

Focus on gaining market share

Container Corporation of India (Concor) reported a strong set of Q4FY19 numbers (ex-SEIS income). SEIS incentive during the quarter came in at ₹ 84 crore vs. ₹ 82 crore in Q4FY18. Although overall volumes remain subdued in both segment (Exim & domestic), higher realisation led to 12% YoY growth in revenues. Adjusted EBITDA margins remained largely flat at 21.9%. Subsequently, adjusted EBITDA grew 11% to ₹ 383 crore. PAT grew 20% to ₹ 352 crore, as a strong operational performance and higher other income was negated, to an extent, by a higher tax rate (32.9% vs. 26.1% in Q4FY19).

Management pushes for market share gains in FY20

In a trade advisory, Concor has communicated a freeze on haulage rates and inland charges for FY20, across all its segments (leading to greater price stability to its clients). Volume growth was impacted in H2FY19 (partly due to slower exports growth) leading to restrained EXIM growth of 8% in FY19 (~14% in FY18) and blended volume growth of 10%. The management expects the situation to ease, post general elections. For FY19, the company has inducted 8000 containers and 19 new rakes. The management expects to achieve 10-12% volume growth in FY20.

Push to develop other diversified businesses

The company has commenced its asset light coastal shipping business from January, 2019 (from Kandla port to Tuticorin via New Mangalore and Cochin) and expects to cover India's east coast and Bangladesh in FY20. Also, the company has set up its sole distribution logistics centre (vertical integration) at Ennore. It expects to add three to four centres this year and develop 50 million square feet (msf) of warehousing space in three to four years at these centres (20 centres identified). Also, Concor leads a consortium to construct a dry port off Cairo and is eyeing global opportunities in Russia and international corridors (MoU with Russia's JSC RZD Logistics).

Valuation & Outlook

Concor aims to consistently invest ~₹ 1000 crore annually, which has helped the company to shape up the business around MMLPs (83 in FY19) and is expected to contribute meaningfully in FY20. Dedicated Freight Corridor in CY20 is expected to provide Concor with port connectivity (Mundra, Pipavav). Thereby, it is expected to lead to higher volume growth and lower costs for the company. The management expects to increase its container volumes from ~4 million TEU in FY19E to 7 million TEU in FY21 via 1) organic volume growth 2) its foray in distribution logistics 3) coastal shipping volumes. We maintain **BUY** with a target price of ₹ 625, assigning a P/E multiple of ~22x to FY21E EPS of ~₹ 29.



Particulars

Particular	Amount
Market Capitalisation (₹ cr)	31,336.0
Total Debt (FY19P) (₹ cr)	70.0
Cash and equivalent (FY19P) (₹ cr)	233.4
EV (₹ Crore)	31,172.7
52 week H/L	569\433
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

Key Highlights

- Management expects the volumes are expected to grow 10-12%, on the back of gain in market share from its competitors (due to greater price stability, volume discounting)
- Coastal shipping is expected to cater India's East coast and Bangladesh in FY20
- Capex is expected to remain strong at ₹ 1000 crores for FY20 (₹658 crore spent in FY19)

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Key Financial Summary

₹ crore	FY17	FY18	FY19	FY20E	FY21E
Net Sales	5979.7	6612.5	6956.1	8055.4	9499.2
EBITDA	1245.7	1488.7	1790.8	2062.2	2469.8
PAT	857.5	1109.5	1224.6	1195.6	1751.6
P/E (x)	36.5	28.2	25.6	26.2	17.9
P/B (x)	1.1	1.1	1.0	0.9	0.8
RoCE (%)	9.8	11.3	12.8	13.8	15.1
RoE (%)	9.5	10.7	11.4	10.3	13.7

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Revenue	1,749.9	1,670.3	1,558.7	12.3	1,572.2	11.3	Revenues higher YoY mainly due to higher Exim and domestic realisation
Employee Expenses	109.7	81.8	80.8	35.8	76.8	42.9	
Terminal & other Expenses	964.0	985.5	914.9	5.4	923.7	4.4	
Administrative Expenses	293.3	250.5	216.4	35.5	238.2	23.1	
Total Expense	1,367.1	1,317.8	1,212.1	12.8	1,238.7	10.4	
EBITDA	382.9	352.4	346.6	10.5	333.5	14.8	
EBITDA Margin (%)	21.9	21.1	22.2	-35 bps	21.2	66 bps	Margins remained relatively flat YoY as lower terminal and other expenses as a percentage of sales was negated by higher employee and administrative expenses
Depreciation	111.7	105.3	101.0	10.6	105.9	5.5	Higher YoY mainly on account of commencement of new facilities, induction of 10000 containers and 19 new rakes during the year
Interest	0.7	0.0	0.0	NA	0.0	NA	
Other Income	128.8	71.7	40.9	214.8	74.1	73.8	Includes a tax refund of ₹ 25 crore
PBT	399.3	318.8	286.4	39.4	301.8	32.3	
Exceptional income/(expenses)	84.4	93.2	81.9	NA	84.9	-0.6	On account of SEIS income
Total Tax	131.3	111.6	74.7	75.9	111.9	17.4	
PAT	352.3	300.4	293.6	20.0	274.7	28.3	

