



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



PhillipCapital

“Navkar Corporation Limited Q4 FY’20 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'20 Earnings Conference Call of Navkar Corporation Limited hosted by PhillipCapital (India) Private Ltd. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves 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 Ltd. Thank you. And over to you, sir.

Vikram Suryavanshi: Thank you, Stanford. Good afternoon and a 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 today Mr. Anish Maheshwari – Chief Financial Officer and Mr. Shailesh and Mr. Kunal from Finance Department.

Now, I hand over the call to Mr. Anish for opening comment. Over to you, sir.

Anish Maheshwari: Thank you one more time PhillipCapital Vikram and his team. Good afternoon and a very warm welcome to everyone present on this call. As we all aware, the last few months has not been very conducive for the economy as a whole and affected the trades all over the world. For Navkar, the EXIM volumes have been doing well, the domestic volumes have been doing well. In spite of these conditions, we have still been able to stem our momentum of the past three quarters and a slow growth in the volumes in financial numbers.

Now, I just wanted to start with the “Financial Update of Q4.” Revenue for Q4 '20 is Rs.155.8 crores which is an improvement of 8% on a sequential basis and 19.8% on a YoY basis. The improvement has been mainly led by the volumes which had slightly increased by 1.3% as compared to Q3 FY'20 and increased by 8% as compared to Q4 FY'19. The operating profits for Q4 FY'20 has decreased by 17% on a QoQ basis to Rs.61.76 crores compared to Rs.74.70 crores in Q3 FY'20. The EBITDA for Q4 FY'20 has decreased by 21.3% on QoQ basis to Rs.36.77 crores compared to Rs.26.63 crores in Q3 FY'20.

Now, I just move onto the “Financial Update for the Full Year.” The revenue for full year 2020 has increased by 17.3% to Rs.482 crores to higher revenue mainly driven by 14% growth in average realization. The EBITDA comes in at Rs.166.2 crores in FY'20 as compared to Rs.152.5 crores in FY'19. The EBITDA margin declined by 31.6% in FY'19 to Rs.29.3% in FY'20. The net profit for the company for the year come into Rs.45.09 crores. On the balance sheet side, we have a gross debt of Rs.477.43 crores with net debt of Rs.199.34 crores translating to gross debt-equity of 0.279.

Now, I just wanted to move on to the “Operational Update.” We have seen an improvement in the volumes for the quarter with total volumes were 987 TEUs in Q4 and increased slightly of



1.3% on QoQ basis and increased by 8% on YoY basis. Volumes at Mumbai CFS increased slightly by 2.2% to 59.96 TEUs in Q4 FY'20 from 68.44 in Q3 FY'20, of which 26,096 TEUs for imports, 33,000 TEUs for exports. On a YoY basis, the volumes at Mumbai CFS declined by 7.1% as compared to Q4 FY'19. The volumes at Vapi ICD in Q4 FY'20 was 3,891 TEUs as compared to 3,945 TEUs, 0.2% decrease by QoQ basis. However, on YoY basis, the growth has been 38.9%. The Vapi volumes were mainly driven by the imports volumes which were 21,513 TEUs, exports were 12,378 TEUs for Q4 FY'20. On the PFT side, total trains handled for the quarter was 601 trains which had declined by 18.3% as compared to Q3 FY'20. The main reason behind this decrease is domestic movement at our CFS.

Now, moving on to the "Operational Update for the Full Year." The volume of FY'20 is 3,88,890 TEUs, out of which CFS under 2,58,320 TEUs and ICD under 1,30,578 TEUs. Mumbai CFS handles 1,17,998 TEUs for exports, 1,18,561 TEUs for imports and 21,761 TEUs for domestic movement. Vapi ICD handle 40,081 TEUs for the exports, 87,834 TEUs for the imports and **(Inaudible) 5:53** for the domestic movement.

Now, I will open the floor for the Q&A session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

Sachin Kasera: My question was regarding the CAPEX. From what I can see from the reported numbers and the cash flow statement, our CAPEX this financial year is close to around Rs.150 crores. So when we started the year we had mentioned of Rs.50 crores and then I remember in the February conference call you had upped the guidance to Rs.100 crores. What exactly change in that 1.5-months that this substantial increase is from Rs.100-150 crores?

Anish Maheshwari: If you see my total CAPEX which was last year around Rs.150 crores as you said, out of that Rs.75 crores moved from CWIP which is from last year.

Sachin Kasera: But sir, when I see the cash flow statement, the figure is Rs.125 crores which means this is actual cash outflow as far as CAPEX is concerned. Can you explain this Rs.176 crores number?

