

IPO Note: Navkar Corporation Ltd.

Industry: Logistics

Recommendation: Avoid

Date: August 19, 2015

Issue Snapshot

Company Name	Navkar Corporation Ltd.
Issue Opens	August 24, 2015 to August 26, 2015
Price Band	Rs. 147 to Rs. 155
Bid Lot	95 Equity Shares and in multiples of 95 Equity Shares thereafter.
The Offer	Public issue of 3,87,09,677 - 4,08,16,326 Equity shares of Face value Rs.10 each, (Comprising of fresh issue of 3,29,03,225* Equity Shares and Offer for Sale of 58,06,451* Equity Shares by Selling Shareholder (Sidhartha Corporation Private Limited)).
Issue Size	Rs. 600 Crore (Fresh Issue: 510 Crores + Offer for Sale: 90 Crores)
IPO Process	100% Book Building
Face Value	Rs. 10.00
IPO Grading	NA
Exchanges	NSE & BSE
BRLM	Axis Capital Limited, Edelweiss Financial Services Limited, SBI Capital Markets Limited
Registrar	Link Intime India Private Limited

Objects of the Offer

The company will not receive any proceeds of the Offer for Sale by the Selling Shareholder.

The objects of the Fresh Issue are:

- Capacity enhancement of the Somathane CFS (Rs. 114.5 cr.);
- Development of the non-notified areas of our CFSs (Rs. 54.3 cr.);
- Establishment of a logistics park at Valsad (near Vapi) (Rs. 314.6 cr.).

Issue Break up

Issue Size	Allocation	Equity Shares*
QIB	50%	19,354,839
HNI	15%	5,806,452
RII	35%	13,548,387
Total	100%	38,709,677

* Based on higher price band @ Rs. 155

About the company

Incorporated on 29th September 2008, Navkar Corporation Limited ("NCL") is a Container Freight Stations ("CFS") operator in India with three CFSs, Ajivali CFS-I and Ajivali CFS-II at Ajivali and Somathane CFS at Somathane, which are strategically located in Panvel, Maharashtra, in close proximity to the Jawaharlal Nehru Port ("JN Port"), the largest container port in India. As of May 31, 2015, company's CFSs had an aggregate installed handling capacity of 310,000 twenty Foot equivalent units ("TEU") p.a. on the basis of the then current infrastructure and operating equipment. NCL has a private railway freight terminal ("PFT") which allows them to load and unload cargo from container trains operating between their Somathane CFS and the JN Port and to transport domestic cargo to and from inland destinations on the Indian rail network. As of May 31, 2015, NCL also own and operate 516 trailers for the transportation of cargo between their CFSs and the JN Port by road.

NCL can handle cargo at controlled temperatures at their temperature controlled chamber and through the 92 Reefer plug points at their CFSs. NCL also offer services such as packing, labelling/bar-coding, palletizing, fumigation and other related activities at their warehouses and also customize their offerings for the customers. NCL's warehouses are spread over an aggregate area of 500,000 sq. ft., which includes a bonded warehouse of 60,782 sq. ft. and an area of 118,000 sq. ft. designated for the consolidation of less than container load ("LCL") containers. NCL propose to establish a fully-integrated logistics park at Umargaon, Valsad district (Near Vapi), Gujarat where they intend to provide a variety of warehousing and value added services. Further, through their subsidiary, Harvard Credit Rating Agency Ltd ("HCRAL"), NCL are in the process of developing an ICD adjacent to their logistics park.

For the financial years 2013, 2014 and 2015, the total container volume handled at CFSs was 220,182 TEUs, 244,128 TEUs and 268,836 TEUs, respectively, representing a CAGR of 10.5% between FY13 – FY15. The company's net sales has increased from Rs. 268.0 crore in FY12 to Rs. 328.8 crore in FY15 registering a CAGR of 7.04%. EBITDA has increased from Rs. 91.1 crore in FY12 to Rs. 121.7 crore registering a CAGR of 10.17%. Profit after tax has increased from Rs. 47.0 crore in FY12 to Rs. 73.1 crore in FY15, registering a CAGR of 15.92%.

