

Container Corporation

BSE SENSEX	S&P CNX
40,129	11,877
Bloomberg	CCRI IN
Equity Shares (m)	609
M.Cap.(INRb)/(USDb)	359 / 5.1
52-Week Range (INR)	665 / 460
1, 6, 12 Rel. Per (%)	-13/13/0
12M Avg Val (INR M)	597
Free float (%)	45.2

Financials & Valuations(INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	65.4	69.8	77.8
EBITDA	14.4	16.9	19.3
PAT	12.2	10.5	12.2
EPS (INR)	19.9	17.2	19.9
Gr. (%)	14.9	-13.9	16.2
BV/Sh (INR)	170.2	173.7	183.4
RoE (%)	12.3	10.0	11.2
RoCE (%)	11.6	10.7	11.0
P/E (x)	29.5	34.3	29.5
P/BV (x)	3.5	3.4	3.2

Estimate change



TP change



Rating change



CMP: INR589

TP: INR680 (+15%)

Buy

Disallowed SEIS benefit drives post-tax loss

- Volumes disappoint, PBT in-line:** Volumes were down 2% YoY in 2QFY20. However, revenue grew 1% YoY to INR17.4b (in-line), led by a 3% YoY improvement in realization. EBITDA increased 5% YoY to INR4.3b (in-line), with the margin at 24.5% (+1pp YoY). PBT of INR3.5b (-25% YoY; +9% QoQ) too was in line with our estimate. There was an exceptional expense of INR8.6b as part of Service Export from India Scheme (SEIS) income recognized for prior years was disallowed by the DGFT. CCRI is in the process of filing an appeal in the matter. Post-tax loss thus stood at INR3.2b versus a profit of INR3.4b in 2QFY19. The company has opted for the new tax rate of 25.17% and adjusted its deferred tax liabilities accordingly.
- 1HFY20 performance:** Sales/EBITDA increased 5%/14% YoY, while PAT declined 14% YoY. For 2HFY20, sales/EBITDA are estimated to grow 8%/21% YoY and PAT to decline by 14% YoY.
- Operating cash flows turn positive:** OCF increased sharply by 8x to INR32.8b in 1HFY20, driven by the adjustment of INR30b payment to the Indian Railways in 4QFY19 as advance freight for FY20. CCRI also repaid INR7b of debt in 1HFY20 which it had raised last year to pay advance freight.
- Management commentary:** (1) Volume growth guidance for FY20 is lowered to 0-2% from 7-8% earlier considering subdued export/import volumes (volumes were down 1% YoY in 1HFY20). (2) CCRI's market share shrank to 67.4% in 1HFY20 from 73.1% in 1HFY19 as a result of price aggression by private players in short-haul volumes which was not matched by the company due to negative spreads on those volumes.
- Valuation and view:** CCRI is a direct play on the upcoming large rail infrastructure (DFCC). While we maintain our EBITDA estimate, we increase our FY20 EPS by 8% and FY21 by 6% to factor in the lower tax rate. We expect EBITDA CAGR of 16% over FY19-21, led by healthy volume growth, the benefit of double-stacking and the recent price hikes. The stock trades at EV/EBITDA of 20.3x/17.7x FY20/21E. We derive a DCF-based target price of INR680/share (+15% upside).

