



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



PhillipCapital

“Navkar Corporation Limited Q1 FY-22 Earnings Conference Call”

August 5, 2021



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Moderator: Ladies and gentlemen good day and welcome to Navkar Corporation Limited Q1 FY22 Earnings Conference Call hosted by Phillip Capital (India) Private Limited. This conference call may contain forward-looking statements about the Company which are based on the belief, opinions, and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risk 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. Please note that this conference is being recorded.

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

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

Anish Maheshwari: Good afternoon everyone. Thank you so much to Phillip Capital for giving us an opportunity to make this call. As we all aware novel Corona virus COVID19 havocted the entire globe leading to the declaration as a pandemic by World Health Organization in beginning of 2020. After a span of one and half year, the things have gradually improved and enter into the new normal with the positive outlook throughout the year FY2021. We all were affected by this and due to arrival of second wave the impact of which was there in current quarter in terms of increased cost of operations but we have observed that revenue was at similar levels with a moderate increase in profitability.

The elements of revenue of company during the quarter are as follows:

- In case of ICD/PFT;
Volume of import containers handled declined by 23.36% from 37,462 TEU’s to 30,368 TEU’s on Q-to-Q basis and from 17,507 TEU’s on Y-to-Y basis the same is now up by 42.35%, And Volume of export containers handled increased by 12.39% from 17,345 TEU’s to 19,797 TEU’s on Q-to-Q basis and from 9,702 TEU’s on Y-to-Y basis, the same has increased by 51%

- In case of CFS/PFT;
Volume of import containers handled stands at 30,364 TEU’s from 32,388 TEU’s on Q-to-Q basis which is a decline by 6.25% and from 19,342 TEU’s on Y-to-Y basis the same is now up by 56.98%, And
Volume of export containers handled decline by 12.86% from 28,728 TEU’s to 25,455 TEU’s on Q-to-Q basis and from 12,500 TEU’s on Y-to-Y basis, the same is now up by 50.89%

- Number of trains handled increased from 324 in last quarter to 312 at CFS/PFT and from 823 to 766 at ICD/PFT which is an overall decline by 6.40% on Q-to-Q basis. Comparing the same with Y-to-Y basis, the trains handled were 141 in CFS/PFT and 374 in ICD/PFT which is overall rise by 52.23%

- EXIM turnover declined from Rs 168.28 crore to Rs 163.01 crore on Q-to-Q basis, means a decline by 3% and this is a rise by 47% from that in same quarter of last year of Rs 111.13 crore Company is committed to the path of growth to expand the client base in EXIM as well as domestic turnover.



In terms of revenue and business, this quarter was best in the history of company. There were challenges in the COVID era but the performance of company was positive in terms of growth in of company's business volumes.

Now coming on the profit figures for Quarter 1 FY21-22,

Operating profits of current quarter stands at Rs 70.16 crores in comparison to Rs 68.69 crore in preceding one which shows a mild increase by 2.1%.

EBITDA margin of current quarter stands at Rs 45.96 crore in comparison to Rs 40.83 crore in preceding one which shows a rise by 11.16%. The rise in EBITDA margin belongs to reasons as such:

- The Government of India, Ministry of Railways issued a Rates Circular No. 24 of 2018 through which it has reimbursed levy of Terminal charge @ Rs.20 per tonne on both Inward and Outward traffic. Pursuant to this Circular, the Company has booked such refund as Other Income amounting to Rs.3.29 Crore (Excluding GST).

- In last quarter, there was booking of notional loss of Rs 2.56 crore as loss on sale of old vehicles. The same was included in other expenses. There is no such severe impact in current quarter

The depreciation cost of company increases by Rs 2.20 crore in current quarter as compared to that in last one. The reason for same was decline in depreciation costs of last quarter due to revision of useful life of railway sidings at the location of ICD in line with that at CFS. Apart from this, the depreciation impact over assets capitalised or purchased during last quarter also contributed to such rise.

Profit before tax of current quarter at Rs 21.75 crore in in comparison to Rs 14.82 crore on Q-to-Q basis and that of Rs (9.85) crore in Y-to-Y basis.

Profit after tax of company stands at Rs 12.59 crore in comparison to Rs 8.15 crore on Q-to-Q basis and at Rs (12.76) crore on Y-to-Y basis. The tax expenses rose from Rs 6.68 crore to Rs 9.16 on Q-to-Q basis. This includes change on account of:

- Rise in income tax provision due to rise in profit from Rs 2.63 crore to Rs 6.51 crore out of which current tax is Rs 3.88 crore and MAT credit utilisation is Rs 2.63 crore.

