

IPO Note

ISSUE DETAILS

Issue Opens	24th August, 2015
Issue Closes	26th August, 2015
Price Band(INR)/share	147-155
Minimum Application Lot	95
Face Value(INR)	10
Issue Size (In Cr)	600
Issue Type	100% Book Built Issue
Listing	BSE/NSE
IPO Grading	Unrated
Equity Shares Offered(In Cr.)	4.08-3.87
QIB%	50
Non-Institutional Portion (%)	15
Retail Portion (%)	35

Particulars	Pre-Issue		Post-Issue(Lower Price)		Post-Issue(Upper Price)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Shares to be sold			6122449		5806452	
OFS by shareholder	8094798	7.38	1972349	1.37%	2288346	1.60%

*Siddhartha Corporation Pvt. Ltd.

Particulars	Pre-Issue		Post-Issue(Lower Price)		Post-Issue(Upper Price)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters	109704798	100	103582349	71.7%	103898346	72.9%
Others	0	0	40816327	28.3%	38709678	27.1%
Total	109704798	100	144398676	100%	142608024	100%

Book Running Lead Managers

Axis Capital
Edelweiss Financial Services Limited
SBI Capital Markets Limited.

Registrar

Link Intime India Pvt. Ltd.

NAVKAR CORPORATION LIMITED

Navkar Corporation Limited(NCL) promoted by Mr. Shantilal Jayavantraj Mehta and Mr. Nemichand Jayavantraj Mehta is a CFS operator with three CFSs- Ajivali CFS I and Ajivali CFS II at Ajivali and Somathane CFS at Somathane, which are strategically located in Panvel, Maharashtra close to the JN Port. NCL offer services like cargo storage facilities at CFSs, packing, labeling /bar-coding, palletizing, fumigation and other related activities at the warehouses. NCL has an handling capacity of 310,000 TEUs and warehousing capacity of 500,000 sq.ft. The company also owns and operates 516 trailers for the transportation of cargo between CFSs and the JN Port. It also provides repair and maintenance of containers and storage of empty containers at their CFSs. For the FY 2013, 2014 and 2015, the total container volume handled at NCL CFSs was 220,182 TEUs, 244,128 TEUs and 268,836 TEUs, respectively, representing a CAGR of 10.5% between the financial years 2013 and 2015. NCL has come up with an offer for sale cum fresh issue. The IPO comprises of 3.47 cr/3.29 cr (U/L) fresh equity shares and an offer for sale of 0.61cr/0.58cr (U/L) equity shares of which 85% of the shares are a fresh issue. At the upper band offer price of INR 155, Navkar Corporation Limited is valued at 24x on a P/E basis VS the average valuation of 23x of the listed players. **NCL has come up with an offer for sale cum fresh issue of which 85% of the shares are a fresh issue and the proceeds from the issue will be utilised for capacity enhancement of the Somathane CFS, development of the non-notified areas of the CFS and establishment of the Logistics parks at Valsad (near Vapi, Gujarat). Thus at this price we recommend the subscribers to SUBSCRIBE to the issue.**

Investment Highlights

Strategically Located in Close Proximity to JN Port: NCL has CFSs in Panvel, Maharashtra which is located close to the JN Port, the largest container port in India which handles 55.7% of all cargo handled at major ports in India. The proximity of JN Port enables the company to capitalize on the large volume of container cargo traffic handled by JN Port. In order to facilitate the timely shipment of cargo to its customers and to provide the transportation of cargo to inland destinations in a timely and efficient manner NCL has entered into an agreement with the Central Railway, Govt. of India to operate a PFT at the Somathane CFS. With this NCL is able to transport cargo by rail between Somathane CFS and the JN Port as well as allowing transportation of cargo to and from inland destinations on the Indian rail network. Moreover, the CFSs are located close to National Highway 4 and National Highway 17 which provides good connectivity to interior parts of the country.

