“JSW Infrastructure Limited and Navkar Corporation Limited

Q3 FY '25 Earnings Conference Call”

January 28, 2025

MANAGEMENT: **MR. RINKESH ROY – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – JSW INFRASTRUCTURE LIMITED**
MR. LALIT SINGHVI – WHOLE TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – JSW INFRASTRUCTURE LIMITED
MR. ARUN SHARMA – CHIEF EXECUTIVE OFFICER – NAVKAR CORPORATION 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 the Q3 FY '25 Earnings Conference Call of JSW Infrastructure Limited and Navkar Corporation Limited 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 phone. 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: Good evening. On behalf of ICICI Securities, we welcome you all to the Q3 FY '25 Earnings Call of JSW Infrastructure Limited. To discuss the results today, we have with us Mr. Rinkesh Roy, Joint Managing Director and CEO; Mr. Lalit Singhvi, Whole Time Director and CFO; Mr. Arun Sharma, CEO, Navkar Corporation Limited; and Mr. Vishesh Pachnanda, Head, Investor Relations.

Without much delay, I'll now hand over the call to the management to start with brief opening remarks, which will be followed by Q&A. Over to you, sir.

Rinkesh Roy: Thank you, Mohit. Good evening, ladies and gentlemen. Welcome to our quarterly earnings call for the period ending December 31, 2024. As this is my inaugural interaction with you all as Joint Managing Director and Chief Executive Officer on this platform, I'm quite enthusiastic about the future growth prospects of JSW Infra.

I'd like to outline my top three priorities: number one, to ensure the advancement and successful completion of our expansion plan to 400 million tonnes per annum by FY 2030 or before encompassing greenfield, brownfield and other growth projects within the stipulated time and budget.

Number two, to significantly scale up the logistics business segment, targeting a top line of INR8,000 crores by FY '30 and an EBITDA margin approaching 25%. The objective is to expand the business on an asset-light model to achieve an industry-leading ROCE. Number three, to continuously seek out value-accretive inorganic opportunities.

Now moving on to the operational and financial performance. For the period April '24 to December '24, the total cargo handle stood at 85.7 million tonnes, registering an 11% year-on-year growth. Third-party cargo mix grew by 45% year-on-year to 41.7 million tonnes and the share of third-party increased to 49% in the overall mix, up from 37% a year ago.

Total revenue for the 9 months ending December '24 stood at INR3,457 crores, reflecting a growth of 22% year-on-year. The total EBITDA for the period stood at INR1,885 crores, which is 22% year-on-year growth and net profit for the period was INR1,006 crores, a growth of 21%.

Now specifically on the developments during the quarter, at JNPA, we have obtained approval from the relevant authorities to commence interim operations, and we handled nearly 90,000 tons of liquid edible oil this quarter. Similar efforts are in progress at Tuticorin dry bulk terminal and we anticipate receiving clearances to begin interim operations soon.

The cargo handling capacity at the Mangalore coal terminal has been increased to 8.1 million tonnes per annum, up from 6.7 million tonnes per annum. At PNP port, the capacity increased to 8 million tonnes per annum from 5 million tonnes on the back of dredging activities, while the environmental clearance is in place for 19 million tonnes per annum. Thus, the total capacity of the company increased to 174 million tonnes per annum, up from 170 million tonnes per annum.

I'm pleased to share that the global ESG risk rating agency, Morningstar Sustainalytics has rated JSW Infrastructure Limited as low risk on ESG. This waiting from a globally reputed agency confirms our belief, ability and commitment to manage ESG risks as part of our overall business strategy.

With this, let me hand over to Mr. Lalit Singhvi, our CFO, to take us through the financials and other details.

Lalit Singhvi: Thank you, Rinkesh, and good evening, everyone. Let me first talk about our port business. In Q3 FY '25, the company handled cargo volumes of 29.4 million tonnes as compared to 28.1 million tonnes in the quarter ended December '23. This 5% increase was driven by the increased capacity utilization in the coal terminal at Paradip, the contribution from PNP port and liquid storage terminal in UAE.

The growth was partially offset by the lower cargo volumes in the iron ore terminal at Paradip. Third-party cargo has increased to 14.3 million tonnes from 10.9 million tonnes, representing 31% growth and share of third party volume stood at 49% versus 39% a year ago. The growth in cargo volume and change in volume mix resulted in 13% increase in operational revenue for the quarter from INR1,063 crores.

Operational EBITDA for the port segment stood at INR570 crores up from INR480 crores, an increase of 19% strong EBITDA growth was largely driven by the increased revenue. We have consolidated Navkar Corporation Financial with effect from October 11, '24, as a result of total revenue of the company stood at INR1,265 crores and the total EBITDA stood at INR670 crores reflecting a year-on-year growth of 24% and 20%, respectively.

