

# NAVKAR CORPORATION

LOGISTICS

**BUY**

Target Price: Rs 230

## Panvel margin improves despite stable volume

Panvel volumes were flat QoQ (down 2% YoY) given intermittent slowdown due to Direct-To-Port Delivery (DPD) volumes. Management highlighted CFS share of overall DPD volumes has increased to 61% vs. 39% in February, which will reduce overall volume-led pressure going ahead. EBITDA margin improved ~6% QoQ to Rs 4,535 primarily on cost savings benefits on RTGC installation.

Vapi volumes doubled QoQ to 5,718 teus (2,886 teus in Q4) though EBITDA margin declined to Rs 3,150 (vs. Rs 4,350 in Q4) on higher growth in export cargo (low margin). Construction of rail siding is complete, and management is awaiting final signal clearance from Railways – expected in Q2 now (Jun'17 guided earlier); hence, lower FY18E EBITDA by ~5%. We rate the stock as a **BUY** (HOLD earlier) with TP of Rs 230 (18x FY19E EPS; Rs 235 earlier) on expected benefits from volume ramp-up at Vapi, given attractive pricing (~25% lower to peers).

CMP : Rs 206  
Potential Upside : 12%

### MARKET DATA

No. of Shares : 143 mn  
Free Float : 27%  
Market Cap : Rs 29 bn  
52-week High / Low : Rs 247 / Rs 155  
Avg. Daily vol. (6mth) : 233,819 shares  
Bloomberg Code : NACO IB Equity  
Promoters Holding : 73%  
FII / DII : 8% / 16%

## Key highlights

- ◆ Q1 consol. revenue grew 9.6% YoY to Rs 988 mn, reported EBITDA grew 10% YoY to Rs 390 mn (EBITDA margin stable YoY at 39.5%); PAT declined ~8% YoY given lower other income (higher interest from IPO proceeds YoY)
- ◆ **Panvel:** Import volumes declined 5% YoY, while exports revived to +2% YoY (vs. steady decline since Q2FY17); delay in agri and related exports had partially led to such slowdown. Increased share in DPD volumes has led to decline in CFS' dwell time – this resulted in storage revenues at 16% (of aggregate) now vs. 20% earlier for Navkar
- ◆ **Vapi:** Import-Export volume mix improved to 60:40 now vs. 75:25 in FY17. Management highlighted increasing on-ground initiatives to tap volumes originating from existing as well as new customers; Navkar is operating with 40 shipping lines from its Vapi terminal; Panvel CFS operates with ~100 shipping lines
- ◆ Navkar's board had passed enabling resolution to raise funds up to Rs 5 bn. The company repaid Rs 0.67 bn of debt, reducing its net debt to Rs 3.6 bn; Q1 capex stood at Rs 0.9 bn with Rs 0.3 bn balance IPO proceeds

## Financial summary (Consolidated)

Y/E March	FY16	FY17	FY18E	FY19E
Sales (Rs mn)	3,473	3,710	5,931	7,750
Adj PAT (Rs mn)	855	856	1,325	1,803
Con. EPS* (Rs.)	-	-	10.2	14.6
EPS (Rs.)	6.0	6.0	9.3	12.6
Change YOY (%)	(24.8)	0.2	54.7	36.1
P/E (x)	34.3	34.3	22.2	16.3
RoE (%)	8.1	6.1	8.8	10.8
RoCE (%)	8.7	6.8	9.5	12.6
EV/EBITDA (x)	23.6	24.2	16.3	11.5
DPS	-	-	-	-

Source: \*Consensus broker estimates, Company, Axis Capital;

