

## “Navkar Corporation Limited Q2FY23 Earnings Conference Call”

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



**Moderator:** Ladies and gentlemen, good day. Welcome to the Navkar Corporation Limited Q2FY23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

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

**Vikram Suryavanshi:** Good morning and a 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 – General Manager (Finance); Ankit Thakkar – Senior Manager; Deepa Gehani – Company Secretary and Antima Surana.

Now before we start with the question-and-answer session, we will have opening comments from the Management. Now I hand out a call to Mr. Anish Maheshwari for their opening comment. Over to you sir.

**Anish Maheshwari:** Good afternoon and very warm welcome to everyone present on the call.

I would like to give insights on the results of the current quarter after the changes involved in the financials of the company after slump sale of 'Tumb' ICD business. Here I am highlighting the detail about the continuous operations of the company followed by a glimpse of the turnover and profits of the discounted business for the quarter.

Looking at the figures of results presented I would like to mention that despite this seasonal impact on the business of company the profitability of current quarter has shown growth on account of normal business environment with some stability after the Ukraine-Russia war in the beginning of 2020. The priority of company is to improve the profitability in line with the natural growth of business volumes and current units of the company.

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

In case of CFS/PFT volume of exports container handled stands at 24,412 TEUs from 33,811 TEUs on the QonQ basis which is a raise by 27.8% from 18,980 TEUs on a YoY basis. The same is now up by 28.6%.



Volume of imports container handled declined slightly by 10.6% from 29,592 TEUs to 26,461 TEUs on a QoQ basis and from 29,297 TEUs on a YoY basis, the same is now down by 10% approximately.

Coming to EXIM turnover of CFS/PFT the same is down by 8.7% from Rs. 79.4 crores to Rs. 72.75 crores and about the domestic turnover this quarter is only Rs. 2.46 crores. In case of CFS/PFT the number of trains handled in this quarter is 197 comparing to last quarter 245.

In case of ICD/PFT which is discontinued operation now, volume of import container handled is down by 7.7% from 36,970 TEUs to 33,576 TEUs on a QoQ basis and from 26,434 TEUs on a YoY basis, it showed a 27% rise.

Volume of exports container handled is down by 4.6%, 16,335 TEUs to 15,580 TEUs on a QoQ basis and 19,613 TEUs on a YoY basis, there is a decline by 20% approximately.

Now coming to the EXIM turnout of the ICD/PFT, the same rose slightly from Rs. 97.14 crores to Rs. 98.03 crores.

Talking about domestic turnout of ICD/PFT the same is down by 12.4% from Rs. 46.6 crore to Rs. 39.96 crores. The domestic turnover would stay with the company even after some slump sale, further the downfall in domestic turnout in current quarter is because of the reduction in exports of steel, due to impose of 15% duty on the same. And the same reason being that to domestic turnover is impacted.

And in case of ICD/PFT the number of trains stand at 783 in comparison to same in the preceding quarter.

Now coming on the profit figures for the Quarter 2 22/23 operating profit of the continuous business for this quarter stands at Rs. 41.55 crores compared to Rs. 46.62 crores which is fall by 10.8%. But when you compare the same with turnover the operating margins our current quarter is 38% in comparison to 36% in last quarter. Comparing the year figure the same was Rs. 36.5 crores from which there is a rise of 13.9%.

EBITDA margin in current quarter stands at Rs. 29.5 crores in comparison to Rs. 29.13 crores in preceding one which is at par situation, comparing year-to-year figure the same was Rs. 23.02 crores from which there is a rise by Rs. 28.15 crores.

Profit before tax, of current quarter is Rs. 18.5 crores in comparison to Rs. 18.12 crores on a QoQ basis, which is at par from that Rs. 10.71 crores on a YoY basis. The same is by 73%.

Now, coming on the figure of profit after tax of the company, the same stands at Rs. 11.1 crore in quarter in comparison of Rs. 12.91 crores for the last quarter. Here I want to add that the net profit margin 10.17 compared to 9.98 is in last quarter, further the net profit YoY basis was Rs.



6.88 crores. So, from there it is an increase by 61%. And the performance in current quarters stands at par with the last quarter with reference to the turnover levels of the company.

