



## Navkar Corporation Ltd. Q4 FY18 Quarterly Update

### MARKET DATA

NSE TICKER	NAVKARCORP
Networth FY18E (Rs in Crs)	1683
P/BV Ratio (FY18E) (x)	1.3X
EPS (FY18E)(Rs.)	7.0
Market Price (Rs.)	149
P/E Ratio (FY18E) (x)	21.3X
52 Week High (Rs)	227
52 Week Low Rs)	145
Market Capitalisation (rs. Cr)	2265

### AVERAGE MONTHLY VOLUME ('000)

BSE	9.6
NSE	51.3

### SHARE HOLDING PATTERN

Promoter	69.0
FII	7.7
DII	18.9
Public	4.4

### RETURN (%)

	3M	6M	12M
Navkar	-8.4	-20.9	-26.3
Nifty	0.2	1.2	12.3

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### Better operating performance drives margins:

During Q4FY18, Navkar reported 16.3% jump in revenue to Rs. 115.1 cr mainly on the back of higher contribution from Vapi business which was negligible in the corresponding quarter. Sequentially the growth in sales was 8.1%. Company's EBITDA margin improved considerably due to higher volumes in Vapi with fixed cost remaining constant. The margins improved by 770 bps YoY to 43.0% while EBITDA grew by 41.6% YoY and 31.6% QoQ to Rs. 49.5 cr. Reduction in interest cost was offset by higher tax rate resulting into PAT growth of 34.5% YoY and 17.8% QoQ to Rs. 27.7 cr.

### CFS performance continues to be weighed down by DPD

Navkar Corporation Ltd. (NCL) handled 73,920 TEUs during Q4FY18 which is sequentially up marginally by 2%. Company has changed its accounting for CFS volume therefore Y-o-Y numbers are not comparable. Navkar now doesn't separately report volumes which it handles under DPD and reports only those volumes which it handles all by itself.

There was some pressure on the realizations during the quarter and it fell by 1.8% (Rs. 200 per TEU) QoQ owing to higher competition. For the entire year, company handled 317,000 TEUs which was decline of 2.3% over FY17. Going ahead, Navkar expects better performance in the CFS division on the back of economic recovery which will increase freight volume and doubling of container handling capacity at JNPT Port.

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

The ramp up at Vapi is gathering momentum and during Q4FY18 company handled 14,433 TEUs compared to 10,533 TEUs during Q3FY18. During the quarter, company also commended its train operations at Vapi ICD, which is a important development for the company. This will provide significant impetus to its volume ramp up during FY19 since transportation of container between JNPT and Vapi would be ~30% cheaper via railways.

### 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 decreases the revenue per TEU.
- Company handled 73,920 TEUs during this quarter and Export-Import mix was 46:54 in favour of imports.

### Quarterly Performance (Consol):

Particulars (RS in crs)	Q4 FY18	Q4 FY17	YoY (%)	Q3 FY18	QoQ (%)	FY18	FY17	y-o-y
Net Sales	115.1	99.1	16.2	106.5	8.1	428.1	371.0	15.3
Operating Expenses	56.7	56.3	0.8	59.9	-5.4	226.5	201.7	12.3
Employee Cost	8.9	7.9	12.8	8.9	0.0	35.1	31.8	10.3
EBITDA	49.5	34.9	41.6	37.6	31.6	166.5	137.5	21.1
EBITDA Margin	43.0%	35.3%	770 bps	35.3	770 bps	38.9%	37.1%	180 bps
Interest	4.3	7.7	--	1.3	--	18.1	31.3	--
Depreciation	6.6	4.6	--	5.4	--	23.1	20.1	--
PBT	39.4	25.8	53.1	31.2	26.2	128.3	99.1	29.4
Tax	11.8	5.2	--	7.8	--	27.4	13.6	--
PAT	27.7	20.6	34.5	23.5	17.8	100.9	85.6	17.9
EPS	1.8	1.4	27.5	1.6	14.5	7.0	6.0	16.7

