

Navkar Corporation

Performance Update

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq
Net sales	106	92	16.2	108	(1.2)
EBITDA	38	33	12.8	40	(7.0)
EBITDA margin (%)	35.3	36.4	(107)	37.5	(218)
Adjusted PAT	23	19	20.7	25	(5.4)

Source: Company, Angel Research

Navkar Corporation (Navkar) reported a good set of numbers for 3QFY2018. The consolidated top-line grew by ~16% yoy. On the operating front, the company reported a margin contraction on account of sharp increase in operating expenses. However, the net profit grew by ~21% yoy due to higher sales and lower interest cost.

Top-line grew ~16% yoy: The consolidated top-line grew by 16% yoy to ~₹106cr led by higher volumes and improvement. This quarter we saw some volume improvement from Vapi logistic.

PAT grew ~21% yoy: On the operating front, the company reported a margin contraction of 107bp yoy to 35.3% on account of sharp increase in other operating expenses by 233bp yoy to 56.3% of sales. As a result, the EBITDA grew lower by 13% yoy to ₹38cr. Aided by better sales performance and lower interest cost, the net profit grew by ~21% yoy to ~₹23cr

Outlook and Valuation: Going forward, we expect Navkar's utilizations to improve; we expect the company to be able to garner a good chunk of business over the next 2-3 due to its rail advantage at both JNPT and Vapi. **We maintain our Buy recommendation on the stock with a target price of ₹265.**

Key Financials

Y/E March (₹ cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
Net sales	329	347	371	437	600
% chg	(5.9)	5.6	6.8	17.7	37.3
Adj. Net profit	68	86	86	89	143
% chg	(24.0)	25.0	0.1	3.8	60.5
EBITDA margin (%)	40.7	38.5	37.1	35.5	37.0
EPS (₹)	4.8	6.0	6.0	6.2	10.0
P/E (x)	40.2	32.2	32.2	31.0	19.3
P/BV (x)	3.7	2.1	2.0	1.9	1.7
RoE (%)	9.1	6.6	6.2	6.1	8.9
RoCE (%)	9.1	6.6	6.5	7.0	9.8
EV/Sales (x)	10.0	8.5	8.5	7.2	5.2
EV/EBITDA (x)	24.7	22.0	23.0	20.2	14.1

Source: Company, Angel Research Note: CMP as of January 24, 2018

BUY

CMP	₹193
Target Price	₹265

Investment Period -

Stock Info

Sector	Logistics
Market Cap (Rs cr)	2,910
Net Debt	161
Beta	0.6
52 Week High / Low	247 / 155
Avg. Daily Volume	99,509
Face Value (Rs)	10
BSE Sensex	36,162
Nifty	11,086
Reuters Code	NA
Bloomberg Code	NACO@IN

Shareholding Pattern (%)

Promoters	69.0
MF / Banks / Indian FIs	16.9
FII / NRIs / OCBs	8.7
Indian Public / Others	5.4

Abs. (%)	3m	1yr	3yr
Sensex	11.2	33.3	23.4
NCL	(2.1)	12.7	NA

Historical share price chart



Source: Company, Angel Research

Amarjeet S Maurya

022-40003600 Ext: 6831

amarjeet.maurya@angelbroking.com

Exhibit 1: 3QFY2018 Performance

Y/E March (` cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Net Sales	106	92	16.2	108	(1.2)	313	272	15.2
Staff Costs	9	9	1.0	9	2.6	26	24	9.7
(% of Sales)	8.4	9.7	(12.7)	8.1	31	8.4	8.8	(4.2)
Other Expenses	60	49	21.3	59	2.1	170	145	16.8
(% of Sales)	56.3	53.9	23.3	54.4	18.7	54.3	53.5	7.5
Total Expenditure	69	58	18.2	67	2.2	196	169	15.8
Operating Profit	38	33	12.8	40	(7.0)	117	103	14.2
OPM	35.3	36.4		37.5		37.4	37.7	
Interest	1	9	(84.7)	5	(75.3)	14	24	(41.2)
Depreciation	5	5	(1.0)	5	(1.0)	16	15	5.7
Other Income	0	2	(82.7)	0	(13.3)	2	10	(78.8)
PBT (excl. Ext Items)	31	22	44.4	30	4.0	89	73	21.1
Ext (Income)/Expense	-	-				-	-	
PBT (incl. Ext Items)	31	22	44.4	30	4.0	89	73	21.1
(% of Sales)	29.4	23.7		27.9		28.4	27.0	
Provision for Taxation	8	2		5		19	8	134.9
(% of PBT)	25.0	10.3		17.6		21.3	11.0	
Reported PAT	23	19	20.7	25	(5.4)	70	65	7.0
PATM	22.0	21.2		23.0		22.4	24.0	
Minority Interest After NP								
Extra-ordinary Items								
Reported PAT	23	19	20.7	24.8	(5.4)	70	65	7.0
PATM	22.0	21.2		23.0		22.4	24.0	