Quarterly performance										(INR m)		
Y/E March	FY19				FY20				FY19	FY20E	FY20 Variance	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est
Net Sales	14,983	17,223	15,726	17,499	16,389	17,387	17,186	18,846	65,427	69,808	17,129	1.5%
YoY Change (%)	2.8	19.2	10.8	12.3	9.4	1.0	9.3	7.7	11.1	6.7	-0.5	
EBITDA	3,202	4,042	3,339	3,829	4,033	4,255	4,203	4,454	14,408	16,945	4,215	1.0%
Margins (%)	21.4	23.5	21.2	21.9	24.6	24.5	24.5	23.6	22.0	24.3	24.6	
YoY Change (%)	-2.0	29.9	37.7	10.5	25.9	5.3	25.9	16.3	19.3	17.6	4.3	
Depreciation	1,022	1,048	1,059	1,117	1,253	1,278	1,300	1,321	4,246	5,152	1,255	1.9%
Interest	0	0	0	7	112	81	65	29	7	288	65	
Other Income	1,321	1,692	1,586	2,132	583	637	630	630	6,735	2,479	500	27%
PBT before EO expense	3,500	4,686	3,866	4,837	3,250	3,532	3,468	3,734	16,889	13,984	3,395	4.0%
Extra-Ord expense	0	0	0	0	0	8,611	0	0	0	8,611	0	
PBT	3,500	4,686	3,866	4,837	3,250	-5,078	3,468	3,734	16,889	5,373	3,395	
Tax	977	1,326	1,119	1,313	971	-1,858	874	941	4,735	928	984	
Rate (%)	27.9	28.3	28.9	27.2	29.9	36.6	25.2	25.2	28.0	17.3	29.0	
Reported PAT	2,524	3,361	2,747	3,523	2,278	-3,220	2,594	2,793	12,154	4,445	2,410	
Adj PAT	2,524	3,361	2,747	3,523	2,431	2,642	2,594	2,793	12,154	10,460	2,410	
YoY Change (%)	3.7	46.8	-0.9	14.9	-3.7	-21.4	-5.6	-20.7	14.9	-13.9	-28.3	
Margins (%)	16.8	19.5	17.5	20.1	14.8	15.2	15.1	14.8	18.6	15.0	14.1	

E: MOFSL Estimates

Key segmental trends

- Total volumes were at 9,69,158 TEUs (-2% YoY). EXIM volumes stood at 8,26,013 TEUs (-3% YoY) and domestic volumes at 143,145 TEUs (+2% YoY).
- Realization per TEU for EXIM stood at INR16,437 (+2% YoY), while that for domestic stood at INR26,614 (+5% YoY).
- EBIT/TEU increased 1% YoY to INR3,443. EBIT/TEU in EXIM segment was at INR3,800 (+5% YoY) and in domestic segment at INR1,383 (-35% YoY).

Exhibit 1: Container Corp – 2QFY20 Financial Summary (INR m)

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ (%)
Net Sales	14,197	15,587	14,983	17,223	15,726	17,499	16,389	17,387	1.0	6.1
Terminal & Service Charges	8,658	9,149	8,723	9,714	9,237	9,640	8,953	9,397	-3.3	5.0
Employee Expenses	991	808	701	802	768	1,097	806	829	3.4	2.9
Other Expenses	2,124	2,164	2,357	2,666	2,382	2,933	2,598	2,905	9.0	11.8
EBITDA	2,424	3,466	3,202	4,042	3,339	3,829	4,033	4,255	5.3	5.5
EBITDA margin (%)	17%	22%	21%	23%	21%	22%	25%	24%	4.3	-0.5
Depreciation	995	1,010	1,022	1,048	1,059	1,117	1,253	1,278	22.0	2.0
EBIT	1,430	2,455	2,180	2,994	2,281	2,711	2,779	2,977	-0.6	7.1
Interest	0	0	0	0	0	7	112	81	40500.0	-27.7
Other Income	2,575	1,228	1,321	1,692	1,586	2,132	583	637	-62.4	9.3
PBT	4,004	3,683	3,500	4,686	3,866	4,837	3,250	3,532	-24.6	8.7
Total Tax	1,233	618	977	1,326	1,119	1,313	971	-1,858	-240.2	-291.3
Tax rate (%)	31%	17%	28%	28%	29%	27%	30%	-53%	-286.0	-276.0
PAT	2,771	2,936	2,524	3,361	2,747	3,523	2,278	-3,220	-195.8	-241.3
EPS (INR)	4.5	4.8	4.1	5.5	4.5	5.8	3.7	(5.3)	-195.8	-241.3

