

Container Corporation

BSE SENSEX

53,161

S&P CNX

15,832

CMP: INR624
TP: INR750 (+20%)
Buy

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Stock Info

Bloomberg	CCRI IN
Equity Shares (m)	609
M.Cap.(INRb)/(USD\$b)	380 / 4.9
52-Week Range (INR)	754 / 554
1, 6, 12 Rel. Per (%)	-2/10/-11
12M Avg Val (INR M)	1143
Free float (%)	45.2

Financials Snapshot (INR b)

Y/E March	2022	2023E	2024E
Net Sales	75.9	90.6	108.2
EBITDA	17.3	20.5	24.8
Adj. PAT	10.6	12.8	15.7
Adj. EPS (INR)	17.4	21.0	25.7
EPS Gr. (%)	81.1	20.2	22.7
BV/Sh. (INR)	176.9	185.3	195.6

Ratios

Net D/E (x)	(0.3)	(0.3)	(0.4)
RoE (%)	10.1	11.6	13.5
RoCE (%)	10.5	12.0	13.9
Payout (%)	51.6	60.0	60.0

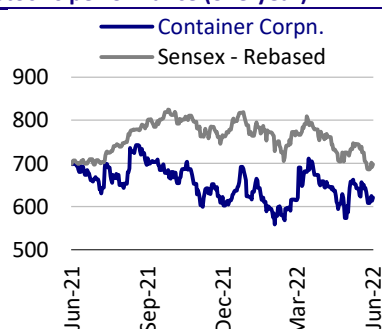
Valuations

P/E (x)	35.8	29.8	24.2
P/BV (x)	3.5	3.4	3.2
EV/EBITDA (x)	19.5	16.0	12.9
Div. Yield (%)	1.4	2.0	2.5
FCF Yield (%)	2.0	3.5	4.2

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	54.8	54.8	54.8
DII	17.0	15.7	16.5
FII	23.5	24.9	24.0
Others	4.7	4.7	4.7

FII Includes depository receipts

Stock's performance (one-year)

Well placed to capitalize from the DFC opportunity

- CCRI witnessed a robust performance over FY22, with 12% volume growth and robust margin improvement. Growth was driven by Domestic volumes, which grew 32% in FY22 as against an 8% growth in EXIM volumes.
- Going forward, CCRI is very well placed to capitalize on the DFC opportunity. While it is already benefiting from the partial commissioning of the Rewari-to-Palanpur DFC (with a faster turnaround time and improved efficiency), additional benefits are expected to flow through once JNPT and Dadri is connected to the DFC. It aims to handle ~5m TEUs in FY23E.
- The company is looking to enter into a long-term lease arrangement for its terminals owned by the Indian Railways and expects a development on that front soon. With decent volume growth and margin, we expect CCRI to clock a revenue/EBITDA/PAT CAGR of ~19%/20%/21% over FY22-24. The stock trades at 13x FY24E EV/EBITDA. We maintain our Buy rating on the stock with a DCF-based TP of INR750, implying a potential upside of 20%.

Commissioning of the DFC to drive sustainable volumes and earnings performance for CCRI

- CCRI is witnessing the benefits emanating from the recent commissioning of the Rewari-to-Palanpur DFC stretch. There has been a significant gain in terms of faster turnaround time and improved efficiency. Further benefits are expected once the DFC is connected to Dadri and JNPT. While DFC construction has been slow due to the COVID-19 pandemic and land availability issues, the same is expected to be ramped up.
- The company is targeting an EXIM/domestic volume growth of 12-15%/25% YoY, taking total volumes to ~5m TEUs in FY23E. The domestic segment is expected to grow faster than EXIM and reach ~25mt by FY25.
- Being the market leader in Rail container transportation, CCRI will be one of the biggest beneficiaries of the DFC. Along with an improvement in volumes (due to shift in volumes from Road to Rail), it will also lead to improved efficiency and margin enhancement.