Source: Company, Angel Research

Outlook and Valuation

Going forward, we expect Navkar's utilizations to improve; we expect the company to be able to garner a good chunk of business over the next 2-3 due to its rail advantage at both JNPT and Vapi. **We maintain our Buy recommendation on the stock with a target price of ` 265.**

Downside risks to our estimates include

- The company is exposed to currency risk with foreign currency debt of ` 194cr on its balance sheet (as of 31-03-2015). The company uses dollar call options to hedge against dollar appreciation and as per the term, the foreign currency debt will get converted to INR debt upon dollar rate hitting the strike price. In this event, the interest rate on the INR debt will be at ~ 12%.
- Currently the company is paying lower taxes, with it getting tax benefits for its CFS operations. Once the exemption period is over, the company will have to pay higher taxes, which could impact its earnings growth.
- Delay in capacity expansion and lower than expected utilization of existing CFS as well as existing players increasing their capacity at JNPT could impact the profitability of the company. Delay in capacity enhancement at JNPT can also impact the top-line.
- The company operates a PFT at JNPT which has helped the company in increasing its volumes. Lapse in agreement with the Indian Railways will lead to the company being unable to operate its PFT.

Company Background

Navkar is a CFS operator with three CFSs, Ajivali CFS I and Ajivali CFS II at Ajivali and one at Somathane. All of its CFS units are strategically located in close proximity to JNPT which is the largest container port in India. As of May 31, 2015, Navkar's CFSs had an aggregate installed handling capacity of 310,000 TEUs per annum. It has a PFT which facilitates loading and unloading of cargo from container trains operating between Somathane CFS and JNPT and to transport domestic cargo to and from inland destinations on the Indian rail network. As of May 31, 2015, it also owns and operates 516 trailers for the transportation of cargo between its CFSs and the JN Port by road. The company offers services like cargo storage facilities at CFSs, packing, labeling/bar-coding, palletizing, fumigation and other related activities. It also provides warehousing facilities, for which, it occupies an aggregate area of 500,000 sq ft.

Exhibit 2: CFS details

Particulars	Ajivali CFS I	Ajivali CFS II	Somathane CFS
Location	Ajivali village, Panvel	Ajivali village, Panvel	Somathane/Ashte village, Panvel
Area Custom Notified	135,156 sq. ft.	428,400 sq. ft.	1,073,224.35 sq. ft.
Operational since	May 12, 2008	May 18, 2006	May 11, 2009
Installed Capacity per annum	25,000 TEUs	65,000 TEUs	220,000 TEUs
Bonded warehouse	-	27,641 sq. feet	33,141 sq. feet
Reefer Points	16	24	52
Temperature controlled chambers	-	500 m	-
Hazardous cargo	-	Authorized to handle, store and deliver hazardous cargo up to the total installed capacity per annum	Authorized to handle, store and deliver hazardous cargo, up to the total installed capacity per annum
Connectivity	Road	Road	Rail and road

Source: Company, Angel Research

Consolidated Profit & Loss Statement

Y/E March (` cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
Total operating income	329	347	371	437	600
% chg	(5.9)	5.6	6.8	17.7	37.3
Total Expenditure	195	214	233	282	378
Operating Expenses	138	-	-	-	-
Purchases of Traded Goods	-	-	-	-	-
Personnel Expenses	22	25	32	39	54
Others Expenses	34	189	202	242	324
EBITDA	134	134	137	155	222
% chg	7.9	(0.1)	2.8	12.8	43.2
(% of Net Sales)	40.7	38.5	37.1	35.5	37.0
Depreciation & Amortisation	15	19	20	23	25
EBIT	119	114	117	132	197
% chg	6.8	(3.6)	2.6	12.4	49.3
(% of Net Sales)	36.1	32.9	31.6	30.2	32.8
Interest & other Charges	26	34	31	34	33
Other Income	2	23	13	14	14
(% of PBT)	2.3	22.5	13.2	12.2	7.9
Share in profit of Associates	-	-	-	-	-
Recurring PBT	94	103	99	111	178
% chg	15.3	9.3	(3.8)	11.9	60.5
Prior Period & Extraordinary Expense/(Inc.)				-	-
PBT (reported)	94	103	99	111	178
Tax	12	18	14	22	36
(% of PBT)	12.4	17.1	13.7	20.0	20.0
PAT (reported)	83	86	86	89	143
Extraordinary Items	(14)	-	-	-	-
ADJ. PAT	68	86	86	89	143
% chg	(24.0)	25.0	0.1	3.8	60.5
(% of Net Sales)	20.8	24.6	23.1	20.3	23.8
Basic EPS (`)	4.8	6.0	6.0	6.2	10.0
Fully Diluted EPS (`)	4.8	6.0	6.0	6.2	10.0
% chg	(24.0)	25.0	0.1	3.8	60.5

