



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



PhillipCapital

“Navkar Corporation Limited Q1 FY-24 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day and welcome to Navkar Corporation Limited Q1 FY24 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

As a reminder, all participants' 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 PhillipCapital. Thank you and over to you sir.

Vikram Suryavanshi: Thank you, Neerav. Good afternoon and a very warm welcome to everyone. Thank you for being on a call of Navkar Corporation Limited.

From the management, we are happy to have with us here today Mr. Arun Sharma – Chief Executive Officer and Mr. Anish Maheshwari – Chief Financial Officer.

I will hand over the call to Mr. Anish Maheshwari for opening comments and then we'll have question and answer session. Over to you sir.

Anish Maheshwari: Thank you Vikram and thank you for this call. Good afternoon and very warm welcome to everyone present on the call. I would like to give insights on the results of current quarter financials of Company.

Here I am highlighting in detail about the continuous operation of the Company; coming to the total revenue figures of this quarter, the same is 105.53 crores for this quarter as compared to 103.55 crore last quarter and 129.33 crores from last year first quarter. The revenue has been increased, quarter-on-quarter is 1.21% and decreased by 24%, the major reason behind this is the export operations on the port is around 30% declined on a quarter-on-quarter basis and last year quarter basis. On the revenue figures the profit after tax of Company in this quarter stands 3.73 crores in comparison to 6.65 crores in last one. When coming to the profit before the tax the same was 6.30 crores compared to 9.96 crores in previous quarters.

Going ahead let's discuss the elements of the revenue of Company during the quarter are as follows; in case of CFS/PFT volume of export containers handled standards 18,130 TEUs from 28,169 TEUs on QOQ basis and fallen at 35.63% and from 33,811 on YOY basis the same as 46.38%. The major reason of fall was on the exports of being the export of rice sugar and other agro commodities. The position is expected to remain same for the upcoming three-four quarters. The volume of import containers handled fallen by 5.30% to 28,854 from 30,472 TEUs on a QOQ basis and the 28,854 TEUs from the 29,592 on a YOY basis. The same is slightly lower side by 2.48%.

Coming to the EXIM turnover of CFS; the same is down by 23.79% from 64.2 crores to 48.96 crores. In case of CFS/PFT, the number of trains handled is 181 in this quarter compared to 233

last one. The domestic turnover for this quarter is 32.2 crores of Somatane and 15.87 crores at Udhna and 2.8 crores at a Morbi. Total making is 49.97 crores to the Company's level as compared to last quarter it is 37.22 crores. In the case of ICD Manaba volume of export containers handled standards 2065 TEUs, whereas import containers handle stands 216 at TEUs. There has been tenfold increase in the TEUs handled in EXIM business. Coming to the EXIM turnover of ICD Manaba is 4.8 crore whereas domestic was 2.8 crores, in total it's 6.88 crores.

Now coming on the profit figures of Quarter 1 FY23-24; operating profit of the container business for this quarter stands as 37.84 crores as compared to 36.5 crores. But when we compare the same with the turnover, the operating margins are current quarter 35.86 crores in comparison to 35.25 crores last quarter and the operating profits marginally slightly increased. In spite of the fact that the EXIM balances are not fared as last year still we are maintaining the same profit level, in spite of the fact of Morbi operations where we have huge losses because of the operations are yet started in a full string. Still Company's maintaining the same profit. The profit before tax from container operations stands at 3.73 crores as compared to 9.96 crores on a QOQ basis. This impacts on profits due to following factors; the employee cost of business and increase which is current year appraisal and team expansion is 3.24 crores and the finance costs have declined by 2.58 crores in this quarter comparison to last quarter is 3.66 crores to 1.8 crores. EBITDA margin had decreased to 16.15 crores from 20.48 crores. This is mainly cause of increase by employee benefit cost.

