



**M/s Navkar Corporation Ltd**  
Container Freight Stations & Rail Terminals



**PhillipCapital**

## “Navkar Corporation Limited Q3 FY 2021 Earnings Conference Call”

**February 04, 2021**



**M/s Navkar Corporation Ltd**  
Container Freight Stations & Rail Terminals



**PhillipCapital**

**MANAGEMENT:** **MR. ANISH MAHESHWARI – CHIEF FINANCIAL OFFICER**  
**MR. NITIN SHARMA – VICE PRESIDENT, ACCOUNTS**  
**MR. KUNAL – VICE PRESIDENT, FINANCE**

**MODERATOR:** **MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**



**Moderator:** Ladies and gentlemen, good day, and welcome to the Navkar Corporation Q3 FY 2021 Earnings Conference Call of Limited, hosted by PhillipCapital (India) Private Limited.

The conference call may contain forward-looking statements about the company, which are based on the beliefs, opinion and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

**Vikram Suryavanshi:** Thank you. Good afternoon, and very warm welcome to everyone. Thank you for being on the call of Navkar Corporation Limited. From management we are happy to have with us here Mr. Anish Maheshwari – Chief Financial Officer, Mr. Nitin Sharma – VP Accounts, and Mr. Kunal – VP Finance. Now, I hand over the call to Mr. Anish for opening comments, and then we will have questions-and-answer session. Over to you, sir.

**Anish Maheshwari:** As we all are aware, the novel coronavirus COVID-19 havocked the entire global, leading to declaration as a pandemic by the World Health Organization in beginning of 2020. In this regards, there were introduced quite severe restrictions in the movement of all citizens, also on the movement of goods on the basis of necessity. The impact of this pandemic was quite severe in the first as well as the second quarter, whereas in the period covered by third quarter, we noted removal of the restrictions on transportation of person or goods with fitting conditions.

Such relaxation introduced a noticeable positive impact or business of the company, which will be further elaborated. In terms of revenue in business, this quarter was best in the history of company and this is clear evidence of normalization of negative impact caused by the COVID pandemic. This was resulted due to joint improvement and all the elements of growth and profitability of the company, means export import mix, domestic cargo handling revenue, operations of the container movement using rail terminals etc.

Now, coming on the financials updates of the Q3 FY 2021. Revenue of third quarter of FY 2021 is Rs. 190.04 crores which is increased by 29.1% on a substantial basis of 31.31% on year-on-year basis, the increase was due to several factors. Growth in domestic revenue has increased by Rs. 37.75 crores to Rs. 42.07 crores, which is raised by 11% as compared to second quarter and in the same quarter of last year, it was Rs. 19.14 crores and is now up by 120%.

EXIM business turnover rose Rs. 105.88 crores to Rs. 144.77 crores, which is a rise of 37% as compared to second quarter. Comparing it for the same quarter of last year, it was Rs. 123.41



crores, which is now increased by 17%. Due to the above fact, the average relation per TEU in EXIM business rose from Rs. 14,240 to Rs. 14,603.

The operating profit for Q3 FY 2021 has increased by 28.7% on quarter-on-quarter basis to Rs. 72.74 crores, as compared to Rs. 56.52 crores in last quarter. This rise belongs to improvement in revenue from the operations by 29.1% and similar hike in operations expenses without major an increase in the cost of variables as compared to the last quarter.

The EBITDA increased in third quarter by 21.7% from last quarter means from Rs. 38.2 crores to Rs. 46.5 crores. This rise was due to growth in revenue without abnormal increase in cost of operations and administrative expenses in totality. When compared the same quarter last year, it was followed by slightly margin of 0.2% only.

The profit before tax increases in third quarter by 87.5% from Rs. 9.6 crores to Rs. 18 crores. This is due to growth in revenue by 29%, with the increase of total expenses by 25%, also because of the reason the profit after tax increases in the quarterly by 110.6%, means, from Rs. 6.6 crores to Rs. 13.9 crores.

We have seen a positive growth in the volumes for the quarter with total volumes being 99,135 TEUs in third quarter, which is increased by 33.3% on quarter-on-quarter basis and decreased by 8% by year-on-year basis. The volumes at Mumbai CFS increased by 28% to 53,999 TEUs in quarter third from 42,091 TEUs in last quarter. The current year volumes include 29,587 TEUs from imports, 24,412 TEUs from exports. On a year-on-year basis, the volume at Mumbai CFS declined by 6.6% as compared to same quarter of last year.