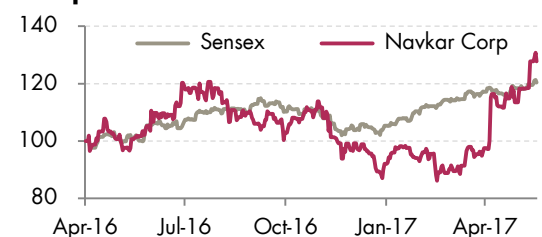
^DPD – Direct to Port Delivery

## Key drivers

(Rs/ teu)	FY17	FY18E	FY19E
Volume growth - Panvel	4.6%	9%	13%
Capacity utilization - Vapi	1.4%	10%	20%
EBITDA/ teu - Panvel	4,265	4,490	4,560
EBITDA/ teu - Vapi*	2,800	4,690	5,700

\*H2FY17 EBITDA at Rs 4,800/teu at Vapi

## Price performance



### Other takeaways

- ◆ Empty volumes increased QoQ (though lowerYoY) to 5.6% of volumes (4,524 teus) in Q1FY18 vs. 3.2% (2,574 teus) in Q4FY17 and 6.5% in Q1FY17 (5,300 teu). Panvel's margin expansion in Q1 despite such rise in empty running is even more encouraging
- ◆ Rail volumes were flat QoQ (down YoY) due to lower uptick in agri-related export volumes. The company operated 118 rakes in Q1FY18(110 rakes in Q4 and 165 rakes in Q1FY17), handling ~12% of its aggregate volumes through train at Panvel

### Exhibit 1: Results update - Consolidated

(Rs mn)	Quarter ended					12 months ended		
	Jun-17	Jun-16	% Chg	Mar-17	% Chg	FY17	FY16	% Chg
<b>Net sales</b>	<b>988</b>	<b>902</b>	<b>9.6</b>	<b>991</b>	<b>(0.2)</b>	<b>3,710</b>	<b>3,473</b>	<b>(6.4)</b>
EBITDA*	390	355	10.0	349	11.6	1,375	1,337	(2.8)
Other income	12	43	(71.7)	31	(61.2)	131	232	76.5
<b>PBITD</b>	<b>402</b>	<b>398</b>	<b>1.2</b>	<b>381</b>	<b>5.7</b>	<b>1,506</b>	<b>1,569</b>	<b>4.1</b>
Depreciation	54	52	5.1	46	17.5	201	193	(3.8)
Interest	72	83	(13.5)	77	(6.0)	313	344	9.9
<b>PBT</b>	<b>276</b>	<b>262</b>	<b>5.1</b>	<b>258</b>	<b>7.0</b>	<b>993</b>	<b>1,031</b>	<b>3.9</b>
Tax	59	27	114.6	55	5.8	136	176	29.5
Extra ordinary income/ (exp.)	0	0	(15.7)	0	7.6	0	0	-
<b>Net profit</b>	<b>217</b>	<b>235</b>	<b>(7.7)</b>	<b>202</b>	<b>7.3</b>	<b>856</b>	<b>855</b>	<b>(0.2)</b>
No. of shares (mn)	143	143	-	143	0	143	143	-
EBITDA margin (%)	39.5	39.3	-	35.3	-	37.1	38.5	-
PBITD margin (%)	40.7	44.1	-	38.4	-	40.6	45.2	-
<b>EPS (Rs.)</b>	<b>1.5</b>	<b>1.6</b>	<b>(7.7)</b>	<b>1.4</b>	<b>7.3</b>	<b>6.0</b>	<b>6.0</b>	<b>(0.2)</b>

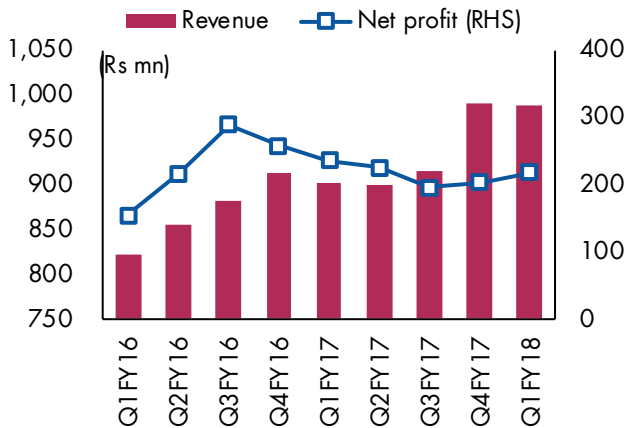
Source: Company, Axis Capital\*FY16& FY17 EBITDA adjusted for forex/ hedging cost