At last, Somatane was able to maintain steadily revenue over last 3-4 years even when there was fall in EXIM revenue by 23.79 whereas the compensated by the domestic business of the Company whereas the ICD Morbi has achieved 6.95 crores which is higher by 170.43% over 2.56 crores QOQ basis. ICD Morbi is still covered to cost. It is expected that it will be achieved breakeven in the upcoming four to five quarters. With exponential growth it is expected to have growth at 15% to 20% for ICD Morbi operations.

Here I just wanted to highlight the debt size of the Company. The company added new fleet of almost 400 trailers in past six months and 8 reach stackers and three rakes, out of which we had taken 200 trailers loan, which is in that side Company had taken 80 crores debt to maintain the Morbi operations. Like in a cyclone situation we got the huge operational opportunity over there and we added a new fleet of 200 containers to achieve the port movement. And which will give the benefit to the straight business side which we had a business of 3 crores last quarter, which is 7 crores this quarter.

Now, I just wanted to be open floor for a Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from Ganesh Shetty, individual investor.

Ganesh Shetty: During the last quarter we had very high expectation of good performance for this quarter. But if we compare all the parameters like sales and profitability in spite of giving away entire debt and using the cash which we have got from Adani transaction, we are still far away from the

expectation to the shareholder or expectation of the management. So, every quarter we are expecting something stabilizing of profitability but every quarter we are having some negative surprise on that. I can understand the business dynamics and the investment which is required. But as a shareholder it is a regular disappointment for most of us. So, can you please throw light on our future prospects and some stability or some predictability in our profitability for the future?

Anish Maheshwari:

I do agree with you but I have certain things which I just wanted to be highlighted over here to you. Good for the Company. The company was 100% debt free in spite of the situations which we had seen into the market where the exports are getting down since the last two or three quarters drastically and which will remain continue for the next two or three quarters. Good thing for the Company, there is growth which we had seen in Morbi. There are certain parameters which will have to be taken care of well. Like when we are going to start our new operations in a new vicinity where we'll have operational efficiency to be developed in couple of quarters, it may take another three or four quarters to take care of our break even. But once we will be in full swing as we had seen in the past where we have Vapi operations, first six quarters were not making any profit. We were on the side of maintaining our operating levels itself and once we were in full swing after that you will see there was a volume of 20,000 container per month and the Company was making an almost 50% jump in three or four quarters during the period. So now if you ask me, the negative surprise which we had seen for the Company is definitely profit level. And I can say after Vapi also our Mumbai operations during this period also with the different strategy of our marketing team towards the domestic operations and maintaining the mix of other commodities where the other sectors which you will see in exports. I just wanted to highlight here that when the EXIM mix is not correct then your profitability will be going very lesser than the comparative period. But still, we are maintaining the same. Our EBITDA level is marginally down. In absolute number if you see due to the Morbi operations were making the sales of 6 crores versus we have a total expense of 12 crore. So, in that fact if we'll see comparative to other quarters, our EBITDA margins have remained the same. But due to the new factor or new facility which we had started last March only where we will take another three to four quarters for breakeven. Till the time that might be profitability will remain same or in an improvement side slightly but after once everything will be in operational side then we'll be in a real safe in next 1 or 1.5 years I can say.

Ganesh Shetty:

Is there any plan to take debt for our further working capital or CAPEX because as you mentioned this quarter, we had purchased some quantity of trailers and all for adding our operation. Can you expect some more debt in the books in the coming quarters to come?

Anish Maheshwari:

I just wanted to tell you about the same, during the cyclone period, there was a huge opportunity for us in a Morbi side and we were with services to cater the existing operations over there. And we were getting good business from that side and that's the reason we just take the decision and we just wanted to try hiring over there a local truck operator but we were not getting that much of a quantum of vehicles that's why we just take the decisions and we just add the fleet. One more thing I just wanted to add here. Last year, after Adani's deal done, we had added 400 vehicles, out of which 200 is 100% owned by the Company with the cash itself. Eight reach

stackers which we just required for the operations which we added by our own cash. Three rack trains, which we added by our own cash. So, all in all if you'll see, the entire operations, when we did started for Vapi, were having almost 300 crores fleet. But right now, with the same fleet we had only spent 80 crores. And against that, 50 crores which we are about to receive from Adani, 25 crores this year and next year 25 crores. So total debt which we added now is 80 crores, out of which 50 crores which we have in hand. I think net debt for the Company over the period of time it may be a maximum of 50 crores for the next 1.5 years. If there are no such business opportunities received in the coming future, then we'll definitely not going to add any other debt. But if there is a huge opportunity again coming to us then we will see on the opportunity side.

