



Navkar Corp. Ltd. Q4 FY17 Quarterly Update

MARKET DATA

NSE TICKER	NAVKARCORP
Networth FY17E (Rs in Crs)	1449
P/BV Ratio (FY17E) (x)	2.2X
EPS (FY17E)(Rs.)	6.0
Market Price (Rs.)	217
P/E Ratio (FY18E) (x)	36.2X
52 Week High (Rs)	247
52 Week Low Rs)	155
Market Capitalisation (rs. Cr)	3120

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	32.3	25.3	12.9
Sensex	7.4	17.2	16.5

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Navkar Corp (NCL) continued to feel impact of lower EXIM volumes and introduction of Direct Port Delivery (DPD) at JNPT which led to flattish YoY revenue to Rs. 91.3 cr. Navkar's CFS volume fell by 2.1% to 82,406 TEUs during Q4FY17. Despite high competition from other players, which further intensified due to DPD, realizations still grew by 1.9% to Rs. 11,480 per TEU due to high share of exports which involves more value added services. When compared to industry, NCL has fared well against industry volume growth of -4.0% highlighting further consolidation of market share. NCL's EBITDA Margins (Standalone) contracted by 460 bps to 36.9% on the back of lower gross margins and additional expenses to the tune of Rs. 4 cr pertaining to one time bonus provision, premium paid of rollover of forward position and loss on sale of operating assets. Company's EBITDA stood at Rs. 33.7 cr vs. Rs. 38.0 cr in corresponding quarter. NCL reported PAT of Rs. 23.6 cr, down 8.6% YoY and up 10.8% QoQ.

Update on Vapi Terminal:

Navkar has started operations at its Vapi ICD and its slowly ramping up its business. NCL did volume of 2886 TEUs during Q4FY17 (YoY 290 TEUs), compared to 2100 TEUs during Q3FY17. The ramp up has been slower than expected since there was a delay in construction of railway siding to its ICD. 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 79520 TEUs against 81,120 in corresponding quarter. Export-Import ratio was 43:57.
- Due to demonetization, export were still lower than normal levels.
- Company is not seeing major impact from DPD going ahead except that average realization would come down by Rs. 300-400 per container.

• **Vapi terminal:**

- Railway terminal will take another 20-25 days to get complete and at Logistics Park 90% of work is done. The management stated that it will complete both before monsoons starts.
- All Shipping lines are now working with Navkar and customers are increasing their business with the company.
- Company has added 40-45 new customers over last few months.
- Company is targeting all clients even if they have one or two containers. For this, they have 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.
- The process for merging Navkar Terminal Ltd. with parent Company Navkar Ltd. has commenced and it should get over in a quarter or two.

Quarterly Performance (Consol):

Particulars (Rs in crs)	Q4 FY17	Q4 FY16	YoY (%)	Q3 FY17	QoQ (%)	FY17	FY16	y-o-y
Net Sales	99.1	91.4	8.4	91.6	8.2	371	347	6.8
EBITDA	34.9	37.8	-7.5	33.0	5.8	138	134	3.0
EBITDA Margin	35.3%	41.4%	-610 bps	36.0%	-70 bps	37.1%	38.5%	-140 bps
Interest	7.7	8.4	--	8.6	--	99	114	--
PBT	25.8	31.1	-17.2	21.7	18.8	14	19	-13.2
Tax	5.5	9.0	--	2.2	--	86	95	--
PAT	20.2	22.2	-8.8	19.5	3.9	6.0	6.6	-10.0
EPS	1.4	1.6	-8.4	1.4	4.4	371	347	-8.6



• **Update on Real Estate:**

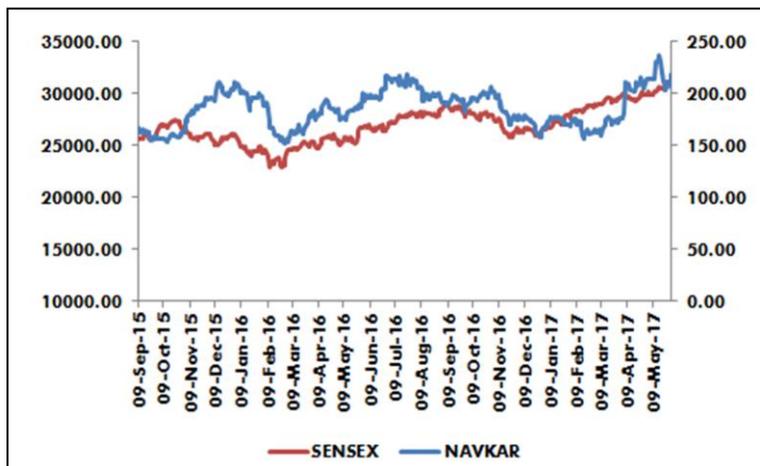
- There has no meaningful development on this front. Company is carrying out discussions with various developers. They want to see how RERA will impact the project and accordingly they will proceed.
- Last year the Board of Navkar gave approval to monetize idle land of 45 acres (~20 lakh sq. ft.) at 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 has passed an enabling resolution to raise Rs. 500 cr as they have certain expansion strategy in their mind

