrastructure company, anything which adds value to the port businesses or end-to-end logistics solutions definitely would export that. And if a slurry pipeline comes to our forte, we don't mind looking at and exploring that opportunity. Provided it is adding value to my existing businesses or its value to all our stakeholders.

If these two things are there, we are okay. Counterparty has to be with solid because slurry pipeline businesses are such, which are end-to-end. So, your counterparties have to be strong enough. So, we would look at all the aspects in case if we have to get this opportunity, then we would get into that.

Moderator: Thank you, sir. We have a last question for today from the line of Nidhi Shah from ICICI Securities. Please go ahead. Ms. Nidhi, please go ahead with your questions. Ms. Nidhi, as we are unable to get through that, as there are no further questions, I would now like to hand the conference over to Mr. Mohit Kumar for closing comments. Thank you and over to you, sir.

Mohit Kumar: I would like to thank the management for giving us the opportunity to host the call. Sir, would you like to make any closing comments?

Arun Maheshwari: We are thankful to all the queries and asking the relevant questions, which really gives more insight about the company and the future and workings of the company. Thank you all and thanks for reposing the continuous confidence in the company and the management.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your line.