Ganesh Shetty: My one request is that, as we are conducting our conference call in the middle of trading session for our market players, so it would be beneficial for the Company management as well as the investors if they can just postpone it at around 330 PM. So that a large number of investors can participate in the conference call and management can get some overview of the investor perception.

Anish Maheshwari: We'll take care of your point.

Moderator: Next question is from the line of Kaustav Bubna from BMSPL Capital.

Kaustav Bubna: You had said that you added some debt this quarter. So how much was that quantity?

Anish Maheshwari: 200 vehicles, 80 crores.

Kaustav Bubna: You added 80 crores of debt?

Anish Maheshwari: Yes.

Kaustav Bubna: Before this Mobi unit let's say in 3 to 4 years down the line, it operates at optimal utilization. What type of revenues and margins should one expect from an ICD like this?

Anish Maheshwari: So, down the line 4 years as our past experience, if you'll see in Vapi, 2017 was the first year where we were having a top line of 20 crores and EBITDA was negligible, hardly 1 or 2 crores. And gradually, after 4 years, if you see before we sold out, it was having a top line of almost 450 crores and EBITDA level of 60-65 crores. So, we are expecting at the Morbi side, the same up down the line, 3 to 4 years. But it will depend on the situation of the market. It will depend as if you'll see today exports are almost 30%-35% down.

Kaustav Bubna: Why is it down? I'm saying, why are our exports down?

Anish Maheshwari: Exports due to globally, if you will see an agricultural commodity rice is banned, now sugar is banned. So once the agri-commodity which is not going to be exported and for exports Navkar, we are measure having exports of agro commodity itself. So, sugar earlier, if you will see last year we were having almost 10 to 15 trains volume in a month, which is all stopped and which

will remain continued as we got understand from the market as well as the government entities, it will remain continue for next two or three quarters itself.

Kaustav Bubna: So, what you're saying is that when government comes out and bans the exports to regulate their commodity, Navkar is not gaining from this? Its opposite of gaining from this because...

Anish Maheshwari: It's not about Navkar, it's all about industry. So, if you will see at port side also there are operations of export getting down by 30%-35%.

Kaustav Bubna: Correct. But we are talking about Navkar right now because it's a Navkar call. So, I'm saying Navkar does get harmed by this type of policy because you all are directly in this business.

Anish Maheshwari: There are two different harms. One is the export, which is not going by the Navkar, there is a business loss. Second the EXIM mix which is getting changed. Once if I have a good export as well as an import, then my profitability will be little higher because we have a both side cargo. At the same time, if I don't have exports or I have one side cargo, then my costing will be little higher side. So, it will also impact EBITDA.

Kaustav Bubna: And was your Vapi capacity the same as Morbi?

Anish Maheshwari: It is almost the same.

Kaustav Bubna: We can expect around, if everything goes well, around the same 400 to 450 crores in 4 years from Morbi.

Anish Maheshwari: This is our expectation.

Kaustav Bubna: How much revenue in Morbi are you expecting to do this year?

Anish Maheshwari: So right now, we are at almost this quarter we have around 6 crores revenue and next quarter we are expecting around 30% to 40% upside and it will remain continued for next couple of quarter and it will be having a 15% to 20% quarter-on-quarter growth.

Kaustav Bubna: And you're saying, see on one hand you said you won't increase debt and your net debt will stay at around 50 crores level. On the other hand, you're saying that you may increase debt if the opportunity comes. What was the point of becoming debt free if you're going to build that debt back up?