### Exhibit 2: Vapi terminal performance

	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Revenues	6	30	44	78	123
EBITDA	(4)	(1)	11	13	18
EBITDA margin (%)	NA	-3%	26%	16%	15%
<b>Operating performance</b>					
Volumes (teus)	325	1,225	2,129	2,886	5,718
% Exports	2%	24%	40%	17%	41%
Realization (Rs/teu)	18,551	24,127	20,567	27,053	21,425
EBITDA margin (Rs/teu)	NA	(813)	5,266	4,359	3,153

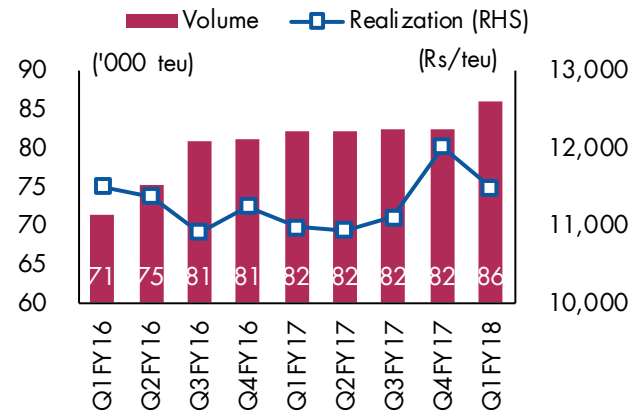
Source: Company, Axis Capital

**Exhibit 3: Consol revenue, net profit trend**



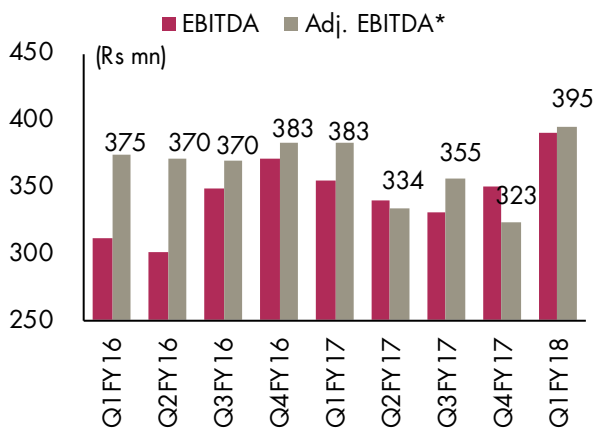
Source: Company, Axis Capital

**Exhibit 4: Volumes and realization stable QoQ**



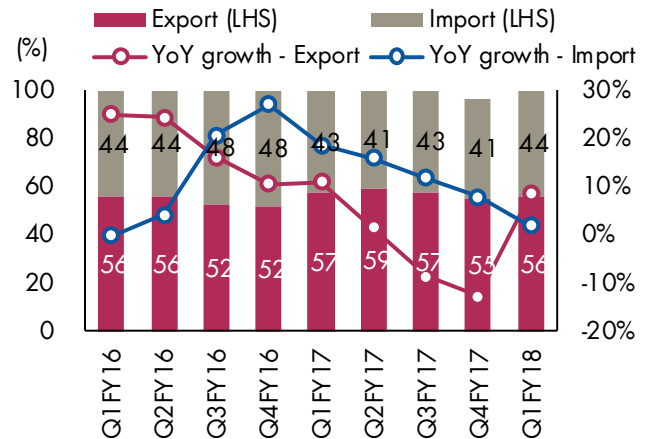
Source: Company, Axis Capital

**Exhibit 5: Adjusted EBITDA largely stable QoQ**



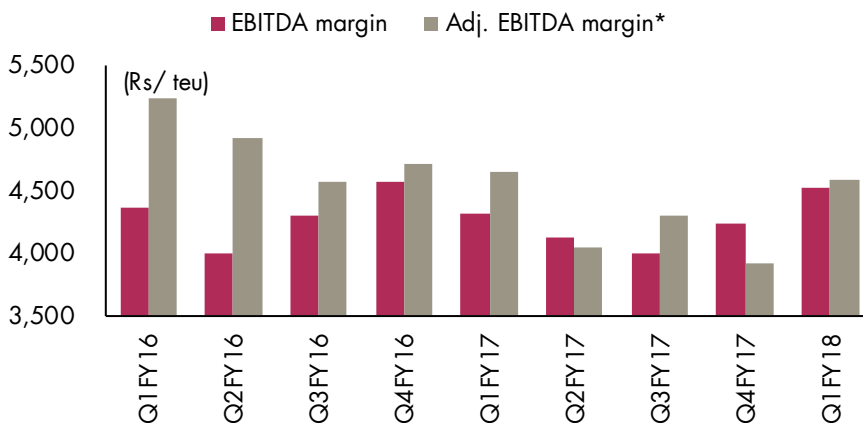
Source: Company, Axis Capital; \* Adj EBITDA excluding forex impact

**Exhibit 6: Export-Import mix, volume growth trend**



Source: Company, Axis Capital; \* Adj EBITDA margin excluding forex impact

**Exhibit 7: Absolute EBITDA margin declines QoQ on one-time opex**



Source: Company, Axis Capital \* Adj EBITDA excluding forex impact