Source: Company, ICICI Direct Research

Exhibit 2: Key Metrics

Key Metrics	Q4FY19	Q4FY18	YoY(%)	Q3FY19	QoQ (%)	
EXIM Volume (TEUs)	816,396.0	796,815.0	2.5	785,873.0	3.9	YoY subdued growth due to fall in the exports traffic
Domestic Volume (TEUs)	162,534.0	154,138.0	5.4	140,233.0	15.9	
Total Volume (TEUs)	978,930	950,953	2.9	926,106	5.7	
Adjusted EXIM Revenue (₹ crore)	1,317	1,179	11.8	1,216	8.3	Lower empties QoQ, led to better realisation and thereby to higher revenues, in spite of subdued volume growth
Domestic Revenue (₹ crore)	433	380	13.9	357	21.4	

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

(₹ Crore)	FY20E					FY21E			Comments
	FY18	FY19	Old	New	% Change	Old	New	% Change	
Revenue	6,612.5	6,956.1	8,299.5	8,055.4	-2.9	9,806.4	9,499.2	-3.1	Lowered mainly on account of lower realisation growth in FY20E
EBITDA	1,488.7	1,790.8	2,025.1	2,062.2	1.8	2,490.8	2,469.8	-0.8	
EBITDA Margin (%)	22.5	25.7	24.4	25.6	120 bps	25.4	26.0	60 bps	Margins positively impacted due to lower overheads (lower rail land license fee, stability in rail freight charges) and greater operating leverage
PAT	998.9	1,174.6	1,498.2	1,143.1	-23.7	1,840.2	1,696.5	-7.8	Impacted mainly due to lower other income and higher depreciation and interest charges
EPS (₹)	18.2	20.1	24.7	19.6	-20.6	30.4	28.7	-5.4	

Source: Company, ICICI Direct Research

Exhibit 4: Assumptions

	Unit	Current				Earlier		Comments
		FY18	FY19	FY20E	FY21E	FY20E	FY21E	
Exim Volume	TEUs	3,001,948	3,245,259	3,602,237	4,178,595	3,305,360	3,769,387	Volumes positively impacted by expected gain in market share by Concor (due to greater price stability)
Domestic Volume	TEUs	529,952	584,160	654,259	752,398	591,178	679,854	
Exim Realisation	₹/TEUs	15,303	15,600	16,005	16,410	15,392	15,787	Realisation expected to remain strong in FY20 and FY21 (price adjusted on April 1, 2019 for FY20)
Domestic Realisation	₹/TEUs	25,114	25,338	26,627	27,314	25,008	26,086	