Dedicated Infrastructure to Handle Cargo: NCL CFSs and PFT operations are spread over an area of 3.6mn sq. ft., of which 1.6mn sq. ft. has been notified as a customs area. As of 31 May, 2015, the company owned and operated 516 trailers, of which most are fitted with RFID and GPS tracking systems for the movement of cargo between the CFSs and JN Port. The company has also deployed 36 forklifts, 21 reach stackers and six heavy duty cranes to load and unload freight containers from trains and trailers. NCL is also able to handle cargo at controlled temperatures at its temperature controlled chamber at Ajivali CFS II. These infrastructure facilities allow NCL to cater to the requirements of customers in an efficient and timely manner and also enable to employ a hub-and-spoke model for the operations.

Warehousing Capabilities to Service Varying Requirements of Client: NCL's warehouses are spread over an aggregate area of 500,000 sq. ft. which includes a bonded warehouse area of 60,782 sq. ft., 118,000 sq. ft. area designated for the consolidation of LCL containers and 5,000 sq. ft. area designated as a buffer yard. NCL offers services like packing, labelling/bar-coding, palletizing, fumigation and other related activities. Moreover, NCL also have a container depot where customers can store more than 5,000 TEUs of empty containers and the company provides repair and maintenance services for containers. This in turn results in a quick turnaround time for the transportation of containers.

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Expansion to new Geographical area: NCL intends to expand its facilities and infrastructure to service the growing CAGR of 2.5% from 6.58 million TEUs (93.39 million tons) for the financial year 2009 to 7.46 million TEUs (114.64 million tons) for the financial year 2014. The total container volume handled at NCL's CFS increased at a CAGR of 13.4% from 184,188 TEUs for the FY 2012 to 268,836 TEUs for the FY2015. NCL plans to develop a logistics park at Valsad (near Vapi, Gujarat) as a one-stop solution for importers and exporters. The states of Maharashtra and Gujarat have significant industrial activity that requires container freight handling and transportation and NCL intends to leverage the location of the existing CFSs (in Panvel, Maharashtra) and the proposed ICD (Vapi, Gujarat) to capitalize on this opportunity.

Objects of the Issue

The objects of the fresh issues are:

- ❖ To utilise INR 114.52 Cr for the capacity enhancement of the Somathane CFS.
- ❖ To utilise INR 54.25 Cr for the development of the non-notified areas of the CFS
- ❖ To utilise INR 314.56 Cr for the establishment of a logistics park at Valsad (near Vapi, Gujarat) as a one-stop solution for importers and exporters to provide a host of warehousing and other value added services including cold storage facility for perishable goods, a container maintenance, repair, servicing and cleaning yard, an empty container yard, and garage facility with a workshop for maintenance of vehicles

The Company expects that the listing of the Equity Shares will enhance the Company's visibility and brand image among their existing and potential customers

Key Risks

- ❖ NCL business operations are geographically concentrated and are dependent on the container traffic of JN Port. Since substantial majority of NCL's infrastructure, facilities and business operations are concentrated in Panvel, Maharashtra, any significant social, political, economic or geological disruption in this region, or changes in the state or local governments of Maharashtra or the Government of India or any change in the policies of the JN Port, which is promoted and controlled by the Government of India, could incur significant capital expenditure, change business structure or strategy, which in turn could have an adverse effect on business, results of operations and financial condition.
- ❖ NCL'S expansion and investment plan in the existing infrastructure is very much essential to remain competitive and capitalize the growth potential of the industry and any unexpected delay in the Expansion Plans may adversely affect NCL's competitiveness, business and results of operations.
- ❖ NCL was historically involved in the sale of agro products such as maize. NCL earned revenue of INR 70.57 Cr, INR 105.13 Cr and INR 60.51 Cr for FY 2012, 2013, 2014, respectively from this particular business. With effect from FY 2015, NCL have discontinued this business and is currently focusing on their CFS business. NCL may not be able to expand their operations and increase their revenues solely from the CFS business.
- ❖ A slowdown in economic growth in India will have a negative impact.