Consolidated depreciation was INR138 crores and finance cost was INR97 crores in the current quarter as compared to INR108 crores and INR67 crores, respectively in the quarter ended December '23. Given the sharp depreciation in the INR and change in the yield curve, we have recognized mark-to-market unrealized loss of INR156 crores. This is essentially a noncash charge and in line with guidelines of Ind-AS 109 on hedge accounting.

As a result, profit before tax for the quarter ended December '24 stood at INR276 crores as compared to INR307 crores in the quarter ended December '23. PAT for the current quarter grew by 32% at INR336 crores as compared to INR254 crores in the same period last year.

As mentioned by Rinkesh, we are scaling up our logistics segment based on the foundation of Navkar business. Hence, we have allocated close to INR9,000 crores of capex till FY '30 and aspire to achieve 25% EBITDA on a top line of INR8,000 crores. The expansion aims to build on the Navkar acquisition to develop a robust pan-India logistic network for last-mile connectivity.

As of December '24, we have net debt of INR827 crores and net debt to EBITDA is 0.4x and one of the strongest balance sheet in the sector. This, coupled with steady increasing annual cash flows from the current asset base, we are well positioned to pursue our growth plan to enhance our present cargo handling capacity to 400 million tonnes and parallel growth of our logistics business with a top line of INR8,000 crores by FY 2030.

With this, I request the operator to open the line for questions. Thank you.

Moderator: The first question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: Sir, first, on the volume part, if you could help us understand how do you see the volumes going out given our twin ports Jaigarh and Dharamtar combined have been seeing a muted growth, given the JSW steel capacity utilization? How do you see that evolving in 4Q as well as FY '26 and maybe over the next couple of years? And then I'll ask a follow-up question.

Rinkesh Roy: As you are aware, the Jaigarh and Dharamtar ports, they're primarily serving Dolvi steel and Dolvi steel plant is currently expanding from 10 million tonnes per annum capacity to 15 million tonnes. So this lumpy growth will come once when this plant gets commissioned, which will be in around '26 and/or '27, mid '27. I think that would be the place where we will see a lumpy growth coming.

Lalit Singhvi: So till then, I would like to add that we will continue to have our regular growth based on our capacity, which is at 66%.

Utilization, we can go to 75%, 80%. So this will be largely coming from third-party growth. So this year also, you can see that we have reached composition up to 49%, which was earlier 39%. So this growth of say we have given a guidance of 10%. This will continue to be there till we have our expansions coming into the picture.

Achal Lohade: Understood. So essentially, what you're saying is that the current volume momentum should continue until the new capacity gets added in Dolvi steel. And at the company level, we are maintaining 10% volume growth for FY '25. Have I understood right, sir?

Lalit Singhvi: Yes. So if you are looking at the quantity side, it will continue as per our guidance. But our revenue and EBITDA will certainly grow much faster because we have other businesses also now into the play, take it for Navkar or any other acquisitions possibilities also is there, which we are working upon. So this would be a different than our regular growth in the cargo.

Achal Lohade: Understood**.** The second question I had, if you could highlight excellent scale-up on Fujairah, 2 million tonnes for the quarter. Is that a new run rate we should work with? And how are the margins? If you could give some sense on -- in terms of the EBITDA for Fujairah from annual run rate perspective?

Lalit Singhvi: Yes. This should continue because the market is good for the tank farm business. So we expect this to continue and EBITDA margins for this type of business is typically high at 85% plus. So this is a very good acquisition for us, and we are further pursuing such possibilities in the times to come.

Achal Lohade: Understood. If I may ask a follow-up question. In terms of the in terms of the logistics capex guidance, can you help us understand how do you look at this particular aspect of the business. You've said you will expand Navkar business, if you can throw some more light, given the capex seems to be fairly large one. And when you say asset light, I'm just a little lost here, you're saying you will spend INR9,000 crores for INR8,000 crores revenue with a 25% margin that comes to about 20%, 22% ROCE. So if you could just tie these points, sir.

Lalit Singhvi: So partly, I'll answer and partly Rinkesh will further elaborate on the logistics business. So what I'm saying that -- on this side, what will come to Navkar, Navkar will continue to grow, and as we are building a parallel network or an alternate network pan-India basis, so Navkar will certainly get benefit of it. So you know that we have made a platform above Navkar, which is JSW Port Logistics company. So there will be a lot of growth coming through this platform. Navkar balance sheet, whatever it can take, it will go to Navkar and rest of this will go the port logistics company.

So spending of this INR9,000 crores, what we have planned till FY '30 will be partly at Navkar and partly at other labels at this platform which we have created. So as regards to the ROCE and all that, 20% or 22% ROCE, this is basically, we are going for low-cost options, which Rinkesh will further explain to you.