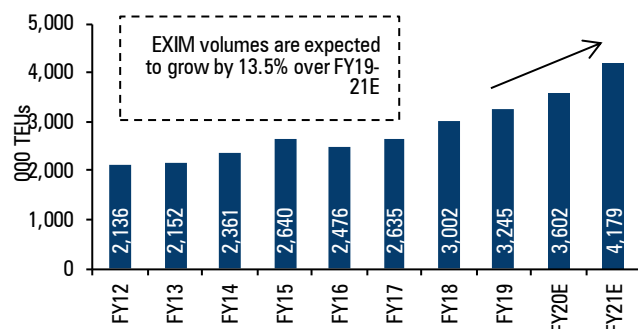
Source: ICICI Direct Research, Company

Conference call highlights

- Empties for Q4FY19 came in at ₹ 16 crore (vs. ₹ 31 crore in Q3FY19) for the Exim segment while it came in at ₹ 26 crore (vs. ₹ 31 crore in Q3FY19) for the domestic segment
- Concor volume share was at 33.5% from JNPT, 32.2% from Mundra and 15.2% from Pipavav
- The Q4FY19 volume wise share - JNPT: 33.5%; Mundra: 32.2; Pipavav: 15.2% and others: 19.1%
- The management expects to target FY20 revenue and PAT to clock 12% growth. However, it also feels that growth can be achieved more than the stated figures
- The company has paid an advance of ₹ 3000 crore to Indian Railways as freight expenses and would pay the remaining ₹ 1500 crore in September, 2019. It has built in growth of 20% against expenses paid in FY18 to Indian Railways
- In order to attract more volumes, the company has done 4% price adjustment before announcing the rate freeze to the customer, which would accrue in Q1FY20
- On the DFC commissioning, the government has informed the management that the DFC connectivity to Mundra and Pipavav would be ready by current calendar year end
- The management expects the leads to change according to the volume mix based on the pick-up in volumes at the terminal 4 at JNPT (higher lead distance) vs. the East coast (lower lead distance)

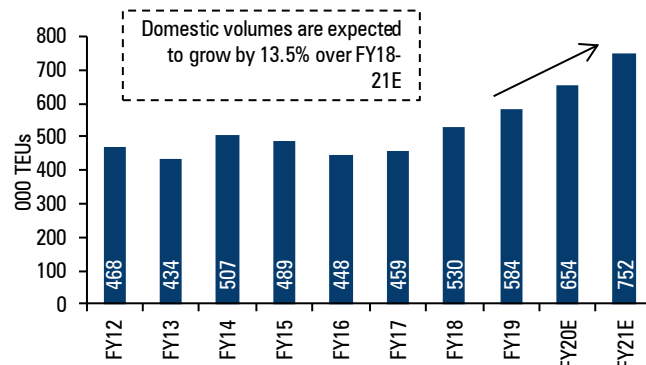
Key Metrics

Exhibit 5: Exim volumes



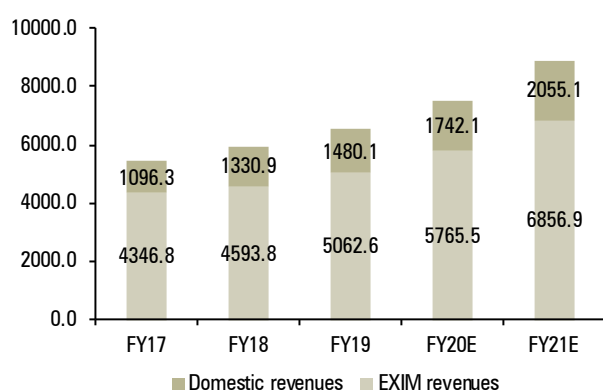
Source: ICICI Direct Research, Company

Exhibit 6: Domestic volumes



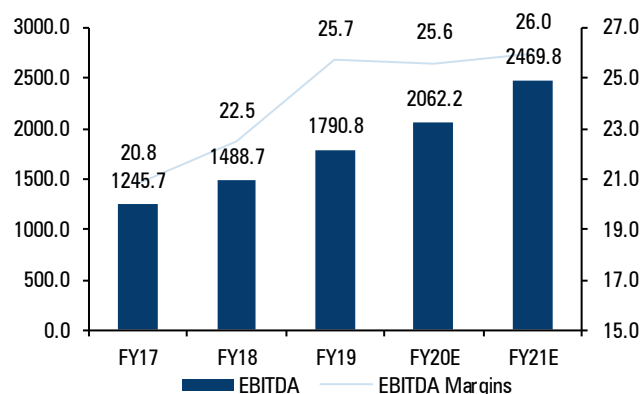
Source: ICICI Direct Research, Company

Exhibit 7: Revenues to grow at CAGR of 17% over FY19-21E



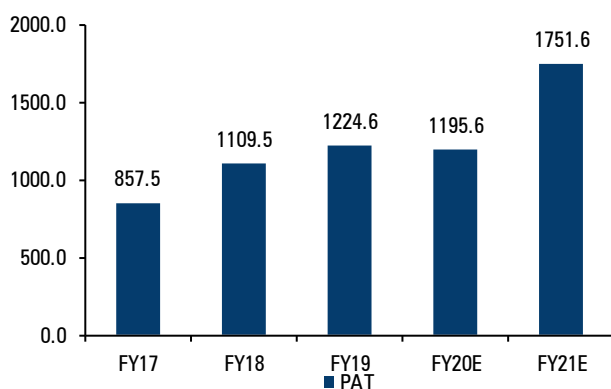
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA to grow at CAGR of 17% over FY19-21