The company has reported decent financial growth in past 4 years with healthy margins recorded in operating as well as net level. However, on valuation front, the IPO is priced in premium compared to other large players such as Container Corporation, Gateway distripark and Allcargo logistic. Further, during FY15 revenue decreased by 6% as the company has discontinued its sale of agro product business since April 2014 and intends to focus on CFS business. On P/E multiple basis, at higher price brand the company is demanding a valuation of 30.2x of FY15 earnings. Post dilution Price to Book Value is expected to be ~1.75x with RoNW at ~5.8%. Thus in our view, the IPO looks expensive, so we recommend to **AVOID** this IPO. Rather, investors can wait for the stock to correct and can buy it from the secondary market at reasonable valuation.

Consolidated Financial Statement

(In Rs. Cr)	FY12	FY13	FY14	FY15
Share Capital	13.43	17.08	20.58	112
Net Worth	208.69	306.34	431.35	741.56
Long Term Borrowings	353.75	353.55	342.97	430.42
Other Long Term Liabilities	15.95	21.87	28.85	34.53
Current Liabilities	81.191	112.63	111.81	149.40
Non Current Assets	794.96	794.96	794.96	1,226.42
Current Assets	81.164	109.39	122.32	132.78
Total Assets	659.58	796.69	917.27	1,359.20
Revenue from Operations	268.04	333.36	349.35	328.76
Revenue Growth (%)	-	24.37%	4.80%	-5.90%
EBITDA	91.05	106.42	144.9	121.74
EBITDA Margin (%)	33.97%	31.92%	41.48%	37.03%
Net Profit	46.96	56.71	90.01	73.14
Net Profit Margin (%)	17.52%	17.01%	25.76%	22.25%
Earnings Per Share (Rs.)	5.83	7.03	10.12	6.67
Return on Network (%)	22.50%	18.51%	20.87%	9.86%
Net Asset Value per Share (Rs.)	25.89	34.54	39.32	67.6

Comparison with listed industry peers

Name of the company	Face value (Rs.)	EPS (Rs.)	Nav per Share (Rs.)	P/E (x)	RONW (%)
Navkar Corporation	10	6.8	67.6	29.2 – 30.2	9.9
Gati Limited	2	3.5	62.7	45.8	7.5
Allcargo Logistics	2	19.0	151.4	16.6	12.6
Gateway Distriparks	10	17.3	84.9	23.9	20.3
Container Corporation of India	10	54.1	385.5	29.2	14.0
Industry Composite				28.9x	12.9%

Source: RHP, Ashika Research

Disclosure

- The Research Analysts and /or Ashika Stock Broking Limited do hereby certify that all the views expressed in this research report accurately reflect their views about the subject issuer(s) or securities. Moreover, they also certify the followings:-
- The Research Analyst or Ashika Stock Broking Limited or his/its Associates or his/its relative, has any financial interest in the subject company(ies) covered in this report. **No**
- The Research Analyst or Ashika Stock Broking Limited or his/its Associates or his/its relative, have actual/beneficial ownership of 1% or more in the subject company, at the end of the month immediately preceding the date of the publication of the research report. **No**
- The Research Analyst or Ashika Stock Broking Limited or his/its Associates or his/its relatives has any material conflict of interest at the time of publication of the research report. **No**
- The Research Analyst or Ashika Stock Broking Limited or his/its Associates have received compensation for investment banking or merchant banking or brokerage services or for product other than for investment banking or merchant banking or brokerage services from the companies covered in this report in the past 12 months. **No**
- The Research Analyst or Ashika Stock Broking Limited or his/its Associates have managed or co managed in the previous 12 months any private or public offering of securities for the company(ies) covered in this report. **No**
- The Research Analyst or Ashika Stock Broking Limited or his/its Associates have received any compensation or other benefits from the company(ies) covered in this report or any third party in connection with the Research Report. **No**
- The Research Analyst has served as an officer, director or employee of the company(ies) covered in the research report. **No**
- The Research Analyst or Ashika Stock Broking Limited has been engaged in Market making activity of the company(ies) covered in the research report. **No**

Disclaimer

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Ashika Stock Broking Ltd. is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form. The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon such. Ashika Stock Broking Ltd. or any of its affiliates or employees shall not be in anyway responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Ashika Stock Broking Ltd., or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.