Rinkesh Roy: You see, you have to look at Navkar as a stepping stone into the logistics industry. And from here, as Mr. Singhvi said, the logistics part of the network, the network planning is more important than anything else in logistics. So what we have planned is setting up close to 15, 20 terminals across India. So that Navkar also gets access to the terminals and its cargo also increases as part of a bigger network. That is number one.

Number two, we're trying to leverage the group's cargo into this Navkar and the pan-India logistics platform that we have. So we will create base cargo for further movement. Number three, the current structure of creating an ICD or an asset is quite expensive. So what we are looking at is that apart from greenfield projects we'll be also looking at Gati Shakti terminals of the railways in which we don't have to buy the land. We get land on lease from the railways and you can set up a similar terminal and also leverage our own sidings, group sidings as well as have strategic tie-ups with major importers and exporters.

So in this strategy, we will be creating the same assets at a much lower cost. So this is on the terminal part. Secondly, a large part of our capex will also go into either leasing of rakes or purchasing of rakes, a mix of which -- an ideal mix we'll be calculating and moving ahead. So this will be broadly the strategy that will be followed.

Moderator: The next question is from the line of Lokesh Maru from Nippon India Mutual Funds.

Lokesh Maru: Just one question. So revenue is obviously growing faster than volume growth within the core ports business, let's say, 8% volume growth, about 13% top line growth. So could you please help me understand the realization part where are we seeing this hike in realization?

Lalit Singhvi: See this year, if you see in this quarter, one is Navkar, one quarter almost has come 11th October to this, where the cargo is not included because in Navkar is a logistics business, so only revenue or EBITDA comes. So that has come, which is not linked to the port cargo. And this oil tank terminal, which we have in UAE, so that has come into the picture where the margins are 85% plus.

So this has enabled that revenue and EBITDA are much higher compared to our port cargo where EBITDA margins are, say, 50%, 52%, 53%. But here, it has 85% revenue business has come in. So this has made us that revenue and EBITDA are much higher than the throughput.

Lokesh Maru: Sir, just one more thing. So this 50 terminal plan on logistics side, this is something new, right, mentioned first time on the call, could you please elaborate what is the plan, maybe in some bit more details?

Moderator: The next question is from the line of Priyankar Biswas from BNP Paribas.

Priyankar Biswas: Sir, my first question, actually going on to the previous question that was asked. While I understand that the realizations have been kind of similar at the port end of the business. But what I see is that the EBITDA per tonne has improved significantly. So can you tell me like -- is this number sustainable? Or should it improve from here even more? Can you just throw some color on that, let's say, in the subsequent quarters?

Lalit Singhvi: So it is the last question of mix, Priyankar, so this will continue if we go in the same way. The port business EBITDA will remain the same. But if you -- as this Navkar business gets added, and you know that Navkar and logistics business typically is a much lesser percentage and combined one would definitely be a bit lower than what we have been reporting for the port business, and that is why we are going for now segment-wise reporting.

So we'll be giving logistics separately and port business separately. And as I said earlier, port has shown a higher number because last year, that oil tank business was not there and this year oil tank business has come. This is included into the port business, and that is why the EBITDA margin is higher.

Priyankar Biswas: And sir, what I see is that there has been sharp falls in the iron ore volumes, which you had also highlighted in your media releases. So can you elaborate on the reasons why it is so? And when exactly can we expect these volumes to come back?

Lalit Singhvi: The iron ore prices are cyclical and right now, the prices are a little lower. So it has affected a bit on the export side. So this -- as and when we have seen in the last few years that this in a year also, there is a cycle. Sometimes it is good and then exports are higher. So some people have in between stopped and some large players have, again, restarting those things. So we feel that in the next quarter, it should come back.

Rinkesh Roy: So at Paradip and Odisha sector, there were some stop and start with two major customers stopping in the last quarter for various reasons. So they are all -- they've all restarted now. So we -- and these are part of the iron ore market. So they generally, you will understand that if the prices are good, then people start moving more. So this is one thing which we'll be facing and will be overcoming.

Priyankar Biswas: And just adding on. So, just like you had highlighted that with the INR90 billion capex for logistics, you should get something of an EBITDA of something like INR20 billion by FY '30. Similarly, can you tell for the INR300 billion capex originally that you had planned for the ports part particularly, what sort of EBITDA that capex should lead to by FY '30, like a comparable number?

Rinkesh Roy: So most of our project appraisals that we do are based at a minimum of at least 16%. So that you can take as a sure short guidance that it will never be below those numbers.

Lalit Singhvi: And I said earlier also that since greenfield projects are more where there is no revenue sharing. So I'm looking at EBITDA margins going from, say, current level of 52%, 53% operational EBITDA margin, they are going to 58%, 59%. So -- and that is mainly because the share of greenfield is more unless we are able to get more terminals from the government privatization, which we don't know today how much will come because that only decreases because there is a revenue sharing there. So more or less, this -- based on this guidance, you can estimate the number.