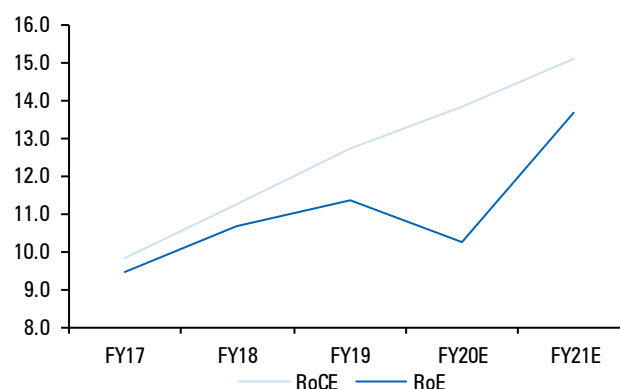
Source: ICICI Direct Research, Company

Exhibit 9: PAT to grow at CAGR of 20% over FY19-21



Source: Company, ICICI Direct Research

Exhibit 10: Return ratios trend



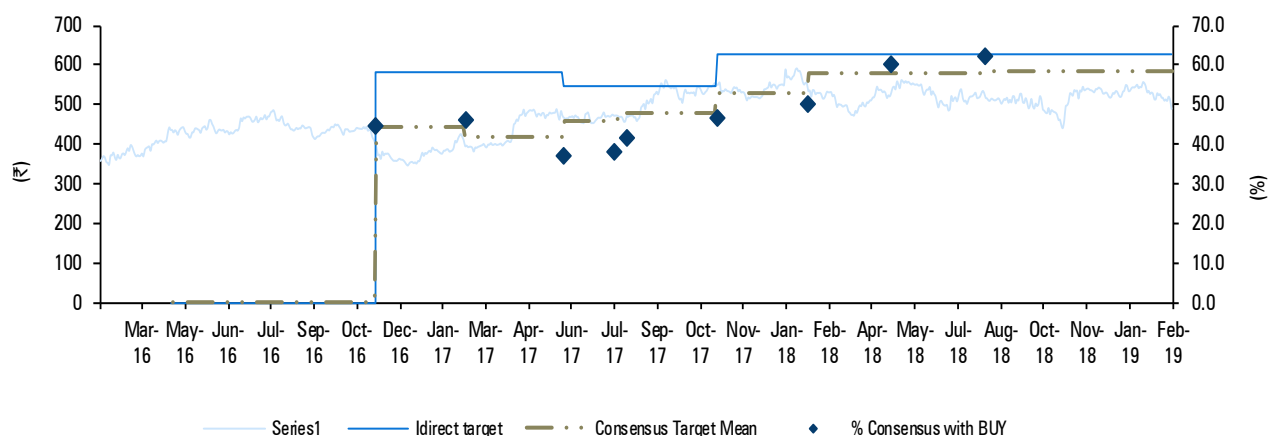
Source: Company, ICICI Direct Research

Exhibit 11: Valuation parameters

	Sales	Sales	EPS	EPS	PE	EV/EBITD	RoNW	RoCE
	(₹ cr)	Growth (%)	(₹)	Growth (%)	(x)	(x)	(%)	(%)
FY17	5979.7	-4.8	14.1	-7.7	36.5	6.7	9.5	9.8
FY18	6612.5	10.6	18.2	29.4	28.2	5.4	10.7	11.3
FY19P	6956.1	5.2	20.1	10.4	25.6	5.9	11.4	12.8
FY20E	8055.4	15.8	19.6	-2.4	26.2	3.7	10.3	13.8
FY21E	9499.2	17.9	28.7	46.5	17.9	2.7	13.7	15.1

Source: Company, ICICI Direct Research

Exhibit 12: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 13: Shareholders

Rank	Investor Name	Latest Filing Date	% O/S Position (m)	Change (m)
1	Government of India	5-Feb-19	0.55	333.9
2	LIC Mutual Fund Asset Management C	5-Feb-19	0.03	19.3
3	Matthews International Capital Manage	31-Dec-18	0.03	19.1
4	Aberdeen Standard Investments (Asia)	31-Mar-19	0.03	18.5
5	ICICI Prudential Asset Management Co	31-Mar-19	0.02	10.9
6	Hermes Investment Management Ltd.	28-Feb-19	0.02	9.5
7	UTI Asset Management Co. Ltd.	31-Mar-19	0.01	8.4
8	The Vanguard Group, Inc.	31-Mar-19	0.01	7.2
9	Azim Premji Trust	5-Feb-19	0.01	6.3
10	BlackRock Institutional Trust Company,	31-Mar-19	0.01	6.1

