



## Navkar Corp. Ltd. Q1 FY18 Quarterly Update

### MARKET DATA

NSE TICKER	NAVKARCORP
Networth FY17E (Rs in Crs)	1449
P/BV Ratio (FY17E) (x)	2.2X
EPS (FY17E)(Rs.)	5.9
Market Price (Rs.)	204
P/E Ratio (FY18E) (x)	34.6X
52 Week High (Rs)	247
52 Week Low Rs)	155
Market Capitalisation (rs. Cr)	2933

### AVERAGE MONTHLY VOLUME ('000)

BSE	17.2
NSE	42.5

### SHARE HOLDING PATTERN

Promoter	72.9
FII	7.7
DII	15.0
Public	4.4

### RETURN (%)

	3M	6M	12M
Navkar	-3.3	18.4	21.4
Sensex	7.5	16.9	21.6

**Harsh Shah (Research Analyst)**

[harsh.shah@dimensional.in](mailto:harsh.shah@dimensional.in)

+91-22-66545231

Navkar Corp (NCL) reported another flattish quarter as it continued to be impacted by Direct Port Delivery (DPD) facility opened up for all customers by the JNPT Port during FY17. Navkar's CFS volume fell by 1.9% YoY to 80,293 TEUs during the quarter. Realization per TEU continued to remain stagnant because of high competitive intensity. NCL's EBITDA Margins improved by 20 bps to 39.5% on the back of higher contribution from more profitable Vapi ICD business. Company's EBITDA stood at Rs. 39.0 cr vs. Rs. 35.5 cr in corresponding quarter, implying a growth of 10.0%. Navkar PAT came in of Rs. 21.7 cr, down 7.7% YoY and up 7.2% QoQ.

### Impact of DPD moderating, volume growth for CFS expected to return

The volumes handled by DPD at JNPT Port are moderating and has come down from 16% of all imports during Feb'17 to 12% in June'17 while DPD volumes handled by designated CFS is inching up. The shift towards CFS from DPD is due to twin impact of capacity constraints at JNPT Port and preference of customers for CFS over Port handling. Thus, we expect that increase in container volumes at port coupled with lower handling by DPD will start bringing in volume growth for CFS after a year and a half of stagnation. Key monitorable will be capacity expansion at JNPT over next 3 years and its resultant impact on DPD.

### Update on Vapi Terminal:

Navkar has started operations at its Vapi ICD and its steadily ramping up the business. NCL did volume of 5,780 TEUs during Q1FY18 compared to 2,886 TEUs during Q4FY17. The ramp up, post commissioning of railway network, would be sharp because Navkar will be able to attract large part of the containers flowing between JNPT and Vapi as it would be in a position to offer transportation service at 30-35% lower than prevailing rate.

### Conference Call Highlights:

- **CFS Business:**
  - Handled 80,293 TEUs against 81,866 in corresponding quarter. Export-Import ratio for current quarter improved from 55:45 to 57:43 in favour of Export.
  - Navkar Corp. under-performed industry growth of 5% for the quarter as a good chunk of volume cleared through DPD.
  - Company is not seeing major impact from DPD going ahead except that average realization would come down by Rs. 150-200 per container as dwell time on DPD container is lower.
- **Vapi terminal:**
  - Construction of Railway Terminal at Vapi is completed from company's side and now only survey from Railway GM is pending and is hindered because of heavy rains in Gujarat. Company expects the survey to get completed soon.
  - Company has increased number of clients to over 100 and shipping lines over 15.

### Quarterly Performance (Consol):

Particulars (Rs in crs)	Q1 FY18	Q1 FY17	YoY (%)	Q4 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	98.8	90.2	9.6	99.1	-0.2	371	347	6.8
EBITDA	39.0	35.5	10.0	34.9	11.6	138	134	3.0
EBITDA Margin	39.5	39.3	20 bps	35.3	-420 bps	37.1%	38.5%	-140 bps
Interest	7.2	8.3	-13.5	7.7	-6.0	99	114	--
PBT	27.6	26.2	5.1	25.8	17.5	14	19	-13.2
Tax	5.9	2.7	--	5.5	--	86	95	--
PAT	21.7	23.5	-7.7	20.2	7.3	6.0	6.6	-10.0
EPS	1.52	1.65	-7.88	1.42	7.0	371	347	-8.6

