



## Navkar Corp. Ltd. Q3 FY18 Quarterly Update

### MARKET DATA

NSE TICKER	NAVKARCORP
Networth FY18E (Rs in Crs)	1681
P/BV Ratio (FY18E) (x)	1.7X
EPS (FY18E)(Rs.)	6.6
Market Price (Rs.)	193
P/E Ratio (FY18E) (x)	27.9X
52 Week High (Rs)	247
52 Week Low Rs)	155
Market Capitalisation (rs. Cr)	2905

### AVERAGE MONTHLY VOLUME ('000)

BSE	5.6
NSE	23.2

### SHARE HOLDING PATTERN

Promoter	69.0
FII	7.7
DII	18.9
Public	4.4

### RETURN (%)

	3M	6M	12M
Navkar	-6.6	-20.7	0.3
Nifty	8.1	10.6	31.3

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### CFS performance continues to weighed down by DPD

Navkar Corporation Ltd. (NCL) reported mixed sets of numbers. While it continues to ramp up its Vapi business, the CFS business at JNPT continues to reel under pressure from DPD. During Q3FY18, Navkar reported a drop of 4% in its volume to 72,274 TEUs. This was mainly on account of more volumes clearing ports via the Direct Port Delivery Scheme. Although over last couple of quarters the proportion of volume cleared via CFS under the DPD scheme is also increasing but those fetch lower realizations due to lower dwell time. Company's realization fell marginally by 2% sequentially.

NCL's operating performance improved during the quarter highlighted by 240 bps expansion in EBITDA Margin (YoY) to 39.0%, mainly on the back of lower empty train runnings and employee cost. Company's EBITDA improved by 5.6% YoY to Rs. 33.7 cr, sequentially it declined by 9.5%.

### Vapi Terminal: Ramp up still under expectations, railway terminal to commence soon

At Vapi, Navkar reported revenue of Rs. 20.0 cr against Rs. 4.4 cr YoY and Rs. 14.9 cr QoQ. During the quarter, Vapi ICD handled 10,517 TEUs during the quarter compared to 8,696 TEUs during Q2FY18. It recorded EBITDA of Rs. 3.9 cr during the quarter compared to 2.8 cr during Q2FY18 and Rs. 1.1 cr during Q3FY17.

The company is on final stages of finishing its Railway terminal which will connect its Vapi ICD with the JNPT Port. The ramp up in volume post commissioning of railway network would be significant because it will help in bringing down the transportation cost of containers between Vapi and JNPT by 30-35%.

On consolidated basis, Navkar reported revenue of Rs. 106.5 cr, growth of 16.2% YoY mainly driven by Vapi revenue on low base. Company reported EBITDA of Rs. 37.6 cr and EBITDA Margin of 35.3% compared to Rs. 33 cr and 36% YoY and Rs. 40.4 cr and 37.5% QoQ. Due to repayment of debt from QIP proceeds, company's interest cost reduced drastically causing its PAT to grow by 20.6% YoY to Rs. 23.5 cr.

### Conference Call Highlights:

#### • **JNPT CFS:**

- Company's CFS revenue dipped slightly on YoY basis because of adverse volume mix. It handled more volumes from DPD than shipping lines which results in lower dwell time and thus decrease in revenue per TEU.

### Quarterly Performance (Consol):

Particulars (Rs in crs)	Q3 FY18	Q3 FY17	YoY (%)	Q2 FY18	QoQ (%)	FY17	FY16	y-o-y
Net Sales	106.5	91.6	16.2	107.8	-1.3	371	347	6.8
EBITDA	37.6	33.0	13.9	40.4	-7.0	138	134	3.0
EBITDA Margin	35.3	36.0	-70 bps	37.5	-180 bps	37.1%	38.5%	-140 bps
Interest	1.3	8.6	--	5.4	--	31.3	34.3	--
Depreciation	5.4	5.2	--	5.5	--	20.1	19.3	--
PBT	31.3	21.7	44.3	30.1	4.0	14	19	-13.2
Tax	7.8	2.2	252.1	5.3	47.8	86	95	--
PAT	23.5	19.5	20.6	24.8	-5.4	6.0	6.6	-10.0
EPS	1.6	1.4	16.9	1.74	-8.6	371	347	-8.6

