

Ref: NCL/CS/2024-25/17

Date: July 25, 2024

To,
The Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001
Script Code: 539332

To,
The Manager
Listing Department
National Stock Exchange of India Limited,
Plot No. C-1, G – Block,
Bandra Kurla Complex,
Mumbai – 400051
Script Code: NAVKARCORP

Dear Sir / Madam,

Sub : Intimation Of Credit Rating

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to inform you that CRISIL Rating Limited has assigned its rating as under:

Total Bank Loan Facilities Rated	Rs.278 Crore (Enhanced from Rs.268 Crore)
Long Term Rating	CRISIL A-/Watch Developing (Continues on 'Rating Watch with Developing Implications')
Short Term Rating	CRISIL A2+/Watch Developing (Assigned; Placed on 'Rating Watch with Developing Implications')

Copy of the Report is attached herewith.

Request you to take the same on your records and acknowledge.

Yours faithfully,
For Navkar Corporation Limited



Deepa Gehani
Company Secretary & Compliance Officer

Encl: As above

Rating Rationale

July 25, 2024 | Mumbai

Navkar Corporation Limited

Long-term rating continues on 'Watch Developing'; 'CRISIL A2+' assigned to short-term bank debt and placed on 'Watch Developing'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.278 Crore (Enhanced from Rs.268 Crore)
Long Term Rating	CRISIL A-/Watch Developing (Continues on 'Rating Watch with Developing Implications')
Short Term Rating	CRISIL A2+/Watch Developing (Assigned; Placed on 'Rating Watch with Developing Implications')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has continued its rating on the long-term bank loan facilities of Navkar Corporation Ltd (NCL) on '**Rating Watch with Developing Implications**' while assigned its '**CRISIL A2+**' rating to the short term bank facilities and placed it on '**Rating Watch with Developing Implications**'.

The ratings were placed on developing watch following the announcement by NCL that its promoters have entered into an agreement with JSW Port Logistics Pvt Ltd (wholly owned subsidiary of JSW Infrastructure Ltd) to sell their entire stake of 70.37% in NCL. CRISIL Ratings understands that the completion of the SPA is subject to receipt of approvals from the relevant authorities CRISIL Ratings will monitor these developments and is in discussion with NCL to better understand the same and will remove the rating from Watch and take a final rating action completion of the transaction. CRISIL Ratings believes there is limited downside risk due to the said agreement.

The rating continues to reflect the established market position of NCL, along with integrated service offerings, strong presence at the Jawaharlal Nehru Port (JNPT) and strategically located facilities, healthy relationships with shipping lines and expanding customer base, and strong financial risk profile. These strengths are partially offset by exposure to intense competition in CFS (container freight station) operations, susceptibility of revenue to cargo movement and change in customs policy, nascent stage of operations at inland container depot (ICD) in Morbi (Gujarat) impacting profitability, and weak return on capital employed (RoCE).

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position at JNPT:** Business risk profile is backed by its established market position at the JNPT, healthy relationships with shipping lines, and the ability to offer integrated services. The company has a strong presence in CFS and ICD operations, driven by key competitive advantages, including its own railway siding, warehouse and storage facilities, land and equipment, that enables in servicing its clients in a timely manner. Integrated service offerings and shift towards railway transportation from road transport is providing NCL competitive advantage supporting its volumes as well as margins.
- **Increasing scale and diversified operations:** Revenues have grown year-on-year over the past four years and is estimated to increase by 4-5% in fiscal 2024 to Rs 461 crore from Rs 445 crore in fiscal 2023 driven by moderate volume growth as well as healthy realisation levels. NCL's business profile is supported by its integrated presence in inland logistics through CFS, ICDs and rail operations. The integrated services also include additional facilities such as container repair, PQ Labs for inspection, last mile delivery, temperature-controlled chambers for hazardous materials, etc. The CFS and PFT segment is expected to grow with increasing volumes and better utilization of ICD Morbi is expected to support strong growth over the medium term.
- **Comfortable financial risk profile:** The financial risk profile is strong as indicated by strong adjusted network of Rs 1952 crore. The company's capital structure has been healthy due to minimal external debt yielding low gearing and total outside liabilities to adjusted tangible network (TOLANW) ratios of 0.02 time and 0.03 time, respectively, as on March 31, 2023. Gearing and TOLANW are estimated at 0.11 time each as on March 31, 2024. The debt protection measures have been healthy due to moderate profitability. Interest coverage and net cash accrual to total debt (NCATD) ratios are estimated at 5.77 times (4.97 times in fiscal 2023) and 0.21 time, respectively, in fiscal 2024. With no major debt funded capex, financial profile is expected to remain strong.