Anish Maheshwari: In this year if you are asking me, there is a total addition of Rs.116 crores, out of which last quarter if you see the number where we have already extended the TSR activity which was going on and main led by another Rs.30 crores for the railways racks which has come in February and March. Other than that, we have field force people expense of Rs.10 crores.

Sachin Kasera: I think I will take this on offline with you sir.

Moderator: Thank you. The next question is from the line of Nitin Ranjit from Capstocks. Please go ahead.

Nitin Ranjit: My question is regarding the operating margins for this quarter. Close to 10 **(Inaudible) 8:56**



Anish Maheshwari: The reason behind is, if you see, export is always in the range of 49% if we just compare with the last quarter and import was 51%. And this quarter we have at Mumbai 56% is the export, 44% is the import. At the same time if you compare with the Vapi number, last quarter is around 32% was exports which in this quarter is 36%. And one more reason I just wanted to add over here for the operating margin side. Till last quarter our domestic operations were in the range of Rs.19.14 crores in Q4, out of the Rs.155 crores of my total revenue is Rs.29.70 crores belongs to the domestic operations. And in domestic operations, there is a less margin compared to the **(Inaudible) 9:46.**

Nitin Ranjit: Sir, but looking at the operating expenses, it has gone up from Rs.69 crores and Rs.94 crores, that is a Rs.25 crores jump?

Anish Maheshwari: That is why I am telling you the expense which correlates with the revenue side, so our expense towards the domestic operations is higher than the EXIM operations which is led for the total expenditure side. And second major thing is, if you will add in this side, one more toll expense, this one earlier we are getting 30% from the toll side on the advance payment of toll after fast track from January onwards, we will have to pay entire toll to the fast track section. Another thing I just want to add on over here, as in March itself last 12th or 13th there was no such operations but whatever operations we did from the port to here, we will have to pay more to the labor side because our general labor cost mainly almost in a total cargo handling is almost in a range of 30, 35% which is up by around 50%, 52%, that is one more reason.

Nitin Ranjit: But the number of trains which we handled reduced from 736 to 601, right?

Anish Maheshwari: If you see my TEUs data volume is in a similar range. If I move the cargo by train, the cost is slightly less. But if I do the cargo movement by road it is always in a higher side.

Nitin Ranjit: Can you just give us a breakup of this Rs.25 crores increase? How much was the toll and how much was your expenses?

Anish Maheshwari: That I will give you separately but I will just give the brief about it. There are certain points which we have elaborated in the cargo handling side like railways movement this quarter is 601 compared to last quarter if you see almost 736. So my major operations towards the domestic as well as the EXIM cargo is my road only.

Nitin Ranjit: So because of that the toll expenses went up...?

Anish Maheshwari: Yeah, railways operations is much cheaper than the road operations.

Nitin Ranjit: So because of that the operating expenses went up by Rs.24 crores?

Anish Maheshwari: Yes.



- Nitin Ranjit:** One more thing is regarding the credit rating report which I am reading right now, we have kind of refinanced our long-term debt. So what would be the actual repayment obligations for FY'21 and '22?
- Anish Maheshwari:** This is just a rational. It is not yet concluded. It is not **(Inaudible) 13:12**. I can tell you there are two or three bankers approached us and they will try to give us a loan for a longer tenure for our commercial vehicles and equipment in turn for the next. Today, my average maturity of this Rs.400-odd crores is four years. And that they would like to take it for 10-years.
- Nitin Ranjit:** So currently what is the repayment obligation as things stand right now?
- Anish Maheshwari:** My average maturity today is four years and my loan is almost in a range of Rs.430-odd crores for the term side where it will be Rs.100 crores each year.
- Nitin Ranjit:** Will there be a similar CAPEX for the next year?
- Anish Maheshwari:** I am not in a position to tell you today, but I can tell you it will be in a range of almost Rs.50 crores for the whole year if there is further requirement. Today, we are not feeling any requirement, nor we did any kind of CAPEX, it may be in a range of Rs.40-50 crores for a whole year which is the recurring CAPEX.
- Nitin Ranjit:** So what should be the toll expenses – will it be recurring on QoQ basis?
- Anish Maheshwari:** Toll expenses I just wanted to explain you. What happens, our movement towards Mumbai Vapi and our movement go to CFS and CFS to ICD and ICD to port. And other than that we have a movement for the domestic operations also what is final destination. And what happens, we used to take the toll on a discounted rate because we are paying them the advance toll. But from January onwards, we will pay on a fast track basis which is similar for the everyone, there is no discount policy.
- Nitin Ranjit:** This would be recurring and how much would that be on a quarterly basis?
- Anish Maheshwari:** That is why I am telling, it will be my quarter-on-quarter, slightly in a higher side, slightly means we have incurred around 2-3% higher cost.
- Nitin Ranjit:** 2-3% of the total operating expenses?
- Anish Maheshwari:** Yes.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** You mentioned that 20% revenue came from the domestic operations and plus the fast track which resulted in lower margin. So just wanted to understand going forward is that the new



normal in terms of your margin, so how do you see your margin profile? And my second query is how is the COVID situation impacting your growth profile going forward in the near-term?