Source: ICICI Direct Research, Reuters, Company

Exhibit 14: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	54.8	54.8	54.8	54.8
Public	45.2	45.2	45.2	45.2

Source: ICICI Direct Research, Reuters, Company

Exhibit 15: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Aberdeen Standard Investments (Asia) Limited	15.36	2.02	HDFC Asset Management Co., Ltd.	-17.94	-2.36
FIL Investment Management (Singapore) Ltd.	6.13	0.92	Goldman Sachs Asset Management International	-10.21	-1.53
Tata Asset Management Limited	6.61	0.87	Norges Bank Investment Management (NBIM)	-8.82	-1.12
FIL Investment Management (Hong Kong) Limited	2.78	0.42	L&T Investment Management Limited	-4.85	-0.64
Hermes Investment Management Ltd.	2.16	0.32	Fiera Capital (UK) Limited	-5.03	-0.63

Source: ICICI Direct Research, Reuters

Exhibit 16: Profit & Loss Statement

₹ crore

(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	6,612.5	6,956.1	8,055.4	9,499.2
Growth (%)	10.6	5.2	15.8	17.9
Terminal/Other Service ch	4,541.9	4,561.0	5,316.5	6,269.5
Employee Cost	279.4	337.0	354.4	380.0
Administrative & other exp	302.5	267.3	322.2	380.0
Op. Expenditure	5,123.8	5,165.3	5,993.2	7,029.4
EBITDA	1,488.7	1,790.8	2,062.2	2,469.8
Growth (%)	19.5	20.3	15.2	19.8
Depreciation	420.0	452.3	497.1	567.1
EBIT	1,068.7	1,338.5	1,565.1	1,902.7
Interest	5.6	6.5	36.6	13.7
Other Income	286.8	317.0	37.3	434.9
PBT	1,349.9	1,649.0	1,565.9	2,323.9
Growth (%)	16.4	22.2	-5.0	48.4
Tax	351.0	474.4	422.8	627.5
Reported PAT	998.9	1,174.6	1,143.1	1,696.5
Growth (%)	20.3	17.6	-2.7	48.4
Share of Profit/Loss in JV	55.8	50.0	52.5	55.1
Adjusted PAT	1,109.5	1,224.6	1,195.6	1,751.6
EPS	18.2	20.1	19.6	28.7

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow Statement

₹ crore

(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit after Tax	998.9	1,174.6	1,143.1	1,696.5
Add: Depreciation	420.0	452.3	497.1	567.1
Cash Profit	1,418.9	1,626.8	1,640.1	2,263.5
Increase/(Decrease) in CL	215.5	276.8	(93.6)	223.5
(Increase)/Decrease in CA	(262.4)	(3,367.8)	2,864.0	(85.7)
Others	(54.1)	-	-	-
CF from Operating Activities	1,317.8	(1,464.2)	4,410.5	2,401.3
Purchase of Fixed Assets	(803.9)	(969.4)	(1,000.0)	(1,000.0)
(Inc)/Dec in Investments	(45.3)	(45.9)	(58.6)	(61.5)
Others	298.4	192.1	(63.8)	(66.1)
CF from Investing Activities	(550.8)	(823.3)	(1,122.4)	(1,127.5)
Inc/(Dec) in Loan Funds	-	708.7	(482.5)	(178.1)
Inc/(Dec) in Sh. Cap. & Res.	(421.9)	(192.9)	(332.8)	(420.4)
Others	(59.0)	(27.3)	12.1	12.2
CF from financing activities	(480.9)	488.5	(803.2)	(586.3)
Change in cash Eq.	286.1	(1,799.0)	2,484.9	687.4
Op. Cash and cash Eq.	1,746.2	2,032.4	233.4	2,718.3
Cl. Cash and cash Eq.	2,032.4	233.4	2,718.3	3,405.7

