

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs861	525	Accumulate	Rs1000	16%

\*as on 29th Jan, 2024

### 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 grew by 10.3% to Rs22106mn as compared to Rs20045mn in Q3FY23
- The Ebitda margins for the quarter under review stood at 23.4% as against 21.6% in Q3FY23
- The net profit came in at Rs3258mn as against Rs2883mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs5.43 as compared to Rs4.82 in the corresponding period last year
- The Board has declared 3rd interim dividend of Rs4.00 per equity share of face value of Rs5 per equity share for FY2023-24

### Conference Call Highlights:

- Concor has been seeing good growth and demand in the domestic business and has been able to cater to this demand with good container inventory and a good fleet of rakes
- For the quarter under review, the Exim booking increased by ~13% while the income has increased by 15%. Overall handling by the company has increased by ~7% for 9MFY24 over the last year. The effects of geopolitical conflicts, though temporary, are seen in the Exim segment. The company is in touch with the shipping lines and are quite hopeful of stability by February 2024
- The company has booked LLF of Rs719.5mn in the current quarter which is net of past provision of Rs363.2mn as a result of which the other operating expenses have reduced to that extent
- The focus area of the company continues to be customer-centricity, trying to provide total logistic solutions to the customers, warehousing and business solutions including first-mile last-mile connectivity which has delivered good margins
- During the quarter under review, the company has deployed 75 LNG trucks at Chennai, Nagpur, Baroda etc. which are giving good commercial returns and the Management intends to further increase the same
- The company has signed a number of MoU for development of LNG pumps at Concors terminals, for solar energy products development at terminals and to increase the range of services in agreement with domestic segments
- During the quarter under review, the company has added 5 BLC rakes in addition to the already existing 12 rakes
- The domestic container fleet has also increased as the company is now getting almost 400 to 500 containers every month
- Concor continues to work on commissioning MMLP in order to provide good services to the customers. The company has 15 MMLP under operation (all on Concor land) and the company is looking at developing more logistic parks to provide good services; ~10 MMLP are in the pipeline at various stages
- The company is laying a lot of emphasis on operational innovations via double stacking. In Q3FY24, ~55% growth was seen and ~38% in 9MFY24. These initiatives have helped the company improve its bottomline. The company is working on technology based green logistics in the FMLM domain at 2 terminals currently. The company is also working on an AI based terminal management system
- Concor continues to optimise the business/terminals while surrendering or merging the terminals business as also working on newer terminals
- The triggers related to the commissioning of DFC and the shift from road to rail is beneficial for the company. With the DFC becoming active, a good shift of cargo from road to rail is anticipated which is economical and faster

**Financials:**

Performance (Q3FY24)									
Q3FY24 Result (Rs mn)	Dec-23	Dec-22	y-o-y	Sept-23	q-o-q	9MFY24	9MFY23	y-o-y	FY24E
Total Revenue	22106	20045	10.3%	21949	0.7%	63283	59848	5.7%	84973
EBITDA	5175	4324	19.7%	5465	(5.3%)	14597	14179	3.0%	18949
Other Income	916	1043	(12.2%)	1049	(12.7%)	2776	2162	28.4%	3259
Interest	187	158	18.8%	165	13.4%	512	472	8.4%	677
Depreciation	1589	1396	13.8%	1531	3.8%	4541	4155	9.3%	5790
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	1056	930	13.5%	1190	(11.3%)	3013	2933	2.7%	3699
Net Profit	3258	2883	13.0%	3628	(10.2%)	9308	8781	5.9%	12042

**Outlook and Recommendations:**

The company has shown gradual upticks in the topline with ~10.3% on a y-o-y basis and ~0.7% on a q-o-q basis. This is basically due to the uptick in the domestic demand coupled with the growth in the Exim segment. This gradual growth in the demand is consistently healthy since the last 7-9 quarters. Both the Exims business as well as the domestic segment have reported a strong growth for the quarter as well as for 9MFY24. Management anticipates the domestic demand to be robust with imports continuing to be strong and uncertainties related to geopolitical issues may continue. To mitigate some of these risks, Concor is diligently working on double stacking and also trying to gain market share. All these supportive factors, the company has been able to show good uptick in the margins as well. The triggers related to the commissioning of DFC and the shift from road to rail is beneficial for the company. With the DFC becoming active, a good shift of cargo from road to rail is anticipated which is economical and faster. Concor continues on its path of becoming a total logistics solution to its customers while offering value added services. The focus area of the company continues to be customer-centricity, trying to provide total logistic solutions to the customers, warehousing and business solutions including first-mile last-mile connectivity which has delivered good margins. Overall, we feel the geo political issues and some hiccups in the near term and associated can be a temporary phenomenon, however, the long term growth of the company will continue. The company is in line to achieve its guidance. We also feel that the entire railway theme coupled with road to rail shift can benefit Concor in a big way. The stock has recently breached our target price of Rs800 and we advocate an Accumulate/SIP with a revised target price of Rs1000 (for long term investors).

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