Now, I would like to discuss on the discontinued operation, where revenue was Rs. 109.6 crores, the operating profit stand at Rs. 33.25 crores, the EBITDA margin stands at Rs. 44.98 crores, the profit before tax stands Rs. 33.9 crores and net profit standards Rs. 11.9 crores.

Here I would like to include that the profit before tax also includes a gain of Rs. 24.66 crores on a slump sale with tax of Rs. 24.03 crores as per the Income Tax Act on the same. Further in terms of operations, the tax impact is negative by around Rs. 2.07 crores due to the fact of the company's 80-IA benefit resulting in the nil tax and remaining impact is due to reversal of deferred tax in relation to asset of the undertaking sold.

Now I would like to focus on some light upon the figment of objective, company from slump sale. As presented earlier the primary objective for the slump sale proceeds was to pay off the existing debt of the company in comparison to total loan of books by Rs. 589 crores on a 1<sup>st</sup> July 2022, the same stands at the book of company 30<sup>th</sup> September as on Rs. 403 crores. Till today the total loan stands only on Rs. 6 crores. This is all numbers towards the secured loan. We are saving the pay off some also as soon as possible. So, now almost company got debt free with this repayment of the secured loan. This would impact the reduce of finance costs and improve the profitability to great extents.

Coming to the area of new project development of continue at Morbi. The current completion stage of aforesaid project at around 80% and the Management is contemplating complete the terms of LoI by the timeline and make ICD operational by that time. The purpose of the new ICD is to have better connectivity and network to serve the customers better in domestic market as well as the EXIM market towards that Saurashtra region. Management is of the opinion that the new facility will help to acquire new customers and increase the profitability of the Company. The Company hopes to start operations lately in third quarter of FY 22-23.

After analysis of above points, I here would like to state that the Company's performance in growth of revenue was quite better in this position. Looking at this, Company hopes to sustain the operations and the actual profitability QonQ.

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

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first questions on the line of Vikram Suryavanshi. Please proceed.

**Vikram Suryavanshi:** So, basically, if you look at the volume, particularly on JNPT or continued operation we are seeing a bit amount of impact particularly on export side. So, are we seeing that overall economy or import export itself at a port is taking hit or how we are seeing competitive environment and outlook on volume strategy at JNPT?



- Anish Maheshwari:** Basically, if you will ask me about the JNPT operations, we have seen overall there is a dip in the EXIM volumes due to certain government policies also like in last quarter if you see the export duty on the steel was 15% rise. So, with the sudden changes, that kind of things will impact definitely the exports of India. In our end, if you ask then I can see that impact will be for the couple of quarters maybe, but after that it will be in the normal shape again.
- Vikram Suryavanshi:** Okay, because if we look at quarterly run rate, we have come down to almost like a 50,000 to 51,000 TEU while we were at least doing close to 60,000 in good times. So, can we see a bounce back to that extent or how do --?
- Anish Maheshwari:** So, basically, we hope that, in last time as I told you domestic operations are getting very impacted due to the export duty on steel. The same time in you will ask me about the EXIM volumes also the impact will be for next couple of quarters probably. But if you will see year-on-year comparison, there is a very huge positive in both side CFS as well as ICD side, both side. So, that will remain continue. And then again, we will be on a same track after certain, when Morbi will open, and from there also we will be getting that domestic as well as EXIM operations benefit towards the Mumbai region because there is a cross selling. Again we discussed in past quarters too, once our operations towards domestic will start over there at Morbi, then it will be getting positive here on the Mumbai side too. So, that will be all plus business for the existing business.
- Vikram Suryavanshi:** And if we look at domestic business, what we were doing at work at Vapi that will remain with us. And we were also supposed to give these logistic services for the Tumb ICD with our trailers and all that, but I guess we also sold out the trailers and the transportation vehicles that Tumb, how that now, business will basically at Vapi related area will remain and which business will go to Adani, can you explain that a bit?
- Anish Maheshwari:** So, basically, we will remain continue with only the business towards that domestic operations which we did in past, in that region. Other than that entire business will be shifted to the Adani only because when we start operations for them, there is a markup of 20% to 25% of profit towards that and they are unable to handle without trailers. So, they just come to us and discussed further on it, and they just took the trailers with their own possession to do the better operations. So, in that trailer operations we just handed over to them and we just give the possession to them too. So, in this quarter, which we were proposing at that time that we will earn around Rs. 8 to Rs. 10 crore when that operations for next eight months. So, the same profit we took in our existing tailors also, like we were having a book value of those trailers around Rs. 120 crore and we sold it out in Rs. 135 crores. So, it will not be giving me a much impact on the profitability for this year. But in this quarter, we will be adding that profit because that deal was done in October itself. So, we will cover it all, if you see, it was discounted profit with that delineation. So, we propose that with operations will earn around Rs. 10 crores to Rs. 15 crores in next eight months, which was already been taken from that --