Peers Comparison

Peer Comparison													
Particulars(INR in Crores)	Sales FY15	EBITDA FY15	PAT FY15	EBITDA %	PAT %	EPS	P/E	P/BV	EV/EBITD	ROE	RONW	CMP	MCAP
Navkar Corporation Limited*	329	93	73	28%	22%	7	24	2	25	12%	10%	155.00	2210.3
Gati	1648	139	57	8%	3%	5	30	2	15	9%	10%	139.20	1217.58
Allcargo Logistics Limited	5628	482	247	9%	4%	19	15	2	8	13%	13%	285.20	3593.52
Gateway Distriparks Limited	1111	326	183	29%	16%	17	19	4	14	16%	15%	327.95	3564.82
Container Corporation Limited	6149	1403	1056	23%	17%	54	28	4	16	15%	14%	1500	29230.13
* Price based on upper band INR.155,CMP as on 24th April 2015,Source: Ace Equity													

Valuation and Outlook

At the upper band offer price of INR 155, Navkar Corporation Limited is valued at 24x on a P/E basis VS the average valuation of 23x of the listed players. NCL has come up with an offer for sale cum fresh issue of which 85% of the shares are a fresh issue and the proceeds from the issue will be utilised for capacity enhancement of the Somathane CFS, development of the non-notified areas of the CFS and establishment of the Logistics parks at Valsad (near Vapi,Gujarat). Thus at this price we recommend the subscribers to **SUBSCRIBE** to the issue.

Financials

INCOME STATEMENT		FIGURES in INR Cr		
PARTICULARS	Mar-13	Mar-14	Mar-15	
Income from Operations	333.36	349.35	328.76	
Other operating income	-	-	-	
Net Sales & Other Operating Income	333.36	349.35	328.76	
% Growth	24.37%	4.80%	-5.90%	
Expenditure				
- Operating Expenses	91.74	117.02	138.26	
- Purchase of Traded Goods	104.50	60.16	0.00	
- Employee Benefit expense	17.13	18.70	22.23	
- Finance Costs	32.45	33.04	26.37	
- Other Expenses	18.21	29.41	48.68	
Total Expenditure	264.03	258.33	235.53	
EBITDA	69.33	91.02	93.22	
EBDITA Margin (%)	20.80%	26.05%	28.36%	
% growth	16.18%	31.29%	2.42%	
Other Income	4.65	20.84	2.15	
Operating Profit	73.97	111.86	95.37	
Exceptional Items	0.00	0.00	0.00	
Depreciation	10.20	13.01	15.21	
PBT	63.77	98.85	80.16	
PBTMargin (%)	19.13%	28.29%	24.38%	
Tax	7.06	8.84	7.02	
Profit After Tax	56.71	90.01	73.14	
PAT Margin (%)	17.01%	25.76%	22.25%	
% Growth	20.77%	58.71%	-18.74%	
Equity Capital	17.08	20.58	112.01	
Face Value (In Rs)	10.00	10.00	10.00	
No. of shares	1.71	2.06	11.20	
Adjusted EPS	33.20	43.73	6.53	