Valuation & View:

The introduction of Direct Port Delivery (DPD) at JNPT and slower than expected ramp up at Vapi has led us to scale back our revenue and profit assumptions for the company. We now expect NCL's net revenues to grow at a CAGR of ~38.1% from FY17 to FY19 to Rs. 723 cr while profits are expected to grow at a CAGR of ~40% to Rs. 166 crore. However, the CMP of Rs. 217 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. 220. We have assigned a P/E multiple of 18X to FY19's EPS of Rs. 12.1 to arrive at our price objective.

3-Yr Price comparison





Profit & Loss (Consolidated)				
(Rs. Crs.)	FY16	FY17E	FY18E	FY19E
Net Revenue	347	371	543	724
YoY (%)				
Total expenses	214	233	343	451
Operating Expenses	144	164	239	325
Employee costs	25	32	34	41
Other Expenses	45	38	70	85
EBITDA	134	138	200	273
YoY (%)	12%	3%	45%	37%
EBIDTA (%)	38%	37%	37%	38%
Depreciation	19	20	37	41
EBIT	114	117	163	232
Interest	23	31	34	26
Other income	23	13	4	5
PBT	114	99	134	211
Less: Taxation	19	14	25	39
Effective tax rate (%)	16.7%	13.7%	18.4%	18.5%
Recurring PAT	95	86	109	172
YoY (%)	39%	-10%	27%	58%
PAT (%)	27%	23%	20%	24%
Exceptional items (net c	0	0	0	0
Reported PAT	95	86	109	172

Key Ratios (Consolidated)				
	FY16	FY17E	FY18E	FY19E
Recurring EPS (Rs)	6.6	6.0	7.6	12.1
Reported EPS (Rs)	6.6	6.0	7.6	12.1
Book value (Rs)	81.1	91.6	96.9	106.6
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	132.7	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%	8.6%	12.2%
Recurring ROE (%)	9.2%	6.1%	7.3%	10.8%
Div Yield (%)	0.0%	0.7%	1.1%	1.5%
Valuation Ratios				
PE (x)	33.1	36.2	28.4	18.0
Cash P/E (x)	27.5	27.9	21.2	14.5
Price/book value (x)	2.4	2.1	2.0	1.9
Market cap/sales (x)	9.1	8.1	5.7	4.3
EV/sales (x)	9.8	9.0	6.1	4.5
EV/EBITDA (x)	25.5	24.6	16.6	11.8
Earnings growth				
EBITDA (%)	12%	3%	45%	37%
EPS (%)	60%	16%	15%	24%
PAT (%)	60%	16%	15%	24%

Balance Sheet (Consolidated)				
(Rs. Crs.)	FY16	FY17E	FY18E	FY19E
Equity capital	145	143	143	143
Reserves	1,176	1,306	1,382	1,521
Net worth	1,321	1,449	1,525	1,663
Total borrowings	452	375	290	210
Minority Interest + others	1	1	1	0
Non Current Liabilities	44	46	66	83
Current Liabilities	245	219	297	382
Total liabilities	2,062	2,090	2,178	2,338
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	170	227
Current assets				
Investments	286	91	20	20
Inventories	4	6	6	6
Debtors	48	45	104	143
Cash	4	38	90	110
Other Current assets	93	34	36	46
Total assets	2,062	2,090	2,178	2,338

Cash Flow (Consolidated)				
(Rs. Crs.)	FY16	FY17E	FY18E	FY19E
Profit before Tax	114	99	134	211
Depn and w/o	19	25	37	41
Others	(46)	(14)	(25)	(39)
Change in working cap	104	45	(7)	(29)
Op. Cash flow	191	156	139	184
Capex (Gross*)				
Capex (Net)	(405)	(159)	(141)	(56)
Investments & other income	(259)	210	75	5
Inv. Cash flow	(664)	51	(66)	(51)
Dividend	0	0	(33)	(33)
Fresh Equity	482	0	0	0
Debt	(21)	(79)	(70)	(80)
Others	5	3	(15)	0
Fin. Cash flow	466	(77)	(118)	(113)
Net change in cash	(7)	131	(45)	20
Effect of FX Fluctuations	10	0	0	0
Opening cash	1	5	136	90
Closing cash	5	136	90	110



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