CCRI is targeting new growth areas to enhance volumes; focus is on boosting network Infra, with a huge capex plan over the next few years

- CCRI started bulk cement commercial operations in FY22. The company sees extremely strong potential in cement transportation and is looking to handle volumes of ~12mt over the next three years. Trial runs have also been conducted for transporting food grains in containers.
- It is also witnessing strong interest for 3PL logistics and distribution logistics services. It is working with OEM equipment manufacturers for first mile last mile operations. These new business lines can provide strong support to growth in the long term.

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- CCRI is planning a capex of INR80b over the next three-to-four years to be executed through internal accruals. This investment will largely be towards infrastructure, rolling stock, containers, and equipment.

Valuation and view

- We expect CCRI to witness a robust volume pick-up, driven by the commissioning of the DFC, thereby leading to 19% revenue CAGR over FY22-24. With a pick-up in domestic volumes and efficiency improvements from DFCs, EBITDA margin for CCRI is likely to remain stable ~23%, resulting in 20% EBITDA CAGR over FY22-24.
- The stock trades at 13x FY24E EV/EBITDA. We maintain our Buy rating on the stock with a DCF-based TP of INR750, implying a potential upside of 20%.

Timelines revised for DFCs

- The Dedicated Freight Corridor Corporation of India (DFCCIL) has so far commissioned 1,277km of the proposed 2,843km, pertaining to stretches undertaken by the government for both corridors.
- The completion deadline for the Eastern and Western Dedicated Freight Corridors (DFCs) has been extended by two years to Mar'24 due to pandemic-induced challenges and land acquisition delays.
- As reported by DFCCIL, the progress of works in the 0.3km stretch of the Khurja-Dadri section of EDFC in the GB Nagar District and five patches affecting a length of 3.897km in WDFC has been stuck due to various land issues.
- DFCs enable carrying of higher load capacities through double stacking of trains. Overall, double stacking is up 45% YoY to 3,757 trains in FY22 (FY21: 2,574) with the commissioning of the Rewari-Palanpur section of WDFC for CCRI.

Exhibit 1: Completion status of WDFC and EDFC

Section/packages	Length	Commissioning target	Financial progress
WDFC			
Rewari-Palanpur	Rewari-Madar	306km	Commissioned
	Madar-Palanpur	353km	Commissioned
Palanpur-Makarpura	290km	Jun'23	74 %
Makarpura-Sachin	135km	Jun'23	
Sachin-Vaitarna	186km	Mar'23	
Vaitarna-JNPT	109km	Mar'24	
Dadri-Rewari	127km	Dec'22	
EDFC			
Bhaupur-Khurja	Bhaupur-Rooma	50km	Dec'22
	Rooma-Sujatpur	130km	Commissioned
Bhaupur - DDU	Sujatpur-DDU	222km	Mar'23
	DDU -Sonnagar	137km	Commissioned
Khurja-Dadri	46km	Sep'22	84 %
Pilkhani-Ludhiana	179km	Jun'23	
Khurja-Pilkhani	222km	Mar'23	

Source: DFCCIL, MOFSL

Story in charts

Exhibit 1: Quarterly EXIM and domestic volume trends ('000 TEU)