Priyankar Biswas: Just one more if I can squeeze in. This is regarding to particularly on JSW Steel. So in each of the quarters, in the past 3 quarters, we are seeing some sort of maintenance or some things around there. So should we expect such a thing to also occur in, let's say, 4Q or FY '26? Or should we have more of a normalized run rates for...

Rinkesh Roy: If you see that JSW Steel generally, they have been meeting and they have been targeting also the peak capacity. So the maintenance schedules, they will all be a normal part of a process. So I don't think we should be reading too much into that. The only thing we should be looking at is whether JSW Steel is meeting its target.

Lalit Singhvi: There is a past track record of JSW Steel running the capacity at quite high level. So based on that, we expect that capacity utilization should continue.

Priyankar Biswas: And sir, on the JSW Logistics side of things. So can you give us some idea like how the capex be spread out? So for example, during your INR300 billion capex you had given, that INR130 billion would be till FY '27 and the rest would be from FY '27 to '30. So what should be the spread out of the INR90 billion capex that you plan for JSW Logistics?

Rinkesh Roy: So broadly if you see on this INR9,000 crores already INR1,100 crores has gone into Navkar acquisition. Okay? And then on top of that, we will be adding -- these are the approximate numbers and currently at a very, very ideal stage. These have not been fleshed out into exact numbers.

But broadly, GCT and terminal development should give us -- we should be spending another INR3,000 crores, another INR3,000 crores on rig acquisitions or leasing and for containers, it would be that for specialized containers too and other types of containers that will be developed, we are looking at a capex of around INR1,500 crores and on other activities would be another INR500 crores. So this would be broadly the numbers that give or take, it will vary, but this would be broad trend.

Moderator: The next question is from the line of Alok Deora from Motilal Oswal.

Alok Deora: Just had a couple of questions. So first is on the logistics revenue targets. So we are targeting INR8,000 crores revenue by FY '30 and if I just look at the ports number, if we just take a growth rate on the current run rate, so that would again be the current INR4,000 crore annual revenue could double in the next 5 years. So would it be a situation where we are almost at 50%, 50% in terms of ports and logistics?

Lalit Singhvi: Yes. It looks like based on the current plan of going into a big way the logistics network, so this would be around it. So you are right that INR4,000 crores to INR5,000 crores we'll be spending on the port sector and INR1,500 crores to INR2,000 crores on the logistics sector.

Alok Deora: No. I meant the size of the business by FY '30. So your revenue from logistics will be INR8,000 crores by that time, your revenue from ports would be around a similar amount?

Lalit Singhvi: No, that should be much higher, not INR8,000 crores. By FY '30, it will be much, much higher actually.

Alok Deora: And this -- the capex, so you broadly mentioned some of the areas. But how do we see -- how are we looking at this business because we are talking about here a 25% sort of margin here, which is similar to, say, what Adani Logistics is doing, for example. But do we see the business to operate as a standalone business? Or it would be kind of provided as a blended service to ports. If you could just throw some light on that?

Rinkesh Roy: You see -- if you see all major port or terminal operators, they gradually move into the logistics part of the area because this is a core adjacency to the port or terminal business. Number one, what it does, it ensures stickiness of the customer. Number two, you are looking at not being a stand-alone port or a stand-alone terminal operator, but being in a larger play of the logistics business, in which the last mile connectivity up to the hinterland or the ICD plays a very big role.

And number three, apart from synergizing with our ports, our greenfield ports that we are coming up with, along with the other opportunities in the major port terminals that we'll be looking at, we are also synergizing with our group cargo. So to just give you an example, JSW Steel has a humongous spend on logistics.

So even if we capture and synergize with them for a smaller percentage, at least 15% to 20%, that itself will be around 40%, 50% of the revenues and EBITDA that we are projecting. So this synergy of group cargo, of the port terminal as well as having the pan-India presence and logistics, this will be a natural progression from ports and terminals into logistics.

Lalit Singhvi: So just to add that the model will continue to be the same like a port. So base cargo here again will come from the anchor customer because they have a lot of that outbound cargo, which goes from all part of the country, say, from South or also from West, also from Dolvi till Delhi and North. So our base cargo for this logistics will also come from that basis, and then we'll top it up with the third-party customers. So that works very well for our port also, and that will work very well for our logistics play also.

Alok Deora: Got it, sir. And just if you mentioned about the sharp jump in margins going ahead where operating EBITDA moves from 53% to 58%. Just a couple of minutes if you can spend how that would happen because that's a big jump, which we are talking about without a significant change in the portfolio of cargo handled. So just a minute if you can spend, that would be helpful.

