

July 19, 2017

Container Corporation (CONCOR) ₹ 1187

Proposed SOP to further strengthen leadership

Jawaharlal Nehru Port Trust (JNPT) continues to facilitate speedy movement of cargo aligning with the Centre's aim to position India as a formidable player in global trade and double its exports. The efforts are targeted towards improving liners dwell time, which would result in faster turnaround enabling higher throughput. Launching of direct port delivery (DPD) facility, RFID tagging of container are some initiatives, which have improved operational efficiencies of the port. Extending these efforts, JNPT has recently released standard operating practice (SOP) directing container train operators (CTOs) to clear the Exim containers in transition from the port area within three days. These containers would be shifted by road to nearby Dronagiri rail terminal (DRT), which is owned and managed by Concor. Also, the movement of these containers would be managed by Concor while charges on the same would be paid by respective CTOs to Concor.

Implementation of SOP to provide incremental revenues

JNPT remains the largest container handling port, managing ~54% of overall container volumes managed at major ports. The present scenario at JNPT enables other CTOs operating at ports to decide their timelines on the movement of containers, following the completion of documentation and loading of container train. Post implementation of SOP, these containers, within three days of landing/exporting, would be shifted to DRT and allowed to be stacked till the documentation is completed. Concor would be managing the transportation of these containers from JNPT to DPT generating transporting income. Moreover container storage income would be incremental to Concor revenues.

Infrastructure leadership to continue command higher multiples...

Concor's Dronagiri rail terminal has a catchment area of Navi Mumbai, Mumbai, Port area, Western India and Northern India. With over 100000 square metre of paved area, the ICD has a throughput capacity equivalent to Tughlakabad. However, absence of gantry cranes limits the stacking to G+ 4 levels. Moreover, the facility has full length rail siding for handling container trains and break bulk cargo in both - open & covered railway wagons. We keep our estimates unchanged as several CTOs have raised the matter with JNPT ports while implementation is not yet through.

Revival in Exim trade to keep FY18 upbeat; maintain BUY!

Exports and imports for April-June FY18 grew 11% and 19%, respectively, in dollar terms (up 6.5%, 14% in rupee terms) at \$72.2 billion (₹ 4,65,472 crore) and \$112.3 billion (₹ 7,23,631 crore). Likewise, domestic container volumes of Indian Railways for Q1FY18 grew steeply by 32% to 2.78 MT compared to 2.11 MT in Q1FY17. Moreover, container volumes at major ports for Q1FY18 grew 6% YoY to 2.25 million TEUs compared to 2.12 million TEUs in Q1FY17. Of the total container traffic managed by Indian Railways (47.5 MMT in FY17) Concor has managed 34.7 MMT in FY17 (73% of the overall tonnage). The recovery in container volumes is expected to keep Concor's earnings for FY18 upbeat. We factor in revenue CAGR of ~15% in FY17-19E to ₹ 7979 crore. This is expected to be followed by a gradual restoration of EBITDA margin to 23% in FY19E, resulting in EBITDA and PAT growth at a CAGR of 20% each in FY17-19E. We maintain **BUY** rating on Concor valuing it at one-year trailing average P/E multiple of 27.3x on an FY19 estimated EPS of ₹ 50.2 and arrived at a target price of ₹ 1370.

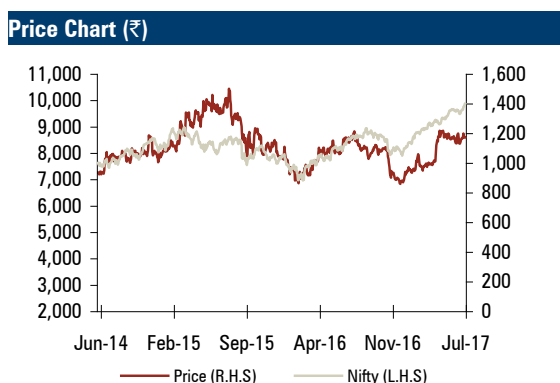
Rating matrix		
Rating	:	Buy
Target	:	₹ 1370
Target Period	:	12 months
Potential Upside	:	15%

What's Changed?		
Target		Unchanged
EPS FY18E		Unchanged
EPS FY19E		Unchanged
Rating		Unchanged

Key financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	6,278	5,971	6,557	7,979
EBITDA	1,342	1,246	1,410	1,835
Net Profit	933	828	887	1,196
EPS (₹)	49.6	43.7	37.4	50.2

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E (x)	23.9	27.1	31.7	23.6
Target P/E (x)	27.6	31.3	36.6	27.3
EV / EBITDA (x)	16.6	18.2	16.1	12.2
P / BV (x)	2.8	2.6	2.4	2.2
RONW (%)	11.2	9.4	9.4	11.6
ROCE (%)	11.7	9.8	10.7	13.9

Stock data	
Particular	Amount
Market Capitalisation (₹ Crore)	28,929.6
Total Debt (FY16) (₹ Crore)	90.0
Cash and Investment (FY16) (₹ Crore)	41.3
EV (₹ Crore)	28,978.3
52 week H/L	1250 / 844
Equity Capital (₹ Crore)	243.7
Face Value (₹)	10.0



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ANALYST CERTIFICATION

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