The volume at Vapi ICD in current quarter were 45,136 TEUs, as compared to 32,258 TEUs, which is an increase of 40% on quarter-on-quarter basis. And on a year-on-year basis, it is an increase by 33%. The Vapi volumes were mainly derived by the import volumes, which is 30,620 TEUs, and the exports were 14,514 TEUs for current quarter.

Coming on the operations of private freight terminal side. The total trains handled for this quarter was 883 as compared to 653 in last quarter, recording an increase by 35.2%. The main reason behind this is increased movement in the EXIM as well as the domestic contenders at ICD.

Now I would like to open the floor for Q&A sessions.

**Moderator:**

Thank you very much. We will now begin the question and answer session. First question is from the line of Vishal Doshi from Sunshine. Please go ahead.

**Visal Doshi:**

Sir, firstly, congratulations to you for very good sales number. I have two questions, first question is, the tax benefit of 15 years that you are going to get at Vapi, From when will it start? Second question is, the 10 acre land that you have, any progress or update on the sale of it and when will we get the benefit of that sale? Because out interest rate is very on it, around Rs. 15 crores per quarter is only interest.



- Anish Maheshwari:** Mr. Doshi. I got your first question, which is related to the MAT credit which we will be going to avail from 2021-2022, from the bracket of 15 years we are on the safety of Vapi terminal. So from next year onwards we will start taking the MAT benefit.
- Visal Doshi:** And the second question was, the 10 acre land parcel that we have which you were planning to sell, any progress on that front?
- Anish Maheshwari:** Land, which land are you talking about?
- Visal Doshi:** 10-acre land that the company had...
- Anish Maheshwari:** Yes, it is actually 45 acres, it still remains with the company. Its status is the same as it was before because of COVID, there's no further improvement, because post-COVID we haven't got any enquiries nor have we tried to sell it ourselves.
- Visal Doshi:** Sir, can we expect it to sell in one year?
- Anish Maheshwari:** It will too early to tell anything, because post-COVID there is no further discussions on the same thing.
- Visal Doshi:** Okay. Because our expenses keep going up, in which the main factor is the interest rate factor.
- Anish Maheshwari:** Sir, basically, you asked me, its totally correct, but three, four factors leading to rise in expenses are, if you will look at revenue side of operations, if you look at the value terms, absolute number terms, so we are on the positive side. But if you will look from the percentage side, definitely it will be in the decreasing side because three, four factors are working on it. Diesel price is one big factor in operation cost, and due to the situations post-COVID my manpower cost has definitely increased compared to past three, four quarters.
- Visal Doshi:** Okay. So, can we expect that after one or two quarters these expenses will reduce?
- Anish Maheshwari:** After one or two quarters definitely, these expenses will get reduced, because the drivers who had migrated from here and gone back to their home states, they might come back in next one or two quarters.
- Visal Doshi:** And sir, last question. Sir, the 1,000-plus trailers that we have, with the new scrappage policy coming up, can this policy cause some losses to our company?
- Anish Maheshwari:** There would not be any loss to the company, because trailers were already in use and even if go with respect to the scrap policy and scrap a 15 years old vehicle, so even if I will go by WDV and I get even Rs. 1 extra, that will be a earning to the company, there would not be any loss to us.
- Moderator:** Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.



- Pratik Kumar:** Congrats for great results. My first question on CAPEX, so how much we are looking to do CAPEX in this year now and what all we are doing CAPEX on, like in terms of rail purchase or what else? What would be the total CAPEX for the year?
- Anish Maheshwari:** We are not having such CAPEX for the mechanism of assets, there may be 200 trailers which we had already been told in last quarter also. 200 trailers provision we have till 31st March, that we will definitely have to take. And some old trailers we have kept so as and when we increase our fleet, the old trailers will keep getting removed from the fleet. So altogether if I will see, the impact of asset side maybe hardly Rs. 40 crores to Rs. 50 crores for new trailers only. Because the domestic and EXIM business that we have got, for that we will have to take certain BS-VI trailers and high capability and high tonnage trailers we will add in our fleet.
- Pratik Kumar:** So total CAPEX for the year would be like Rs. 50 crores? Last time I think Rs. 80 crores we said, is there anything else we are spending on?
- Anish Maheshwari:** No, the total Rs. 80 crores that we had said, this CAPEX is a part of it. So the CAPEX will not go beyond Rs. 80 crores, it will below it, because altogether we are planning for 200 trailers, that too they should get delivered by March end. So that is not yet done. So as and when they come, we will add them to our fleet.
- Pratik Kumar:** And are we looking at any new terminals now, because we are probably now going back to growth.
- Anish Maheshwari:** We are not looking for the same. If in near future something will be coming in our mind, because of there are no opportunities in the market, so there are certain companies like Navkar, other competitors also that we have, if you will look at their results, they are also in positive side, because somewhere we are of the understanding that the business is getting consolidated, the business is going from the unorganized players to the organized companies, so that can definitely be a benefit. But as of now there is no thought on it that we may require a new terminal or any new CAPEX, we haven't thought regarding it.
- Pratik Kumar:** And sir rake purchase, we have had like two rakes till now while we are running...
- Anish Maheshwari:** Frankly speaking, after two racks we have added two lease rakes additionally in last quarter, because my operations we have taken one more. But we have not planned for purchasing new ones.
- Pratik Kumar:** So out of these four rakes we are running like 880 trains, that seems like a very high number, but this is done by...
- Anish Maheshwari:** So, in totality now we have 12 rakes, we own two of them and rest all is on lease.
- Pratik Kumar:** So earlier there was like eight on lease, now we have 10 on lease?