Exhibit 2: Container Corp – 2QFY20 Segmental Revenue and Profitability

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ (%)
Revenue (INR m)										
EXIM	11,143	11,786	11,627	13,670	12,161	13,171	12,704	13,577	-0.7%	6.9%
Domestic	3,055	3,801	3,356	3,552	3,566	4,328	3,685	3,810	7.2%	3.4%
Total Segment Revenue	14,198	15,587	14,983	17,223	15,726	17,499	16,389	17,387	1.0%	6.1%
Segmental EBIT										
EXIM	1,718	2,356	2,242	3,060	2,331	3,073	2,926	3,139	2.6%	7.3%
Domestic	-76	476	159	297	258	227	189	198	-33.4%	5.0%
Total	1,641	2,832	2,401	3,358	2,589	3,300	3,114	3,337	-0.6%	7.1%
EBIT Margin (%)										
EXIM	15.4%	20.0%	19.3%	22.4%	19.2%	23.3%	23.0%	23.1%		
Domestic	-2.5%	12.5%	4.7%	8.4%	7.2%	5.2%	5.1%	5.2%		
Total	11.6%	18.2%	16.0%	19.5%	16.5%	18.9%	19.0%	19.2%		

Exhibit 3: Container Corp – Realization Snapshot

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (%)	QoQ (%)
Volumes (TEU)										
EXIM	7,39,472	7,96,815	7,94,405	8,48,585	7,85,873	8,16,396	7,86,442	8,26,013	-2.7%	5.0%
Domestic	1,27,936	1,54,138	1,41,251	1,40,142	1,40,233	1,62,534	1,40,481	1,43,145	2.1%	1.9%
Total	8,67,408	9,50,953	9,35,656	9,88,727	9,26,106	9,78,930	9,26,923	9,69,158	-2.0%	4.6%
Realizations (INR / TEU)										
EXIM	15,069	14,791	14,636	16,110	15,474	16,134	16,154	16,437	2.0%	1.7%
Domestic	23,878	24,660	23,756	25,349	25,426	26,627	26,232	26,614	5.0%	1.5%
Total	16,368	16,391	16,013	17,419	16,981	17,876	17,681	17,940	3.0%	1.5%
EBIT (INR/TEU)										
EXIM	2,323	2,957	2,822	3,606	2,966	3,764	3,720	3,800	5.4%	2.1%
Domestic	-597	3,085	1,125	2,122	1,840	1,397	1,342	1,383	-34.8%	3.1%
Total	1,892	2,978	2,566	3,396	2,796	3,371	3,360	3,443	1.4%	2.5%

Source: MOFSL, Company

Exhibit 4: Container Corp – Quarterly domestic and EXIM volume trend ('000 TEU)