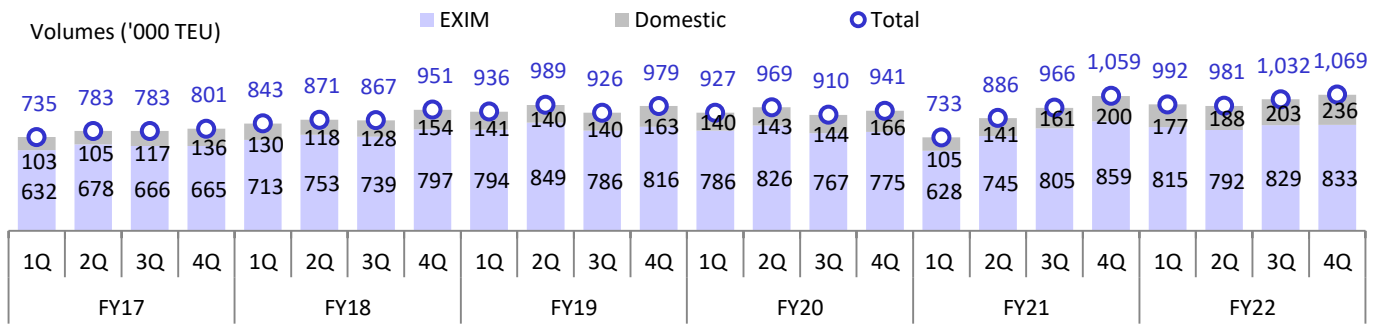


Exhibit 2: Quarterly EXIM and domestic volume growth YoY ('000 TEU)