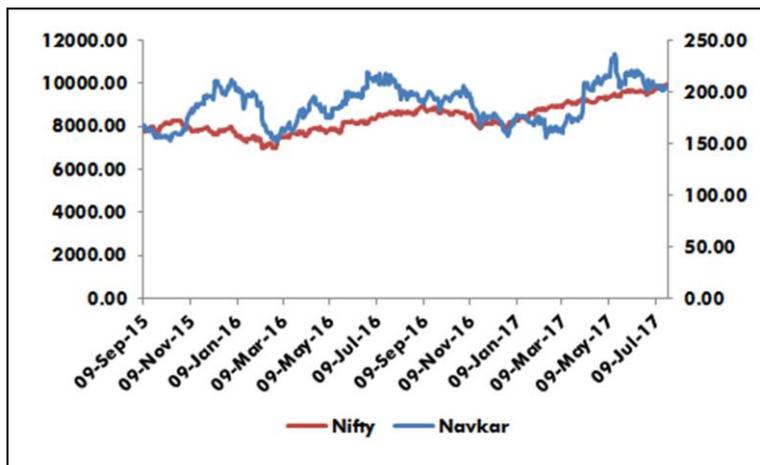


- Navkar has set up three levels of marketing team. Retail, mid-market and large market. The large market team captures big clients while retail team will go for smaller clients even if they have single container.
- **Update on Real Estate:**
  - There has no meaningful development on this front. Company is carrying out discussions with various developers. They want to see how RERA will impact the project and accordingly they will proceed.
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  - Last year the Board of Navkar gave approval to monetize idle land of 45 acres (~20 lakh sq. ft.) at Panvel by giving it to developer for building a residential township. Company is expecting cash flow of Rs. 500-600 cr from the same over 4-5 year period.
- Company has passed an enabling resolution to raise Rs. 500 cr as they have certain expansion strategy in their mind
- Company's Gross Debt stands at Rs. 360 cr, down from 375 cr as at FY17 end.

### Valuation & View:

We expect NCL's net revenues to grow at a CAGR of ~41.5% from FY17 to FY19 to Rs. 745 cr while profits are expected to grow at a CAGR of ~49% to Rs. 190 crore. However, the CMP of Rs. 204 discounts much of the future earnings leaving limited room for further price appreciation from here. Accordingly, we recommend an ACCUMULATE on the stock by arriving at a target price of Rs. 238. We have assigned a P/E multiple of 18X to FY19's EPS of Rs. 13.2 to arrive at our price objective.

### 3-Yr Price comparison





<b>Profit &amp; Loss (Consolidated)</b>				
<b>(Rs. Crs.)</b>	<b>FY16</b>	<b>FY17E</b>	<b>FY18E</b>	<b>FY19E</b>
<b>Net Revenue</b>	<b>347</b>	<b>371</b>	<b>557</b>	<b>746</b>
<b>YoY (%)</b>				
<b>Total expenses</b>	<b>214</b>	<b>233</b>	<b>345</b>	<b>454</b>
Operating Expenses	144	164	243	332
Employee costs	25	32	34	41
Other Expenses	45	38	67	81
<b>EBITDA</b>	<b>134</b>	<b>138</b>	<b>212</b>	<b>292</b>
<b>YoY (%)</b>	<b>12%</b>	<b>3%</b>	<b>54%</b>	<b>38%</b>
<b>EBIDTA (%)</b>	<b>38%</b>	<b>37%</b>	<b>38%</b>	<b>39%</b>
Depreciation	19	20	37	41
<b>EBIT</b>	<b>114</b>	<b>117</b>	<b>175</b>	<b>250</b>
Interest	23	31	29	21
Other income	23	13	4	5
<b>PBT</b>	<b>114</b>	<b>99</b>	<b>150</b>	<b>234</b>
Less: Taxation	19	14	30	44
Effective tax rate (%)	16.7%	13.7%	19.9%	18.8%
<b>Recurring PAT</b>	<b>95</b>	<b>86</b>	<b>120</b>	<b>190</b>
<b>YoY (%)</b>	<b>39%</b>	<b>-10%</b>	<b>41%</b>	<b>58%</b>
<b>PAT (%)</b>	<b>27%</b>	<b>23%</b>	<b>22%</b>	<b>25%</b>
Exceptional items (net c	0	0	0	0
<b>Reported PAT</b>	<b>95</b>	<b>86</b>	<b>120</b>	<b>190</b>