Lalit Singhvi: Sure. So as I said that if you look at my 174 million to 400 million tonnes journey, so most of the investment is going into the greenfield ports, okay? So whether it's Keni or Murbe or Jatadhar they all are greenfield or wherever we are expanding, say, Jaigarh or Dharamtar and all that, where the EBITDA margins are 65% to 70% because there is no revenue sharing with the government.

Today, my ratio is around 50-50 between the terminals and the major ports and in private ports. So the margin profile is 52%, 53%. But my composition of cargo from the private ports is going to increase as we reach towards 400 million tonnes. So that itself will give my EBITDA margins to go to 58%.

Alok Deora: And just last question, if I may. So when in FY '28, '30 when you scale up the logistics business as well, which would be more like a 20%, 25% margin and you also have the ports business scaling up with slightly higher margins. So blended margins could still be at around of 53%, 54%. Is that understanding correct? Because that logistics business will also be...

Lalit Singhvi: No, no, no, it will be higher. I said my port business will have a much larger chunk of the share in the total business. So this will be much higher, even if it is 15%, 20%, that should be around

55% -- it will not be less than that as per the current arrangement of 400 million tonnes. If I go further into the private terminals and the major ports, then composition may be different because there, we have to share revenue. But as far as the plan which we have rolled out of 400 million tonnes, it will be around 55%.

Moderator: The next question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: Firstly, I wanted to get a sense that on a Y-o-Y basis, could you tell us the movement of some ease of expenses booked inside employee cost?

Lalit Singhvi: So ESOP expenses mostly has been provided. I'll just see the -- exact this thing, how much is left out. One second, just give me that -- FY '25 is INR15 crores and FY '26 is INR25 crores further to be done. That is all left now, INR40 crores is total left.

Aditya Mongia: Sure. No. What I was just trying to get a sense of was on a Y-o-Y basis, how much would have been the savings at an EBITDA level because of lower ESOP costs and how much are the operational kind of element over here? So your EBITDA has grown from INR370 crores to INR440 crores Y-o-Y from the ports operation, so that's been a INR70 crore increase. I'm just trying to kind of decipher, of the INR70 crores, how much came in because of lower ESOP expenses Y-o-Y?

Lalit Singhvi: Just one second, I'll just give you the exact number. Give me a second.

Management: Aditya, let me come back to you after this call.

Lalit Singhvi: We will give you the exact number.

Management: We'll provide you this number.

Aditya Mongia: Sure. Again, just a clarification as in if I see your presentation and derive numbers for the logistics business, it seems to be INR120 crores, INR130 crores kind of top line from logistics and maybe 11%, 12% EBITDA margin kind of number. Are these broadly kind of stable numbers to project at least in the very near term? Obviously, over time, you will become a much larger margin company in logistics but like 11%, 12% is it a good starting point from a margin perspective over here...

Lalit Singhvi: Yes, this will -- we are looking at some improvement in the margin in the next year itself. We have some low-hanging fruits where we can improve the margins. There are some investments are required to increase the revenue and which will increase the margins also because you know that Morbi facility was just started a year back.

So it has not reached to the breakeven utilization itself. So fixed costs are quite heavy. So once we are able to utilize this capacity a bit more and this Navkar, this Panvel facility in any case because of our Dolvi requirements. So these are the low-hanging fruits, we expect next year itself to give good results.

Aditya Mongia: And just last question, as in you've talked about FY '25, but FY '26, what could be a reasonable growth guidance? Taking into account the fact that Dolvi constraints may continue and bulk of the inorganic elements are already captured inside FY '25. Could we still think through a high single-digit growth or would it become challenging to go at that, please?

Lalit Singhvi: See, that's why I'm saying that we should look now revenue and EBITDA numbers for our growth and the normalized growth without any acquisition, we said it would be similar to what we have seen this year. That is assured. Beyond that, may come from the cargo numbers may come as we go for some acquisition. But definitely, with the improvement in Navkar and other things, the revenue and EBITDA profile would be much better than this number. We may come back during the March quarter, further refinement on this.

Aditya Mongia: I just probably kind of harp on this aspect, see the problem, at least with me as an analyst is that your organic trends on growth are suggesting a decline happening on a Y-o-Y basis in the past few quarters. And the growth has been driven more by the inorganic components and obviously, complements to the company to get those opportunities inside and more will come?

I'm just trying to get a sense that for the existing assets that you have, how do you see through growth panning out? Because the number today appear to be kind of fairly soft on a growth perspective. So where does the U-turn happen and from where? Just helps us kind of build the numbers more precisely, incrementally?

Rinkesh Roy: So if you look at the board profile, two terminals, that is JNPA and Tuticorin. While they'll be commissioned, JNPA we are looking at the first quarter of '25 and Tuticorin later on. The biggest advantage that we are having is these terminals are allowed for interim operations. So a lot of growth we expect to come even during the interim operations at these two terminals.