## Financial summary (Consolidated)

### Profit & loss (Rs mn)

Y/E March	FY16	FY17	FY18E	FY19E
Net sales	3,473	3,710	5,931	7,750
Other operating income	-	-	-	-
<b>Total operating income</b>	<b>3,473</b>	<b>3,710</b>	<b>5,931</b>	<b>7,750</b>
Cost of goods sold	-	-	-	-
Gross profit	3,473	3,710	5,931	7,750
<i>Gross margin (%)</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<b>EBITDA</b>	<b>1,337</b>	<b>1,375</b>	<b>1,999</b>	<b>2,721</b>
<i>EBITDA margin (%)</i>	<i>38.5</i>	<i>37.1</i>	<i>33.7</i>	<i>35.1</i>
Depreciation	(193)	(201)	(208)	(236)
<b>EBIT</b>	<b>1,144</b>	<b>1,174</b>	<b>1,791</b>	<b>2,486</b>
Net interest	(344)	(313)	(252)	(201)
Other income	232	131	118	121
<b>Profit before tax</b>	<b>1,031</b>	<b>993</b>	<b>1,657</b>	<b>2,405</b>
Total taxation	(176)	(136)	(331)	(601)
<i>Tax rate (%)</i>	<i>17.1</i>	<i>13.7</i>	<i>20.0</i>	<i>25.0</i>
Profit after tax	855	856	1,325	1,803
Minorities	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-
Adjusted net profit	855	856	1,325	1,803
<i>Adj. PAT margin (%)</i>	<i>24.6</i>	<i>23.1</i>	<i>22.3</i>	<i>23.3</i>
Net non-recurring items	-	-	-	-
Reported net profit	855	856	1,325	1,803

