

Strong growth aided by Vapi ICD Volumes

For Q4FY18, the revenue grew by 16.2% to ₹ 1,150.8mn YoY; up 8.1% QoQ from ₹ 1,064.6mn driven by strong volume growth at Vapi of ~2x YoY at 14,443 TEUs (Export-6,557; Import-7,876; Hazira-2,430), while the volume handled at Panvel remained flat at 73k TEUs. EBITDA grew by 41.6% YoY to ₹ 494.8mn, increased by 31.6% QoQ from ₹ 376.1mn. As per the management, the EBITDA margins increased by 773 bps YoY to 43% and increased by 767 bps QoQ from 30.6% with the operationalisation of RTG cranes. Net profit grew by 34.5% YoY to ₹ 276.5mn and 11.6% QoQ from ₹ 247.8mn. Net profit margin grew 328 bps YoY to 24%.

Vapi ICD Rail likely to see monthly handling of 5,000 TEUs

As per the management with the commencement of the rail operation at Vapi ICD, it is likely to handle 5,000 TEUs per month with the current realisation around ₹ 29,500 per TEUs (+ ₹1,000 TEUs QoQ). Rise in handling volumes is likely to earn better margins with constant fixed cost at ~₹ 1,000 per TEUs. The current transit cost differential between road and rail for JNPT to Vapi was at ₹ 15,000 per TEUs which will benefit rail operations as diesel price rise. It has also started handling marble container from the terminal.

Panvel DPD volumes to continue pressure on realisations

There was a marginal fall in the realisation of ₹ 200 TEUs QoQ to ₹ 10,452 per TEUs due to DPD volumes handling at Panvel which is likely to stay at these levels as per the management. For Q4FY18, containers handled at Panvel CFS was 73,930 TEUs (Export-34,267 Import- 39,653). The management expects the progress in volume handling inclusive of DPD containers with the picking of economy and increase in the rail handling volumes at Panvel by 2x from the present 55,540 TEUs (17-18% of overall volumes) with likely overall volumes growth of ~10% YoY

View: We are likely to see doubling in containers handled along with new additional clients from the industrial belt with operationalisation of rail line at Vapi ICD. With the better commodity mix we expect better realisation going forward. Maintain **Accumulate** with TP of ₹ 171.

Q4FY18 Result (₹ Mn)

Particulars	Q4FY18	Q4FY17	YoY (%)	Q3FY18	QoQ (%)
Operating Income	1,151	991	16.2	1,065	8.1
Staff Expenditure	89	79	12.8	89	(0.9)
Operating Expenditure	451	440	2.5	479	(5.7)
Other Expenditure	116	123	(5.3)	121	(3.8)
EBITDA	495	349	41.6	376	31.6
Other Income	8	31	(73.3)	4	97.9
Depreciation	66	46	42.7	54	21.8
Interest	43	77	(44.3)	13	223.3
PBT	394	258	53.1	313	26.1
Tax	118	52	126.3	65	81.3
Net Profit	277	206	34.5	248	11.6
			bps		bps
Operating Exps. (%)	39.2	44.4	(521)	44.9	(573)
Staff Exps (%)	7.7	7.9	(23)	8.4	(70)
Other Expenditure (%)	10.1	12.4	(229)	11.3	(124)
EBITDA (%)	43.0	35.3	773	35.3	767
NPM (%)	24.0	20.7	328	23.3	75

CMP	₹ 154
Target / Upside	₹ 171/11%
BSE Sensex	34.657
NSE Nifty	10,529

Scrp Details

Equity / FV	₹ 1,505mn/10/-
Market Cap	₹ 23bn
	USD 0.34bn
52-week High/Low	₹ 227/147
Avg. Volume (no)	352,946
NSE Symbol	NAVKARCORP
Bloomberg Code	NACO IN

Shareholding Pattern Mar'18 (%)