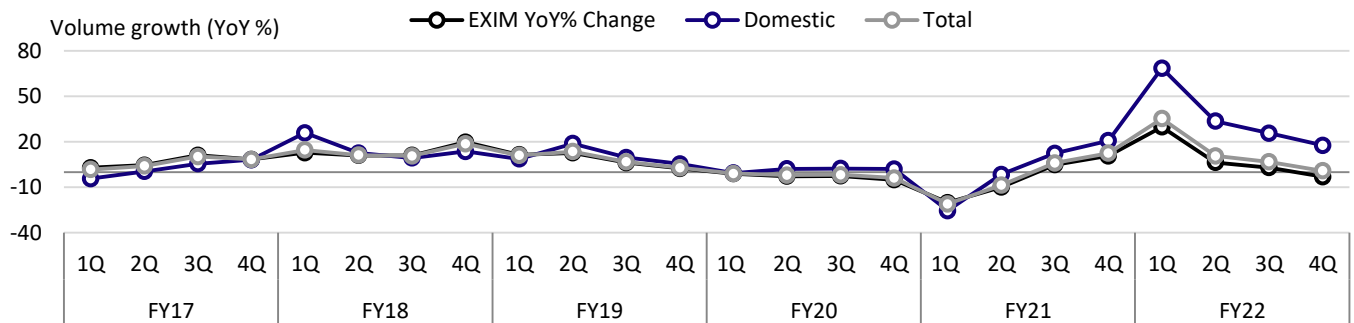


Exhibit 3: Trends in quarterly EXIM and domestic realization per TEU

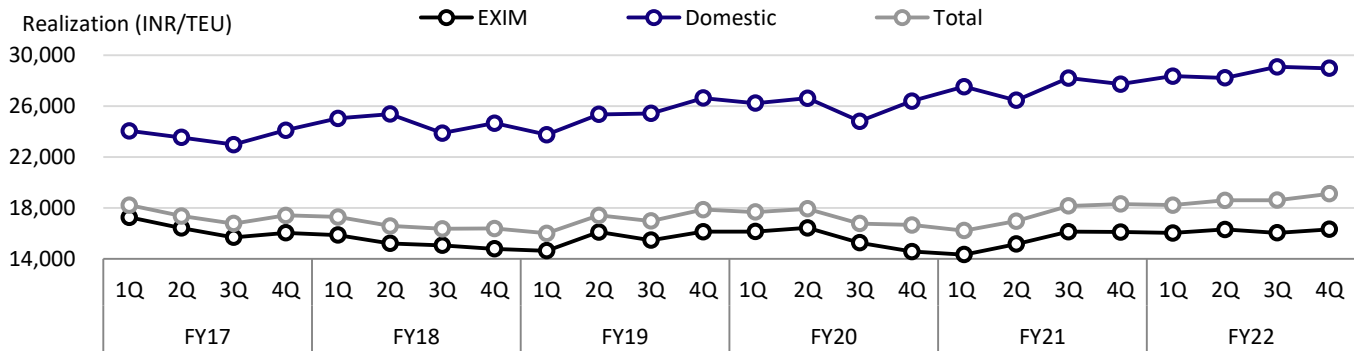
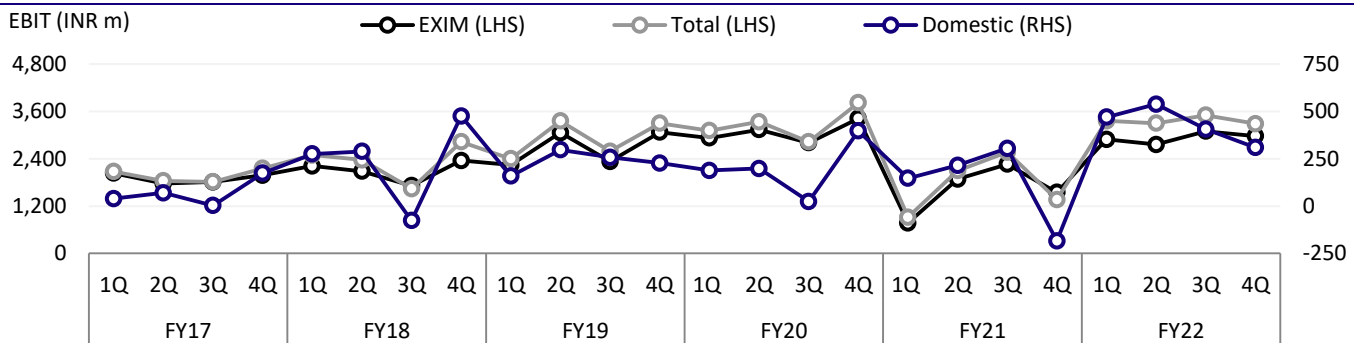
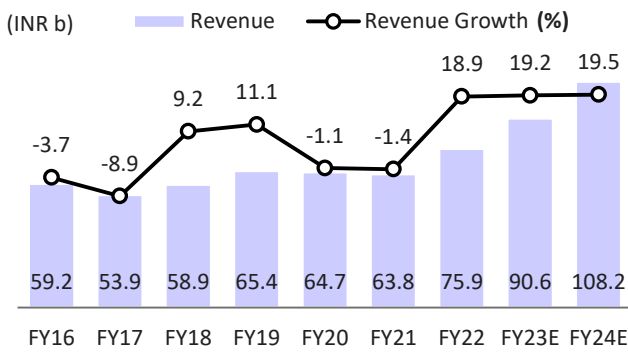


Exhibit 4: Quarterly EXIM and domestic EBIT trends (INR m)