Similarly, Paradip coal terminal, there were certain issues at the coal fields on major law and order issues. So these have been all sorted out. So on the port sector itself, we are quite upbeat that we'll be able to increase volumes there. At least, we're looking at double-digit growth, which earlier my predecessors had also told you. So this would be the growth that we expect to see in '25, '26.

Lalit Singhvi: So you know that EQ terminal, we have capacity, 30 million tons. We are still yet to utilize those capacities. We are less than 20 million tons at the moment. So there is a scope there and a lot of coal requirement. So there were some constraints and they are getting resolved. So there, this particular terminal, we expect a good growth. And as we said, Tuticorin and JNPA interim operations have been initiated because berths are already there. And we need to -- parallelly, we will be doing all the investments which are required.

So this will further add to our this thing. Covered shed of Goa would be ready by this March end. So there, again, we have -- we were earlier concerned by the pollution authorities. And as per their requirement, we have set up the covered shed. So Goa will give us further additional cargo. So there are opportunities of these terminals, which will give additional cargo, even if we have a flat growth at JSW Steel's cargo.

Moderator: The next question is from the line of Arpit Shah from Stallion Asset.

Arpit Shah: Yes. I just wanted to understand, did we have any contribution from the JSW Group in the Navkar business this quarter?

Lalit Singhvi: Arun will explain to you from Navkar.

Arun Sharma: Yes, JSW has been our customers even before the takeover also. So right now, current 15% revenue comes from JSW Steel. So that is a contribution what we get from JSW Steel. And further, it is -- we are in discussion with JSW Steel to further top it up.

Arpit Shah: 15% or 50%? 1-5 or 5-0?

Arun Sharma: 1-5.

Arpit Shah: And I just missed the numbers on the INR9,000 crores breakout, which you did for the logistics business, how much was the terminals, how much was for the leasing, I just missed that number. Can you just list it down again, please? I'll just repeat my question. You all said INR9,000 crores breakup of capex in the logistics business, if you just can list down that numbers again?

Lalit Singhvi: Yes. So basically, this includes whatever we have spent for Navkar, which is around INR1,000 crores or so. And then we talked about that we are -- we will be setting up GCT terminal where it will be low cost where the land is given by the government. So we only have to pay the lease charges. So that would be another, say, one third of total will go there. And the other investment would be into the rakes, containers and other facilities to make the GCT work.

Arpit Shah: So that will make that number INR6,000 crores, right?

Lalit Singhvi: No, no, INR9,000 crores. So we said the GCT itself would be around INR3,000 crores. Navkar is already INR1,000 crores, so INR4,000 is gone. Rest of the money will go into the rakes, containers and other facilities.

Arpit Shah: And just one last strategic question that I had, why are we not making Navkar as the logistic arms for the group? Like is it possible to keep the structure very clean instead of doing one piece here, maybe the logistics piece and Navkar and other piece like in the JSW Port Logistics business. So is it possible to keep the structure clean where Navkar could be leading the logistics business for our group and the JSW Infra could be leading the ports division for the group. Just wanted to understand any insights on that?

Lalit Singhvi: Sure. We'll explain to you. So we have already created a platform, which is called JSW Logistics -- Port Logistics company below JSW Infra. And Navkar has been acquired by JSW Port Logistics Company, not by JSW Infra. So we are very clear that we are making a platform for logistics business under JSW Port Logistics Company. Because Navkar balance sheet is not that big, which can take that load of INR8,000 crores, INR9,000 crores.

So it's -- we have made in this way that there are -- there will be many more companies we may further acquire -- I mean, ICDs or CFSs or any other new acquisition under this platform. So all this put together, our idea is to strengthen that platform. But Navkar will continue to get benefit because of the network which we are creating. And as per their balance sheet, what they can take, that will go to Navkar.

Arpit Shah: But are there any fund infusion plans from the group to Navkar because there is scope to improve the stake from, let's say, 70% to 75%. So there is a chance where you could probably increase stake and make the balance sheet a little healthier than what it is currently?

Lalit Singhvi: Yes. At the moment, we are not contemplating any change in the shareholding structure of Navkar. They will definitely have good cash flows. And we said that there will be the benefit of anchor customers, increasing their cargo with Navkar. That was a prime reason also because their location is like that where the anchor customers will enhance their business. So once their cash flows are increasing, and then we can always expand whatever possible within the Navkar.

Arpit Shah: Any guidance for FY '26, '27 on the EBITDA front for Navkar?

Lalit Singhvi: That will come back by the March quarter. We will come back and give the guidance for Navkar at that point.

Rinkesh Roy: But it will be definitely much, much better than what it is right now.