Anish Maheshwari:

I just wanted to give the answer to your first question is there are three, four major things, this is not only the fast track or not only the domestic thing, there are three, four major things which led the operating expenses higher. If you see in the export-import mix which is getting changed. Secondly, as you see on the fast track side, which is 50% operating cost. As I told you, the railways and the road mix. Last quarter I was having my operations with the same line of TEUs with 1,183 trains and this quarter we have 600 trains. So definitely higher movement in trains, then it will increase the quantity side. Secondly, the question which you have told me about the COVID situation. Right now I am not in a position to tell you for next one or two quarters what will happen. Because in June quarter, we have the operations from the port side, so the pipeline will be from port side as well as **(Inaudible) 17:52** side, so the operations was going on, not in a positive side, but definitely operations was on. Second major thing which will give impact to us is the ground rent which was in the government notification in that they told us to not take any ground rent till 3rd May on the same containers which impact has started from 23rd of March itself. That also impacted my margins. So going forward if you ask me for the next couple of quarters it will be really difficult time for the whole country as a globe. So we will definitely come back to you all after the quarter. But definitely there is no movement from 15th of June to 15th of July. After that only new vessels will be having impact.

Deepak Poddar:

You mentioned no movement from 15th of June to 15th of July?

Anish Maheshwari:

Movement means the movement which we have right now till 15th of June which was good because the vessels was coming from the other destinations to the port. But from 15th of June, our pendency towards port is very less, job pendency is very less which means till 15th of July very slight movement but after 15th July we are hoping that the movement will be again on a same track.

Deepak Poddar:

Can you just give us the rough ideas and what sort of utilization level we might be running for April, May, June?

Anish Maheshwari:

So right now I do not have handy figures with me but I can tell you March was good, but after April, May was average, June is slightly good. There was nothing like that there is no movement. From 23rd March to 31st March there was no movement from the CFS side. We are taking cargo from the port. But from CFS there was no movement...there was no single rupee revenue from the operations.

Deepak Poddar:

And 15th June to 15th July you mentioned is on the lower side?

Anish Maheshwari:

There was a movement from the port to CFS, ICD also but we are not having the job with us for the next two or three weeks.



- Deepak Poddar:** In two years 40% EBITDA margin that we were kind of looking at. Any kind of comments you want to make on that like ...?
- Anish Maheshwari:** In this situation honestly I am not in a position to give any kind of comment on the profit side. I just wanted to add on that side. I will just give compliment to the management of Navkar as they are giving entire team in this situation also. There is no single penny cut for any of the employee and also we incentivize those employees coming for the operations in the COVID situation This is the good compliment for the management side.
- Moderator:** Thank you. The next question is from the line of Anirudh Dixit, an investor Please go ahead.
- Anirudh Dixit:** Just wanted to have some guidance on the deleveraging process because I think sir we have been getting guidance that overall debt level shall be reducing but this is not exactly happening. Right now also I believe the overall debt is roughly around Rs.470 crores and I understand the CAPEX is also like whatever the guidance is being given, we are actually overshooting that significantly. So looking at the cash flow statement, there is actual cash outflow of roughly Rs.176 crores for CAPEX. So just wanted to understand how are we looking at deleveraging exactly?
- Anish Maheshwari:** Till last year there were activities towards the railways side which we already discussed on the last call also, we have taken two, three in the last quarter, other than that we made the TSR activity which was required for the operations, then there are certain things which was definitely improving my business operations and that has shown in our numbers also. If you see my operations number is slightly in a positive side and the situation could improve. But going forward there is no further CAPEX, which I have already been told in the last quarter call also For this year, there is no specific CAPEX on the railways as well as the ICD side, not even in the CFS side and there is no question after the COVID situation, there is no further CAPEX, I can tell you there is a recurring CAPEX which we require for improving our efficiencies that will be in a range of 2% to 2.5% of my total cost which is Rs.40 crores to Rs.50 crores maximum.
- Anirudh Dixit:** So sir this year then we will be looking at deleveraging of Rs.50 crores you are saying reduction in debt by end of March '21?
- Anish Maheshwari:** Yes sir, definitely should be there.
- Anirudh Dixit:** Out of the total debt Rs.470 crores, how much is the bank debt and how much of that is shareholders loan?
- Anish Maheshwari:** It is the promoters loan which is in the range of Rs.83 crores.
- Anirudh Dixit:** What is the average interest cost on both the bank debt and the promoter loan?
- Anish Maheshwari:** Promoter loan is in interest-free loan totally although we are making provision on the balance sheet for the IND AS purpose but there is no interest paid to the promoters in the deductions of the loan, first thing. Secondly the bank loan is average in the range of 9.5% to 9.75%.



