Sector: Transport Related Services RESULT REVIEW Q3FY22 Declared On: 20 Jan 2022

Container Corporation of India Limited

RECOMMENDATION SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs623	Rs448	Rs750	20%	Buy	379.9

*as on 21st Jan, 2022

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 company has reported net sales of Rs19380mn as compared to Rs17669mn in the same quarter last year, growth of 9.7%
- The Ebitda margins for the quarter under review stood at 23.8% as compared to 21.3% in the corresponding quarter last year
- The net profit came in at Rs2764mn as against Rs2257mn in the same quarter last year
- EPS for the quarter under review stood at Rs4.65 as compared to Rs3.83 in the corresponding quarter last year
- The Board of Directors of the company has declared an interim dividend of Rs2 per equity share of face value of Rs5 per equity share

Conference Call Highlights:

- The company has reported another good quarter, with the best topline in any Q3 of the company history while maintaining margins which is despite the issues related to container availability and other freight related issues etc. In terms of the business related to the Exim's, the company has maintained steady growth rate of ~4%; while in terms of the domestic business, Concor has seen good growth in terms of volumes as well as margins. Concor continues to gradually keep on building the margins in the domestic business which is gradual but consistent process since the last 3-4 years
- The demand in the market is gradually increasing and Concor is trying to maintain pace with the same. The company is currently looking at building and working towards further strengthening the infrastructure. Once the same is completed, the company is looking at better growth to originate in times to come. The Management is guiding to reach a target of 4mn TEUs this year, (the company currently in Q3 has already crossed ~3mn+ TEUs in 9-month period). The Management continues to maintain its guidance of ~15% increase in vols with a top line of Rs75000mn and a PAT of Rs10000mn (currently PAT is ~Rs8050mn in 9-month period). The anticipated realization will be at the same levels
- The company mentions doing good business for the bulk container movement and is anticipating good business to be derived from movement of cement as a commodity. The growth potential of DFC is gradually coming into reality and helping the increase in volumes. DFC helps in playing a role for time saving (time sensitivity) for the customers and also provides more opportunity to grow
- Originating volumes for Exim's stood at 549425 TEUs, while domestic were 97097 TEUs and the total was 646522 TEUs. As far as market share is concerned, JNPT was ~61% (company is not working for smaller distances or distances less than 100km else the same would be 76%), Mundra had a share of 46% while Pipavav was 52%. As far as the Rail share is concerned JNPT was 19%, Mundra was 27.5% and Pipavav was70%. Concor has seen an increase in overall market share. Lead distance for Exims were 698kms and that of domestic was 1395kms. Rail Freight Margin for the quarter under review stood at 32%
- As per the Management commentary the projections of land license fees (LLF) is in line with the estimates of the company

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Conference Call Highlights (contd):

- The company has already spent ~Rs5250mn for capex, (their full year guidance was Rs5000mn) and is now looking for an increased capex of upto Rs7000mn for the year. Concor is continuously trying to build infrastructure, while some terminals are under development, the company continues to look at strategic locations to build the business. The commissioning of few (MMLP) Multi modal logistics parks during the year is anticipated to propel growth for the company. 18 rakes were added this year which have higher capacity; the company is looking at adding 80 tonnes payload will help double the double stacking on DFC and is supported by the DFC. Concor intends to add ~20 higher payload rakes this year
- Going forward with procurement of rakes and containers and having already processed and released orders for 6000 containers (indigenous manufacturing) and another ~2000 in the pipeline, the company is looking for global tender in times to come. The operation of the hubs at Khatuwas and at Swaroopganj, will help increase the double stack operations; and the anticipated double stacks will enhance the margins. BLCS wagons are designed for double stack containers. While the payload will increase in the new wagons, extra tonnage can be transported which will fetch good business for the company

Financials:

Performance (Q3FY22)									
Q3FY22 Result (Rs mn)	Dec-21	Dec-20	y-o-y	Sept-21	q-o-q	9MFY22	9MFY21	y-o-y	FY22E
Total Revenue	19380	17669	9.7%	18372	5.5%	55952	44704	25.2%	71899
EBITDA	4614	3761	22.7%	4319	6.8%	13314	8511	56.4%	15458
Other Income	562	752	(25.4%)	631	(11.0%)	1761	1972	(10.7%)	2743
Interest	152	106	43.7%	156	(2.5%)	469	322	45.7%	480
Depreciation	1402	1444	(2.9%)	1440	(2.6%)	4224	4132	2.2%	5756
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	858	707	21.4%	871	(1.5%)	2624	1522	72.4%	2991
Net Profit	**2764**	**2257**	**22.5%**	**2483**	**11.3%**	**7759**	**4507**	**72.1%**	**8973**

Outlook and Recommendations:

The company has seen good traction in the domestic business coupled with good demand and pick up in the volumes. All the measures taken by the company in the past like picking up market share, increasing the efficiency, margins, service to customers etc, have started giving the results and are falling in the right place. Some of the triggers which the company is looking at include the opportunities in the Exims, the starting of DFC which is giving transit assurance to the customers which is good for Concor and the railways, the growing domestic business, reducing empty running costs, opportunities in the double stacking and improvement in the infrastructure for further growth and upticks in the margins. Concor will be benefited both in terms of volumes as well as on the margins front due to the increase in volumes where the Management is in line with its guidance. The reduction in transit time is one of the major reasons for the growth in the market. DFC and or parts of DFC when commissioned will lead to enhanced volumes and will be beneficial for the industry as a whole, its customers and Concor in particular. Concor will see further growth coupled with the natural growth that will come in India due to the various schemes and incentives announced by GOI like Make in India and shift of the manufacturing hub to India coupled with commissioning of DFC. The Management is looking at opportunities in the domestic business which has good demand and is seen picking up good volumes. Though the Management has given a guidance of 14-15% growth in top-line and more than 100 percent growth in the bottom-line, we would still like to be conservative and we continue to maintain our target price of Rs750.

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