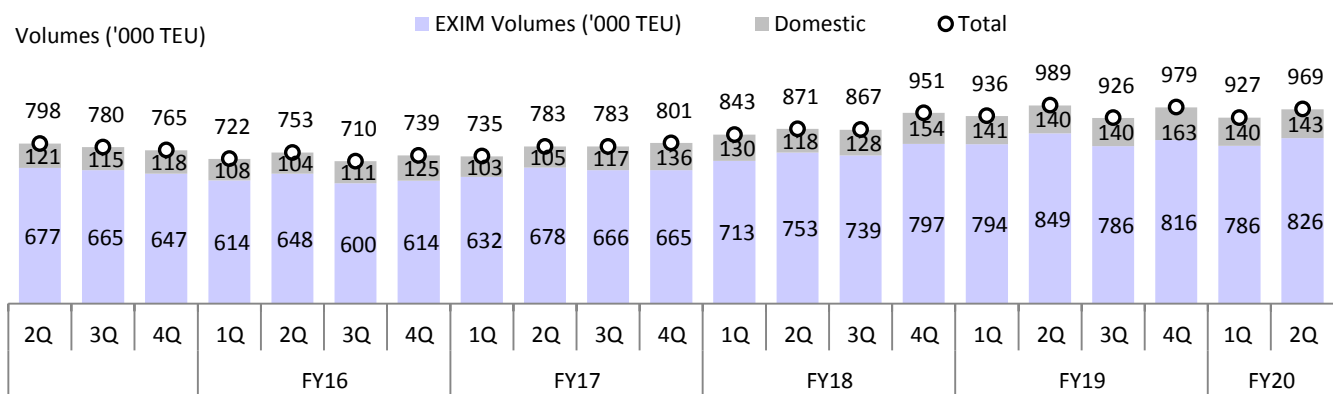


Exhibit 5: Container Corp – Quarterly domestic and EXIM volume YoY growth ('000 TEU)

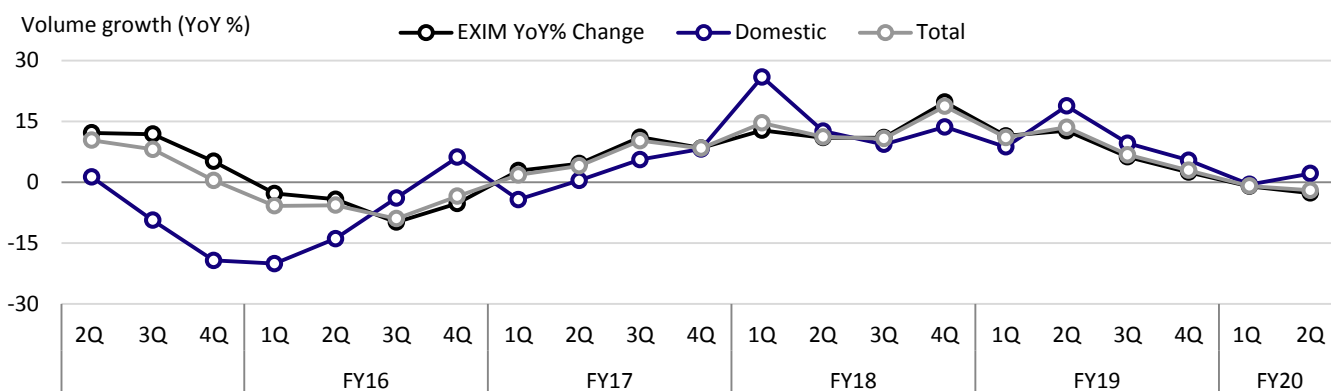


Exhibit 6: Container Corp – Quarterly domestic and EXIM per TEU realization trend (INR/TEU)