**Anish Maheshwari:** Yes, so right away if I go and take the order on place, so it is a process of 9 to 12 months. But we haven't put our thoughts on purchasing new racks.

**Pratik Kumar:** Okay. And sir, in domestic segment we have done very well again, Rs. 40 crores revenue, so that number is growing every quarter now. So how is the new customer, which are the new customers we are working here and are they expected to stay with us or like they are like one-time opportunities?

**Anish Maheshwari:** No, Pratik, there are very good customers which we added in the domestic also. Majority of the business earlier which we used to get, from them itself we are getting more business. And rest, we are adding small, small parties, and we will be able to understand by next quarter whether they will be able to sustain with us or not. So after next quarter I will give the names and all, because the situation in this quarter where we can see **(Inaudible) 16:25.2** and they will sustain, because they got to know, without any price hike from the Navkar they are getting benefited with the on-time delivery. So, our model is now move focusing on the same side, we will give them the best solutions and best services and that is you are seeing in our numbers also.

**Pratik Kumar:** Okay. And which region these players are? Generally it is like Maharashtra hinterland or these are like far away parties which we work with now for domestic operations?

**Anish Maheshwari:** So major in Gujarat and Maharashtra hinterland also, till now we are giving the onward delivery towards Aurangabad also, we are giving delivery to Pune, Aurangabad. This side we are giving delivery till Baroda.

**Pratik Kumar:** Okay. And these are like plain road movement and no late movement here?

**Anish Maheshwari:** Ultimately, they are relatively related to the export also. Somewhere they have export very less, somewhere they have a domestic operations in a very high quantum. But yes, it's vice versa business, 20%, 25% plain domestic and 75% related to EXIM also.

**Pratik Kumar:** No, I was asking, are these customer serviced by only road? There are no trains involved here, right?

**Anish Maheshwari:** Yes, train is also involved.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, just wanted to understand, like on the EXIM, import and export, how balanced is that and how going forward you are looking at in terms of balance between export and import? And now that your volumes is back, by when you are seeing your pre-COVID kind of EBITDA margin?

**Anish Maheshwari:** I can tell you this same situation will remain for next two or three quarters, then we will definitely be reaching towards our near to post COVID EBITDA margins. Because now there is an incremental cost for the manpower supply and diesel. So we are hoping that once the normal



quarter will be started after one or two quarters, then we will be reaching by our original EBITDA level. But it is a good sign towards the revenue number which is best till now from the Navkar history.

**Deepak Poddar:** And about the balance between export and import, how is that situation panning out?

**Anish Maheshwari:** So, if you see our end of this quarter, our EXIM volume mix was 60:40. And past two quarters, it was 46:54, and first quarter of this year was almost in the range of 32:68. So, now onwards we are hoping that, that may be in a range of only 40:60, 45:55, that will remain continue for next two or three quarters.

**Deepak Poddar:** Okay, that's great. And any kind of revenue outlook we have for the next year?

**Anish Maheshwari:** So, till third quarter, right away I won't be in a position to tell you the exact situations what will be going on this quarter, but we are definitely hoping that we will be tied to cross our last year's numbers.

**Deepak Poddar:** No, so I was talking about FY 2022, next year.

**Anish Maheshwari:** 2022 is very early to say anything, because the situations are, now I can tell you, December month itself was the highest revenue month for us, correct? So, there may be two definite impact, one was the situations which were regular in the regularized mode after COVID. Secondly, the addition in our customer base. So after two or three quarters we will be definitely in the same position to those customers who will remain continuing for the longer period with me.

