Sector: Logistics Solution Provider **RESULT REVIEW Q1FY24** **Declared On: 10 Aug 2023**

Container Corporation of India Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs654	398	Buy	Rs800	22%

**as on 18th Aug, 2023*

About the Company:

Founded in 1988, Container Corporation of India Ltd (Concor), a Navratna company is engaged in movement of goods via the use of container while operating terminals & warehouses and is also involved in Multimodal logistics. Concor is India's biggest rail hauler of containers, engaged in transportation of containers (rail and road) as well as handling of containers. In addition to this, Concor is also engaged in the operation of logistics facilities, including dry ports, container freight stations and private freight terminals. The business is divided into two divisions catering to EXIM and domestic. The company currently enjoys around 67% market share. Concor has a network of around 63+ terminals which are strategically placed in India, with its mainstay in containerizing cargo transport through rail. In addition to providing inland rail transport, the company has expanded to cover ports, air cargos, established cold chains and is thus transforming into an end to end logistics service provider. The company is trying to strategically expand into all major segments of the value chain with its 5 subsidiaries and multiple JVs.

Results: Quick Glance:

- The net sales for the quarter under review dropped by 3.6% to Rs19,228mn as compared to Rs19,940mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 20.6% as against 24.0% in Q1FY23
- The net profit came in at Rs2,422mn as against Rs2,940mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs4.02 as compared to Rs4.87 in the corresponding period last year

Conference Call Highlights:

- The performance of the company had been volatile during the quarter under review which led to weakness in the volumes as well as the margins. The domestic business had suffered mainly due to the Orissa train accident in June 2023 which disrupted the movement of containers (which affected the domestic as well as Exim traffic). In addition to this, the domestic demand was also impacted by the unusual rains witnessed across the country during the quarter
- Of the total Exim on the north-west route; around 25-30% is double-stacked. Furthermore, once JNPT gets connected to DFC, this share is expected to increase to 40%. The implementation of double stack containers in Dadri is expected to result in savings which would be passed on to the customers and the company can still continue to make sustainable profits. Out of the total 1184 double stack trains that were operational in Q1FY24, Dadri facility managed 238 trains on its own. The discounts that have been provided by the company for double stacked containers is to attract new traffic and not with the intend of cutting rates; this discount is contributing to growth
- The management remains confident of achieving Exim volume growth of 10% in FY24. The rail freight margins stood at 26.19% compared to 25.6% in Q1FY23
- Approximately 1,800 containers have been procured so far and the company is looking at adding ~400 containers per month. Thus, it expects to add 5,000 containers in FY24. The company added four new rakes in Q1FY24 and intends to add 24 rakes in FY24
- In bulk, the company transported 1lakh tonnes of cement last year. However, the railway board has not extended the circular beyond 21st May 23, with no visibility ahead. But the management highlighted that it is in a dialogue with the Railway Board to extend the same as it is witnessing healthy demand in cement
- 100 LNG trucks have already been ordered for the FMLM operations. Of this, 25 trucks have already arrived in MMLP, Nagpur
- The management has guided for capex is Rs6bn for FY24; bifurcated as ~Rs2bn for new acquisition, Rs2bn for containers, Rs1.5bn new terminals and balance for miscellaneous items
- The company's market share at various ports namely JNPT is 60%, Mundra ~37% and Pipavav ~45%. The rail co-efficient at JNPT:17%, Mundra: 24.3% and Pipavav: 52%
- The company highlighted of the lack of progress made by the government on divestment and the same helping make customers grow business with Concor

Financials:

Performance (Q1FY24)							
Q1FY24 Result (Rs mn)	**Jun-23**	**Jun-22**	**y-o-y**	**Mar-23**	**q-o-q**	**FY23**	**FY24E**
Total Revenue	19228	19940	(3.6%)	21843	(12.0%)	81691	88226
EBITDA	3958	4788	(17.3%)	4511	(12.3%)	18656	19251
Other Income	811	685	18.5%	938	(13.5%)	3134	3259
Interest	159	155	2.7%	167	(4.7%)	639	677
Depreciation	1421	1373	3.5%	1575	(9.8%)	5730	5669
Exceptional Items	0	0	-	0	-	0	0
Tax	768	1005	(23.6%)	965	(20.4%)	3897	3799
Net Profit	**2422**	**2940**	**(17.6%)**	**2741**	**(11.7%)**	**11523**	**12366**

Outlook and Recommendations:

The company reported a drop in revenues to the tune of 3.6% on a y-o-y basis, led by weakness in volumes. The domestic business was affected by the supply chain issues on the infrastructure front. The Exim volumes were impacted due to slowdown in exports and loss of market share at Mundra to private operators on lower margins and increase in LLF. The blended realizations decreased by ~10% y-o-y; the company offered discounts to attract volumes which did lead to lower realization (although the intent is clear of not compromising with the margins). The lower realizations led to lower Ebitda margins for the quarter which impacted the profitability levels as well. To offset the market loss, there are several services (distribution logistics and last mile logistics) that the company has introduced which is seeing a positive customer response, rolled out Dadri-Mundra timetable based double stacked trains which are witnessing strong customer traction. The land license fees have been revised to Rs5bn in FY24 (earlier was Rs4.3bn). The company maintained its guidance of 10-12% growth for FY24 with confidence of achieving the volume guidance for FY24 as the demand has rebounded and is showing positive trends. The operations of the DFC are stable and the reduction in travel time between Dadri and Mundra has facilitated the movement of lightweight cargo, and thereby, improving efficiency. The Management has indicated that the domestic shipment volumes are projected to outpace Exim volumes but the potential for margin expansion within the domestic segment would be limited due to the impact of empty running. The company continues with its objective of capturing larger market share in commodities that are transported by road with the intent of transitioning them to rail transport going forward. Overall, we feel there would be some hiccups in the near term led by higher competition and weaker macro environment. However, from a longer-term perspective we maintain our stance and target price of Rs800.

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