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Company update and
reco change

Logistics

Target price: Rs460

Earnings revision

(%)	FY21E	FY22E
Sales	↓ 11.0	↓ 10.9
EBITDA	↓ 30.9	↓ 28.1
EPS	↓ 32.2	↓ 29.2

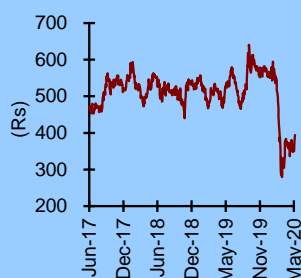
Target price revision

Rs460 from Rs337

Shareholding pattern

	Sep '19	Dec '19	Mar '20
Promoters	54.8	54.8	54.8
Institutional investors	40.8	40.6	40.4
MFs and other	6.6	8.1	8.6
Banks & FIs	0.1	0.0	0.0
Insurance Cos.	5.6	5.1	4.8
FII	28.5	27.4	27.0
Others	4.4	4.6	4.8

Price chart



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INDIA

ICICI Securities

Container Corporation of India

BUY

Upgrade from Hold

Increase in land license fee is the best outcome for
Concor

Rs392

It's clear now that Q1FY21 will witness a certain increase in land license fee and one can only notice the scenarios around the possible increase (refer to Ministry of Railways Circular [Link](#)). More importantly Concor has already given up 15 terminals ([link](#)) which being at the 'heart of cities' were expensive real estate and were not leading to any meaningful business. We see a range of Rs 3-8bn as total incidence of land licence fees for Concor, against ~ Rs 2bn currently incurred. We had previously factored in a scenario wherein, the company is made to acquire the Railways land in the wake of possible divestment. The resultant leverage and earnings impact would have been detrimental to i) the cause of divestment and ii) for existing minority and majority shareholders. We upgrade Concor to BUY from HOLD with a revised target price of Rs460/share (Rs 337/share earlier)

- **What can be the possible increase in land license fee?** Concor has given up 15 terminals to Indian Railways, aggregating ~ Rs 648mn in net block, without impacting the business materially. **We assume Rs 3bn to Rs 8bn as the range of new land license fee post the increase.** This is driven by publicly available estimates of Ministry of Railways land value for extant Concor ICDs (Ranging from Rs 80-160bn), and assuming a certain reduction on account of handover of 15 'in city' terminals. This also assumes land license fee at 6 % of land value.
- **Increase in land license fee vis-à-vis buyout of land helps valuations.** We have previously factored in Rs 120bn of land purchase which was severely impacting profitability, adding undue leverage to business model. As we consider alternate scenarios of 'increased' land license fees, valuation improves significantly. We consider average of valuation scenarios with land license fees at Rs 3bn and Rs 8bn respectively. Our published earnings, consider a mid-point of the range. **We upgrade to BUY with a revised target of Rs 460/share.**
- **Covid-19 outbreak has brought in asymmetric benefits to rail transport.** We expect two trends following Covid-19 crisis impact: i) Solvency issues plaguing the leveraged road transport operators and ii) correspondingly shift in share to organised, balance sheet healthy road transporters and rail. Rail will see the benefit of a shift in share from road. What Covid-19 pandemic has also helped in forecasting is the excess rolling stock capacity given 30-40% reduction in the turnaround time – the sudden drop in passenger traffic has helped exhibit a scenario similar to what can happen post DFC implementation. This can help also to reduce the capex for Concor, as a significant chunk of incremental capex for Concor was in rolling stock.
- **Implementation of DFC?** While Covid 19 has undoubtedly shifted back the timelines, Indian Railways did start trial run of double stacked train in the Rewari Madar section of WDFC ([Link](#)). The opening of this stretch will bring Khatuwas (terminal of Concor) in the DFC map as highlighted in the release.