**Moderator:** Thank you. The next question is from the line of Rishikesh Ojha from Robo Capital. Please go ahead.

**Rishikesh Ojha:** Sir, my first question is regarding our Vapi operations and Mumbai operations. So regarding our Mumbai operations, do we expect to do, again, the same 70,000 or 80,000 TEUs per quarter again, which is right now 50,000 TEUs? And for VRP operations, what is the upside now in Vapi? Now that we have seen a lot of growth in Vapi, do we expect those numbers to double up in FY 2022?

**Anish Maheshwari:** So Vapi, I can say, definitely year-on-year we are on almost (+100%) capacity. Last three years if you see, last year we are more than 100%, this year also we are more than 100%. So, Vapi will definitely be in a growing side. Again, on CFS side we won't have any particular outlook towards 80,000, 90,000 TEUs, that's why we are using our facility for the domestic operations. Although the domestics operations is not profitable as compared to the EXIM volumes, but as we have a facility with us, so we are balancing that number with our EXIM as well as the domestic operations. Vapi, you will see, in this quarter also Vapi number was 40% in the growth side versus last quarter and 33% in growth side versus last year same quarter.

**Rishikesh Ojha:** Okay. So, is it fair to assume that this growth rate will stay on for FY 2022?



**Anish Maheshwari:** Yes. Till FY 2022 I can say, our first and core target to reach by 2022 is more than 2 lakh containers at Vapi.

**Rishikesh Ojha:** Okay. And sir, can you please tell me the realizations that we had in Mumbai and Vapi?

**Anish Maheshwari:** So, on the blended basis if you will see, last quarter our blended basis was 14,200 something and this quarter was 14,600.

**Moderator:** Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

**Ankit Panchmatia:** Sir, just to understand the structural move or what volume growth we are seeing at Vapi, is this because of the shift of traffic from road to rail and we are providing that service to the customers in a more cost efficient way? And how are we kind of placed once the DFC comes into picture and this whole shift accelerates? First question is that.

And second question, sir, maybe a basic question to ask, but the total volumes would sort of include the CFS movement as well as ICD movement as well. So is there any breakup which we can give that what would be a pure ICD movement and what would be a CFS movement from our existing volumes? These are the two questions which I had.

**Anish Maheshwari:** I just wanted to give your second question's answer. I have already given all numbers separately. If you like to take again, I will give you the numbers. In totality, Q3 we did 99,135 TEUs, Vapi and Mumbai both. Out of which, Mumbai, we did 53,999 TEUs and Vapi we did 45,136 TEUs.

**Ankit Panchmatia:** Sir, this move 54,000 TEUs is completely through ICD?

**Anish Maheshwari:** 54,000 TEUs is completely from the CFS operations. I am talking to you about the Bombay, correct. And Vapi ICD is having 45,136 TEUs.

And the first question which you asked me, that Vapi movement why is on incremental side. Basically our agenda behind starting Vapi ICD was only that to giving the first mover advantage over there in the South Gujarat, and the entire movements are handled via JNPT towards Bhiwandi. So, those parties whoever is working with me now, they are very much satisfied with our services. And that is the reason, the mouth publicity from the entire market, we are getting gaining market share on the quarter-on-quarter basis. And secondly, as we have a rail benefit, so that cost benefit somewhere directly passes on to the party. And third, as you told me, the impact of DFCC, after DFCC definitely it will be on an improvement side, because DFCC cost model will be very lesser than the current model.