BALANCE SHEET		FIGURES in INR Cr		
PARTICULARS	Mar-13	Mar-14	Mar-15	
SOURCES OF FUNDS:				
Share Capital	17.08	20.58	112.01	
Total Reserves	291.56	413.07	631.86	
Shareholder's Fund	308.64	433.65	743.86	
Minority Interest	-	-	1.00	
Long Term Borrowings	353.55	342.97	430.42	
Deferred Tax Liabilities	20.75	27.30	31.94	
Other Long Term Liabilities	0.03	0.03	0.03	
Long Term Provisions	1.10	1.52	2.56	
Non-Current Liabilities	375.41	371.81	464.94	
Short Term Borrowings	22.67	25.29	28.04	
Trade Payables	12.34	1.36	11.63	
Other Current Liabilities	75.00	76.62	104.24	
Short Term Provisions	2.63	8.54	5.50	
Current Liabilities	112.63	111.81	149.40	
Total Liabilities	796.69	917.27	1359.20	
APPLICATION OF FUNDS :				
Tangible Assets	620.34	655.52	1073.45	
Capital Work in progress	0.18	43.64	27.37	
Goodwill on Consolidation	0.03	0.03	0.03	
Non-current investments	20.25	20.25	0.00	
Long-termloans and advances	43.68	69.80	119.21	
Other non-current assets	2.83	5.73	6.36	
Non-Current Assets	687.30	794.96	1226.42	
Current Investments	0.00	0.00	5.02	
Spare Parts and Consumables	0.00	0.00	1.62	
Trade receivables	63.11	76.26	77.47	
Cash and cash equivalents	4.40	1.17	1.05	
Short-term loans and advances	32.24	30.43	24.34	
Other current assets	9.64	14.45	23.28	
Current Assets	109.39	122.32	132.78	
Total Assets	796.69	917.27	1359.20	

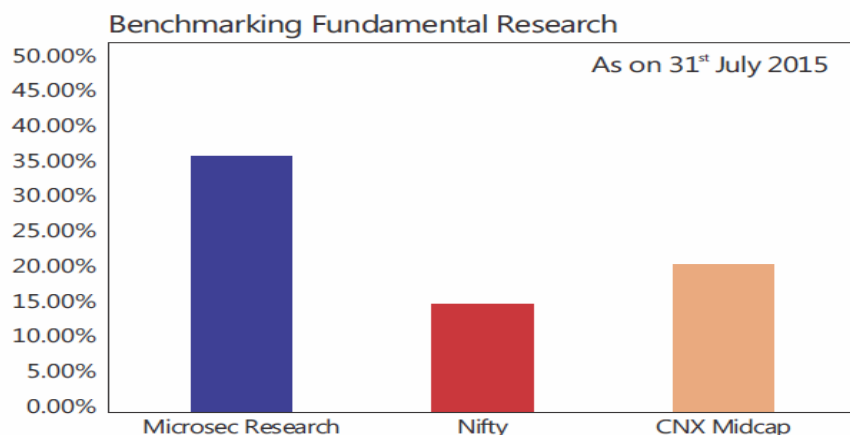
CASH FLOW		FIGURES in INR Cr			
PARTICULARS	Mar-12	Mar-13	Mar-14	Mar-15	
Profit Before Tax	52.54	63.77	98.85	80.16	
Adjustments:					
Depreciation	8.04	10.20	13.01	15.21	
Loss on Sale of fixed Assets	0.07	0.06	0.02	0.22	
Loss on Sale of Investments	0.00	0.00	0.00	1.04	
Provision for Dimunution in Value of Current Investments	0.00	0.00	0.00	4.09	
Exchange Fluctuation Loss / (Gain) on Loan	0.00	0.00	-16.98	12.22	
Interest Income	-0.43	-0.75	-0.47	-0.62	
Finance costs	30.47	32.45	33.04	26.37	
Operating Profit before Working capital changes	90.69	105.74	127.48	138.69	
Adjustments For Changes in Working Capital:					
(Increase)/Decrease inSpares parts and consumables	0.00	0.00	0.00	-1.62	
(Increase)/Decrease in trade receivables	-17.17	-3.14	-13.16	-1.21	
(Increase)/Decrease inShort term Loans and Advances	8.02	-18.62	1.82	6.51	
(Increase)/Decrease in long term Loans and Advances	-0.35	-0.05	-4.94	1.50	
(Increase)/Decrease in Other Current Assets	-5.43	-2.52	-4.81	-8.88	
Increase / (Decrease) in Trade Payables	-1.08	6.99	-10.98	9.13	
(Increase)/Decrease in Other Current Liabilities	3.90	-1.56	2.11	-0.68	
Increase / (Decrease) in Long term Provisions	0.27	0.31	0.43	1.04	
Increase / (Decrease) in Short term Provisions	0.07	0.04	0.48	0.98	
Cash Generated from operaing activities	78.92	87.17	98.43	145.47	
Direct Taxes Paid	-12.83	-14.51	-16.22	-22.34	
Net Cash from Operating Activities	66.09	72.67	82.21	123.13	
Purchase or construction of fixed assets	-110.74	-87.34	-93.61	-204.11	
Proceeds from/ (Investment in) fixed deposits	-2.00	-2.66	-0.35	-0.54	
Proceeds from sale of Investments	0.00	0.00	0.00	10.11	
Proceeds from sale of fixed assets	0.29	0.11	0.10	0.28	
Investment in Non-Current Investments	0.00	-20.25	0.00	0.00	
Interest Received	0.43	0.75	0.46	0.62	
Net Cash used in Investing Activities	0.43	0.75	0.46	0.62	
Issue of Shares(including securities premium)	0.00	43.24	35.00	0.00	
Proceeds from/ (Repayment of) Long-Term Borrowings	76.34	10.78	7.02	95.30	
Proceeds from/ (Repayment of) Short-Term Borrowings	-1.60	15.92	2.62	1.85	
Finance costs	-28.55	-31.98	-34.14	-26.77	
Net Cash from Financing Activities	46.19	37.96	10.50	70.39	
Net Change in Cash & Bank Balances	112.70	111.38	93.17	194.14	
OPENING BALANCE OF CASH & CASH EQUIVALENTS	0.20	0.45	1.69	1.01	
Transfer on Merger	0.00	0.00	0.00	0.11	
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	112.90	111.83	94.86	195.14	
Net cash Increase/ (decrease) in cash and cash equivalents	112.70	111.38	93.17	194.14	