Promoters	69.0
MF/Banks/FIs	14.9
FIIIs	8.0
Public / Others	8.0

Valuation (x)

	FY18	FY19E	FY20E
P/E	23.0	19.3	16.4
EV/EBITDA	15.9	12.7	11.1
ROE	7.7	7.6	8.0
ROCE	7.8	8.7	9.5

Estimates (₹ mn)

	FY18	FY19E	FY20E
Net Sales	4,282	5,086	5,862
EBITDA	1,665	2,034	2,285
PAT	1,009	1,202	1,411
EPS (₹)	6.7	8.0	9.4

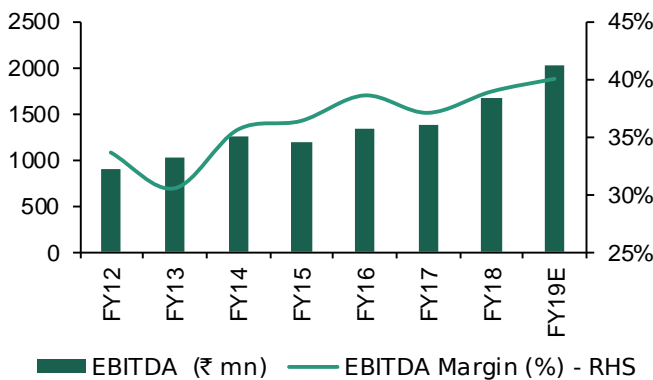
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Key takeaways from the earnings call

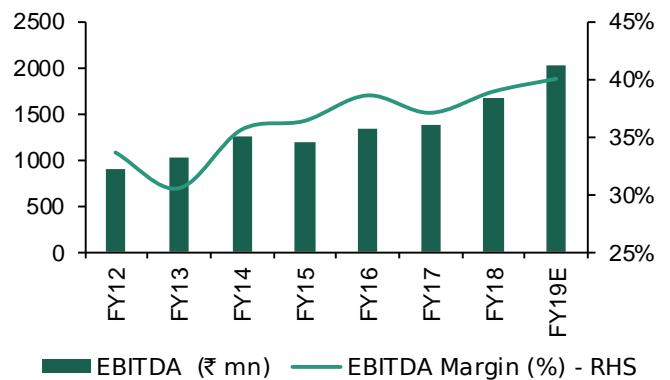
- The company plans to start parcel rail service from Panvel
- Capacity at Vapi ICD at 4.75mn with South Gujarat market size of 1.5mn TEUs p.a.
- The work of Vapi ICD's Warehousing, logistics park and cold storage completed, and the operations have already started, there is expected revenue from these segments with ramp up in railway container volumes during FY19. For Q4FY18, the revenue was at ₹ 305.5mn; EBITDA at ₹ 160mn and net Profit at ₹ 70mn.
- Capex guidance for FY19 at ₹ 200mn primarily for material handling equipment and fleet additions.
- The company was able to run 139 rakes for Q4FY18 as against 110 in Q4FY17