- Anirudh Dixit:** So there has been no reduction in like interest cost because...?
- Anish Maheshwari:** We are proposing to bank... we are already in discussion with bankers. So that way definitely 50 basis points to 1% there may be debit side.
- Anirudh Dixit:** End of March '21, what overall debt level you would be looking at, some guidance on that?
- Anish Maheshwari:** Including our promoters loan in the range of Rs.425 crores.
- Moderator:** Thank you. The next question is from the line of Jayakanth Kasthuri from Way2Wealth. Please go ahead.
- Jayakanth Kasthuri:** Sir, in terms of receivables, when I see it year-on-year it has increased. Sir, do you find some kind of stress right now in Q1 and around passing over to little in the first half of Q2? And other one is now that you have seen the diesel prices have increased since last 20, 21-days. So do you see that impact to be there in Q1 and the first half of Q2? Other part is I missed out on your domestic number in TEUs, so if you can give me that number?
- Anish Maheshwari:** We are not converting on TEUs. Domestic is operations from last two quarters if you see we are not converting in TEUs because domestic operations are altogether different now as well as tonnages. So we are giving in the value numbers only. And secondly, as I told, there is definitely diesel hike will impact our operating profit itself, but we are trying to convey to our existing customers too as this is not the time where both the hit we can take, we can give the delivery and we can take the hit of diesel price. So we have passed it on right now also. Secondly, as I told, on the business side, we are seeing that operations which is only going on and the debtors side, definitely earlier it was having 40 to 45 days deficit, which is now 60 days but there is no problem with the debtors. Coming to our receivables, with this situation also, till March, my receivables was almost in the range of Rs.70 crores, which is now Rs.80 to 81 crores, hardly Rs.10 crores will be incremental debtors But the payment is coming from those people also. Yeah, definitely 10 to 15-days definitely there is a delay but there is no problem with the receivables.
- Moderator:** Thank you. The next question is from the line of Aditya Tamre, an investor Please go ahead.
- Aditya Tamre:** Actually wanted to know about the operation expenses. Going forward, looking at the diesel prices again going high, any gist that you can give us, right now we are at almost 60-65 EBITDA levels, the expenses have gone up so much, so going forward any idea?
- Anish Maheshwari:** Aditya, I can tell you for a couple of quarters, there may be challenges because everybody knows the driver and the labor issues are there. So right now our lone focus on the evacuation of the port, first thing, secondly, capturing the business houses... I will just add on the specific question we had sum of around 25 to 30 parties new in this COVID pandemic situation, whoever is working with other parties like shipping line also working with me, so our main target today is major focus to just to capture those parties who were not working with me, but there are certain parties with those we are having a long-term contract if the COVID situation continue for next



one or two quarters, then after we will definitely getting those benefit, but yeah I will definitely tell you for next couple of quarters there may be challenges from the driver side, labor side, diesel prices also hike, so that will definitely impact our operation margin, but after that it will gradually improve.

Aditya Tamre: Is there a possibility that we see any growth in volumes in a number of...?

Anish Maheshwari: Right now we are not in a position to tell about that because almost 2.5-months after 23rd of March operations are getting down, there is no export, all of the factories were closed, it will definitely impact this quarter.

Aditya Tamre: Luckily, lot of revenue we must be getting from domestic?

Anish Maheshwari: Yeah, domestic operations we are doing quite well.

Aditya Tamre: From the fourth quarter of last year and coming forward, we see growth in domestic volumes?

Anish Maheshwari: Yeah, definitely.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: Sir, firstly, on this number of trains, why the number of trains handled were lower this quarter versus like volumes were similar and EXIM?

Anish Maheshwari: The reason behind that is mainly railways was not 31:37 (???) till 15th of February. After 20th March there was no delivery. Main impact was in the railway operations was just in the March month.

Prateek Kumar: But we understand that rail was doing better all this while?

Anish Maheshwari: In the domestic side. If you see my numbers also, last quarter compared to this quarter, EXIM domestic volumes was good.