**Vikram Suryavanshi:** And when we say that domestic business which is around like Rs. 40 crores quarterly, what kind of growth we will see in that business and what are the catchment areas, typically we are catering for this domestic --?

**Anish Maheshwari:** Typically, when that business till now we were having only that – steel ArcelorMittal as a client. Now we are thinking more about the cement, steel heavy commodities only. So, in that we will do that kind of operations for coal, cement, steel, and heavy commodities like Project Cargos and all. So, that we are searching out, our entire team is behind it. Now an entire team is going towards the different locations like Delhi, Pune, Hyderabad down the line if you have seen in North side Surat and we are more focusing with that station, if you see, for the domestic operation itself. Because we are bound to the non-compete agreement for the EXIM operation towards the 100 kilometers of range. So, with that locations we are not searching much bigger on EXIM side, but definitely we are hoping that we will add more commodities over there in that next couple of quarters, other than steel also.

**Vikram Suryavanshi:** And for this Morbi, what kind of per rake addition will require? And what are the plans there?

**Anish Maheshwari:** So, right now, we have three rakes with us and Morbi project almost 80% is completed. So, we have already placed order of seven rakes in past which we will be using for Morbi as well as our domestic operations. So, we were planning earlier, we will have to take around 16 rakes which now stop will be only 10 rakes over and all. So, 7 which was already been placed order towards the rake agencies, which we will take in next three to six months once the Morbi operations will be start then that will be coming.

And one more thing which I wanted add over here, we are moving on to cement business where we would like to place three or four sets of rock container or the specialized container for the cement operations in a couple of quarters. So, that also is in plan.

**Vikram Suryavanshi:** So, cement will be mostly domestic movement or are we looking --?

**Anish Maheshwari:** Mostly will be for the domestic movement only, we are not going to, doing any kind of EXIM volumes for the same.

**Vikram Suryavanshi:** And the cement is with flexi bag or the typical small bags, because I think what we heard is that Concor and all that he's trying with this flexi bag bulk cement movement through container. So, are we also trying something --

**Anish Maheshwari:** We are also planning for the same itself. We are discussing further rounds with so many cement vendors. And we were having a thought behind it, like once that container which will be the specialized container for the bulk movement of cement then they will be definitely a game changer for the EXIM, for the domestic –

**Moderator:** Thank you. The next question is from the line of Ganesh Shetty an individual investor. Please go ahead.



**Ganesh Shetty:** We have received good amount of money through our sale to Adani Logistics. And with that money last concall you have touched up on a point that dividend payout can be possible. So, is there any possibility of dividends during this next coming quarters or this year itself?

**Anish Maheshwari:** So, basically, Ganeshji we just wanted to be clean that debt book in this quarter itself this month, I can say then after we will be evaluating it and come back to the market, we are definitely planning something, it might be in level of dividend or it might be a -- whatever it may be, but company and promoters are definitely thinking on it. Loans are, debt will be completely paid secured and unsecured and after that whatever cash company will be having we will definitely come up with the market and tell that what we are doing with that cash.

**Ganesh Shetty:** My second considering the value in the company and the financial strength of the company, so, can we go for any type of buyback or like that, so that at least the investors will get some confidence?

**Anish Maheshwari:** So, definitely we are open for, thinking of those things correct, like once we would like to evaluate how it will be give the value to the shareholders that we are definitely thinking on it. It might be any form but our discussion is going on internally, it can be anything buyback, paying dividend whatever maybe but it will be definitely create the value for the shareholders that we are thinking on.

**Moderator:** Thank you. The next question is from the line of Sandeep Thakkar, an individual investor. Please go ahead.

