

Ref: NCL/CS/2022-23/02

Date: April 13, 2022

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 reaffirmed its rating as under:

Total Bank Loan Facilities Rated	Rs. 600 Crore (Enhanced from Rs. 50 Crore)
Long Term Rating	CRISIL A/Positive (Reaffirmed)
Short Term Rating	CRISIL A1 (Assigned)

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

Regd. Office: 205, 2nd Floor, J.K. Chambers, Sector-17, Vashi, Navi Mumbai-400 703

Corporate Office: 13th Floor, Goodwill Infinity, Plot No.E/3A, Sector-12, Near Utsav Chowk, Kharghar, Navi Mumbai-410210
● Tel.: 022 3800 6500 ● Fax.: 022 3800 6509 ● www.navkarcs.com ● CIN: L63000MH2008PLC187146

Admin Office : Survey No.89/93/95/97, at Somathane Village, Kon-Savla Road, Taluka-Panvel, Dist. Raigad, Maharashtra-410206, India
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Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

April 13, 2022 | Mumbai

Navkar Corporation Limited

Rating reaffirmed at 'CRISIL A / Positive'; 'CRISIL A1' assigned to Bank Debt; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.600 Crore (Enhanced from Rs.50 Crore)
Long Term Rating	CRISIL A/Positive (Reaffirmed)
Short Term Rating	CRISIL A1 (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its '**CRISIL A/Positive**' rating and to the bank facilities of Navkar Corporation Limited (NCL). CRISIL Ratings has also assigned its '**CRISIL A1**' rating to the short term bank facilities.

The rating reflects the expected improvement in NCL's business risk profile increasing scale and diversifying revenues while gradual expansion in operating profitability. Revenues have grown year-on-year at a CAGR of 17% over the past four years through fiscal 2021 and is expected to reach close to Rs.900 crore in FY22. Improving capacity utilisation, healthy demand and strong growth in private freight terminal (PFT) domestic operations will continue to drive the topline growth over the medium term. While integrated PFTs at CFS (Panvel, Maharashtra) and ICD Tumb (Valsad, Gujarat) are allowing NCL to offer cost effective and end to end services to customers, it is further leveraging the existing railway infrastructure for growing its domestic transportation business which is expected to have a positive bearing on its overall operating profitability.

CRISIL Ratings had assigned its 'CRISIL A/Positive' rating to the bank facilities of NCL on April 07, 2022.

NCL is further expanding its capacity with the ongoing capex for inland container depot (ICD) at Manaba, Near Morbi, Gujarat that will offer connectivity with the ports of Mundhra and Pipavav on the west coast. The ICD in Manaba will also have a PFT, and the project is estimated to operationalize by mid fiscal 2024. In addition, NCL is also investing in acquisition of four additional trains to support its increasing scale.

The ratings reflect NCL's established market position backed by extensive industry experience of the promoters and integrated service offerings, strong market presence at the JNPT port and strategically located facilities, healthy relationship with shipping lines and expanding customer base in ICD and domestic operations. The ratings also factor in the company's efficient working capital cycle and established infrastructure with three container freight stations (CFS) and one ICD (both set up with railway terminals). Furthermore, controlled debt levels with limited dependence on external debt for working capital despite expected debt funded capex should continue to support its strong financial risk profile. These rating strengths are partially offset by exposure to intense competition in CFS operations, low capacity utilization levels and susceptibility of revenue and profitability to global cargo movements.

Analytical Approach

Unsecured loans of Rs 93.6 crores extended by NCL's promoters, is treated as neither debt nor equity since these loans are committed to remain in the business over medium term.

Preference shares of Rs 16.4 crores, is treated as neither debt nor equity since these loans are expected to remain in the business over medium term.

Key Rating Drivers & Detailed Description

Strengths:

Established market position at JNPT:

NCL's business risk profile is backed by its established market position at the JNPT port, healthy relationships with shipping lines, and the ability to offer integrated services. The company has a strong presence in container freight stations and inland container depot 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. Despite lower volumes due to the DPD (direct port delivery), NCL has increased its share to 7.5% of total TEUs handled at JNPT in fiscal 2021 from 6.8% in fiscal 2019. The volume shift towards DPD in fiscal 2019 resulted in lower volumes and resulted in reduced margins as the competition intensified for CFS facilities, however, integrated service offerings and shift towards railway transportation from road transport is providing NCL competitive advantage supporting its volumes as well as margins.

In addition, the promoters have extensive experience in the logistics business, which has helped the group establish a strong market position in CFS operations and diversify its service offerings to include ICDs, domestic transportation solutions, warehouse and temperature-controlled storage facilities, etc.