Exhibit 1: EBITDA & EBITDA Margin YoY



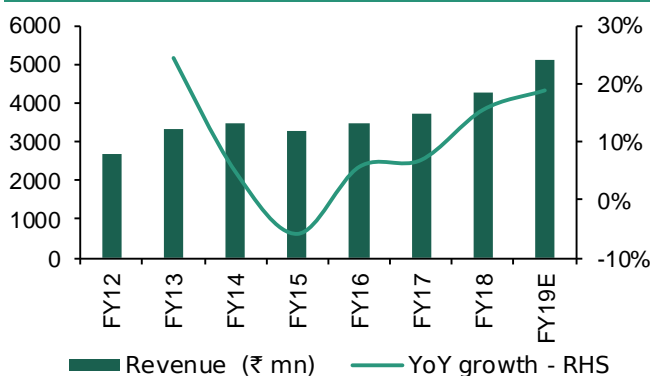
Source: DART, Company

Exhibit 2: PAT & PAT Margin Growth YoY



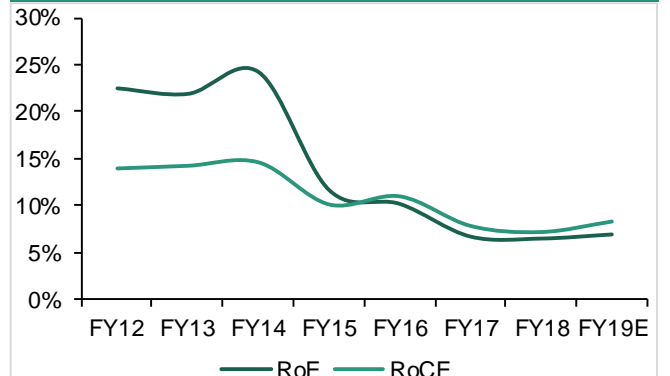
Source: DART, Company

Exhibit 3: Revenue Growth YoY



Source: DART, Company

Exhibit 4: RoE & RoCE Ratios



Source: DART, Company

Income Statement (₹ mn)

Particulars	Mar17	Mar18	Mar19E	Mar20E
Net Sales	3,709	4,282	5,086	5,862
Total Expenditure	2,335	2,616	3,052	3,577
Cost of materials consumed	1,635	1,810	2,136	2,521
Employee Benefits Exp.	317	351	407	469
Other Expenses	382	456	509	586
Other Income	131	30	32	36
EBIDTA (Excl. OI)	1,374	1,665	2,034	2,285
EBIDTA (Incl. OI)	1,506	1,695	2,067	2,321
Interest	313	182	263	243
Depreciation	201	229	243	246
Profit Before Tax	992	1,284	1,561	1,833
Tax	136	275	359	422
Net Profit	856	1,009	1,202	1,411

Balance Sheet (₹ mn)

Particulars	Mar17	Mar18	Mar19E	Mar20E
Sources of Funds				
Equity Capital	1,426	1,505	1,505	1,505
Other Reserves	9,937	13,183	15,508	16,710
Net Worth	11,363	14,688	17,013	18,215
Secured Loans	3,793	3,484	3,284	3,034
Loan Funds	3,793	3,484	3,284	3,035
Deferred Tax Liability	568	568	568	568
Total Capital Employed	15,724	18,740	20,865	21,818
Applications of Funds				
Gross Block	12,927	20,061	20,261	20,461
Less: Accum. Depreciation	988	1,218	1,461	1,706
Net Block	11,938	18,844	18,801	18,755
Capital Work in Progress	5,259	130	254	293
Investments	638	1,326	2,326	3,326
Current Assets, Loans & Advances				
Inventories	57	70	111	128
Sundry Debtors	451	514	697	771
Cash and Bank Balance	1,294	186	552	881
Loans and Advances	331	578	766	932
<i>sub total</i>	2,132	1,348	2,126	2,713
Less: Current Liabilities & Provisions				
Current Liabilities	613	219	423	567
<i>sub total</i>	613	219	423	567
Net Current Assets	1,519	1,129	1,703	2,145
Total Assets	15,724	18,740	20,865	21,818

E – Estimates

Cash Flow (₹ mn)

Particulars	Mar17	Mar18	Mar19E	Mar20E
Profit before tax	992	1,284	1,561	1,833
Depreciation & w.o.	201	229	243	246
Net Interest Exp.	313	182	263	243
Direct taxes paid	(136)	(275)	(359)	(422)
Change in Working Capital	207	(718)	(208)	(113)
(A) CF from Opt. Activities	1,576	702	1,499	1,786
Capex	(7,208)	(2,005)	(324)	(239)
Free Cash Flow	(5,631)	(1,304)	1,175	1,547
(B) CF from Invnt. Activities	(6,770)	(2,694)	(1,324)	(239)
Inc./(Dec.) in Debt	1,097	(309)	(200)	(249)
Interest Exp. net	(313)	(182)	(263)	(243)
(C) CF from Financing	784	(411)	(463)	(492)
Net Change in Cash	(1,602)	(1,108)	366	329
Opening Cash balances	2,896	1,294	186	552
Closing Cash balances	1,294	186	552	881