Anish Maheshwari: So basically, you'll have to understand, if we are having a 15% to 20% growth quarter-on-quarter then there is no requirement of further debt. That I told earlier too. If there is any huge opportunity come, like Cyclone was the event which was over there in Gujarat and we got a good opportunity. I can say you in last quarter we have 3 crores revenue versus this quarter, we have 7 crores. This month might be we have crossed 4 crores. So, I just wanted to explain over here, is there any opportunity in the near future which we get from the existing business houses from there then we'll have to be added. It will all depend. I will not be waiting for 4 years to

achieve 400 crores turnover. If there is an opportunity I will reach by 2 years, then I'll have to add fleet or smooth my operations.

Kaustav Bubna: And just the last question I had, on your CFS business. Could you just speak a bit about this business and give us some indication on where it is right now in terms of revenues for the Company and margins and how can we improve this business and what are the things you're seeing in that business?

Anish Maheshwari: CFS business will continue with the same line of action since last 3-4 years after DPD. So CFS is moreover we have an EXIM business when we have export mix of 50-50 earlier years till 2015-16 now which has gone down by almost 80-20. So, if you see quarter-on-quarter our CFS business will remain same which will be in a range of 80 to 100 crores. And it was last year before Vapi ICD we sold out. We were having almost in a range of 800 crores revenue out of which 400 crores from our ICD and 400 crores from our CFS. And the CFS revenues remain same since last four or five years. There are hardly a marginal difference of 5% to 10% plus minus. So, CFS will remain continue as were not focusing more on CFS business because this is a less profitable business. We are more focusing on the new commodities like steel, cement, domestic operations, cross business from Morbi to Mumbai, Morbi to Mumbai. Morbi is a tiles hub. So, we are exploring those commodities wherein they are coming to Mumbai for the export as well as the domestic operations. These are the commodities which we are more focusing on, steel which is going export from here, JNPT Port as well as from Mundra. And the certain facilities over there near our facility which we just wanted to be catering. So, this will be our more focusing area. And other than that, we are more focused on the cross-selling business which might be giving us another benefit towards the Mumbai CFS as well as the PFT of Morbi. This is our core strategy towards next couple of quarters.

Moderator: Next question is from the line of Narendra from RoboCapital.

Narendra: There's a clarification regarding the...

Moderator: Sir, your audio is not very clear. Can you please speak through the handset?

Narendra: You can take the other participant. I will join back.

Moderator: Next question is from the line of Shashank Mishra, individual investor.

Shashank Mishra: My question is that in the last conference call you shared that you have to receive 25 crores from Adani in September and October, and you have to receive also your filed application for this subsidy from railways of 30 crore. So, can you please throw some light on this? What is the status of both these payments?

Anish Maheshwari: So last quarter which I told about the subsidy which will be from the government of Gujarat I told the same time it might be happen in next three or four months. We are expecting by December we try to get it done. It all depends on the government entity while they are into the

process of understanding our subsidy papers and all. Once they get clear all these things then we will be getting the right time which might be taking two months' time which might be taking six months' time. It was also told by me in last quarter call. Secondly, which you told about the Adani payment, Adani payment is due in September, and we are expecting that will receive the same in September or maximum by October. If there is any change, we will give the sense on the shareholders. Because till now with our experience Adani has not even delayed our single penny. Whenever it was due, it was paid by them. So, with that experience I can say it's due in September. It might be received in October maximum. So, 25 crore this year and 25 crore next year.

Moderator: Next question is from Lennox Vikram Suryavanshi from PhillipCapital.

Vikram Suryavanshi: Just wanted to understand our Morbi operation last quarter, if you look at were waiting for shipping lines addition of our terminal into their basically import export. And how is the now development and by when we can see that train operation can pick up for Morbi.