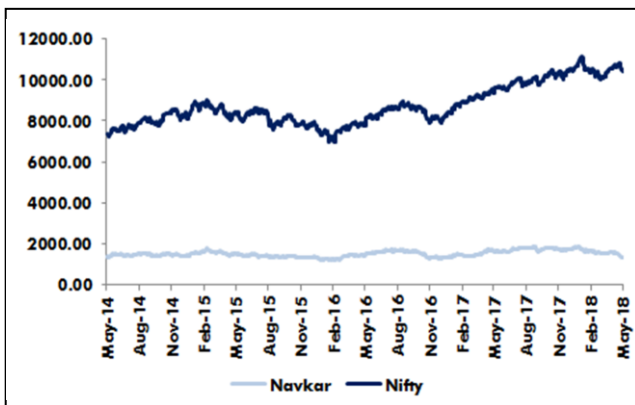


- **Vapi ICD:**
  - The management reiterated that the size of market between Vapi and JNPT is 1.5mn TEUs and it would plan to capture much of its share for which it has set up a 0.5mn TEU capacity at Vapi.
  - The commencement of rail operation will improve the pace of ramp up in volumes given that company is working with 40 major shipping lines.
- Company allotted 0.79 cr shares under preferential placement at Rs. 183 and utilized the proceeds to repay debts.
- The company has approved the scheme of amalgamation of Navkar Terminals (ICD business) and the same would be completed by Q4FY18. This will provide several tax advantages to the company biggest one being deduction under section 80IA.

## Valuation & View:

We expect NCL's net revenue to grow at a CAGR of ~28.8% over FY18 to FY20E to Rs. 710 cr while profits are expected to grow at a CAGR of ~43.3% to Rs. 207.2 cr. The growth would be underpinned by ramp up in Vapi volumes which didn't contribute much in FY18 and increase in capacity at JNPT port which will lead to higher container flow to the CFSs. We have factored in the impact of DPD scheme as per our assessment but there could still be some downside risks if the Port authority pushes the DPD scheme aggressively. Accordingly, we are valuing the company at conservative multiple of 16X to its FY19E earnings, given its high growth trajectory, and have arrived at a target price of Rs. 165 and recommend a HOLD on the company.

## 3-Yr Price comparison





Profit & Loss (Consolidated)					
(Rs. Crs.)	FY16	FY17	FY18	FY19E	FY20E
<b>Net Revenue</b>	<b>347.3</b>	<b>370.9</b>	<b>428.1</b>	<b>553.1</b>	<b>710.0</b>
<b>YoY (%)</b>					
<b>Total expenses</b>	<b>213.7</b>	<b>233.4</b>	<b>261.6</b>	<b>334.6</b>	<b>421.7</b>
Operating Expenses	143.7	163.5	186.9	249.1	325.3
Employee costs	24.8	31.7	35.1	40.4	46.6
Other Expenses	45.2	38.2	39.6	45.1	49.9
<b>EBITDA</b>	<b>133.6</b>	<b>137.5</b>	<b>166.5</b>	<b>218.6</b>	<b>288.3</b>
<b>YoY (%)</b>	<b>12%</b>	<b>3%</b>	<b>21%</b>	<b>31%</b>	<b>32%</b>
<b>EBIDTA (%)</b>	<b>38%</b>	<b>37%</b>	<b>39%</b>	<b>40%</b>	<b>41%</b>
Depreciation	19.3	20.1	23.1	31.5	34.2
<b>EBIT</b>	<b>114.2</b>	<b>117.4</b>	<b>143.4</b>	<b>187.1</b>	<b>254.1</b>
Interest	23.1	31.3	18.1	11.3	4.8
Other income	23.2	13.1	3.0	4.5	4.5
<b>PBT</b>	<b>114.3</b>	<b>99.2</b>	<b>128.3</b>	<b>180.2</b>	<b>253.8</b>
Less: Taxation	19.1	13.6	27.4	33.2	46.5
Effective tax rate (%)	16.7%	13.7%	21.3%	18.4%	18.3%
<b>Recurring PAT</b>	<b>95.1</b>	<b>85.6</b>	<b>100.9</b>	<b>147.0</b>	<b>207.2</b>
<b>YoY (%)</b>	<b>39%</b>	<b>-10%</b>	<b>18%</b>	<b>46%</b>	<b>41%</b>
<b>PAT (%)</b>	<b>27%</b>	<b>23%</b>	<b>24%</b>	<b>27%</b>	<b>29%</b>
Exceptional items (net of tax)	0.0	0.0	0.0	0.0	0.0
<b>Reported PAT</b>	<b>95.1</b>	<b>85.6</b>	<b>100.9</b>	<b>147.0</b>	<b>207.2</b>