RATIO ANALYSIS			
PARTICULARS	Mar-13	Mar-14	Mar-15
<u>PROFITABILITY RATIOS</u>			
EBITDA Ratio	20.80%	26.05%	28.36%
PBT Ratio	19.13%	28.29%	24.38%
Net Profit Ratio	17.01%	25.76%	22.25%
<u>LIQUIDITY RATIOS</u>			
Debt/Equity Ratio	1.22	0.85	0.62
Current Ratio	0.97	1.09	0.89
Quick Ratio	0.97	1.09	0.88
<u>INVESTORS RATIO</u>			
Tax Rate	11.07%	8.94%	8.76%
<u>RETURN RATIOS</u>			
ROE	21.92%	24.25%	12.42%
ROCE	9.32%	12.27%	6.63%
RONW	18.37%	20.76%	9.83%
<u>EFFICIENCY RATIOS</u>			
Asset Turnover Ratio	0.46	0.41	0.29
Working Capital Turnover Ratio	-102.73	33.26	-19.78
<u>MARGIN RATIOS</u>			
EBITDA Margin	20.80%	26.05%	28.36%
PBT Margin	19.13%	28.29%	24.38%
PAT Margin	17.01%	25.76%	22.25%
<u>PER SHARE</u>			
Earning Per Share	33.20	43.73	6.53
Cash Earning Per Share	42.54	39.94	10.99
Book Value Per share	180.66	210.67	66.41
<u>VALUATION RATIOS(PRICE: INR. 147)</u>			
EV/Net Sales	2.20	2.25	6.88
EV/EBITDA	10.60	8.62	24.26
EV/PBT	11.52	7.94	28.22
P/E	4.43	3.36	22.51
<u>VALUATION RATIOS(PRICE: INR. 155)</u>			
EV/Net Sales	2.25	2.29	7.15
EV/EBITDA	10.80	8.81	25.22
EV/PBT	11.74	8.11	29.33
P/E	4.67	3.54	23.74

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Research?

Microsec Benchmark its Research



An amount of ₹ 1,00,000 invested individually in all 338 stocks ie, 3,38,00,000 as and when recommended has appreciated to ₹ 4,59,37,918 giving a return of 35.9 percent. On the same basis Nifty has given a return of 14.0 percent and CNXMID CAP has given a return of 20.2 percent.

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