### Balance sheet (Rs mn)

Y/E March	FY16	FY17	FY18E	FY19E
Paid-up capital	1,426	1,426	1,426	1,426
Reserves & surplus	12,210	13,040	14,365	16,169
Net worth	13,636	14,466	15,791	17,595
Borrowing	5,075	5,226	4,726	3,226
Other non-current liabilities	33	39	39	39
<b>Total liabilities</b>	<b>18,767</b>	<b>19,755</b>	<b>20,580</b>	<b>20,883</b>
Gross fixed assets	12,500	12,945	14,945	19,205
Less: Depreciation	(792)	(993)	(1,201)	(1,437)
Net fixed assets	11,707	11,951	13,743	17,769
Add: Capital WIP	2,748	5,161	3,961	300
Total fixed assets	14,456	17,112	17,704	18,069
Total Investment	-	-	-	-
Inventory	40	57	57	57
Debtors	479	451	949	1,240
Cash & bank	2,903	1,294	1,447	1,205
Loans & advances	284	301	237	310
Current liabilities	825	714	474	542
Net current assets	2,919	1,418	2,453	2,579
Other non-current assets	1,393	1,224	423	236
<b>Total assets</b>	<b>18,767</b>	<b>19,755</b>	<b>20,580</b>	<b>20,883</b>

Source: Company, Axis Capital

### Cash flow (Rs mn)

Y/E March	FY16	FY17	FY18E	FY19E
Profit before tax	1,031	993	1,657	2,405
Depreciation & Amortisation	193	201	208	236
<i>Chg in working capital</i>	<i>998</i>	<i>(109)</i>	<i>(881)</i>	<i>(369)</i>
<b>Cash flow from operations</b>	<b>2,255</b>	<b>1,235</b>	<b>904</b>	<b>1,872</b>
<i>Capital expenditure</i>	<i>(4,049)</i>	<i>(2,857)</i>	<i>(800)</i>	<i>(600)</i>
<b>Cash flow from investing</b>	<b>(3,792)</b>	<b>(2,689)</b>	<b>1</b>	<b>(413)</b>
<i>Equity raised/ (repaid)</i>	<i>4,816</i>	-	-	-
<i>Debt raised/ (repaid)</i>	<i>(155)</i>	<i>158</i>	<i>(500)</i>	<i>(1,500)</i>
<i>Dividend paid</i>	-	-	-	-
<b>Cash flow from financing</b>	<b>4,430</b>	<b>(155)</b>	<b>(752)</b>	<b>(1,701)</b>
Net chg in cash	2,893	(1,609)	153	(242)

### Key ratios

Y/E March	FY16	FY17	FY18E	FY19E
<b>OPERATIONAL</b>				
FDEPS (Rs)	6.0	6.0	9.3	12.6
CEPS (Rs)	7.4	7.4	10.8	14.3
DPS (Rs)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
<b>GROWTH</b>				
Net sales (%)	5.6	6.8	59.9	30.7
EBITDA (%)	(0.2)	2.8	45.4	36.2
Adj net profit (%)	(2.3)	0.2	54.7	36.1
FDEPS (%)	(24.8)	0.2	54.7	36.1
<b>PERFORMANCE</b>				
RoE (%)	8.1	6.1	8.8	10.8
RoCE (%)	8.7	6.8	9.5	12.6
<b>EFFICIENCY</b>				
Asset turnover (x)	0.2	0.2	0.3	0.4
Sales/ total assets (x)	0.2	0.2	0.3	0.4
Working capital/ sales (x)	0.2	-	0.1	0.2
Receivable days	50.4	44.3	58.4	58.4
Inventory days	6.8	8.9	5.3	4.1
Payable days	141.0	111.6	44.0	39.4
<b>FINANCIAL STABILITY</b>				
Total debt/ equity (x)	0.5	0.4	0.3	0.2
Net debt/ equity (x)	0.2	0.3	0.2	0.1
Current ratio (x)	4.5	3.0	6.2	5.8
Interest cover (x)	3.3	3.8	7.1	12.3
<b>VALUATION</b>				
PE (x)	34.3	34.3	22.2	16.3
EV/ EBITDA (x)	23.6	24.2	16.3	11.5
EV/ Net sales (x)	9.1	9.0	5.5	4.0
PB (x)	2.2	2.0	1.9	1.7
Dividend yield (%)	-	-	-	-
Free cash flow yield (%)	(6.1)	(5.5)	0.4	4.3

Source: Company, Axis Capital

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HOLD	Between 10% and -10%
SELL	Less than -10%

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