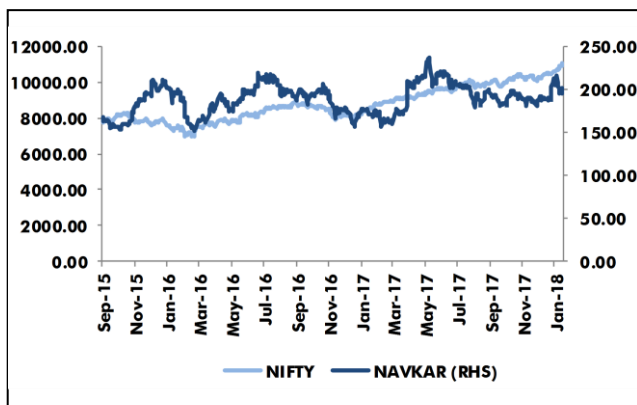


- From this quarter company changed its policy to report volume numbers. Instead of giving out total volumes handled, they will share volumes handled via shipping lines only (not of those handled via DPD). The purpose behind change in the approach is to match their data with that of shipping lines. This will impact the presentation, as revenues would reflect total volumes (Shipping Lines + DPD + domestic) while company would be disclosing volumes handled via shipping lines only
  - During the quarter, company handled 72,274 TEUs (via shipping lines), which is a decline of 4% compared to corresponding quarter of the previous year.
  - During the quarter, the PSA II which is the new container terminal at the JNPT port with capacity of 24 lakh containers became operational. It will address the congestion problem at witnessed at the port and lead to some volume growth, which has stagnated for last three years.
- **Vapi terminal:**
    - At Vapi, company handled 10,517 TEUs during the quarter compared to around 8,600 TEUs during Q2FY18. The management asserted that performance at Vapi has been below their expectations and they expect steady ramp up once railway terminal starts.
    - The Railway Authorities carried out their surveys during Dec-Jan period and have recommended several safety related alterations to be made. The company have made the required changes and approached the Railway Authorities to conduct their final survey. The management is confident that Vapi Railway terminal would finally become operational by March end.
  - **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.
    - 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 had raised Rs. 144 cr via preferential issue during Q2FY18, the said proceeds were entirely utilized for repayment of loans during the quarter.

## Valuation & View:

We expect NCL's net revenue to grow at a CAGR of ~23.9% from FY17 to FY19 to Rs. 571 cr while profits are expected to grow at a CAGR of ~28.9% to Rs. 142.5 cr. However, the CMP of Rs. 193 discounts much of the future earnings leaving limited room for further price appreciation from here. Accordingly, we recommend a HOLD on the stock by arriving at a target price of Rs. 200. We have assigned a P/E multiple of 20X to FY19's EPS of Rs. 10.0 to arrive at our price objective.

## 3-Yr Price comparison





Profit & Loss (Consolidated)				
(Rs. Crs.)	FY16	FY17	FY18E	FY19E
<b>Net Revenue</b>	<b>347.3</b>	<b>370.9</b>	<b>444.2</b>	<b>570.9</b>
<b>YoY (%)</b>				
<b>Total expenses</b>	<b>213.7</b>	<b>233.4</b>	<b>281.2</b>	<b>355.1</b>
Operating Expenses	143.7	163.5	202.2	265.6
Employee costs	24.8	31.7	35.1	40.0
Other Expenses	45.2	38.2	44.0	49.5
<b>EBITDA</b>	<b>133.6</b>	<b>137.5</b>	<b>163.0</b>	<b>215.7</b>
<b>YoY (%)</b>	<b>12%</b>	<b>3%</b>	<b>19%</b>	<b>32%</b>
<b>EBIDTA (%)</b>	<b>38%</b>	<b>37%</b>	<b>37%</b>	<b>38%</b>
Depreciation	19.3	20.1	24.0	33.0
<b>EBIT</b>	<b>114.2</b>	<b>117.4</b>	<b>138.9</b>	<b>182.7</b>
Interest	23.1	31.3	16.4	11.9
Other income	23.2	13.1	3.1	4.5
<b>PBT</b>	<b>114.3</b>	<b>99.2</b>	<b>125.7</b>	<b>175.3</b>
Less: Taxation	19.1	13.6	26.8	32.6
Effective tax rate (%)	16.7%	13.7%	21.4%	18.6%
<b>Recurring PAT</b>	<b>95.1</b>	<b>85.6</b>	<b>98.8</b>	<b>142.7</b>
<b>YoY (%)</b>	<b>39%</b>	<b>-10%</b>	<b>15%</b>	<b>44%</b>
<b>PAT (%)</b>	<b>27%</b>	<b>23%</b>	<b>22%</b>	<b>25%</b>
Exceptional items (net of tax)	0.0	0.0	0.0	0.0
<b>Reported PAT</b>	<b>95.1</b>	<b>85.6</b>	<b>98.8</b>	<b>142.7</b>