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
SOURCES OF FUNDS					
Equity Share Capital	112	145	145	145	146
Reserves & Surplus	638	1,144	1,229	1,318	1,461
Shareholders' Funds	750	1,289	1,374	1,463	1,607
Minority Interest	-	-	-	-	-
Total Loans	555	452	440	420	400
Deferred Tax Liability	33	33	33	33	33
Total Liabilities	1,338	1,773	1,847	1,916	2,039
APPLICATION OF FUNDS					
Gross Block	1,133	1,256	1,529	1,549	1,569
Less: Acc. Depreciation	59	79	100	123	148
Net Block	1,073	1,177	1,429	1,426	1,421
Capital Work-in-Progress	27	27	27	27	27
Investments	5	-	-	-	-
Current Assets	253	574	390	464	601
Inventories	2	2	3	4	5
Sundry Debtors	77	83	89	105	145
Cash	1	262	26	45	26
Loans & Advances	48	52	67	79	108
Other Assets	126	175	204	231	318
Current liabilities	22	24	18	20	30
Net Current Assets	231	551	372	444	571
Deferred Tax Asset	1	1	1	1	1
Mis. Exp. not written off	-	-	-	-	-
Total Assets	1,338	1,773	1,847	1,916	2,039

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2015	FY2016	FY2017	FY2018E	FY2019E
Profit before tax	80	103	99	111	178
Depreciation	15	19	20	23	25
Change in Working Capital	7	(58)	(57)	(53)	(147)
Interest / Dividend (Net)	26	34	31	34	33
Direct taxes paid	(22)	(18)	(14)	(22)	(36)
Others	18	-	-	-	-
Cash Flow from Operations	123	81	80	93	53
(Inc.)/ Dec. in Fixed Assets	(209)	(123)	(273)	(20)	(20)
(Inc.)/ Dec. in Investments	15	5	-	-	-
Cash Flow from Investing	(194)	(118)	(273)	(20)	(20)
Issue of Equity	-	453	-	-	-
Inc./(Dec.) in loans	97	(103)	(12)	(20)	(20)
Dividend Paid (Incl. Tax)	-	-	-	-	-
Interest / Dividend (Net)	(27)	402	(31)	(34)	(33)
Cash Flow from Financing	71	298	(43)	(54)	(53)
Inc./(Dec.) in Cash	0	261	(236)	19	(20)
Opening Cash balances	1	1	262	26	45
Closing Cash balances	1	262	26	45	26

Key Ratios

Y/E March	FY2015	FY2016	FY2017	FY2018E	FY2019E
Valuation Ratio (x)					
P/E (on FDEPS)	40.2	32.2	32.2	31.0	19.3
P/CEPS	28.1	26.3	26.0	24.6	16.4
P/BV	3.7	2.1	2.0	1.9	1.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/Sales	10.0	8.5	8.5	7.2	5.2
EV/EBITDA	24.7	22.0	23.0	20.2	14.1
EV / Total Assets	2.4	1.7	1.7	1.6	1.5
Per Share Data (₹)					
EPS (Basic)	4.8	6.0	6.0	6.2	10.0
EPS (fully diluted)	4.8	6.0	6.0	6.2	10.0
Cash EPS	6.9	7.4	7.4	7.8	11.7
DPS	0.0	0.0	0.0	0.0	0.0
Book Value	52.6	90.4	96.4	102.6	112.7
Returns (%)					
ROCE	9.1	6.6	6.5	7.0	9.8
Angel ROIC (Pre-tax)	9.1	7.7	6.6	7.2	9.9
ROE	9.1	6.6	6.2	6.1	8.9
Turnover ratios (x)					
Asset Turnover (Gross Block)	0.3	0.3	0.2	0.3	0.4
Inventory / Sales (days)	2	2	3	3	3
Receivables (days)	86	87	88	88	88
Payables (days)	7	5	4	4	4
Wc cycle (ex-cash) (days)	81	84	87	87	87

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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Disclosure of Interest Statement	Navkar Corporation
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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