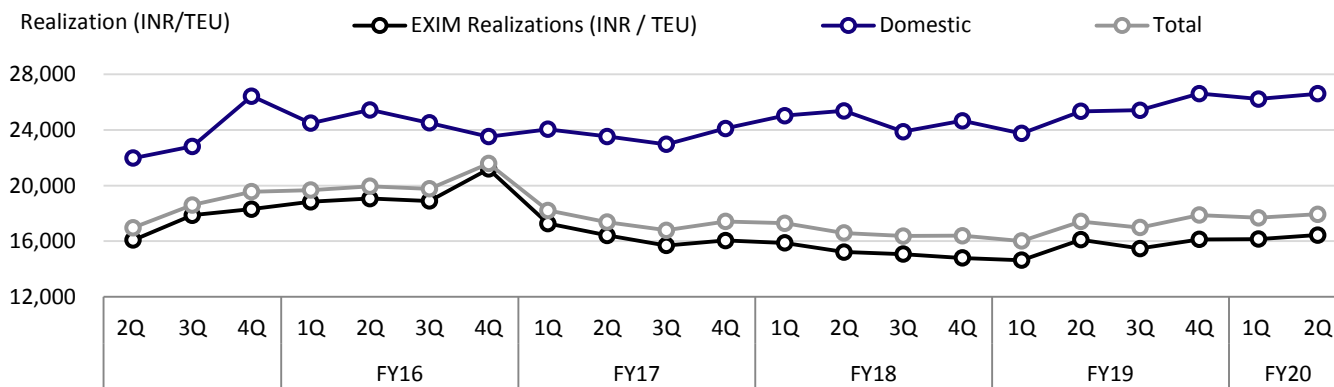
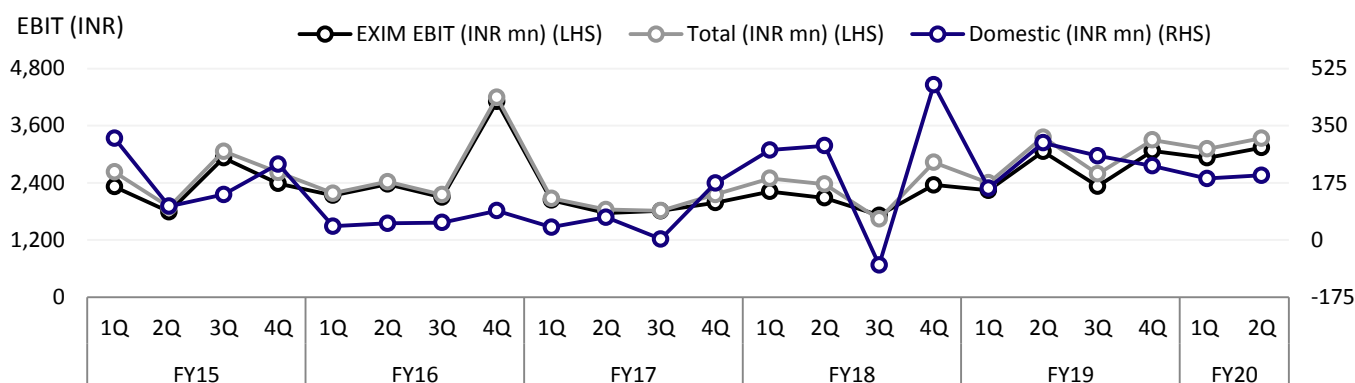


Exhibit 7: Container Corp – Quarterly domestic and EXIM EBIT trend (INR m)



Source: MOFSL, Company

Key takeaways from concall

On 2QFY20 results

- Management has cut the FY20 volume growth guidance to 0-2% from 7-8% earlier, as export/import volumes remain subdued; volumes declined 1% YoY in 1HFY20.
- CCRI's market share shrank to 67.4% in 1HFY20 (v/s 73.1% in 1HFY19) as there was price aggression by private players in short-haul volumes which was not matched by the company due to negative spreads on those volumes.
- Concor had a market share of 68% in JNPT, 45.4% at Mundra and 50.8% at Pipavav Port.
- Port-wise volume split for CCRI in 1HFY20: JNPT 32.46%, Mundra 32.41%, Pipavav 15.53%, Chennai 5.63%, Vizag 6.54%.
- Originating volumes for EXIM stood at 541375 TEUs (-3% YoY) and for domestic at 68848 TEUs (flat YoY).
- The company is paying INR1,175/TEU as land license fee for this year. The fee is paid on ~40-45% of total volumes.
- Lead distance stood at 786km for the half year v/s 773km last year.
- Empty running charges stood at INR323.5m (-14% YoY) for EXIM and INR202m (-25% YoY) for domestic for 1HFY20.
- FY20 capex guidance is unchanged at INR10b.
- Double-stacked running trains decreased to 674 in 2QFY20 from 812 in 2QFY19.

