

# Navkar Corporation

Sensex: 35067

CMP: INR 174

Target: INR 310



## Logistics

Navkar Corporation Ltd. (Navkar) continued to deliver a decent performance in 3QFY18. Panvel revenue improved ~0.8% YoY while consolidated revenue increased 16.2%. Vapi volumes grew ~20.9% QoQ to 10,571 TEUs led by volumes handled at Hazira due to partial shift in marble volumes from JNPT. Realisation at Panvel were flat while the same in Vapi grew 11% YoY to INR 19,013/TEU. Consolidated EBITDA increased by 13.9% YoY to INR 376 mn. Direct-To-Port Delivery (DPD) led impact was stable QoQ, we expect limited impact from DPD going ahead. Management expects final clearance for Vapi's rail siding shortly. Ramp-up at Vapi facility is expected to start meaningfully contributing to NCL's overall sales in subsequent quarters. Hence, we maintain our BUY recommendation with a TP of INR 310, 25x FY19E EPS of INR 12.4 on expected benefits from volume ramp-up at Vapi.

### Volume led revenue growth

Navkar reported 16.2% YoY increase in consolidated revenues to INR 1065 mn. Total volume in Panvel for the quarter stood at ~80274 TEUs (72274 TEUs of EXIM and ~8000 TEUs in domestic cargo and DPD) while realization remained flat. New Vapi terminal handled 10,517 TEUs of containers as against 8,696 TEUs handled in 2Q F18. Navkar operated 145 trains in 3Q FY18 (139 in 2Q FY18). Consolidated operating margins declined to 35.33% (36.05% in 3Q FY17) on the back of lower margins (19.6% in 3Q FY18 vs 25.6% in 3Q FY17) in Vapi business. Vapi reported a revenue of INR 200 mn (up 34.2% QoQ and 357% YoY). EBITDAM in Vapi business has improved to 19.6% in 3Q FY18 (18.9% QoQ). Realization in Vapi has improved to INR 19,013/TEU in 3Q FY18 (INR 17,130 QoQ).

### Update on Railway Siding

Final survey for Vapi railway siding is completed, Railway board has asked for some minor changes in the plan including extending the track for 100-200 meters. Navkar is in process of doing changes and the work is expected to be completed by first week of February 2018. Management is confident of receiving final approval in 2H of February 2018.

### Other highlights

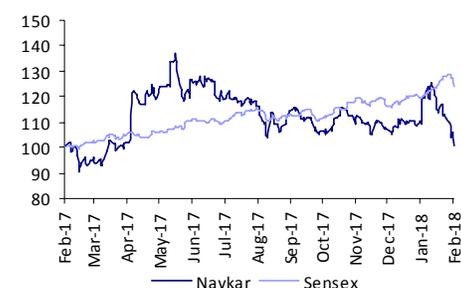
- Total Debt stood at INR 2.55 bn. The company raised INR 1.4 bn through QIP in the month of September entire amount is being used to repay the debt. Interest expense has come down to INR 13 mn in 3Q FY18 (INR 53 mn QoQ).
- Although management is looking out for opportunities beyond Panvel and Vapi, the priority in the near term would be to improve utilization of existing assets.

### Outlook & Valuation

With expanded capacity, Navkar is likely to continue to gain market share in JN Port region on the back of execution of higher cargo orders and entry into new sectors. FY18 is likely to be a transformational year for Navkar Corp and it is likely to move to higher earning trajectory as it would be the first full year of operations after COP of new capacities. We expect container volumes, revenue and PAT to clock CAGR of 17%, 29.8% and 47.6% respectively between FY17-19E. We maintain our BUY rating on the stock with a target price of INR 310 based on 25x FY19E earnings.