Weaknesses:

- **Competitive environment in CFS operations and susceptibility of revenue to cargo movement and change in customs policy:** NCL faces intense competition from large CFS operators at JNPT and other ports. Most competitors are either owned by, or affiliated to, dedicated shipping lines. Furthermore, due to direct port delivery gaining traction and overall CFS capacity utilisation coming under pressure, price-based competition has intensified in the CFS as well as inland freight segments, thereby moderating profitability. Also, CFS operations are susceptible to the quantum and mix of cargo movement at the port, which can vary with changes in overall import-export trade, regulations and competition from other ports in the vicinity.
- **Nascent stage of operations at ICD, Morbi, impacting profitability:** The company has commenced the operations of ICD Morbi from January 2023 and is being currently operated at moderate capacity utilization along with fixed cost-intensive nature of the business leading to moderate profitability. However, with time the volumes are expected to improve with healthy demand and as currently company started logistics of bulk cement and flyash should help in improving scale of operations and profitability. Timely stabilization and increase in scale of operations leading to healthy profitability from ICD Morbi would continue to remain a key monitorable over the medium term.
- **Weak RoCE:** The RoCE has remained muted at 3-4% over the three fiscals through 2023 on account of large capital investments and decline in profitability.

Liquidity: Strong

Bank limit utilisation is low around 31% over the 12 months ended March 2024. Annual Net cash accruals is expected to be Rs 69-93 crore which is sufficient against term debt obligation of Rs 33-37 crore over the medium term. In addition, it will act as cushion to the liquidity of the company. Further, expected inflow of Rs. 50 crore, from sale of ICD, Tumb in fiscal 2025, will support liquidity. Current ratio was healthy at 5.8 times as on March 31, 2023. Company has moderate cash and bank balance of Rs 15 crore as on September 30, 2023. Low gearing and moderate networth support financial flexibility.

Rating Sensitivity factors

Upward factors:

- Sustained growth in revenue and operating profitability above 18% leading to higher cash accrual
- Sustenance of financial risk profile and better liquidity.

Downward factors:

- Lower-than-expected revenue or profitability below 16% leading to lower cash accrual
- Any large, debt-funded capex or stretch in working capital cycle adversely affecting capital structure.

About the Company

Incorporated in 2008, NCL is a cargo transit service provider through CFS, ICD, Private Railway Freight Terminal (PFT), and multi-modal logistics park. NCL operates three CFSs, Ajivali CFS 1, Ajivali CFS 2 and Somathane CFS, located in Panvel, Maharashtra, near JNPT. The facilities are equipped to handle 5,35,000 twenty feet equivalent units (TEUs) per annum. It also provides other services such as packing, labelling, palletizing, shrink wrapping, strapping, jumbo-bags packing and carting. NCL also has an ICD in Morbi with an aggregate installed capacity of 2,00,000 TEUs per annum and is also facilitated with a PFT. NCL also offers domestic cargo movement through railways under its PFT domestic business.

NCL is promoted by Mr Mehta and family and is listed on the Bombay Stock Exchange and National Stock Exchange.

Key Financial Indicators

As on/for the period ended March 31	Unit	2024	2023	2022
Operating income	Rs.Crore	434.87	445.58	455.72
Reported profit after tax (PAT)	Rs.Crore	-1.71	92.49	67.23
PAT margin	%	-0.39	20.76	14.75
Adjusted debt/adjusted networth	Times	0.11	0.02	0.37
Interest coverage	Times	4.31	4.97	4.64

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Long Term Loan	NA	NA	Sep-2030	135	NA	CRISIL A-/Watch Developing
NA	Cash Credit	NA	NA	NA	60	NA	CRISIL A-/Watch Developing
NA	Term Loan	NA	NA	Jul-2028	73	NA	CRISIL A-/Watch Developing
NA	Bank Guarantee	NA	NA	NA	10	NA	CRISIL A2+/Watch Developing

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	268.0	CRISIL A-/Watch Developing	03-07-24	CRISIL A-/Watch Developing	23-01-23	Withdrawn	27-10-22	CRISIL A-/Watch Developing		--	Withdrawn (Issuer Not Cooperating)*
			--	10-05-24	CRISIL A-/Positive		--	25-08-22	CRISIL A-/Watch Developing		--	--
			--	25-04-24	CRISIL A-/Positive		--	13-04-22	CRISIL A/Positive		--	--
			--		--		--	07-04-22	CRISIL A/Positive		--	--
Non-Fund Based Facilities	ST	10.0	CRISIL A2+/Watch Developing		--	23-01-23	Withdrawn	27-10-22	CRISIL A1/Watch Developing		--	Withdrawn (Issuer Not Cooperating)*
			--		--		--	25-08-22	CRISIL A1		--	--
			--		--		--	13-04-22	CRISIL A1		--	--
Non Convertible Debentures	LT		--		--		--		--		--	Withdrawn (Issuer Not Cooperating)*

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	10	State Bank of India	CRISIL A2+/Watch Developing
Cash Credit	60	State Bank of India	CRISIL A-/Watch Developing
Long Term Loan	40	Axis Bank Limited	CRISIL A-/Watch Developing
Long Term Loan	55	Kotak Mahindra Bank Limited	CRISIL A-/Watch Developing
Long Term Loan	30	State Bank of India	CRISIL A-/Watch Developing
Long Term Loan	10	Axis Bank Limited	CRISIL A-/Watch Developing
Term Loan	36.87	YES Bank Limited	CRISIL A-/Watch Developing
Term Loan	36.13	Kotak Mahindra Bank Limited	CRISIL A-/Watch Developing

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
CRISILs Criteria for rating short term debt
Understanding CRISILs Ratings and Rating Scales

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