Valuation and view

- CCRI is a direct play on the upcoming large rail infrastructure (DFCC). While we maintain our EBITDA estimate, we increase our FY20 EPS by 8% and FY21 by 6% to factor in the lower tax rate. We expect EBITDA CAGR of 16% over FY19-21, led by healthy volume growth, the benefit of double-stacking and the recent price hikes. The stock trades at EV/EBITDA of 20.3x/17.7x FY20/21E. We derive a DCF-based target price of INR680/share (+16% upside).

Exhibit 8: Revision in estimates

(INR M)	FY20E			FY21E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	69,808	69,265	0.8	77,818	77,764	0.1
EBITDA	16,945	16,916	0.2	19,332	19,440	-0.6
Net Profit	10,460	9,711	7.7	12,155	11,474	5.9
EPS (INR)	17.2	15.9	7.7	19.9	18.8	5.9

Source: MOFSL, Company

Financials and Valuations

Standalone - Income Statement

(INR M)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	53,167	61,493	59,217	53,946	58,893	65,427	69,808	77,818
Change (%)	19.6	15.7	-3.7	-8.9	9.2	11.1	6.7	11.5
Total Expenditure	41,644	47,474	45,834	43,593	46,814	51,019	52,864	58,486
% of Sales	78.3	77.2	77.4	80.8	79.5	78.0	75.7	75.2
EBITDA	11,523	14,019	13,384	10,354	12,079	14,408	16,945	19,332
Margin (%)	21.7	22.8	22.6	19.2	20.5	22.0	24.3	24.8
Depreciation	2,357	4,108	3,478	3,518	3,927	4,246	5,152	5,551
EBIT	9,167	9,911	9,906	6,835	8,152	10,162	11,792	13,781
Int. and Finance Charges	220	183	2	37	1	7	288	30
Other Income	3,583	3,470	3,175	2,892	5,705	6,735	2,479	2,500
PBT bef. EO Exp.	12,529	13,198	13,080	9,691	13,856	16,889	13,984	16,251
EO Items	0	0	0	1,250	-129	0	-8,611	0
PBT	12,529	13,198	13,080	10,941	13,727	16,889	5,373	16,251
Current Tax	2,779	3,189	2,843	3,206	3,862	4,841	3,517	4,095
Deferred Tax	293	-551	728	-845	-579	-107	-2,589	0
Tax	3,072	2,638	3,571	2,361	3,283	4,735	928	4,095
Tax Rate (%)	24.5	20.0	27.3	21.6	23.9	28.0	17.3	25.2
Reported PAT	9,443	10,546	9,508	8,580	10,445	12,154	4,445	12,155
Adjusted PAT	9,443	10,546	9,508	7,331	10,574	12,154	10,460	12,155
Change (%)	1.5	11.7	-9.8	-22.9	44.2	14.9	-13.9	16.2
Margin (%)	17.8	17.1	16.1	13.6	18.0	18.6	15.0	15.6