Shareholding (%)	Dec-17
Promoters	69.03
FII's	0.00
DII's	28.42
Others	0.48

### Relative Price Performance

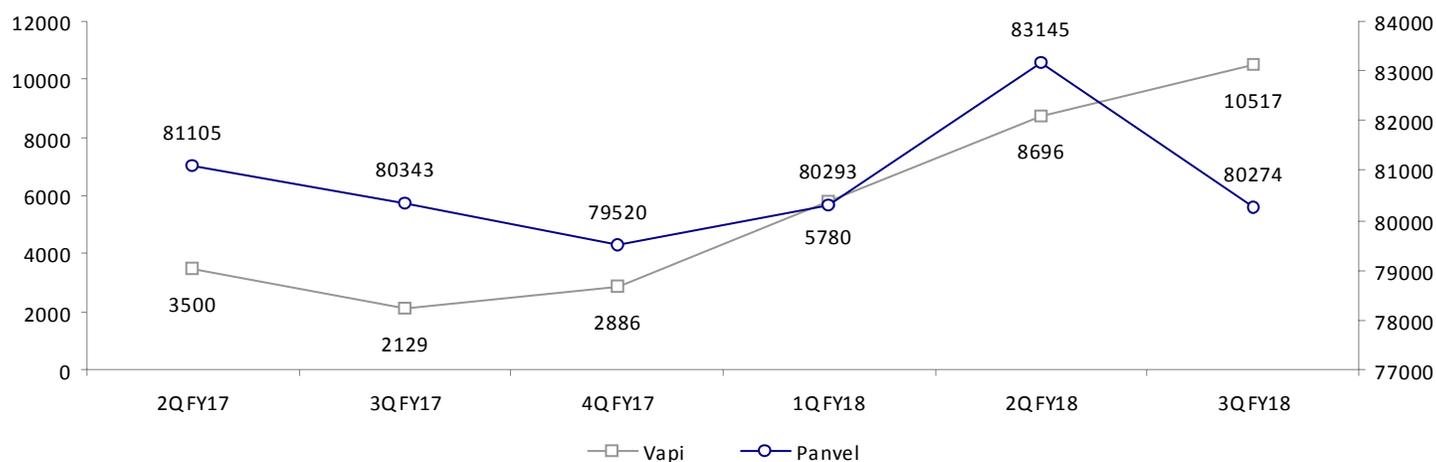


Key Data	
BSE Code	539332
NSE Symbol	NAVKARCORP
Bloomberg Code	NACO IN
Reuters Code	NAVR.BO
Shares Outstanding (mn)	150
Face Value	10
Mcap (INR bn)	27.53
52 Week H/L	247/155
2W Avg. Vol, BSE	75217
CMP	183
Beta	0.74

(INR mn)	FY16	FY17	FY18E	FY19E
Net Sales	3473	3709	4309	6244
Growth (%)	5.6%	6.8%	16.2%	44.9%
EBIDTAM (%)	38.5%	37.1%	38.8%	37.3%
Adj. PAT	855	856	1098	1866
Growth (%)	25.0%	0.1%	28.3%	69.9%
Adj. EPS (INR)	5.7	5.7	7.3	12.4
P/E (x)	30.3	29.4	23.8	14.0
EV/EBIDTA	19.4	20.1	17.4	12.0
EV/Sales	8.7	8.2	7.1	4.8
RoACE (%)	9.1%	7.1%	8.0%	11.0%
RoAE (%)	8.1%	6.1%	7.0%	10.4%