**Ankit Panchmatia:** Sir, if you can avoid the gross debt as on date or maybe latest gross debt available on our books.

**Anish Maheshwari:** It is in the range Rs. 400 crores.





- Moderator:** Thank you. The next question is from the line of Vikram Sooryavanshi from PhillipCapital. Please go ahead.
- Vikram Suryavanshi:** I just wanted clarification on Vapi, are we seeing a reduction in empty movement for train operation at Vapi? How was it compared to last quarter?
- Anish Maheshwari:** Definitely we are getting the improvement in the export volumes also. So the empty movement is slightly less than the last quarter. There's no such positive on the empty movements because last quarter we had an EXIM mix on blended basis of 46:54, which is this quarter almost in the range of 40:60. So, we are using those empties for onward delivery.
- Vikram Suryavanshi:** Okay. And we have seen significant change in average realization in Vapi because of the change in mix as well as the change in mix between train and road or last leg delivery. So, currently, how much is the average realization per unit at Vapi and will that be a structural change going ahead or that will be more or less maintained going ahead?
- Anish Maheshwari:** So basically, I can say you, at Vapi we are having a per TEU realization of Rs. 19,800, which was in last quarter almost in the range of Rs. 20,000, correct? So, this is basically because of the manpower which we used in this quarter. At Bombay if you will see, last quarter my number towards per TEU realization basis was Rs. 9,112 which was in this quarter almost Rs. 10,500 rupees. So, that blend can be changed and the situation on the quarter-on-quarter basis, because sometimes if you see the last quarter numbers, there storage revenue was a little bit higher side at Vapi and the lead distances were higher than Bombay. So, that may be changed, but it will be in a similar range of hardly there may be change of 3% to 5%, plus or minus for next two, three quarters at least.
- Vikram Suryavanshi:** And how is the utilization of this warehouse at Vapi? Are we seeing that getting effectively used post-COVID or what could be the outlook for value added services at Vapi?
- Anish Maheshwari:** Today my volume is 40% growing just because of those services only, because we are giving them all the services all inclusive in our multimodal transportation work.
- Vikram Suryavanshi:** And last question from my side, basically for domestic opposition, obviously, we are using as additional to increase our revenue and facility utilization, but post-COVID we are also seeing that a lot of movement is shifting from road to rail because of poor reliability and what we have seen the destruction from road side. So, domestic movement structurally can we see good opportunities going ahead along with the EXIM trade and what kind of outlook we are looking from domestic in terms of growth as well as profitability improvement?
- Anish Maheshwari:** So, basically I can give you straight answer of it. Last year same quarter that domestic number was Rs. 19 crores, which was last quarter almost in the range of Rs. 37 crores, and this quarter it is Rs. 42 crore. So, quarter-on-quarter as well as year-on-year we are on the growing side of domestic operations. I can say, there is a slightly less margin from the EXIM business volumes compared to EXIM volumes from domestic. But, as we told you in last three, four quarters, always we are going to be in verge of improving our domestic operations. Gradually once the



domestic operations will be in the range of Rs. 50 crores plus, then definitely my fixed cost will remain same and my profitability will be on higher side, that we are having a first target.

**Moderator:** Thank you. Next question is from the line of Sachit from Param Capital. Please go ahead.

**Sachit:** Sorry, I joined the call a bit later. Just wanted to check, your revenues have gone up, but there has not been any increase in margin, so what explains that? And by when do you expect to get to the 30% EBITDA margin that you used to report?

**Anish Maheshwari:** See, basically, I had already been answering this question. But as joined this call later, so I will just give a brief. Revenue is definitely on incremental side, if you go with the absolute number of profit, it is definitely in a higher side. But that EBITDA margin which is getting down by 1.5% compared to last quarter, it is due to two or three major reasons. One, it was the Diwali quarter, that's why we will have to be incentivized in giving the bonus to be founders. Secondly, the major diesel prices. And third one is the reason of manpower cost. Because post-COVID manpower is costing slightly higher than the regular quarter of pre-COVID. So that may be taking place on the right side after more than two quarters.

**Sachit:** Okay. And this diesel price impact, how much that impacted your margins?

**Anish Maheshwari:** If you will see, over and all, it may be in the range of 0.5% but it is really giving an impact to us and on EBITDA basically.

**Sachit:** Okay. And lastly, what would be your current gross debt position? I think you mentioned this as well, and what would be your CAPEX plan for FY 2021, 2022?

**Anish Maheshwari:** So, today my secured debt is almost in the range of Rs. 400 crores, including my CC. Secondly, as you asked me future CAPEX plan, last quarter we had given a plan of Rs. 80 crores for this year, it not more than that.

**Sachit:** Okay. And FY 2022?

**Anish Maheshwari:** There is no such plan yet.

**Moderator:** Thank you. Next question is from the line of Darshan, an individual investor. Please go ahead.

**Darshan:** Congrats for the very good result. Sir, you have any plans for the dividend for this year?

**Anish Maheshwari:** This year really tough, because last year we proposed but due to the debt which we have on our book, so we have not yet proposing that. But as you asked me, I will definitely put this question again to management and give you the answer on next quarter's call.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited for closing comments.



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- Vikram Suryavanshi:** We thank the management of Navkar Corporation for giving us an opportunity to host the call and taking time out for interacting with the stakeholders. Thank you all for being on the call.
- Anish Maheshwari:** Thank you so much. Thank you, Vikram. Thank you, Chorus Call. And thank you all investors.
- Vikram Suryavanshi:** Thank you, sir.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.