Standalone - Balance Sheet

(INR M)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	1,950	1,950	1,950	1,950	2,437	3,047	3,047	3,047
Total Reserves	67,903	74,407	81,507	86,512	91,574	1,00,632	1,02,816	1,08,719
Net Worth	69,853	76,357	83,457	88,462	94,011	1,03,679	1,05,863	1,11,766
Deferred Liabilities	3,242	2,292	3,546	2,769	2,533	1,616	1,616	1,616
Total Loans	0	0	0	0	0	7,007	7	7
Capital Employed	73,095	78,649	87,002	91,231	96,544	1,12,301	1,07,485	1,13,388
Gross Block	44,696	51,918	31,473	40,676	47,332	57,041	61,403	66,206
Less: Accum. Deprn.	14,603	19,499	3,474	6,978	10,848	15,094	20,246	25,797
Net Fixed Assets	30,094	32,419	28,000	33,698	36,484	41,947	41,157	40,409
Capital WIP	2,314	3,006	5,133	5,071	6,710	6,247	12,884	19,082
Total Investments	8,640	11,548	13,576	13,737	13,890	14,029	14,029	14,029
Curr. Assets, Loans&Adv.	39,456	39,935	47,591	46,904	49,395	63,845	54,226	56,266
Inventory	154	176	180	229	275	233	724	801
Account Receivables	330	366	493	425	604	884	765	1,066
Cash and Bank Balance	25,451	25,879	7,999	16,835	19,817	1,704	865	2,528
Loans and Advances	13,521	13,514	38,921	29,415	28,699	61,025	51,871	51,871
Curr. Liability & Prov.	7,600	8,483	7,579	8,546	10,592	13,767	14,811	16,398
Account Payables	1,756	2,065	1,868	2,415	2,542	3,504	3,621	4,006
Other Current Liabilities	4,169	4,614	5,202	5,441	7,344	9,544	10,471	11,673
Provisions	1,676	1,804	510	690	705	719	719	719
Net Current Assets	31,855	31,452	40,012	38,357	38,804	50,078	39,414	39,868
Appl. of Funds	73,095	78,649	87,002	91,231	96,544	1,12,301	1,07,484	1,13,388

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)								
EPS	15.5	17.3	15.6	12.0	17.4	19.9	17.2	19.9
Cash EPS	19.4	24.1	21.3	17.8	23.8	26.9	25.6	29.1
BV/Share	114.6	125.3	137.0	145.2	154.3	170.2	173.7	183.4
DPS	4.0	4.3	4.3	6.3	6.9	8.5	3.1	8.6
Payout (%)	30.3	30.2	33.3	51.9	48.0	51.4	51.4	51.4
Valuation (x)								
P/E						29.5	34.1	29.5
Cash P/E						21.8	22.9	20.2
P/BV						3.5	3.4	3.2
EV/Sales						5.6	5.1	4.6
EV/EBITDA						24.3	20.3	17.7
Dividend Yield (%)						1.5	0.5	1.5
Return Ratios (%)								
RoE	14.3	14.4	11.9	8.5	11.6	12.3	10.0	11.2
RoCE	13.9	14.1	11.5	8.6	11.2	11.6	10.7	11.0
RoIC	20.6	21.2	14.6	9.3	11.1	10.0	11.5	13.1
Working Capital Ratios								
Inventory (Days)	1	1	1	2	2	1	4	4
Debtor (Days)	2	2	3	3	4	5	4	5
Creditor (Days)	18	18	19	26	26	34	31	31
Working Cap. Turnover (Days)	44	33	197	146	118	270	202	175
Leverage Ratio (x)								
Current Ratio	5.2	4.7	6.3	5.5	4.7	4.6	3.7	3.4
Net Debt/Equity	-0.4	-0.3	-0.1	-0.2	-0.2	0.1	0.0	0.0

Standalone - Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
(INR M)								
OP/(Loss) before Tax	12,843	12,946	13,080	11,806	13,857	16,889	5,442	16,251
Depreciation	1,893	3,727	3,627	3,650	3,927	4,246	5,152	5,551
Interest & Finance Charges	0	0	-2,914	-2,514	-2,332	-2,247	-2,260	-2,470
Direct Taxes Paid	0	-3,425	-3,192	-3,868	-3,360	-5,404	-945	-4,095
(Inc)/Dec in WC	-4,155	1,108	-21,026	9,575	1,169	-33,386	9,825	1,209
CF from Operations	10,581	14,356	-10,426	18,650	13,260	-19,902	17,213	16,445
Others	-3,125	-3,292	-27	-69	19	15	0	0
CF from Operating incl EO	7,456	11,064	-10,453	18,581	13,279	-19,887	17,213	16,445
(inc)/dec in FA	-5,209	-8,011	-5,818	-9,143	-8,595	-7,040	-11,000	-11,000
Free Cash Flow	2,247	3,054	-16,271	9,438	4,684	-26,927	6,213	5,445
(Pur)/Sale of Investments	-3,817	-2,905	0	0	-153	-139	0	0
Others	603	3,360	1,537	2,978	3,451	4,147	2,479	2,500
CF from Investments	-8,423	-7,556	-4,281	-6,165	-5,297	-3,031	-8,521	-8,500
(Inc)/Dec in Debt	0	0	0	0	0	7,007	-7,000	0
Interest Paid	0	0	-2	-37	-1	-7	-219	-30
Dividend Paid	-3,042	-3,081	-2,613	-2,944	-4,168	-1,828	-2,313	-6,252
Others	0	0	-532	-599	-831	-366	0	0
CF from Fin. Activity	-3,042	-3,081	-3,146	-3,580	-4,999	4,805	-9,532	-6,283
Inc/Dec of Cash	-4,008	428	-17,881	8,836	2,983	-18,113	-839	1,663
Opening Balance	29,460	25,451	25,879	7,999	16,835	19,817	1,704	865
Closing Balance	25,451	25,879	7,999	16,835	19,817	1,704	865	2,528