Now coming to the area of borrowings, I like to state that the borrowings from banks and financial institutes as held by company declined by Rs 18.14 crore .from Rs 502.86 crore as on 31st Mar, 2021 to Rs 484.72 crore as on 30th Jun, 2021. There was normal payment of instalments without taking substantial new borrowings. Apart from this, company also made payment of Advance EMI's in respect of term loan by Rs 10.67 crore.

After analysis of above points, I hereby like to state that the company's performance in growth of revenue was at par and the impact on profitability is slightly improved due to the factors mentioned above. Due to the impact of second wave of Covid 19, there is continuous presence of abnormal items of expenses in current quarter as was in last one. Because of this, there is only a mild increase observed in levels of operating profits. Looking at this, company hopes that in upcoming periods, the impact of growth will be visible both in revenue and profit sides as the situation enters gradually in complete normal phase.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudarshan, an Individual Investor.

Sudarshan: Have you started taking the MAT credit from this year onwards?

Anish Maheshwari: So that MAT credit will be utilizing from this year but we will be evaluate this year profit after second quarter, then only we will be decide that 80-IA will have to be taken or not. . We will be going by the next 15-year cost benefit analysis. After that we will decide whether to go for 80-IA benefit or not.

Sudarshan: My next question is about expansion in any of the locations which you have mentioned? Any progress you have made on that or any timeline you have on that?



Anish Maheshwari: On that I just wanted to tell you it was a long-term strategic plan for the Company. Now as were working on the ICD Tumb from where we will be having a reach of around 200 to 250 kilometers range. At the same time from Bombay CFS, we are more into the domestic operations towards the Northern Maharashtra. Looking at that and now were having operations in the domestic market also. We were making a strategy for next 3 years will be try to find some concrete solutions over there. Once it will be finalized, we will be definitely coming to the market and as well as will intimate to the exchanges.

Sudarshan: My last question is about custom area notification as you mentioned like Vapi there's an increase in their custom area notify. So, what could be the potential impact you are seeing it or opportunities you're seeing in that because of that?

Anish Maheshwari: Basically, notified area we will have to be proposed to the customs and with that I can say our operations towards Vapi you can see where we have around 35% CAGR year-on-year. Looking at that we just take the additional notified area over there. If we have required any kind of a customs bonded or open bonded over there that's why we did that and once we will be having potential business over there then will be definitely share to the market.

Moderator: The next question is from the line of Rishikesh Ojha from Robo Capital.

Rishikesh Ojha: My first question is that when and how are we going to achieve EBITDA margins of around (+30%)?



Anish Maheshwari: If you see in this last quarter, we were having an EBITDA margins Q4 was 19.12% which is now 21.3%. I can say that for improvements beyond this, the situations will have to get normalized, because till now also there are certain restrictions to the movement of labors and movement of truck drivers and the other things. So once that we will be getting normalized, then after only we will be in the situation to share to the market, how will be getting that earlier. The past margins on EBITDA level which was around 30%-31%. From here if you will ask me couple of quarters will take to the situation to normalize then after will be definitely try to catch it up.

Rishikesh Ojha: Also, are we looking for the same kind of revenues for the full year? Can you share a revenue guidance for this year?

Anish Maheshwari: In respect of this, I like to mention that the revenue of the current quarter which is 221 crores is being maintained as was in the last year. If we look over the figures of last quarter and current quarter, the same has increased considerably as compared to trend of quarters preceding these quarters. We are hopeful to maintain the similar levels of revenue in all the remaining quarters of the year. In terms of expenses, I express that company would work on controlling the excessive operating costs company had to bear in the phase of lockdown related restrictions by bringing it back to the line as situation continues to the normal.

Rishikesh Ojha: But revenues we are on track, right?

Anish Maheshwari: Yes, definitely.

Rishikesh Ojha: My last question is on the CAPEX side what will be the impact on debt? Any debt outlook regarding to the CAPEX how much we are infusing debt?

Anish Maheshwari: What we would like to do as the past question was like the same. We were announcing that we were going to be make new ICDs into other locations, two different locations. One is on a Northern Maharashtra and second one we are planning to near to Mundra Port. The reason behind that is what, that those ICDs or those PFTs with the multi modal logistics park will be in a smaller level not on the same level which we have Bombay and Vapi. So, we would like to be leveraging these assets also with those facilities. Future loan I will give you the guidance. For next 2 years, I can say if I will start that projects in the next 6 months than 2 years will be the moratorium. And new capex will be introduced in next 2 years will be 200 crores. At the same time in next 2 years, I have a repayment of 225 crores. In those 2 years if we calculate it, there is no such impact on the additional borrowings which will be on a similar level of the borrowings level and at the same time I'll be having a two another facilities with me to leveraging existing as well as a cross selling business for the all four facilities.

Moderator: The next question is from the line of Jatin from Alpha Capital.

Jatin: If I was looking at your PPT, so volumes have gone down on a Q-on-Q basis but our revenues have gone up. Is there some realization benefits and how is the current quarter progressing on that front?