Increasing scale and diversifying operations:

Revenues have grown year-on-year over the past four years and is expected to grow by about 30% in fiscal 2022 to just under Rs. 900 crore compared to Rs 483 crores in fiscal 2019 driven by volume growth as well as healthy realisation levels. While the CFS segment continues to operate at a steady growth rate driven by existing infrastructure and stable capacity utilisation, increasing volumes at ICD Tumb (Valsad, Gujarat) and domestic PFT segments is expected to support strong growth over the medium term. As a result of above revenues streams have seen diversification with PFT domestic operations' contribution increasing to an estimated 26% in fiscal 2022 from 7% in fiscal 2019.

Efficient working capital management:

NCL has maintained an efficient working capital cycle, with gross current assets of around 90 to 105 days over the past three fiscals. Debtors have remained in the range of 40-60 days over the past four fiscals ended March 31, 2021, as the company has a strong and reputed clientele, payments from whom are generally received on timely basis. This leads to low dependence on bank lines to fund working capital requirements.

Strong financial risk profile:

The financial risk profile is strong as indicated by large adjusted networth of Rs 1485 crore (adjusted for revaluation amount of land) and comfortable gearing and total outside liabilities to adjusted networth ratio of 0.34 times and 0.36 times, respectively, as on March 31, 2021, both of which is estimated to be below 0.5 times in fiscal 2022 and further improve over the medium term, aided by steady accretion to reserves and continued focus on repayment of high cost loans.

The debt protection metrics are adequate with interest coverage and net cash accrual to adjusted debt ratios estimated to remain above 3 times and above 0.2 times, respectively in fiscal 2022 and expected to further improve with higher operating profitability. In the absence of any significant capital expenditure (capex) plan, overall financial risk profile will remain healthy over the medium term.

Weakness:

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 the JNPT port and from those at other ports. Most competitors are either owned by or affiliated to dedicated shipping lines. Further, due to DPD gaining traction and overall CFS capacity utilisation coming under pressure, price-based competition has intensified in the CFS as well as inland freight segments, resulting in moderation of 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. Sudden increase in DPD volume share at JNPT could constrain growth in revenue and profitability. DPD volumes are expected to stabilise as CFS players have started to give more discounts to retain customers and provide certain elite end-to-end services from custom clearance to transportation to their respective factories at a discounted rate.

Moderate margin profile:

Post volumes shifting to DPD, CFS operations are currently operating at 40% to 45% capacity utilisation which is expected to remain stable over the medium term resulting in average profitability of about 24% to 25%. Operating margins was around 21.5% in fiscal 2021 as compared to 39% in fiscal 2018. Although the company is diversifying operations into higher margins segments of domestic PFT, sustenance of healthy margin profile will remain a key monitorable. In addition, the group maintains adequate ROCE of 5% to 7% over the past three fiscal years through 2021

Liquidity: Strong

NCL enjoys strong liquidity driven by expected net cash accrual of Rs 130 to 160 crores in fiscal 2023 and 2024, which should comfortably cover debt repayment of Rs 62 crores in fiscal 2023 and about Rs 115 crores in fiscal 2024 post the recent refinancing of its debt obligations. NCL also has access to working capital limits of Rs. 57 crores, utilized to the tune of 20% on an average over the 12 months ended January 2022. In addition, it has sufficient gearing headroom, to raise additional debt to meet its capex requirement. Its bank lines are expected to meet its incremental working capital requirements, which are assessed to be minimal. Cash and cash equivalents was around Rs 6.9 crores as of March 31 2021.

Outlook Positive

CRISIL Ratings expects NCL's credit profile to improve driven by increasing scale of operations while improving operating margins and comfortable capital structure.

Rating Sensitivity factors

Upward factors

- Sustained improvement in scale of operation and operating margins, leading to higher and sustained cash accruals of over above Rs 170 crores
- Substantial and sustained improvement in ROCE levels to over 8%

Downward factors

- Pressure on revenues and profitability thereby leading to suppressing of cash accruals below Rs 150 crores
- Any large, debt-funded capex weakening the capital structure

About the Company

NCL, promoted by Mr. Nemi Chand Mehta and his family members, operates CFS at the JNPT port. It also has three custom notified CFS yards, at Panvel in Navi Mumbai with a capacity of 5,35,000 TEUs. It is one of the few CFSs operating at JNPT that has dedicated railway sidings carved out of a Konkan Railway line. NCL also has an ICD in Tumb (Valsad) with an aggregate installed capacity of 4,73,800 TEUs per annum and is also facilitated with a PFT. NCL also offers domestic cargo movement through railways under its PFT Domestic business.