E: MOSL Estimates

Corporate profile

Company description

Container Corp of India Ltd (CCRI) is a leading rail freight transporter that is graduating to be a multimodal logistic player. It is set to benefit from GDP/EXIM revival and DFCs completion that will accelerate containerization. Despite private players entry in 2006, it has a leading market share (76%) that can be attributed to its scale and vantage locations. Long term growth acceleration could come from its pre-emptive capex on multimodal parks.

Exhibit 1: Sensex rebased

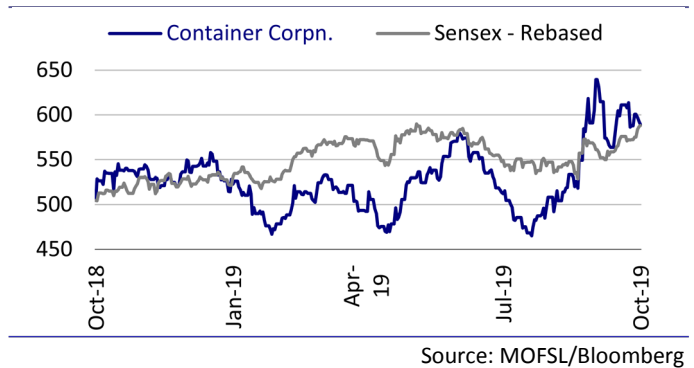


Exhibit 2: Shareholding pattern (%)

	Sep-19	Jun-19	Sep-18
Promoter	54.8	54.8	54.8
DII	12.5	12.3	14.0
FII	28.3	28.5	26.6
Others	4.4	4.4	4.7

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Life Insurance Corporation Of India	3.4
Matthews Pacific Tiger Fund	2.6
Icici Prudential Mutual Fund	1.8
Aberdeen Global Indian Equity Limited	1.4
Kotak Opportunities	1.4

Source: Capitaline

Exhibit 4: Top management

Name	Designation
V Kalyana Rama	Chairman & Managing Director
Pradip K Agrawal	Director
Sanjay Bajpai	Director
Manoj Kumar Dubey	Director (Finance) & CFO
Rahul Mithal	Director (Projects & Services)
Harish Chandra	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Deepak Shetty	Anjaneya Prasad Mocherla
Jayasankar M K	Lov Verma
Kamlesh Shivji Vikamsey	Vanita Seth
Sanjeev S Shah	Manoj Kumar Srivastava
Sanjay Swarup	

*Independent

Exhibit 6: Auditors

Name	Type
Agrawal & Kedia	Branch
Amit Agrawal & Associates	Secretarial Audit
Arun K Agarwal & Associates	Statutory
Manmohan Singh & Co	Branch
MAP & Associates	Branch

Source: Capitaline

Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	17.3	20.7	-16.3
FY21	19.9	24.2	-17.8

Source: Bloomberg

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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