Prateek Kumar: Does the change in rail mix also impact margin?

Anish Maheshwari: Yeah, the main margin is less because of that only because last quarter we did trains of 736 which is in this quarter 601 only, less by 18% to 19%.

Prateek Kumar: So lower rail mix also impact on margin?

Anish Maheshwari: From this quarter onwards, it is majorly on the railways side which is definitely cheaper.



Prateek Kumar: A related one to previous participant's question. Rs.176 crores of CAPEX in this year, so how out of this Rs.40, 45 crores is maintenance CAPEX, two trains which we had for the year would have probably Rs.30 crores CAPEX?

Anish Maheshwari: I will just add in that that last quarter my total CAPEX till March 2020 was Rs.170 crores, after that Rs.75 crores (Inaudible) 33:30 which was from the last year. And this year we took two trains, then TSR activity we did, as told on the last quarter also, it was ranging almost 40 crores, 30 crores train, 10 crores for the CTO license and last year we replaced maintenance FFC and my numbers for vehicle was 800, which is now almost 1000, 93 payments also we had last year.

Prateek Kumar: How much was CAPEX on vehicles?

Anish Maheshwari: Vehicles is in the range of Rs.20 crores to Rs.28 crores.

Prateek Kumar: And maintenance CAPEX is of around Rs.50-odd crores?

Anish Maheshwari: Yeah, so altogether it will take that number, so maintenance CAPEX is the average of the total block, correct, It may be sometimes a lag, it maybe a little bit higher side, so we are taking average of 2%, it may be 1% sometimes, it may be 2.5% sometimes, it may be 3%, it all depends on the vehicle condition and other yard conditions.

Moderator: Thank you. The next question is from the line of Parin Jhaveri from JNJ Holdings. Please go ahead.

Parin Jhaveri: Can you just share me what is your total debt? Because I am just seeing your block, you have long-term which is about Rs.410 crores, short term which is about Rs. 67 crores and there is other financial liability, probably that has about Rs.70, 75 crores, right? Total debt is what, around Rs.550 crores, sir?

Anish Maheshwari: Yeah, it will include that. I will give you the breakup of entire block. First you take the bank debt plus the promoter loan, plus the preferential allotment, plus CCOD of the company which is altogether Rs.550 crores and out of which, Rs.67 crores in the CC, (Inaudible) 36:24 WCDL, Rs.105 crores is the promoter loan, then Rs.377 crores is my term debt.

Parin Jhaveri: So you gave a number that your debt going forward would go down to Rs.425 crores.

Anish Maheshwari: Including PC na boss. It is Rs.450 crores right now. So I am telling you that in the range of Rs.425 crores maybe be for the next year, because we are taking the moratorium in two quarters, it will be definitely the total debt number. We get the six months time. In that we are able to reach out to Rs.25 to 30 crores of the repayment.

Parin Jhaveri: Sir, if I just do some back of the envelope calculation, basically this year you are expecting basically a same type of year as FY'20 because you are expecting about Rs.50, 60 crores in your either profit after tax and plus your deferred tax and add your depreciation which is about Rs.45,



50 crores and you want to utilize that Rs.50 crores for the repayment, so basically you are expecting same year as FY'20?

Anish Maheshwari: Yeah, I am expecting the same figures. I can tell you on the operating side there is a problem. Operations are going on. So the hit which we had already been taken in this quarter will be coming up with the numbers after 45-days, correct. Till July 15 I am looking something in the loss side but after that there may be pick up and September after, second half will be in a boom because there is no demand today but after that it is not going like that only na. So there may be marginal decline definitely, that is I am not telling you because today there is no situation to tell anything about that, but if the hit which we will have to take in this quarter of June, that will be coming, after that only any number to tell what will be going in this couple of quarters.

Moderator: Thank you. The next question is from the line of Nishant Shah from Dolat Capital. Please go ahead.

Nishant Shah: Will there be any price hike in the second half of the year?

Anish Maheshwari: There is a slight probability in that. It will all depend on the demand, boss. Right now there is no demand, so we would not have any kind of pick up, but the operations is going on, till now there is no such impact on the operations, definitely impact on profitability, but operations are going well.

Moderator: Thank you Ladies and gentleman, that was the last question. I now hand the conference over 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. Thank you sir.

Anish Maheshwari: Thank you, everyone for joining the call and I hope we have been able to respond all the queries adequately.

Moderator: Thank you very much, sir Ladies and gentlemen, on behalf of PhillipCapital (India) Private Ltd that concludes this conference. Thank you for joining us and you may now disconnect your lines.