- Anish Maheshwari:** Basically I can see that EXIM volumes were getting slightly down comparing to past quarter, but at the same time if you will ask me for our domestic volumes at Mumbai CFS, we have started a business will be a different kind of a commodity like fertilizers, iron, steel so that we were catering the Northern Maharashtra as well as, as I told you the South Gujarat versus the next region of the Gujarat. With those last quarter we were having a domestic volume in turnover capacity was around 41 crores which is in this quarter is almost 49.5 crores. There is a slightly dip in EXIM volumes but at the same time our domestic operations are getting up almost in the range of 50% to 70%.
- Jatin:** Any guidance on the current quarter, how are things going on both in terms of volumes as well as realizations?
- Anish Maheshwari:** If I will give you guidelines as we all know after DPD all the CFS businesses have vanished. So, what we did with our facilities to run our business, we just come up with the model of domestic business also. In that we were having now contact with the Arcelor Mittal, JSW. Also we have a long-term contract with the Smart Chem and Deepak Fertilizers. So, our core focus for CFS if you will ask me on the domestic side and the business will be in a growing side at the domestic front and ICD, I can say it will be on similar line for a couple of quarters then it will be in jump side and EXIM volumes if I will ask, if I will see at the CFS side it will be remain same. There is no such positive impact on the ICD EXIM volumes but I can say domestic volume will be in a positive side for each and every quarter from here onwards.
- Jatin:** On tax rate we are paying more than we reporting more than 40%-45% for last two quarters, so any color on that front?
- Anish Maheshwari:** It's a deferred tax impact basically and yet now we are not taking 80IA benefit. For this year we will evaluate for next 15 years comparison between the tax assessment then after will be decide will be go with the 80-IA or we'll go with the MAT tax.
- Moderator:** The next question is from the line of Prateek Kumar from Antique Stock Broking.
- Prateek Kumar:** The realizations in this quarter on a Mumbai CFS has increased, what are the reasons for the same?
- Anish Maheshwari:** So, there were two major reasons one is that the import were higher than the last quarter and secondly in this quarter my domestic volumes has risen.
- Prateek Kumar:** So how could that help?
- Anish Maheshwari:** So basically, what happens my operating costs towards the EXIM volumes which is getting down that's why my realization per TEU which is getting high, because in domestic if say 1 lakh



of operations I did for domestic and 1 lakh is for EXIM that cost is getting half of the total EXIM volumes.

Prateek Kumar:

I have one question on your CAPEX to last year we did like 120 odd crores CAPEX. So, this new leg of expansion of 300 crores so what is the annual CAPEX we should expect for '22-23?

Anish Maheshwari:

So that new CAPEX which we are looking for this is very early stage to say because now first we will just take the approval from the board to leveraging our existing facilities and cross-sell business which we are going to the Northern Maharashtra as well as the Mundra Port which is now we are getting completely with us because we won't have a facility over there. So, we are just finding the facilities over in those regions where will be the railway available which will be a small facilities like 30 to 40 acres of land. Once that will be that concrete programming will be done and then we would definitely come to the market. Secondly, the CAPEX for next 2 to 3 years which we proposed for 3 years will be in the range of 300 crores for making those facilities.

Prateek Kumar:

When that detail would be available?

Anish Maheshwari:

Once our land which we are finding out, once it will be getting down then after definitely come to the market with the entire proposal what we are looking for. I wanted to add over here for next 2 years my repayment out of 477 crores would be around 250 crores principle repayment in next 2 years. So, what we are thinking if as we start this project from December onwards or this year, current year then for 2 years I'll be having a moratorium available with me and the interest will be the part of my project cost. So, there is no extra burden to my balance-sheet for next 2 years definitely. After 2 years once my loans will be getting down by 200 crores at 50 crores then new loan if I will be taking a project of 300 crores altogether out of that my share is 25% then new loan will be 225 crores for next 10 years. So, the extra burden to the Company as far as cash flows concerns will not be the problem because from 3rd year onwards 2023-24, I have only repayment of 90 crores including interest, which is now 170 crores with including interest. So, we are making the plan in accordance to my cash flow arrangements.

Moderator:

The next question is from the line of Vikram Suryavanshi.

Vikram Suryavanshi:

Basically, can you highlight about plan to add the number of trains because now there is a 5% haulage discount continued for this year also, so are we going to add the number of trains? And second thing the new terminal what we are looking at Mundra Port, will it be on our own land outside port or because port also has their SEZ land available on lease basis so I just want to clarify will it be our own land or it will be on lease land?