Anish Maheshwari: Vikram. Sir, almost all shipping lines are added over there in Morbi operations, all parties are there started business gradually. And rail operations which you told about, once all operations will be in shape, once all parties will be having that confidence on us, then that it will be gradually improved. In our Vapi operations there were so many parties, when we started Vapi operations there were so many parties we were refused in first go. And the same which happened with us in Morbi also. Because there are existing setups with the parties. They don't want to change. But I can say it's a blessing in disguise for us. When the cyclone came, they were stuck in mid operations and at the same time we got the opportunity to clear the cargo for the same party. And now those parties who were not entertaining us are calling us for their operations. So, this is the positive thing for the Morbi operation, I can say. Secondly, once the operations will smooth and once the operations will be on a higher side then the railway operations will also be improved.

Vikram Suryavanshi: And out of I think around 4.8 crores Exim revenue we did; how many containers were handled broadly for Exim?

Anish Maheshwari: So Morbi if you'll see 2065 containers we had doing as exports and 216 for import.

Vikram Suryavanshi: 2065 for...

Anish Maheshwari: For export. 216 for import. So, in totality if you'll see it is 2281. So today Morbi is more our export focus area.

Vikram Suryavanshi: And in JNPT have we reduced our number of trains post giving up Vapi terminal? How many trains we are operating?

Anish Maheshwari: In totality 181 trains we handle compared to 233 which was in the last quarter.

- Vikram Suryavanshi:** But the number of trains were operating, I think 14 trains we were operating earlier.
- Anish Maheshwari:** So now we have a six train.
- Moderator:** Next question is from the line of Lalit Kumar, individual investor. The line for the participant dropped. Next question is from the line of Narendra from RoboCapital.
- Narendra:** So, you said that it will take three to four quarters for the operations to stabilize at Morbi. So, any guidance for the revenue number for the next couple of years if you could provide.
- Anish Maheshwari:** So, as I told you, we are in a very early stage to spend time over there. We just started in March 2023 first quarter which we have around 6 crores revenue and over the period of time I can see the growth if it'll give me average growth rate might be around 20%. So, quarter-on-quarter for the next couple of quarters or 3-4 quarters, it may go higher, it may take 20%-25% of a growth. But steadily year-on-year it might be in a 20% to 25% growth. So, if this year I'll take almost in a range of 30-35 crores of a turnover, then next year it might be in a range of 40-45. So, what happens it all depends on the repeatable customers. So, if some customer is having around 1000 containers volume in a month, he will start with the 100 or 50 containers with the initial operation. Once we are able to do time delivery or serve them better, then they gradually shift our business, which is we have our past history also. So based on that I can say there are gradual jumps on a quarter-on-quarter basis. It might be a one quarter where maybe having a 50% jump and there might be a one quarter where maybe having a 10% jump. So, year-on-year they might be 20% to 25% we are expecting. And it may take around three to four years to achieve the past Vapi business levels.
- Narendra:** Yes, I understood that. I was just asking about on the group level if you could provide it, all the ports together.
- Anish Maheshwari:** This year we have a first quarter is around 103. I can say this year will be close to around (+) 450 crores. Altogether for the Vapi from the Morbi domestic and the Mumbai operations.
- Narendra:** And anything on the margin side?
- Anish Maheshwari:** So, margin side I can say as Morbi is taking shape, it might take breakeven of around three to four quarters. Once Morbi will be on a breakeven, then our real margins will be slightly upper side from the earlier past EBITDA level.
- Narendra:** So, is it fair to assume that the current quarter margins should be the trend for the year?
- Anish Maheshwari:** Yes, it might be same.
- Narendra:** And also, one last question regarding the tax rate. So, what's going on there and what would be the normalized tax rate?
- Anish Maheshwari:** So, both the side Mumbai, we are in general tax level and Morbi will be under MAT.

Moderator: As there are no further questions, I will now hand the conference over to the management for closing comments.

Anish Maheshwari: So, thank you so much to the entire shareholder community and the shareholders. And we are into the path of new growing capabilities. And Morbi will be the new facility which will be giving us growth and EBITDA level positive very soon. Thank you so much. Thank you, Vikram.

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