**Sandeep Thakar:** The one question I had was, how much cash we have in our account and how much is expected to come? And what is your vision for Navkar Corporation for the next 3 years?

**Anish Maheshwari:** So, basically, the company has almost has Rs. 200 plus cash, right now, after paying all the debt. And after that, the new that will be added, Rs. 70 to Rs. 80 more will come. In totality Rs. 125 is to come, but some GST would be deducted and maybe some debtors realization will be a bit more. But all in all it will be on a peak Rs. 280 crores, will be still left with the company. And out that Morbi and Railways payment, which will be in the range of Rs. 100 crores, so at the end cash of around Rs. 175 crores to Rs. 200 crores will be there in the company.

Secondly that you ask me, for next year, what will be the plan for company, so for the next three years we are planning towards, first step is we will be coming up with the Morbi, very fast, as soon as possible, we are completing that project. Secondly we are certain avenues where we can started small ICD or a EXIM or a domestic operations, using the existing facilities of certain parties. Or either we can make another small ICDs over there in state devised regions, like we are thinking of Pune, we are thinking of Surat, we are thinking further down the line. So, in that way two to three small ICDs we can make, that is what is going on in our minds right now. Or else in the domestic operations, without opening any new ICD, without doing anything can do a joint venture, or maybe use Concor's facility, expand domestic business, without making any further asset. Being asset light how can we expand our business is what we are thinking right



now, maybe warehousing. Apart from that existing operations, which are the other commodities what we can work with, like steel that we are doing in domestic, just like that in heavy commodities where can we work, maybe coal, maybe cement. No major investment, just small investment plus using our facilities, like we have 3 CFS, one more would be added with Morbi. How can we leverage our facilities and earn more, because now whatever will be the profit that will remain continued. Whatever is going on right, now only about 2% to 5% plus or minus, maybe the max profit we can get is 15%. Our teams are free for the Morbi operations, so we are thinking of expansions is what we are thinking.

Apart from all this, we will be focusing more on railways because after DFCC how can we benefit from the railway connectivity. So, leveraging that how can we expand domestically, is where our focus is. We are meeting with people regarding that, just like in cement we said, we have met all big vendors on the cement side like ACC cement, Rathi cement, Ambuja cement, we have been meeting them and discussing how can we benefit them. Steel we have already, if Cement is added in our arsenal, so we will be doubling the business towards the heavy commodities in a couple of years. So, this is the thought that we are having right now.

**Sandeep Thakar:** Can you give guidance for the next 3 years, top-line, bottom line?

**Anish Maheshwari:** If you want to guidance for the three years, all I can say is the Vapi business that we lost, that same business we will get back in the next 2 to 2.5 years, that's the board line that you can hold on to. The EBITDA that we had because of the Vapi business, we are aiming that Morbi and the new business will bring it back, it will compensate the Vapi setback, that is our primary planning.

**Sandeep Thakar:** Any specific number target?

**Anish Maheshwari:** If right now per quarter I have Rs. 220 crores to Rs. 225 crores top-line I had including Vapi, it is down 50% is now Rs. 110. So, the same loss that we have incurred, that same Rs. 1000 crores per year, we are planning to bring back.

**Sandeep Thakar:** So, every year 20% profit we should expect?

**Anish Maheshwari:** Yes sure, because from here Morbi will definitely add in. Mumbai business is there as it is, Morbi anyways we are adding.

**Sandeep Thakar:** And what benefit you are hoping to get from the PLI scheme, PLI scheme for logistics?

**Anish Maheshwari:** If you will ask me, that will remain, if you will see, it is benefiting us already. Gati Shakti benefits we are already enjoying.

**Sandeep Thakar:** So, you don't have much information regarding that, is it, PLI?

**Anish Maheshwari:** That benefit we are already taking as we speak, logistics benefit we are getting, railway benefits we are getting, after Gati Shakti we are enjoying the railway benefits too we are taking it.