Important Ratios

Particulars	Mar17	Mar18	Mar19E	Mar20E
(A) Measures of Performance (%)				
EBIDTA Margin (excl. O.I.)	37.1	38.9	40.0	39.0
Interest / Sales	8.4	4.2	5.2	4.1
Tax/PBT	13.7	21.4	23.0	23.0
Net Profit Margin	23.1	23.6	23.6	24.1
(B) As Percentage of Net Sales				
Operating Expenses	44.1	42.3	42.0	43.0
Employee Expenses	8.6	8.2	8.0	8.0
Other Expenses	10.3	10.6	10.0	10.0
(C) Measures of Financial Status				
Debt / Equity (x)	0.3	0.2	0.2	0.2
Interest Coverage (x)	4.8	9.3	7.9	9.6
Average Cost of Debt (%)	9.6	5.0	7.8	7.7
Debtors Period (days)	44	44	50	48
Closing stock (days)	6	6	8	8
Inventory Turnover Ratio (x)	65	61	46	45.6
Fixed Assets Turnover (x)	0.3	0.2	0.3	0.3
WC Turnover (x)	2.4	3.8	3.0	2.7
Non-Cash WC (₹ Mn)	225	943	1,151	1,265
(D) Measures of Investment				
EPS (₹) (excl. EO)	6.0	6.7	8.0	9.4
CEPS (₹)	7.4	8.2	9.6	11.0
Profit Ploughback (%)	100.0	100.0	100.0	100.0
Book Value (₹)	79.7	97.6	113.0	121.0
RoANW (%)	9.0	7.7	7.6	8.0
RoACE (%)	8.3	7.8	8.7	9.5
RoAIC (%)	11.7	8.9	9.4	10.1
(E) Valuation Ratios				
CMP (₹)	154	154	154	154
P/E (x)	25.7	23.0	19.3	16.4
Market Cap. (₹ Mn)	21,962	23,180	23,180	23,180
MCap/ Sales (x)	5.9	5.4	4.6	4.0
EV (₹ Mn)	24,461	26,479	25,913	25,335
EV/Sales (x)	6.6	6.2	5.1	4.3
EV/EBDITA (x)	17.8	15.9	12.7	11.1
P/BV (x)	1.9	1.6	1.4	1.3
FCFF Yield (%)	(22.1)	(7.7)	3.1	4.6

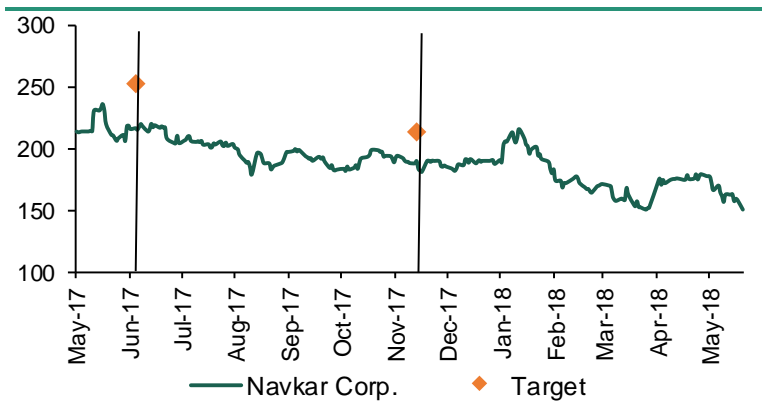
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)*
Jun'17	Accumulate	252	218
Nov'17	Accumulate	213	184

* As on Recommendation Date

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