Anish Maheshwari:

So Vikram I just wanted to be answer. If you see my railway till last year was in the range of 700 to 800 quarterly which is now (+1000) which will be remain continue and for that we are finding the solutions. Now we are having a lead trains around twelve, so as on past calls also I told that if there is a requirement and need then we will definitely come up with the three or four trains more which will be as a part of our CAPEX. Secondly as you told me we are definitely



exploring so many options to cater those markets. The reason behind that is because in Mundra region if you see past 3-4 years after DPD JNPT business volumes were getting sharply down, like JNPT volumes were on a remain same level 4.5 to 5 million TEUs versus if you will see 4 years back Mundra Port's volume was around 2.5 million which is now 6 million TEUs. So, considering the fact that the cargo will be going there, so we were finding the area locations near Mundra in 100 kilometers range. We would like to cater entire Pipavav, Mundra, Hazira port point number one, secondly in the Northern Maharashtra we were looking at the area of Bhusawal, Chalisgaon, then MP border where our cargo is going there right from last 1.5 years. So, we had seen that moment over there in our domestic operations as well as EXIM volumes like I will just give you the one commodity example. In Northern Maharashtra if you will see the pulses, so processing pulses over there in that entire region and at the same time if you'll see the Mundra Port near there are the tiles hub, marble hub, so we would like to capture these markets. Secondly as you told me what we are looking for if we will be getting land over there on a lease basis, on an ownership also we'll be try to get find the solutions, the comparison should be like that, in the lease amount will be more than high on year-on basis then will be definitely going for the earning model. Our past experience I can tell you lease model is always be on a higher side of the cost rather than we will be buying the land over there. Definitely those ICDs or those PFT or those multi modal logistic parks will be on a smaller level comparative to Bombay or Vapi ICD. Then also using those new locations we would like to be leveraging current properties or current CFS ICDs as well as the cross-selling market from those markets.

Vikram Suryavanshi: What I understood from what you're saying that Mundra Port CFS will completely in new market development?

Anish Maheshwari: No, it's not a CFS, Mundra site will be making ICDs not a CFS at all. ICD it will be in a range of 100 kilometers from the Mundra as well as Hazira or Pipavav ports. All three ports would like to be catering over there from which will be our middle locations and we are exploring the market study which will be the good place that stage is going on.

Vikram Suryavanshi: And Vapi predominantly will keep coming to the JNPT only?

Anish Maheshwari: Yes.

Vikram Suryavanshi: And how is the situation at JNPT port like currently we are doing a run rate of 56,000 per quarter at JNPT. Do you see that now picking up with economies picking up and second wave is almost now normalizing and how is the situation for ground rent and pricing at JNPT?

Anish Maheshwari: So basically, if you will ask me at the CFS side there is no such movement or there is no port also because after DPD, every quarter we had seen the gradual down. Correct? That's why we would like to be leveraging our facilities with the domestic options and domestic solutions. Now I just wanted to add over here we are more focusing on the other commodities rather than EXIM. We are focusing on the fertilizers, cement, iron-steel, PTA polymers, oil tanks, these kinds of commodities we would like to be focused more because in this entire region last week we were having a visit from Nayara which is earlier Essar Oil they would also like to be tie-up with the for 5 trains in a month. So, these kinds of commodities we would like to be looking for, for the



domestic consumption as well. EXIM is definitely our core business earlier but nowadays if you see after DPD our core focus is shifted toward the domestic because we were having three facilities already Mumbai if I would like to leveraging those facilities will have to be change our methodology for the business, this is the core idea about the Company.

Vikram Suryavanshi: Just last question from my side just a more clarity on the kind of domestic business we are handling from Vapi because I just said that most of the fertilizer and other cargos you are handling from JNPT?

Anish Maheshwari: No, fertilizer we are handling from here Mumbai. Smartchem's cargo coming into the Mumbai we just stuff the same to the domestic containers and share wherever they would like to be stay and at the same time we are doing the operations for ourselves from their's Dahod plant to Mumbai CFS and from here wherever they would like to sell like Bhushan Steel, Uttam Galva we initiate the onward delivery for them. These kind of domestic operations we are doing, at the same time for EXIM for domestic if I will ask you they are sitting, government is like I told you the pulses for that we are going to the that Northern Maharashtra market. So that entire goods which was processing over there come to the Mumbai. So, we took steels or the other coils from here or other materials from here to the Northern Maharashtra then from there we are taking the pulses. These kind of domestic arrangements we were looking for majorly.

Vikram Suryavanshi: Just a last bookkeeping question what is the total gross debt and cash balance on the balance-sheet now?

Anish Maheshwari: Cash balance was around 21 crores.

Vikram Suryavanshi: And total debt?

Anish Maheshwari: Total debt is 484 crores including RCC.

Moderator: As there are no further questions, I would now hand the conference to Mr. Vikram Suryavanshi for closing comments.

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.

Moderator: Thank you very much. On behalf of Phillip Capital (India) Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.