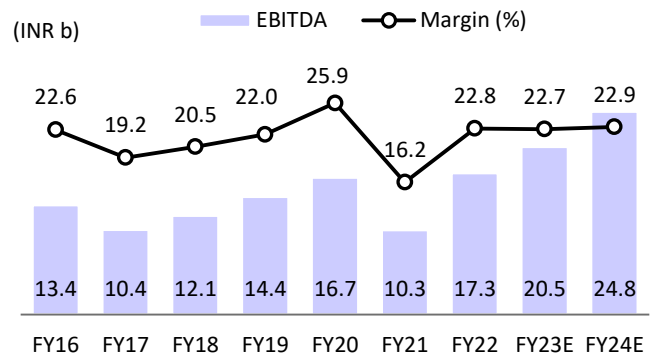
Source: MOFSL, Company

Exhibit 5: Revenue to be driven by the domestic segment



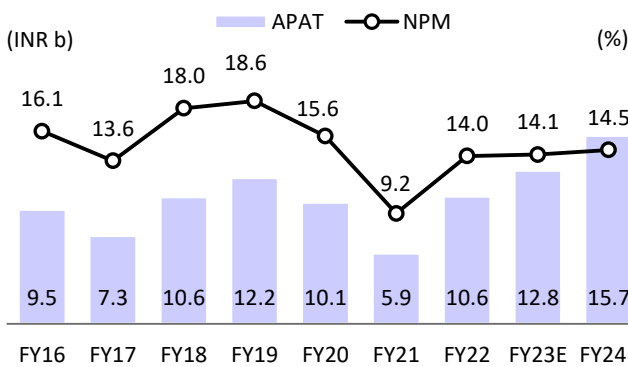
Source: Company, MOFSL

Exhibit 6: Margin to remain steady ~23%



Source: Company, MOFSL

Exhibit 7: Growth in PAT to remain healthy



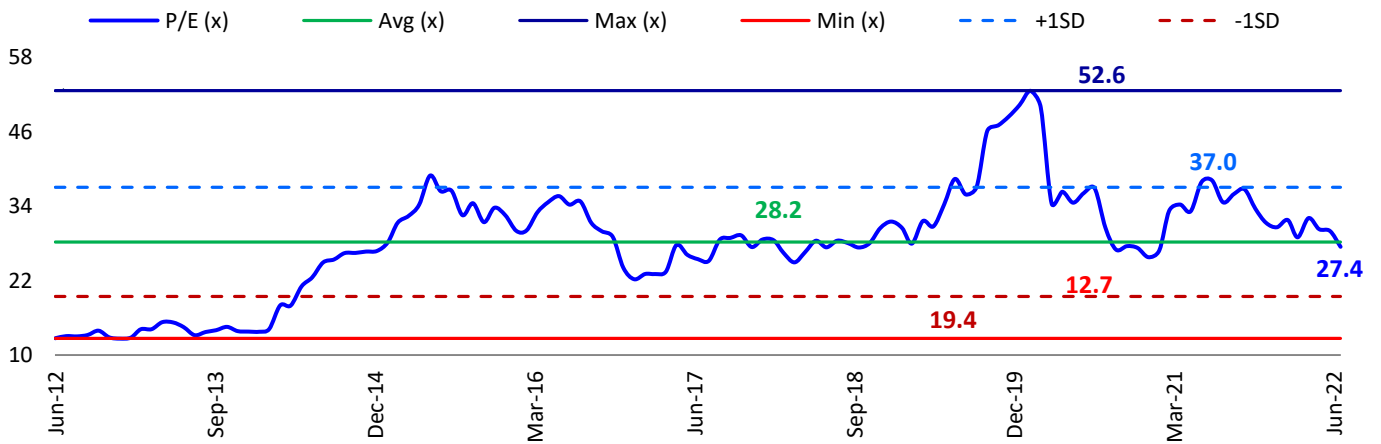
Source: Company, MOFSL

Exhibit 8: Return ratios to follow stronger earnings



Source: Company, MOFSL

Exhibit 9: Trades at a one-year forward P/E of 27x



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement

Y/E March (INR m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	59,217	53,946	58,893	65,427	64,738	63,850	75,945	90,563	108,198
Change (%)	-3.7	-8.9	9.2	11.1	-1.1	-1.4	18.9	19.2	19.5
Total Expenditure	45,834	43,593	46,814	51,019	47,989	53,521	58,661	70,035	83,376
As a percentage of Sales	77.4	80.8	79.5	78.0	74.1	83.8	77.2	77.3	77.1
EBITDA	13,384	10,354	12,079	14,408	16,749	10,329	17,284	20,527	24,822
Margin (%)	22.6	19.2	20.5	22.0	25.9	16.2	22.8	22.7	22.9
Depreciation	3,478	3,518	3,927	4,246	5,130	5,219	5,298	5,480	5,890
EBIT	9,906	6,835	8,152	10,162	11,619	5,109	11,986	15,047	18,932
Int. and Finance Charges	2	37	1	7	361	340	546	600	600
Other Income	3,175	2,892	5,705	6,735	2,797	2,855	2,631	2,631	2,631
PBT bef. EO Exp.	13,080	9,691	13,856	16,889	14,056	7,625	14,071	17,078	20,963
EO Items	0	1,250	-129	0	-8,816	-834	-1	0	0
PBT	13,080	10,941	13,727	16,889	5,240	6,791	14,070	17,078	20,963
Current Tax	2,843	3,206	3,862	4,841	3,208	2,129	3,805	4,304	5,283
Deferred Tax	728	-845	-579	-107	-1,726	-371	-358	0	0
Tax	3,571	2,361	3,283	4,735	1,482	1,758	3,447	4,304	5,283
Tax Rate (%)	27.3	21.6	23.9	28.0	28.3	25.9	24.5	25.2	25.2
Reported PAT	9,508	8,580	10,445	12,154	3,758	5,033	10,623	12,774	15,680
Adjusted PAT	9,508	7,331	10,574	12,154	10,120	5,867	10,624	12,774	15,680
Change (%)	-9.8	-22.9	44.2	14.9	-16.7	-42.0	81.1	20.2	22.7
Margin (%)	16.1	13.6	18.0	18.6	15.6	9.2	14.0	14.1	14.5