**Quarterly consolidated financials**

INR Mn	3Q FY18	3Q FY17	2Q FY18	% Chg (YoY)	% Chg (QoQ)	9M FY18	9M FY17	% Chg (YoY)
<b>Revenue</b>	<b>1065</b>	<b>916</b>	<b>1078</b>	<b>16.2</b>	<b>-1.2</b>	<b>3131</b>	<b>2718</b>	<b>15.2</b>
Operating Expenses	599	497	587	20.5	2.1	1699	1459	16.4
Employee Cost	89	88	87	1.0	2.6	262	239	9.7
<b>Total Expenditure</b>	<b>689</b>	<b>586</b>	<b>674</b>	<b>17.5</b>	<b>2.2</b>	<b>1961</b>	<b>1698</b>	<b>15.5</b>
<b>EBITDA</b>	<b>376</b>	<b>330</b>	<b>404</b>	<b>13.9</b>	<b>-7.0</b>	<b>1170</b>	<b>1021</b>	<b>14.7</b>
Depreciation	54	52	55	5.2	-1.0	163	155	5.7
Other Income	4	24	5	-82.8	-13.6	21	106	-80.1
<b>EBIT</b>	<b>326</b>	<b>303</b>	<b>354</b>	<b>7.6</b>	<b>-8.0</b>	<b>1028</b>	<b>973</b>	<b>5.7</b>
Interest	13	86	53	-84.7	-75.3	139	238	-41.7
<b>PBT</b>	<b>313</b>	<b>217</b>	<b>301</b>	<b>44.3</b>	<b>4.0</b>	<b>889</b>	<b>734</b>	<b>21.1</b>
Tax	78	22	53	251.9	47.9	190	81	134.9
<b>Profit After Tax</b>	<b>235</b>	<b>195</b>	<b>248</b>	<b>20.6</b>	<b>-5.4</b>	<b>700</b>	<b>654</b>	<b>7.0</b>
Consolidated PAT	235	195	248	20.6	-5.4	700	654	7.0
<b>Equity</b>	<b>1505</b>	<b>1426</b>	<b>1426</b>			<b>1505</b>	<b>1426</b>	
Face Value	10.0	10.0	10.0			10.0	10.0	
<b>EPS</b>	<b>1.6</b>	<b>1.4</b>	<b>1.7</b>	<b>14.7</b>	<b>-10.3</b>	<b>3.3</b>	<b>3.2</b>	<b>1.2</b>
<b>% of Sales</b>				<b>bps</b>	<b>bps</b>			<b>bps</b>
Employee Expenses	8.4	9.7	8.1	-126.6	31.2	8.4	8.8	-42.1
Other Expenses	56.3	54.3	54.4	198.6	186.7	54.3	53.7	58.7
EBITDAM Excl Other income (%)	35.3	36.0	37.5	-72.1	-217.8	37.4	37.5	-16.6
PATM (%)	22.0	21.2	23.0	79.7	-96.9	22.4	24.0	-169.8



## Financials (Consolidated)

### Income Statement

Year End March (INR mn)	FY16	FY17	FY18E	FY19E
Net Sales	3473	3709	4309	6244
% Growth	5.6%	6.8%	16.2%	44.9%
Employee Expenses	246	317	336	424
% Growth	10.8%	28.9%	6.0%	26.0%
Oth Expense	1890	2017	2302	3491
% Growth	1.0%	6.8%	14.1%	51.7%
Total Op Exp	2136	2335	2638	3915
EBIDTA (excl OI)	1337	1374	1670	2329
% Growth	11.8%	2.8%	21.5%	39.5%
EBITDA Margin %	38.5%	37.1%	38.8%	37.3%
Dep./Amortization	193	201	229	330
Other Income	232	131	81	162
EBIT	1375	1305	1522	2161
EBIT Margin %	39.6%	35.2%	35.3%	34.6%
Interest Expense	344	313	183	38
EBT	1032	992	1339	2123
Tax Expenses	176	136	240	257
PAT	855	856	1098	1866
% Growth	25.0%	0.1%	28.3%	69.9%
APAT Margin %	24.6%	23.1%	25.5%	29.9%

### Key Ratios

Year End March	FY16	FY17	FY18E	FY19E
<b>Per Share Data (INR)</b>				
Reported EPS	6.0	6.0	7.3	12.4
Adj. EPS	5.7	5.7	7.3	12.4
CEPS	7.4	7.4	8.8	14.6
BVPS	95.6	101.6	113.2	125.6
<b>Return Ratios (%)</b>				
RoACE	9.1%	7.1%	8.0%	11.0%
RoANW	8.1%	6.1%	7.0%	10.4%
<b>Liquidity Ratios</b>				
Net Debt/Equity	0.1	0.2	(0.0)	(0.1)
Interest Coverage Ratio	4.0	4.2	8.3	56.9
Current Ratio	0.2	0.1	0.2	0.2
Quick Ratio	0.1	0.1	0.1	0.1
<b>Efficiency Ratios</b>				
Asset Turnover Ratio	0.2	0.2	0.2	0.3
Inventory Days	7	9	-	-
Debtor Days	50	44	46	46
Creditor Days	123	95	86	94
<b>Valuation Ratios</b>				
P/E (x)	30.3	29.4	23.8	14.0
P/BV (x)	1.9	1.7	1.5	1.4
P/CEPS (x)	24.8	23.8	19.7	11.9
EV/Net Sales (x)	8.7	8.2	7.1	4.8
EV/EBIDTA (x)	19.4	20.1	17.4	12.0