Lalit Singhvi: No, no, that is there because we have already given that the triggers would be group cargo, low-hanging fruits, wherever a lot of -- a bit of whatever investment immediately needed will be done. So all this put together will give a good growth in their revenues and EBITDAs.

Arpit Shah: And what kind of utilization we have on these assets as of now?

Lalit Singhvi: Arun will explain to you.

Arun Sharma: So as far as EXIM business is concerned, EXIM business is concerned at Navkar, at this Panvel facility, all 3 facilities put together, we are doing close to around 15,000-odd TEUs, which is -- if I see it takes the dwell time of a week, which is going on right now, a week to 10 days, we are operating at 80% of -- 80%, 85% of utilization.

With the domestic containers, domestic volume getting in and the volume of domestic containers going up, that remaining utilization level of 20%, which is left out, we are taking care of from the domestic containers. As far as the Morbi capacity utilization is concerned, there is a good headroom which is available. And we are -- we can say we will be -- we are operating at around 25% to 30% at Morbi.

Moderator: The next question is from the line of Kunal Shah from DAM Capital.

Kunal Shah: Just a couple of things on the logistics spread. So the INR8,000 crores revenue number for the logistics, right? So -- and this is also built up on our assumption to capture the JSW Group domestic freight expenditure, I mean, the wallet share, right?

So could you just guide how much over time could this be captive versus third-party or your assets? So I'm just trying to understand that the INR9,000 crores capex, how much is sort of earmarked for your group capex basically just to capture that bit of wallet share.

Lalit Singhvi: So it's not earmarked capex-wise, as per their requirement, say, we said 15 to 20 GCT centers we may plan over a period of time. So obviously, since we will have a base cargo coming from anchor customers as per their requirement, we'll be doing it, setting up those facilities, and we'll top it up with a third-party cargo.

So as JSW Steel, overall, you can take a number of say, INR15,000 crores to INR20,000 crores is the inbound and outbound logistics costs. So as we said, even if we are able to take a part of that, even if 25% also we are able to take, so that is a good number, which this logistic arm can consider in this INR8,000 crores revenue.

Kunal Shah: And secondly, you briefly highlighted upon this with respect to the investments in Navkar Corp but it's quite strategically located to your Dolvi facility and your end consumers. Now is there a chance that -- I mean, just trying to understand what would be the quantum of investment into this particular entity because it's a separately listed entity. Could you give any sort of flavor over here? And in case if the balance sheet is not supportive for such a big capex, could there be ICD from JSW Infra?

Rinkesh Roy: So here, let me put things in perspective. Here, the growth strategy that Navkar we are looking at is getting -- generating better efficiencies at the existing terminals. That is number one. Number two is kind of utilizing the space available and the land available to create more capacity and spread. And thirdly is leveraging the group cargo to generate new circuits. So where you can, again, on the return flow, capture new customers. So this is a part of a bigger strategy that we are looking at. And the investments are primarily in more of movable assets, which can be leased also.

So you may not have a capex of purchasing a rake, you can lease a rake also. So this would be broadly the strategy that we are following. And if you look at what we have done at Navkar, earlier Navkar used to have 9 rigs -- 8 rigs. And currently, we have jumped it up to now 11 rigs through leasing. So the capacity of Navkar is being increased through various strategies.

Moderator: The next question is from the line of Ankita Shah from Elara Capital.

Ankita Shah: Just one question, sir, on the hedging cost. So what is our total exposure? And is this hedged at the quarter end date and this will be done every quarter?

Lalit Singhvi: Forex exposure, you mean to say Ankita? So this -- we have 1 bond of $400 million, another $120 million is another loan, which we have taken for funding our UAE terminal. So there, in any case revenue and expenses are in dollars only. So for this $400 million, we have enough dollar income with us. So there is a natural hedge.

If you look at our profile, that VRC charges are paid in dollars, our 17% to 18% of our total revenue is in dollar denomination. So we are dollar surplus. So we follow hedge accounting as per IFRS and based on that, the part of that will come to OCI and part comes to the P&L. So that is accounting, which we follow, and this is basically a noncash entry.

Ankita Shah: Got it. So do you do this on this $400 million of exposure?

Lalit Singhvi: Absolutely. Absolutely, yes.

Moderator: The next question is from the line of Koundinya Nimmagadda from Jefferies.

Koundinya Nimmagadda: Only one question, sorry for harping on the margin part. I mean you spoke about roughly 25% kind of margin from the logistics side. And on that basis, if you still need a 50% plus kind of margins, logistics should not be more than maybe 25%, 30% -- 20%, 25% of your business, which should warrant about 6x to 8x rise in your ports revenue growth vis-a-vis about 2x to 2.5x rise in the capacity. So can you help me understand this math, sir. How are you confident of you still maintaining this margin profile at 50% plus?