It is listed on Bombay Stock Exchange and National Stock Exchange.

Key Financial Indicators

As on / for the period ended March 31		YTD Dec 2021	2021	2020
Operating income	Rs crore	652.7	673.77	567.54
Reported profit after tax	Rs crore	37.24	17.66	46.87
PAT margins	%	5.7	2.62	8.26
Adjusted Debt/Adjusted Net worth	Times	--	0.34	0.31
Interest coverage	Times	3.08	2.37	3.30

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	13	NA	CRISIL A1
NA	Cash Credit	NA	NA	NA	42	NA	CRISIL A/Positive
NA	Long term Loan	NA	NA	Mar-26	344.05	NA	CRISIL A/Positive
NA	Working Capital Demand Loan	NA	NA	Mar-26	15	NA	CRISIL A/Positive
NA	Working Capital Term Loan	NA	NA	Mar-26	86.23	NA	CRISIL A/Positive
NA	Proposed Term Loan	NA	NA	NA	99.72	NA	CRISIL A/Positive

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	587.0	CRISIL A/Positive	07-04-22	CRISIL A/Positive	--	--	--	--	26-09-19	Withdrawn (Issuer Not Cooperating)*	CRISIL A+ /Stable(Issuer Not Cooperating)*
										30-08-19	CRISIL BB+ /Stable(Issuer Not Cooperating)*	--
										13-02-19	CRISIL A /Stable(Issuer Not Cooperating)*	--
Non-Fund Based Facilities	ST	13.0	CRISIL A1	--	--	--	--	--	--	26-09-19	Withdrawn (Issuer Not Cooperating)*	CRISIL A1 (Issuer Not Cooperating)*
										30-08-19	CRISIL A4+ (Issuer Not Cooperating)*	--
										13-02-19	CRISIL A1 (Issuer Not Cooperating)*	--
Non Convertible Debentures	LT	--	--	--	--	--	--	--	--	26-09-19	Withdrawn (Issuer Not Cooperating)*	CRISIL A+ /Stable(Issuer Not Cooperating)*
										30-08-19	CRISIL BB+ /Stable(Issuer Not Cooperating)*	--
										13-02-19	CRISIL A /Stable(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	13	State Bank of India	CRISIL A1
Cash Credit	42	State Bank of India	CRISIL A/Positive
Long Term Loan	14.83	State Bank of India	CRISIL A/Positive
Long Term Loan	3.94	State Bank of India	CRISIL A/Positive
Long Term Loan	27.42	State Bank of India	CRISIL A/Positive
Long Term Loan	5.55	State Bank of India	CRISIL A/Positive
Long Term Loan	3.47	State Bank of India	CRISIL A/Positive
Long Term Loan	14.11	State Bank of India	CRISIL A/Positive
Long Term Loan	11.44	Union Bank of India	CRISIL A/Positive
Long Term Loan	55.97	Union Bank of India	CRISIL A/Positive
Long Term Loan	28.42	ICICI Bank Limited	CRISIL A/Positive
Long Term Loan	18.9	Kotak Mahindra Bank Limited	CRISIL A/Positive
Long Term Loan	35	Bajaj Finance Limited	CRISIL A/Positive
Long Term Loan	80	Axis Finance Limited	CRISIL A/Positive
Long Term Loan	45	YES Bank Limited	CRISIL A/Positive
Proposed Term Loan	99.72	Not Applicable	CRISIL A/Positive
Working Capital Demand Loan	7	Kotak Mahindra Bank Limited	CRISIL A/Positive
Working Capital Demand Loan	8	Kotak Mahindra Bank Limited	CRISIL A/Positive
Working Capital Term Loan	4.89	Axis Bank Limited	CRISIL A/Positive
Working Capital Term Loan	7.75	Kotak Mahindra Bank Limited	CRISIL A/Positive
Working Capital Term Loan	41.21	State Bank of India	CRISIL A/Positive
Working Capital Term Loan	11.19	YES Bank Limited	CRISIL A/Positive
Working Capital Term Loan	7.98	ICICI Bank Limited	CRISIL A/Positive
Working Capital Term Loan	3.95	HDFC Bank Limited	CRISIL A/Positive
Working Capital Term Loan	3.5	Union Bank of India	CRISIL A/Positive
Working Capital Term Loan	5.76	Tata Capital Limited	CRISIL A/Positive

This Annexure has been updated on 13-Apr-22 in line with the lender-wise facility details as on 06-Apr-22 received from the rated entity.

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