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet

₹ crore

(Year-end March)	FY18	FY19P	FY20E	FY21E
Source of Funds				
Equity Capital	243.7	304.7	304.7	304.7
Reserves & Surplus	9,104.5	10,025.3	10,835.5	12,111.6
Shareholder's Fund	9,348.2	10,329.9	11,140.2	12,416.2
Minority Interest	113.4	106.3	108.5	110.6
Loan Funds	62.0	70.0	87.5	109.4
Deferred Tax Liability	191.2	165.9	175.9	185.9
Provisions	82.0	87.1	87.1	87.1
Source of Funds	9,796.8	10,759.2	11,599.1	12,909.2
Application of Funds				
Gross Block	5,127.6	6,100.8	7,100.8	8,100.8
Less: Acc. Depreciation	1,120.0	1,572.3	2,069.3	2,636.4
Net Block	4,007.6	4,528.5	5,031.5	5,464.4
Capital WIP	691.8	626.3	657.7	690.5
Total Fixed Assets	4,699.4	5,154.9	5,689.1	6,154.9
Other Intangibles	11.7	7.9	7.9	7.9
Investments	1,176.8	1,231.6	1,296.2	1,364.3
Other Non-Current Assets	1,752.6	1,626.0	1,658.6	1,691.7
Inventories	27.8	23.6	33.1	39.0
Debtor	90.9	95.5	77.2	91.1
Cash & Bank balances	2,032.4	233.4	2,718.3	3,405.7
Loan & Advance, Other CA	1,068.9	4,427.4	1,566.2	1,625.5
Total Current assets	3,220.0	4,779.9	4,394.8	5,161.3
Current Liabilities	275.9	353.1	441.4	520.5
Other Current Liabilities	763.2	1,670.0	973.1	911.5
Provisions	24.6	18.1	33.1	39.0
Total CL and Provisions	1,063.7	2,041.2	1,447.6	1,471.1
Net Working Capital	2,156.3	2,738.8	2,947.2	3,690.2
Application of Funds	9,796.8	10,759.1	11,599.0	12,909.2

Source: Company, ICICI Direct Research

Exhibit 19: Key Ratios

(Year-end March)	FY18	FY19P	FY20E	FY21E
Per share data (₹)				
Book Value	479.5	529.8	571.4	636.8
Cash per share	83.4	7.7	89.2	111.8
EPS	18.2	20.1	19.6	28.7
Cash EPS	62.8	55.0	55.6	76.1
DPS	17.1	8.0	7.8	11.5
Profitability & Operating Ratios				
EBITDA Margin (%)	22.5	25.7	25.6	26.0
PAT Margin (%)	16.8	17.6	14.8	18.4
Fixed Asset Turnover (x)	1.4	1.3	1.4	1.5
Inventory Turnover (Days)	1.5	1.5	1.5	1.5
Debtor (Days)	4.0	3.5	3.5	3.5
Current Liabilities (Days)	15.2	18.5	20.0	20.0
Return Ratios (%)				
RoE	10.7	11.4	10.3	13.7
RoCE	11.3	12.8	13.8	15.1
RoIC	17.1	14.9	21.5	24.3
Valuation Ratios (x)				
P/E	28.2	25.6	26.2	17.9
Price to Book Value	1.1	1.0	0.9	0.8
EV/EBITDA	5.4	5.9	3.7	2.7
EV/Sales	1.2	1.5	0.9	0.7
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	NA	NA	NA	NA
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	3.0	2.3	3.0	3.5

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct Coverage Universe

Exhibit 20: TCI Express Direct Coverage Universe																					
Sector / Company	CMP			M Cap		EPS (₹)				P/E (x)				EV/EBITDA (x)				RoCE (%)			
	(₹)	TP(₹)	Rating	(₹ Cr)	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	
Container Corporation	514	625	BUY	31,336	14.1	18.2	20.1	19.6	36.5	28.2	25.6	26.2	6.7	5.4	5.9	3.7	9.8	11.3	12.8	13.8	
Transport Corp. of India	288	350	BUY	2,205	10.7	16.1	22.0	27.3	25.2	16.8	12.3	9.9	14.4	11.0	8.4	7.0	10.7	13.4	15.1	15.8	
BlueDart	3,265	3,650	BUY	7,747	58.9	60.9	34.2	64.4	47.3	45.7	81.5	43.2	19.5	18.6	24.4	16.9	32.2	29.3	17.9	28.2	
Gati Ltd.	80	75	Hold	871	1.2	3.2	1.2	2.6	59.1	22.6	60.9	27.8	9.2	13.7	11.6	8.2	7.6	6.0	7.2	10.3	
Gujarat Pipavav	89	100	BUY	4,288	5.8	4.6	4.9	5.5	17.3	22.1	20.7	18.4	10.8	11.9	11.2	10.5	14.0	12.1	12.3	13.0	
TCI Express	670	780	BUY	2,566	9.8	15.2	19.5	24.4	65.9	42.3	33.1	26.4	40.3	27.6	20.8	16.6	31.9	38.3	38.3	36.4	

Source: ICICI Direct Research, Bloomberg

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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