Standalone Balance Sheet

Y/E March (INR m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,950	1,950	2,437	3,047	3,047	3,047	3,047	3,047	3,047
Total Reserves	81,507	86,512	91,574	1,00,632	97,601	98,991	104,727	109,836	116,108
Net Worth	83,457	88,462	94,011	1,03,679	1,00,647	1,02,037	107,773	112,883	119,155
Deferred Liabilities	3,546	2,769	2,533	1,616	0	0	0	0	0
Total Loans	0	0	0	7,007	0	0	0	0	0
Capital Employed	87,002	91,231	96,544	1,12,301	1,00,647	1,02,037	107,773	112,883	119,155
Gross Block	31,473	40,676	47,332	57,038	70,379	81,028	87,217	93,217	100,717
Less: Accum. Deprn.	3,474	6,978	10,848	15,091	20,686	28,011	33,309	38,789	44,680
Net Fixed Assets	28,000	33,698	36,484	41,947	49,694	53,018	53,908	54,427	56,037
Capital WIP	5,133	5,071	6,710	6,247	9,375	9,198	7,482	7,482	7,482
Total Investments	13,576	13,737	13,890	14,029	14,441	14,452	14,356	14,356	14,356
Curr. Assets, Loans, and Adv.	47,591	46,904	49,395	63,845	42,013	44,735	51,365	59,554	68,531
Inventory	180	229	275	233	261	239	307	366	436
Account Receivables	493	425	604	884	1,591	1,555	1,761	2,100	2,509
Cash and Bank Balance	7,999	16,835	19,817	1,704	21,686	24,732	28,879	36,669	45,167
Loans and Advances	38,921	29,415	28,699	61,025	18,475	18,209	20,419	20,419	20,419
Curr. Liability and Prov.	7,579	8,546	10,592	13,767	15,020	19,908	20,244	23,843	28,156
Account Payables	1,868	2,415	2,542	3,504	1,553	2,709	4,236	5,058	6,021
Other Current Liabilities	5,202	5,441	7,344	9,544	12,776	15,500	14,428	17,205	20,556
Provisions	510	690	705	719	692	1,699	1,579	1,579	1,579
Net Current Assets	40,012	38,357	38,804	50,078	26,992	24,827	31,122	35,712	40,374
Appl. of Funds	87,002	91,231	96,544	1,12,301	1,00,647	1,02,037	107,773	112,883	119,155