Balance Sheet (Consolidated)					
(Rs. Crs.)	FY16	FY17	FY18	FY19E	FY20E
Equity capital	144.9	142.6	143.4	143.4	143.4
Reserves	1,175.8	1,306.3	1,540.5	1,653.9	1,827.6
<b>Net worth</b>	<b>1,320.7</b>	<b>1,448.9</b>	<b>1,683.8</b>	<b>1,797.2</b>	<b>1,970.9</b>
Total borrowings	557.3	505.4	141.8	110.2	(2.6)
Minority Interest + others	1.0	1.0	1.0	0.0	0.0
Non Current Liabilities	43.5	64.5	79.3	98.0	116.6
Current Liabilities	139.2	135.9	160.7	186.3	245.1
<b>Total liabilities</b>	<b>2,061.8</b>	<b>2,155.7</b>	<b>2,066.6</b>	<b>2,191.7</b>	<b>2,330.1</b>
Net block	1,173.1	1,193.9	1,621.7	1,687.2	1,679.0
Capital WIP	278.6	517.4	60.0	25.0	0.0
Non-Current Investments	0.0	0.0	0.0	0.0	150.0
Others	130.2	138.1	159.0	205.5	263.8
<b>Current assets</b>					
Investments	0.0	0.0	0.0	0.0	150.0
Inventories	4.0	5.7	6.6	7.5	8.7
Debtors	48.0	45.1	81.5	106.1	136.2
Cash	290.4	129.4	24.6	24.6	24.6
Other Current assets	92.5	126.2	113.2	135.8	(82.1)
<b>Total assets</b>	<b>2,016.8</b>	<b>2,155.7</b>	<b>2,066.6</b>	<b>2,191.7</b>	<b>2,330.1</b>



Cash Flow (Consolidated)				
DESCRIPTION	FY16	FY17	FY18E	FY19E
<b>Profit Before Tax</b>	<b>114.3</b>	<b>99.5</b>	<b>128.3</b>	<b>180.2</b>
Adjustment	8.2	21.2	23.1	31.5
Changes In working Capital	103.6	-3.0	-22.6	-16.3
Tax Paid	-24.1	-28.3	-27.4	-33.2
<b>Cash From Operating Activities</b>	<b>202.0</b>	<b>89.4</b>	<b>101.5</b>	<b>162.2</b>
<b>Cash Flow from Investing Activities</b>	<b>-663.8</b>	<b>59.2</b>	<b>103.1</b>	<b>-97.0</b>
Dividend			0.0	-33.5
<b>Free Cash Flow after Div.</b>	<b>-461.8</b>	<b>30.2</b>	<b>204.6</b>	<b>31.7</b>
<b>Cash from Financing Activities</b>	<b>466.2</b>	<b>3.6</b>	<b>-363.6</b>	<b>-31.7</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	FY18	FY19E	FY20E
Recurring EPS (Rs)	6.6	6.0	7.0	10.3	14.5
Reported EPS (Rs)	6.6	6.0	7.0	10.3	14.5
Book value (Rs)	81.1	91.6	107.4	115.4	127.5
Dividend per share (Rs)	0.0	0.0	0.0	2.0	2.0
Net Debt Equity Ratio	0.3	0.3	0.1	0.1	0.0
Payable Days	91.5	125.6	124.6	124.6	124.6
Debtor Days	66.0	69.0	70.0	70.0	70.0
Inventory Days	NA	NA	NA	NA	NA
ROCE (%)	7.2%	6.1%	7.6%	10.0%	13.1%
Recurring ROE (%)	9.2%	6.2%	6.4%	8.4%	11.0%
Div Yield (%)	0.0%	0.0%	1.3%	1.9%	1.9%
<b>Valuation Ratios</b>					
PE (x)	23.2	25.3	21.6	14.8	10.5
Cash P/E (x)	19.2	20.5	17.6	12.2	9.0
Price/book value (x)	1.7	1.5	1.3	1.2	1.1
Market cap/sales (x)	6.3	5.8	5.1	3.9	3.1
EV/sales (x)	7.4	7.1	5.5	4.2	2.9
EV/EBITDA (x)	19.2	19.1	14.1	10.6	7.2



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