- Moderator:** Thank you. The next question is from the line of Nitin Varnekar, an individual investor. Please go ahead.
- Nitin Varnekar:** My question was that has you previously spoke about that, transaction with Adani and your 50% revenue will be lost, right.
- Anish Maheshwari:** Yes.
- Nitin Varnekar:** Can I know that what was the major motive behind the selling that unit?
- Anish Maheshwari:** Major motive if you will ask me, there was practically –
- Nitin Varnekar:** Because one point, I was telling that, it was contributing 50% of your revenue top-line.
- Anish Maheshwari:** Correct.
- Nitin Varnekar:** And your company has done a transaction with Adani and sold the unit of business as well, what was the major reason?
- Anish Maheshwari:** In a single line if you will ask, I can tell you that we just evaluate that opportunity. And we got, concluded at that time with the management discussion, that if we sell that unit today, with that kind of business negotiation or with that kind of EBITDA or a profit margins Board will have to take the decision. We got that understand, in next five or seven years, we will be getting that benefit of that profits, which we will be making by that event. So, with – and after that, we evaluate why we are going to be debt repayment of the same or the profitability of that business, then that repayment was very competitive thing in that particular discussion. So, we just take that decision. We have sold that unit. Do the debt repayment of the entire company, and we make, because Morbi was in our hands, so we just evaluate that in the Morbi business and the profitability of – in next two or three years the Vapi will be replaced the same, then it will be the wise decision to take that call to debt repayment. We absolutely get the answer from the entire team was the same that will be the best idea right now, it will be making that debt free of the company and then come up with the Morbi idea.
- Nitin Varnekar:** And as I saw your current financial statements, I think Rs. 69 crores are still pending with it, right in your balance sheet?
- Anish Maheshwari:** Rs. 69 crores of what?
- Nitin Varnekar:** Debt.
- Anish Maheshwari:** Debt in the balance sheet it was Rs. 69 crores, right now it's only Rs. 24 crores to Rs. 25 crores rest of the payments are all over.
- Nitin Varnekar:** And is you company planning to pay dividends to our investors because since many days your management has not done?



**Anish Maheshwari:** So, that question was in past also, we are first reaping the debt in this month Nitin --. What we will be going to do, to add the shareholder values which will definitely give the shareholders itself in any of the form, it might be dividend, or the adding values for the profitability. So, that is the point, we will be evaluating the payment and get back to the market again.

**Nitin Varnekar:** And any new business is Navkar Corporation entering in logistics, same segment?

**Anish Maheshwari:** So, we are evaluating so many avenues to entering to the new businesses. But our core target and core idea should be the asset light model. How we will use our facilities, which we have, three facilities over there in Mumbai, one is in Morbi. So, once we will be all four operational, how we will be making profits, adding profits towards the same asset without adding any further heavy assets. That is our core plan.

**Nitin Varnekar:** And one last question. Can I know who are your top clients?

**Anish Maheshwari:** So, if you will ask me in industry, Top 10 shippers or Top 10 clients, all are my client. One thing I should add over here, we are not having any kind of plans to make main company with a debt. That is for sure, that is very clear. In the next couple of years, two to three years, down the line, we are not having any kind of such plan or we just wanted to use that money plus our cash surplus which will be adding to the company for our new upcoming projects or the business expansion. We are not going to take any further debt, that is for sure.

**Nitin Varnekar:** And as you told that after repayment of all the fund, you will be in cash with Rs. 180 crores nearly.

**Anish Maheshwari:** Yes, Rs. 175 crores to Rs. 180 crores.

**Nitin Varnekar:** And can we expect the next two years to come up with the same revenue?

**Anish Maheshwari:** Yes that's what I told, after Morbi we can expect that around two or three years down the line, three years you can take a horizon, we will be in same line of revenue.

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

**Vikram Suryavanshi:** We thank the Management of Navkar for giving us an opportunity to host the call and taking time out for interacting with the stakeholders. Before closing, Sir, do you have any closing comments, Anish sir.

**Anish Maheshwari:** So, thank you so much to each and every participant. I can say that company will be in a positive growth again, once we will be concluding all the debt free position and we will pay the debt, then after we will come up with a new plans and new updates with the market. That is for sure, company is trying to move again with the same level of profitability and same level of business in the next two to three years.



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



**PhillipCapital**

*Navkar Corporation Limited*  
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**Moderator:**

Thank you members of the management team. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference call. We thank you for joining us and you may now disconnect the lines. Thank you.