<b>Balance Sheet (Consolidated)</b>				
<b>(Rs. Crs.)</b>	<b>FY16</b>	<b>FY17E</b>	<b>FY18E</b>	<b>FY19E</b>
Equity capital	145	143	143	143
Reserves	1,176	1,306	1,393	1,550
<b>Net worth</b>	<b>1,321</b>	<b>1,449</b>	<b>1,536</b>	<b>1,692</b>
Total borrowings	452	375	290	210
Minority Interest + others	1	1	1	0
Non Current Liabilities	44	46	66	83
Current Liabilities	245	219	309	377
<b>Total liabilities</b>	<b>2,062</b>	<b>2,090</b>	<b>2,202</b>	<b>2,363</b>
Net block	1,218	1,241	1,685	1,699
Capital WIP	279	516	67	65
Non-Current Investments	286	91	20	20
Others	130	119	178	238
<b>Current assets</b>				
Investments	286	91	20	20
Inventories	4	6	6	6
Debtors	48	45	107	147
Cash	4	38	105	141
Other Current assets	93	34	36	46
<b>Total assets</b>	<b>2,062</b>	<b>2,090</b>	<b>2,202</b>	<b>2,363</b>

<b>Key Ratios (Consolidated)</b>				
	<b>FY16</b>	<b>FY17E</b>	<b>FY18E</b>	<b>FY19E</b>
Recurring EPS (Rs)	6.6	6.0	8.4	13.3
Reported EPS (Rs)	6.6	6.0	8.4	13.3
Book value (Rs)	81.1	91.6	97.7	108.7
Dividend per share (Rs)	0.0	0.0	0.0	0.0
Net Debt Equity Ratio	0.4	0.3	0.2	0.1
Payable Days	91.5	138.3	91.0	90.0
Debtor Days	66.0	69.0	71.0	73.0
Inventory Days	NA	NA	NA	NA
ROCE (%)	7.2%	6.0%	9.2%	13.1%
Recurring ROE (%)	9.2%	6.2%	8.1%	11.8%
Div Yield (%)	0.0%	0.8%	1.2%	1.7%
<b>Valuation Ratios</b>				
PE (x)	33.1	36.2	25.7	16.3
Cash P/E (x)	27.5	27.9	19.7	13.4
Price/book value (x)	2.4	2.1	2.0	1.8
Market cap/sales (x)	9.1	8.3	5.6	4.1
EV/sales (x)	9.8	9.2	5.9	4.3
EV/EBITDA (x)	25.5	24.8	15.6	11.0
<b>Earnings growth</b>				
EBITDA (%)	12%	3%	54%	38%
EPS (%)	60%	16%	15%	24%
PAT (%)	60%	16%	15%	24%

<b>Cash Flow (Consolidated)</b>				
<b>(Rs. Crs.)</b>	<b>FY16</b>	<b>FY17E</b>	<b>FY18E</b>	<b>FY19E</b>
Profit before Tax	114	99	150	234
Depn and w/o	19	25	37	41
Others	(46)	(14)	(30)	(44)
Change in working cap	104	45	(5)	(31)
<b>Op. Cash flow</b>	<b>191</b>	<b>156</b>	<b>153</b>	<b>201</b>
<b>Capex (Gross*)</b>				
Capex (Net)	(405)	(159)	(141)	(56)
Investments & other income	(259)	210	75	5
<b>Inv. Cash flow</b>	<b>(664)</b>	<b>51</b>	<b>(66)</b>	<b>(51)</b>
Dividend	0	0	(33)	(33)
Fresh Equity	482	0	0	0
Debt	(21)	(79)	(70)	(80)
Others	5	3	(15)	0
<b>Fin. Cash flow</b>	<b>466</b>	<b>(77)</b>	<b>(118)</b>	<b>(113)</b>
Net change in cash	(7)	131	(31)	36
Effect of FX Fluctuations	10	0	0	0
<b>Opening cash</b>	<b>1</b>	<b>5</b>	<b>136</b>	<b>105</b>
<b>Closing cash</b>	<b>5</b>	<b>136</b>	<b>105</b>	<b>141</b>



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