Market Cap	Rs239bn/US\$3.1bn
Reuters/Bloomberg	CCRI.BO / CCRI IN
Shares Outstanding (mn)	609.3
52-week Range (Rs)	665/263
Free Float (%)	45.2
FII (%)	27.0
Daily Volume (US\$'000)	8,494
Absolute Return 3m (%)	(21.1)
Absolute Return 12m (%)	(26.1)
Sensex Return 3m (%)	(11.0)
Sensex Return 12m (%)	(13.8)

Year to Mar	FY19	FY20E	FY21E	FY22E
Revenue (Rs mn)	69,576	65,208	61,516	69,438
EBITDA (Rs mn)	11,918	16,205	11,868	14,633
Net Income (Rs mn)	5,650	9,958	8,385	11,022
EPS (Rs)	10.3	17.2	14.6	18.9
P/E (x)	38.2	22.8	26.9	20.7
CEPS (Rs)	17.7	25.5	23.3	27.8
EV/E (x)	20.5	13.1	18.0	14.5
Dividend Yield	3.4	3.4	3.4	3.4
RoCE (%)	6.5	9.3	5.3	7.0
RoE (%)	6.1	9.6	7.9	9.6

Please refer to important disclosures at the end of this report

Change in earnings

We have factored in Covid 19 impact of volumes in our base case earnings. We acknowledge that the volumes can decline even more if the trend seen in container volumes for Apr,'20 continues into May.

Table 1: Earnings change

	FY21E			FY22E		
	Old	New	% chg	Old	New	% chg
Sales	69,085	61,516	(11.0)	77,892	69,438	(10.9)
EBITDA	17,179	11,868	(30.9)	20,339	14,633	(28.1)
PAT	12,359	8,385	(32.2)	15,565	11,022	(29.2)
TEU Handled						
- EXIM	3,341,042	3,009,107	(9.9)	3,675,146	3,310,018	(9.9)
- Domestic	621,062	532,339	(14.3)	683,168	585,573	(14.3)
EBITDA/teu						
- Exim	5,000	4,040	(19.2)	5,075	4,161	-
- Domestic	2,835	1,875	(33.9)	2,977	2,062	(30.7)

Source: Company data, I-Sec research

Upgrade to BUY

We have earlier factored in a scenario that Concor has to pay Rs 120bn to acquire railway land and assigned 80% probability to the same. In that same scenario we did factor in lower FY21 volumes on account of Covid 19. With more clarity emerging on increase in land license fee, we assume two scenarios of increased land license fee and take the average of two valuation scenarios to arrive at a target price for Concor. We upgrade to BUY based on the average valuation from these two scenarios – Rs 460/share. *Any deviation from our expectations to land license fee is the key risk to our call.*

Table 2: New valuation scenarios

Scenario 1: Rs 3bn of Land License fee		Scenario 1: Rs 8bn of Land License fee	
(Rs mn)	FY22E		FY22E
Terminal growth %	3%	Terminal growth %	
Terminal Value (Rs mn)	346,275	Terminal Value (Rs mn)	300,119
# of years to Terminal Value	3	# of years to Terminal Value	3
PV of Terminal value	226,666	PV of Terminal value	196,453
PV of FCFF	55,720	PV of FCFF	44,044
Total FCFF	282,386	Total FCFF	240,497
Net Debt	-26,831	Net Debt	(23,533)
Total Equity value	312,849	Total Equity value	263,972
Total o/s # of shares	609	Total o/s # of shares	609
Fair value per share	513	Fair value per share	433
Discount Factor	(3)	Discount Factor	(3)
Effective Target price	498	Effective Target price	420

Source: Company data, I-Sec research

Table 3: Old valuation scenarios

Scenario 1: 80% Weightage with Rs 120bn outgo for land purchase		Scenario 1: 20% Weightage with no lan purchase and no volume impact	
(Rs mn)	FY22E		FY22E
Terminal growth %	3%	Terminal growth %	3%
# of years to Terminal Value	3	# of years to Terminal Value	3
PV of Terminal value	291,800	PV of Terminal value	276,422
Total FCFF	257,301	Total FCFF	327,854
Net Debt	82,591	Net Debt	(29,219)
Total Equity value	174,711	Total Equity value	363,418
Total o/s # of shares	609	Total o/s # of shares	609
Fair value per share	287	Fair value per share	590
Discount Factor	(3)	Discount Factor	(3)
Effective Target price	278	Effective Target price	576

Source: Company data, I-Sec research

Table 4: Sensitivity to change in Exim and domestic volumes

	Chg	Chg in EBITDA	Chg in PAT
Chg in EXIM volumes	(5.0)	(5.1)	(5.4)
Change in Domestic Volumes	(5.0)	(0.5)	(0.5)

Source: Company data, I-Sec research

Financial summary

Table 5: Profit & loss statement

(Rs mn, year ending March 31)