Lalit Singhvi: See, as I said that our margin profile is set to increase because all the investment what we are contemplating is towards greenfield port, where the margins are 65% to 70%. And capacity is being increased from 174 million to 400 million. So one is your growth of the cargo itself. Second is the margin profile will go to 65%, 70% types in the port business.

So this -- and if you look at the revenue of port business, it will be much higher what we stand today. So even at INR8,000 crores of, say, port terminal business, which will give 25% of EBITDA, our margin profile of -- combined margin profile will still increase from the current level.

Koundinya Nimmagadda: Sir, let me ask it differently, by FY '30, where do you think you'll confine your logistics business revenue to as a percentage of total mix?

Vishesh Pachnanda: Sorry, come again?

Koundinya Nimmagadda: So I was asking at INR8,000 crores revenue from your logistics business, I mean, what would that be as a percentage of total revenue that you are targeting?

Vishesh Pachnanda: See, the way we are looking at it is our port business is different, right? So we have given guidance from 170 million to 400 million tons. It is 2.4x in cargo. So which is also 15% CAGR. If cargo is 15%, obviously, the volume because the profile is also changing, we will be into liquids, we will be into containers.

So the profile will also switch and hence, the revenue CAGR would be north of 20% to 22%. Logistics is altogether a different ball game, where we have given total revenue of INR8,000 crores and then EBITDA margin of 25%. So this has to be seen separately and then A plus B.

Moderator: The next question is from the line of Eshwar Arumugam from Ithought PMS.

Eshwar Arumugam: Most of the questions have already been answered. But I do have two more. So from the synergistic benefits you see from the logistics business and the shipping business, how much do you expect the shipping growth to be more than the broader market growth -- JSW growth?

Lalit Singhvi: So you are talking about the port business in JSW Infra?

Eshwar Arumugam: Because of -- you are projecting a 22% growth because of a change in mix, like you're getting into liquid and you are getting into containers, how much more growth can you expect because of gain in market share for example?

Lalit Singhvi: Market share, we will always be ahead of the growth in the port sector. As we said, port sector is much lower growth of -- it may be like GDP types of growth. But we will be growing much faster backed by our own strength of the anchor customer, which is already growing by, say, 15% CAGR, then from the privatization of the major ports terminals, which will further give us the growth to us because we'll be very aggressive in securing those terminals as we are the largest concession holders in India and our regular natural growth. So all put together, cargo growth would be there.

And secondly, our EBITDA margins are slated to go higher because we are going much into our private ports where the EBITDA margins are much higher, 65%, 70%. Then we are going into the liquid where the margins are like 85% type of things, which we are -- right now, our UAE terminal is giving that much of margins. And then future, we are looking at the container also that with Murbe coming in, we'll go to the container side also. So all put together will give us a good revenue CAGR growth.

Eshwar Arumugam: So how much would be the margin for the container business?

Lalit Singhvi: The container business will give the similar type of growth, which we are getting at these ports, private ports. It is 60%, 65% type.

Eshwar Arumugam: And is there any plan to merge Navkar into JSW Infra?

Lalit Singhvi: No, at the moment, we are not contemplating any this type of structure. So, as and when we have anything, we will come back to you.

Moderator: Sorry to interrupt, Mr. Eshwar Arumugam, if you have any further questions, please rejoin the queue. The last question is from the line of Vaibhav Shah from JM Financial Limited.

Vaibhav Shah: Sir, what kind of capex plans are we looking for the next three years, FY '25, '26 and '27? And of that, what would be in the port business and what would be in the logistics business?

Lalit Singhvi: So port business for the next three years, we are looking around INR15,000 crores of investment. And for logistics business, INR1,000 crores is already spent and we might invest, say, another INR3,000 crores or so during the next three years.

Vaibhav Shah: Do you mean '26 to '28 or '25 to '27?

Rinkesh Roy: If you see the figures, we have to spend around -- we're looking at spending around INR8,000 crores in the next five years including the INR1,100 crores we have spent to pick up Navkar. So broadly in line with that, it would roughly translate to around INR2,000 to INR2,200 crores per annum. But it will vary depending on the various needs and opportunities that come up.

Vaibhav Shah: Sir, so INR15,000 crores mentioned for the ports business that is over FY '25 to '27 or '26 to '28?

Rinkesh Roy: Mostly the ports that we are looking at...

Lalit Singhvi: FY '28, we said by FY '28, we'll be spending this INR15,000 crores.

Moderator: Thank you. Ladies and gentlemen, that brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for the closing remarks.

Rinkesh Roy: I wanted to thank you all for your very lively and active participation, and we look forward to regular interactions with you apart from these investor calls. And I hope we'll be coming out with more better results in the years to come. Thank you.

Lalit Singhvi: Thank you all.

Moderator: Ladies and gentlemen, that brings us to the end of the conference. On behalf of ICICI Securities Limited, you may now disconnect your lines.