### Balance Sheet

Year End March (INR mn)	FY16	FY17	FY18E	FY19E
Share Capital	1426	1426	1505	1505
Reserves and Surplus	12210	13063	15530	17396
Total Networth	13636	14489	17035	18901
Long Term Debt	3637	3393	1993	0
Short Term Debt	334	359	363	397
Total Debt	3971	3752	2357	397
Net Deferred Tax Liability	390	422	423	398
Other Liabilities	119	130	164	207
<b>Sources of Funds</b>	<b>20560</b>	<b>21556</b>	<b>23093</b>	<b>24550</b>
Net Block	11707	11938	11805	14754
Investments	455	455	455	455
Current Assets	3945	2613	4075	5049
Current Liabilities	2464	3028	3382	4874
Net Current Assets	1481	-415	694	175
<b>Application of Funds</b>	<b>20560</b>	<b>21556</b>	<b>23093</b>	<b>24550</b>

### Cash Flow

Year End March (INR mn)	FY16	FY17	FY18E	FY19E
PBT	1032	992	1339	2123
Add: Depreciation	193	201	229	330
Add: Interest paid	344	313	183	38
Change in Working Capital	1198	286	190	826
Less: Taxes	(176)	(136)	(240)	(257)
<b>Cash Flow from operations (a)</b>	<b>2359</b>	<b>1524</b>	<b>1620</b>	<b>2899</b>
Change in Fixed Assets	(1166)	(432)	(96)	(3280)
Change in CWIP	(2475)	(2413)	0	3182
Change in Investments	(405)	0	0	0
Others	260	271	(90)	(462)
<b>Cash Flow from Investing (b)</b>	<b>(3786)</b>	<b>(2574)</b>	<b>(186)</b>	<b>(560)</b>
Change in Equity	4586	0	1448	0
Debt Raised/(Repaid)	(667)	(244)	(1400)	(1993)
Dividend paid	0	0	0	0
Interest paid	(344)	(313)	(183)	(38)
Others	(10)	0	0	0
<b>Cash Flow from Financing (c)</b>	<b>3565</b>	<b>(557)</b>	<b>(135)</b>	<b>(2031)</b>
<b>Net Change in Cash (a+b+c)</b>	<b>2138</b>	<b>(1606)</b>	<b>1299</b>	<b>307</b>
Opening Cash	11	2903	1294	2593
Closing Cash	2903	1294	2593	2900

Sharad Avasthi

Head - Equity Research

sharad.avasthi@spagroupindia.com

Tel.: +91-022-4289 5600

Ext.205

**Analyst Certification of Independence:** The analyst(s) for this report certifies that all the views expressed in this report accurately reflect his or her personal views about the subject company(ies) or issuers and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of SPA Securities Limited, and have no bearing whatsoever on any recommendation that they have given in the Research Report. Disclaimer and Disclosures as required under SEBI (Research Analyst) Regulations, 2014: SPA Securities Limited (hereinafter refer as SPA Securities) and its affiliates are engaged in investment banking, investment advisory, stock broking, institutional equities, Mutual Fund Distributor and insurance broking. SPA Securities is a SEBI registered securities broking Company having membership of NSE, BSE & MSEI for Equity, Future & Option, Currency Derivatives segment and Wholesale Debt Market. The Company is focused primarily on providing securities broking services to institutional clients and is empanelled as an approved securities broker with all the major Nationalised, Private and Co-operative banks, Corporate houses, Insurance Companies, Financial Institutions, Asset Management Companies and Provident Fund Trusts. Details of affiliates are available on our website i.e. [www.spasecurities.com](http://www.spasecurities.com).

SPA Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014. Vide SEBI Reg. No. INH00002615.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in the last five years. We have not been debarred from doing business by any Stock Exchange/SEBI or any other authorities, nor has our certificate of registration been cancelled by SEBI at any point of time.