	FY19	FY20E	FY21E	FY22E
Net Sales	69,576	65,208	61,516	69,438
Other Income	3,170	2,500	5,000	6,200
Total Income	72,747	67,708	66,516	75,638
Operating Expenses	60,829	51,503	54,648	61,005
EBITDA	11,918	16,205	11,868	14,633
% margins	16.4%	23.9%	17.8%	19.3%
Depreciation & Amortisation	4,523	5,070	5,335	5,410
Gross Interest	65	328	328	694
Recurring PBT	10,500	13,307	11,205	14,730
Extraordinary income	-	-	-	-
Less: Taxes	4,851	3,349	2,820	3,708
Less: Minority Int. & Asso. Profit	-	-	-	-
Net Income (Reported)	5,650	9,958	8,385	11,022

Source: Company data, I-Sec research

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20E	FY21E	FY22E
Assets				
Total Current Assets	47,523	45,697	44,631	46,553
of which cash & cash eqv.	2,057	33,892	32,889	34,675
Total Current Liabilities & Provisions	13,406	10,878	10,917	11,233
Net Current Assets	34,117	34,819	33,714	35,320
Investments	11,712	11,712	11,712	11,712
Net Fixed Assets (Including CWIP)	51,904	56,834	62,000	67,090
Intangible Assets	-	-	-	-
Long term loans & advances	604	604	604	604
Other non-current assets	16,232	16,232	16,232	16,232
Total Assets	1,14,569	1,20,202	1,24,262	1,30,959
Liabilities				
Borrowings	7,707	7,707	7,707	7,707
Deferred Tax Liability	1,631	1,631	1,631	1,631
Other Long term liabilities	331	331	331	331
Long-term provisions	540	540	540	540
Minority Interest	1,063	1,063	1,063	1,063
Equity Share Capital	3,046	3,046	3,046	3,046
Reserves & Surplus	1,00,253	1,05,885	1,09,944	1,16,642
Net Worth	1,03,299	1,08,931	1,12,991	1,19,688
Total Liabilities	1,14,570	1,20,202	1,24,262	1,30,959

Source: Company data, I-Sec research

Table 7: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20E	FY21E	FY22E
Net Profit before tax & extraordinary items	11,000	13,807	11,706	15,230
Operating Cashflow	(18,782)	47,952	14,650	17,806
Capital Commitments	(7,858)	(10,000)	(10,500)	(10,500)
Free Cashflow	(26,640)	37,952	4,150	7,306
Other investing cashflow	22,156	(964)	-	-
Cashflow from Investing Activities	13,159	(10,964)	(10,500)	(10,500)
Inc (Dec) in Borrowings	7,021	(328)	(328)	(694)
Dividend paid	(2,216)	(4,826)	(4,826)	(4,826)
Cashflow from Financing Activities	4,806	(5,154)	(5,154)	(5,519)
Chg. in Cash & Bank balance	(817)	31,834	(1,003)	1,787

Source: Company data, I-Sec research,

Table 8: Key ratios

(Year ending March 31)

	FY19	FY20E	FY21E	FY22E
Per Share data (Rs)				
EPS	10.3	17.2	14.6	18.9
Cash EPS	17.7	25.5	23.3	27.8
OCF per share	(30.8)	78.7	24.0	29.2
Dividend per share (DPS)	13.2	13.2	13.2	13.2
Book Value per share (BV)	170	179	185	196
Growth (%)				
Net Sales	5.2	(6.3)	(5.7)	12.9
EBITDA	(20.1)	36.0	(26.8)	23.3
PAT	(41.0)	67.2	(15.0)	29.7
Valuation Ratios (x)				
P/E	38.2	22.8	26.9	20.7
P/BV	2.3	2.2	2.1	2.0
EV / EBITDA	20.5	13.1	18.0	14.5
Return/Profitability Ratios (%)				
EBITDA Margins	17.1	24.9	19.3	21.1
Net Income Margins	9.0	16.0	14.4	16.6
RoCE	6.5	9.3	5.3	7.0
RoE	6.1	9.6	7.9	9.6
Other Key Ratios				
Effective Tax Rate (%)	45.2	25.2	25.2	25.2
Total D/E Ratio (x)	0.1	0.1	0.1	0.1
Net D/E Ratio (x)	0.1	(0.2)	(0.2)	(0.2)

Source: Company data, I-Sec research

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