Financial and valuations

Ratio analysis

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)									
EPS	15.6	12.0	17.4	19.9	16.6	9.6	17.4	21.0	25.7
Cash EPS	21.3	17.8	23.8	26.9	25.0	18.2	26.1	30.0	35.4
BV/Share	137.0	145.2	154.3	170.2	165.2	167.5	176.9	185.3	195.6
DPS	4.3	6.3	6.9	8.5	3.6	5.0	9.0	12.6	15.4
Payout (%)	33.3	51.9	48.0	51.4	60.7	60.5	51.6	60.0	60.0
Valuation (x)									
P/E ratio					37.6	64.8	35.8	29.8	24.2
Cash P/E ratio					24.9	34.3	23.9	20.8	17.6
P/BV ratio					3.8	3.7	3.5	3.4	3.2
EV/Sales ratio					5.3	5.3	4.4	3.6	3.0
EV/EBITDA ratio					20.5	33.0	19.5	16.0	12.9
Dividend Yield (%)					0.6	0.8	1.4	2.0	2.5
FCF per share					53.8	9.4	12.2	22.0	26.1
Return Ratios (%)									
RoE	11.9	8.5	11.6	12.3	9.9	5.8	10.1	11.6	13.5
RoCE	11.5	8.6	11.2	11.6	9.7	5.8	10.5	12.0	13.9
RoIC	14.6	9.3	11.1	10.0	11.5	7.0	16.3	20.2	26.6
Working Capital Ratios									
Asset Turnover (x)	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9
Inventory (Days)	1	2	2	1	1	1	1	1	1
Debtor (Days)	3	3	4	5	9	9	8	8	8
Creditor (Days)	19	26	26	34	16	29	38	38	38
Leverage Ratio (x)									
Current Ratio	6.3	5.5	4.7	4.6	2.8	2.2	2.5	2.5	2.4
Net Debt/Equity ratio	-0.1	-0.2	-0.2	0.1	-0.2	-0.2	-0.3	-0.3	-0.4

Standalone Cash Flow Statement

Y/E March (INR m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	13,080	11,806	13,857	16,889	5,240	6,791	14,070	17,078	20,963
Depreciation	3,627	3,650	3,927	4,246	5,130	5,219	5,298	5,480	5,890
Interest and Finance Charges	-2,914	-2,514	-2,332	-2,247	-1,678	-1,648	-1,302	-2,031	-2,031
Direct Taxes Paid	-3,192	-3,868	-3,360	-5,404	-1,382	-2,444	-3,568	-4,304	-5,283
(Inc.)/Dec. in WC	-21,026	9,575	1,169	-33,386	26,758	1,691	-1,003	3,200	3,835
CF from Operations	-10,426	18,650	13,260	-19,902	34,067	9,610	13,496	19,424	23,375
Others	-27	-69	19	15	8,621	633	-90	0	0
CF from Operations incl. EO	-10,453	18,581	13,279	-19,887	42,689	10,243	13,406	19,424	23,375
(inc.)/dec. in FA	-5,818	-9,143	-8,595	-7,040	-9,888	-4,501	9,597	-6,000	-7,500
Free Cash Flow	-16,271	9,438	4,684	-26,927	32,801	5,741	23,002	13,424	15,875
(Pur.)/Sale of Investments	0	0	-153	-139	-618	-570	595	0	0
Others	1,537	2,978	3,451	21,639	-15,227	2,310	-13,684	2,631	2,631
CF from Investments	-4,281	-6,165	-5,297	14,461	-25,733	-2,761	-3,492	-3,369	-4,869
Issue of Shares	0	0	0	0	0	0	0	0	0
(Inc.)/Dec. in Debt	0	0	0	7,007	-7,007	0	0	0	0
Interest Paid	-2	-37	-1	-7	-81	-1	0	-600	-600
Dividend Paid	-2,613	-2,944	-4,168	-1,828	-5,666	-3,564	-4,874	-7,665	-9,408
Others	-532	-599	-831	-366	-1,714	-869	-893	0	0
CF from Fin. Activity	-3,146	-3,580	-4,999	4,805	-14,467	-4,434	-5,767	-8,265	-10,008
Inc./Dec. in Cash	-17,881	8,836	2,983	-621	2,489	3,047	4,146	7,790	8,498
Opening Balance	25,879	7,999	16,835	19,817	19,196	21,685	24,732	28,879	36,669
Closing Balance	7,999	16,835	19,817	19,196	21,685	24,732	28,879	36,669	45,167

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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