**General Disclosures:** This Research Report (hereinafter called "report") has been prepared by SPA Securities and is meant for sole use by the recipient and not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, (as defined under section 2(h) of securities Contracts (Regulation) Act, 1956, through SPA Securities nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments.

This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by SPA Securities to be reliable, although its accuracy and completeness cannot be guaranteed. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. Any review, retransmission or any other use is prohibited. The information, opinions, views expressed in this Research Report are those of the research analyst as at the date of this Research Report which are subject to change and do not represent to be an authority on the subject. While we would endeavour to update the information herein on a reasonable basis, we are under no obligation to update the information. Also, there may be regulatory, compliance or other reasons that prevent us from doing so. Hence all such information and opinions are subject to change without notice.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

This Research Report should be read and relied upon at the sole discretion and risk of the recipient. If you are dissatisfied with the contents of this complimentary Research Report or with the terms of this Disclaimer, your sole and exclusive remedy is to stop using this Research Report. Neither SPA Securities nor its affiliates or their respective directors, employees, agents or representatives shall be responsible or liable in any manner, directly or indirectly, for the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. SPA Securities may have issued other reports in the past that are inconsistent with and reach different conclusion from the information presented in this report.

SPA Securities, its affiliates and employees may, from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report.

The user should consult their own advisors to determine the merits and risks of investment and also read the Risk Disclosure Documents for Capital Markets and Derivative Segments as prescribed by Securities and Exchange Board of India before investing in the Indian Markets.

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com) and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject SPA Securities or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of SPA Securities.

List of Associates as per SEBI (Research Analyst) Regulations, 2014

**Statements on ownership and material conflicts of interest, compensation - SPA and Associates**

Disclosure of interest statement	Yes/No
SPA Securities/its Affiliates/Analyst/his or her Relative financial interest in the company	No
SPA Securities/its Affiliates/Analyst/his or her Relative actual/beneficial ownership of more than 1% in subject company at the end of the month	No
Immediately preceding the date of the publication of the research report or date of public appearance.	No
Investment banking relationship with the company covered	No
Any other material conflict of interest at the time of publishing the research report	No
Receipt of compensation by SPA Securities or its Affiliated Companies from the subject company covered for in the last twelve months:	
<ul style="list-style-type: none"> <li>Managing/co-managing public offering of securities</li> <li>Investment banking/merchant banking/brokerage services</li> <li>products or services other than those above</li> <li>in connection with research report</li> </ul>	No
Whether Research Analyst has served as an officer, director or employee of the subject company covered	No
Whether the Research Analyst or Research Entity has been engaged in market making activity of the Subject Company;	No

For statements on ownership and material conflicts of interest, compensation, etc. for individual Research Analyst(s), please refer to each specific research report.

SPA Securities Ltd: Mittal Court, A-Wing, 10th Floor, Nariman Point, Mumbai - 400 021, Tel. No. : +91-022-4289 5600, Fax: +91 (22) 2657 3708/9

For More Information Visit Us At : [www.spasecurities.com](http://www.spasecurities.com)

**SPA GLOBAL PRIVATE LIMITED**

Mutual Fund Advisor  
 AMFI Reg. No. 90796

**SPA CAPITAL ADVISORS LIMITED**

SEBI registered Category-1  
 Merchant Bankers  
 SEBI Regn. No. INM000010825

**SPA INSURANCE BROKING SERVICES LIMITED**

Direct Broker for Life and General  
 Insurance Broking  
 IRDA Lic. Code No. DB053/03

SPA Securities Ltd	SEBI Reg. Nos.
NSE Cash	INB231178238
NSE Future & Option	INF231173238
NSE Currency Derivatives	INE231178238
BSE Cash	INB011178234
BSE Currency Derivatives	INE011178234
MSEI Cash	INB261178231
MSEI Future & Option	INF261178231
MSEI Currency Derivatives	INE261178238
Mutual Fund	ARN 77388
CDSL DP	IN-DP-CDSL-485-2008
NSDL DP	IN-DP-NSDL-316-2009
SEBI Research Analyst	INH100002615