Balance Sheet (Consolidated)				
(Rs. Crs.)	FY16	FY17	FY18E	FY19E
Equity capital	144.9	142.6	143.4	143.4
Reserves	1,175.8	1,306.3	1,538.3	1,647.4
<b>Net worth</b>	<b>1,320.7</b>	<b>1,448.9</b>	<b>1,681.7</b>	<b>1,790.8</b>
Total borrowings	557.3	505.4	176.4	120.5
Minority Interest + others	1.0	1.0	1.0	0.0
Non Current Liabilities	43.5	64.5	82.2	101.2
Current Liabilities	139.2	135.9	169.8	196.2
<b>Total liabilities</b>	<b>2,061.8</b>	<b>2,155.7</b>	<b>2,111.1</b>	<b>2,208.7</b>
Net block	1,173.1	1,193.9	1,656.4	1,693.3
Capital WIP	278.6	517.4	60.0	25.0
Non-Current Investments	0.0	0.0	0.0	0.0
Others	130.2	138.1	165.0	212.1
<b>Current assets</b>				
Investments	0.0	0.0	0.0	0.0
Inventories	4.0	5.7	6.6	7.5
Debtors	48.0	45.1	84.6	109.5
Cash	290.4	129.4	24.6	24.6
Other Current assets	92.5	126.2	114.0	136.7
<b>Total assets</b>	<b>2,016.8</b>	<b>2,155.7</b>	<b>2,111.1</b>	<b>2,208.7</b>



Cash Flow (Consolidated)				
DESCRIPTION	FY16	FY17	FY18E	FY19E
<b>Profit Before Tax</b>	<b>114.3</b>	<b>99.5</b>	<b>125.7</b>	<b>175.3</b>
Adjustment	8.2	21.2	24.0	33.0
Changes In working Capital	103.6	-3.0	-20.9	-16.2
Tax Paid	-24.1	-28.3	-26.8	-32.6
<b>Cash From Operating Activities</b>	<b>202.0</b>	<b>89.4</b>	<b>101.9</b>	<b>159.5</b>
<b>Cash Flow from Investing Activities</b>	<b>-663.8</b>	<b>-59.2</b>	<b>68.1</b>	<b>-70.0</b>
<b>Dividend</b>			0.0	-33.5
<b>Free Cash Flow after Div.</b>	<b>-461.8</b>	<b>30.2</b>	<b>170.0</b>	<b>55.9</b>
<b>Cash from Financing Activities</b>	<b>466.2</b>	<b>3.6</b>	<b>-329.0</b>	<b>-55.9</b>
<b>Proceeds from QIP</b>			<b>144.0</b>	
<b>Opening Cash</b>	<b>1.40</b>	<b>5.8</b>	<b>39.6</b>	<b>24.6</b>
<b>Closing Cash</b>	<b>5.8</b>	<b>39.6</b>	<b>24.6</b>	<b>24.6</b>

Key Ratios (Consolidated)				
	FY16	FY17	FY18E	FY19E
Recurring EPS (Rs)	6.6	6.0	6.9	10.0
Reported EPS (Rs)	6.6	6.0	6.9	10.0
Book value (Rs)	81.1	91.6	107.3	114.9
Dividend per share (Rs)	0.0	0.0	0.0	2.0
Net Debt Equity Ratio	0.3	0.3	0.1	0.1
Payable Days	91.5	125.6	124.6	124.6
Debtor Days	66.0	69.0	70.0	70.0
Inventory Days	NA	NA	NA	NA
ROCE (%)	7.2%	6.1%	7.3%	9.7%
Recurring ROE (%)	9.2%	6.2%	6.3%	8.2%
Div Yield (%)	0.0%	0.7%	1.0%	1.3%
<b>Valuation Ratios</b>				
PE (x)	30.9	33.8	29.5	20.4
Cash P/E (x)	25.7	27.4	23.7	16.6
Price/book value (x)	2.2	2.0	1.7	1.6
Market cap/sales (x)	8.5	7.8	6.6	5.1
EV/sales (x)	9.5	9.0	7.0	5.4
EV/EBITDA (x)	24.8	24.3	19.1	14.2



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