Container Corporation | HOLD

4QFY18 volume grew 15% YoY (Provisional)

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Container Corporation released provisional volume/revenue estimates for FY18 (subject to audit and finalisation). It indicated total volume grew 13% YoY to 3.5mn TEUs while total revenue grew 9% to INR 64.4bn in FY18. We estimate a) volumes grew 15% YoY 4QFY18 (2% below JMFe), and b) continued recognition of SEIS income in 4QFY18 (as it recognised in 3QFY18 for 9MFY18). Given the lumpy nature of SEIS income recognition (4QFY17 for FY17; 3QFY18 for 9MFY18), we believe revenue/realisation figures may not be exactly comparable. Based on our analysis of port/rail volume, we believe the growth momentum for Container Train Operators like Concor continues to remain healthy.

- Provisional information regarding FY18: (subject to reconciliation and finalisation):

  -A throughput of c.3.5mn TEUs in FY18, an increase of 13% YoY.

  -Rail, road and total tonnage of 39.40/2.82/42.22mn tonnes respectively. Total tonnage increase of 10.7% YoY.

  -The gross turnover, including other income of the company would be c.INR 64.4bn, up 9% YoY. This is also subject to final audit for the year.

- Our view:

  -Based on growth data in press release and FY17 Annual Report, we believe a) volume figures are summation of EXIM and domestic on handling basis, and b) revenue figures include SEIS income.

  -**4QFY18 performance**: Concor's total handling volumes might have grown 15% YoY (in TEU terms) in 4QFY18. As per Indian Railways, container volume (EXIM+Domestic) grew 15.7% YoY in Jan-Feb'18 (2year CAGR:+10.8%). Historically, Concor had reported similar growth trajectory as of IR (Concor has over 70% market share in container rail volume). This implies the growth continues to remain reasonably healthy for Concor even in the month of March.

  -While the volume growth trajectory seems to be improving, we continue to watch out for a) declining lead distance, especially in EXIM cargo (80km decline YoY to 729km in 3QFY18;1022km in 3QFY13),which results into lower profitability, b) realisation of SEIS income (Concor has recognised c.INR 7bn towards export incentives till Dec'17 and has not realised anything till date), and c) origination volume growth (customer pays for this; handling volume reflects double counting of cargo which is routed through one or more hubs like Khatuwas).

  -**Tonnage not comparable:** Volume figures in tonnage terms are not comparable because a) it did not disclose EXIM/Domestic break up in current press release, b) Rail/Road break up not disclosed for FY17 in earlier press release/annual report. Moreover, there has been difference in tonnage figures on provisional basis and Annual Report in FY17.

  -**Revenue not comparable**: Reported revenue to decline 1% YoY in 4QFY18, largely on account of base effect (it recognised FY17 SEIS income in 4QFY17). As a result, YoY/QoQ comparison of revenues/realisations may not be appropriate.

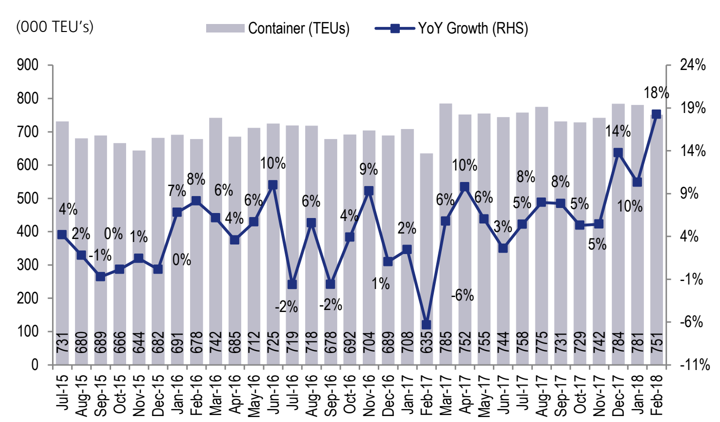
  -We maintain our HOLD rating (Mar'19TP of INR1400) and await better price point for entry/accumulation. At INR1237, the stock trades at 30.3xFY19EPS (25.7xFY20EPS).

Exhibit 1.Provisional Figures

Particulars	Total Volume* (mn TEUs)	Revenue** (INR mn)	Comment
FY17	3.100	58,954	Total handling Volume grew 13% YoY (in line with JMFe). However, revenue grew 9% YoY on account of lower realisation (due to lower lead distance).
FY18P	**3.500**	**64,400**	
YoY	13%	9%	
FY18E	3.517	65,106	
Var	0%	-1%	
9MFY17	2.299	42,298	Total handling volume grew 12% YoY. Revenue growth higher due to recognition of SEIS income of INR1.86bn in 3QFY17 (FY17 SEIS income recognised in 4QFY17)
9MFY18	2.581	47,882	
YoY	12%	13%	
4QFY17	0.801	16,656	Total handling volume up 15% (Jan-Feb'18 rail volume up 16%). Implies Concor has maintained similar growth trajectory in Mar'18 as well.
4QFY18P	**0.919**	**16,518**	
YoY	15%	-1%	
3QFY17	0.867	17,122	
QoQ	6%	-4%	
4QFY18E	**0.936**	**17,224**	4QFY18 implied volume is 2% below JMFe.
Var	**-2%**	**-4%**	

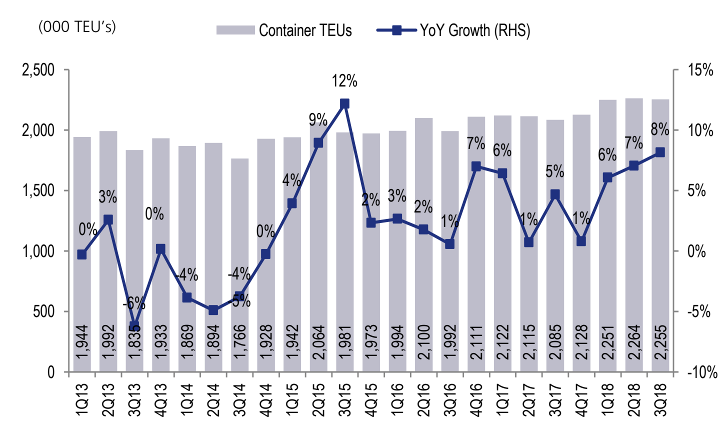
Source: Company, JM Financial
Note: * Total volume = EXIM + Domestic; **Revenue include SEIS income

Exhibit 2.India major ports monthly: container TEU growth



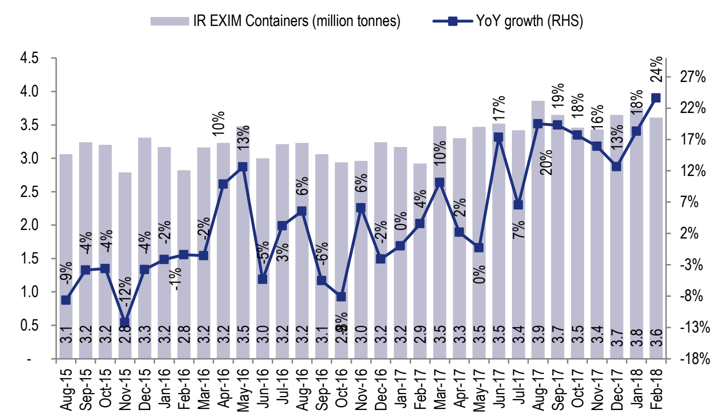
Source: Company, JM Financial

Exhibit 3.India major ports: container TEUs volumes' quarterly growth



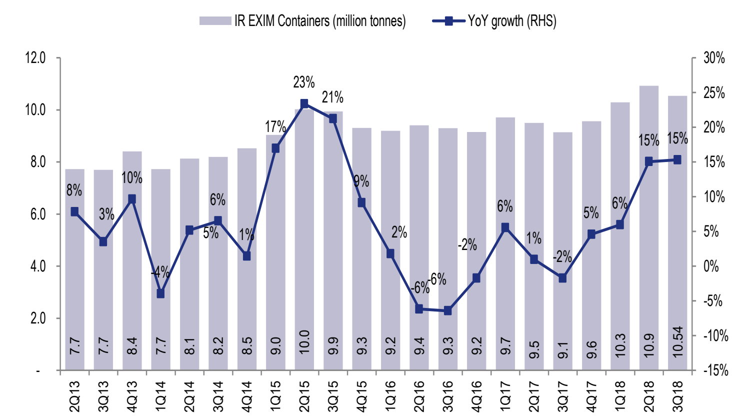
Source: Company, JM Financial

Exhibit 4.IR EXIM container cargo monthly growth trend



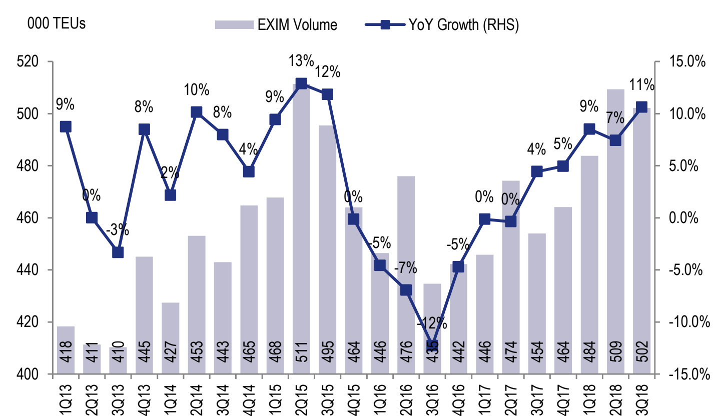
Source: Indian Railways, CMIE, JM Financial

Exhibit 5.IR EXIM container cargo quarterly growth trend



Source: Indian Railways, CMIE, JM Financial

Exhibit 6.Concor rail originating volume growth trend



Source: Company, JM Financial

APPENDIX I

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