

Container Corporation of India Ltd

ADD

CMP Rs378

Target Rs432

Upside 14%

Conference Call takeaways

- ✓ **Land License Fee (LLF):** The company has 28 terminals on Indian Railways land. As per CONCOR calculations, the company's LLF stands at Rs 4.5 bn for FY21 for entire land vs demand of Rs 12.76 bn for 13 terminal by the Indian Rail. LLF payment was changed on TEUs last year which is now changed on 6% of land value. The Company is confident their calculations are correct and they expect the matter to be resolved by end of FY21. They have provided as per Rs.4.5 bn as LLF expense.
- ✓ **Realization:** The fall in realization was on account of higher empty running containers in EXIM. Also, the company has deferred the price hike which was suppose to happen from 1st October.
- ✓ **New business:** There is shortage of containers for exports, thus the company is using their own containers to Middle east, Iran, Iraq. Demand for train service in Bangladesh has picked up well.
- ✓ **Capex:** Due to restriction of imports from China, the company has stopped the imports and cancelled the few contracts but the company is procuring the high capacity rakes (DFC compliant). May add 10-12 rakes in this year. Inducted 3 rakes during this quarter.
- ✓ **Lead Distance: 1H:** Exim at 681km, domestic at 1328km and total at 752km. The company did lot of short distance movement leading to fall in lead distance yoy.
- ✓ **Double stack trains:** 673 train vs 674 trains YoY
- ✓ **Empty running cost 1H:** Exim Rs 429.9 mn and Domestic 463.7mn. Total: 893.7mn
- ✓ **Rail Co-efficient 1H:** JNPT: 23%, Mundra 25.4% (lower YoY due to higher transshipment), Pipavav: 61.5%
- ✓ **CONCOR Rail Share 1H:** JNPT: 66%, Mundra 42%, Pipavav: 45%
- ✓ **Market share at ports 1H:** JNPT: 37.3%, Mundra: 30.6%, Pipavav: 10.7%, Chennai: 7%
- ✓ **Rail freight margin:** 29.9% vs 29% YoY due to optimizing empty running stocks and running double stacks rakes.
- ✓ **Guidance:** Volumes guidance improved from -20% to -10% now.

Our view:

Driven by the positive commentary on volume guidance and venture into new business segment, we marginally increase our revenues and earnings estimates for FY21 and FY22. While there are positives related to DFC commissioning leading to higher volumes, the outcome of the LLF however remains a key monitorable. We continue to maintain our ADD rating on the stock for target price of Rs 432.

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Container Corporation Q2 FY21 results:

- ✓ Container Corporation (Concor) reported topline de-growth of 25% yoy (to Rs.13.2bn, adjusted for SEIS income of Rs 1.8bn) led by ~9% volume decline and -17% fall in realization.
- ✓ EXIM revenue has witnessed higher decline (down 30% yoy; contribution: 71%) as compared to the domestic revenue (down 5% yoy).
- ✓ CONCOR reported 885,673 TEUs in Q2 FY21 of which 744,788 TEUs were of EXIM and 140,885 TEUs were of Domestic. Overall volumes declined by 8.6% yoy/+21% qoq led by -10% yoy decline in EXIM and -2% yoy de-growth in Domestic. Sequentially EXIM and Domestic grew by 19% and 34% respectively.
- ✓ Adj Operating margin fell to 10% (down 1460 bps yoy). During the quarter, the company has provided ~Rs 1.13 bn (Rs 2.33 bn) towards Land License Fee (LLF) for all terminals on Railway Land. The Company has received a demand of Rs.12.76 bn from Ministry of Railways as the LLF for FY21 for 13 terminals of CONCOR. As per company's assessment, the above demand is not as per Railway's extant policy and has represented the matter to the Ministry of Railways.
- ✓ Adjusted PAT stood at Rs 581 mn down 89% yoy/flat QoQ.
- ✓ The Company announced dividend of Rs 3/sh.

Exhibit 1: Result table (Consolidated)

Y/e 31 Mar (Rs mn)	Q2 FY21	Q2 FY20	yoy(%)	Q1 FY21	qoq (%)
Revenue*	13,263	17,556	(24.5)	11,942	11.1
Operating Profit	1,330	4,321	(69.2)	1,591	(16.4)
OPM (%)	10.0	24.6	(1458 bps)	13.3	(330 bps)
Other Income	647	448	44.2	573	12.9
Depreciation	(1,350)	(1,354)	(0.3)	(1,338)	0.9
Interest	(108)	(108)	(0.1)	(108)	0.5
Exceptional item	0	(8,611)	NA	0	NA
PBT	519	(5,304)	NA	718	(27.8)
Tax	(23)	1,860	NA	(225)	(89.6)
PAT	495	(3,444)	NA	493	0.5
Minority Interest	85	117	(26.8)	90	(4.8)
Reported PAT	581	(3,327)	NA	583	(0.4)
Adjusted PAT	581	5,283	NA	583	(0.4)

*Adjusted for SEIS income.

Exhibit 2: Segmental results (Consolidated)

Particular	Q2 FY21	Q2 FY20	yoy(%)	Q1 FY21	qoq (%)
Revenue (Rs. mn)*	13,263	17,556	(24.5)	11,942	11.1
EXIM	9,475	13,579	(30.2)	9,013	5.1
Domestic	3,789	3,977	(4.7)	2,930	29.3
Revenues Mix (%)	-	-		-	
EXIM	71.4%	77.3%		75.5%	
Domestic	28.6%	22.7%		24.5%	
EBIT (Rs. mn)	220	(5,227)	NA	840	(73.8)
EXIM	43	(5,480)	NA	764	(94.3)
Domestic	177	254	(30.2)	76	133.6
EBIT Margin (%)					
EXIM	0.5%	(40.4%)		8.5%	
Domestic	4.7%	6.4%		2.6%	
Volumes (TEUs)	885,673	969,158	(8.6)	732,711	20.9
EXIM	744,788	826,013	(9.8)	627,905	18.6
Domestic	140,885	143,145	(1.6)	104,806	34.4
Mix (%)					
EXIM	84.1%	85.2%		85.7%	
Domestic	15.9%	14.8%		14.3%	

*Adjusted for SEIS income.

Exhibit 3: Financial summary (Consolidated)

Y/e 31 Mar (Rs m)	FY19	FY20	FY21E	FY22E
Revenues	69,561	65,394	57,203	70,186
yoy growth (%)	5.2	(6.0)	(12.5)	22.7
Operating profit	17,907	16,938	11,496	17,606
OPM (%)	25.7	25.9	20.1	25.1
Reported PAT	12,223	4,067	7,268	11,956
Adjusted PAT	12,223	12,585	7,268	11,956
yoy growth (%)	15.3	3.0	(42.2)	64.5
EPS (Rs)	20.1	20.7	11.9	19.6
P/E (x)	18.9	18.4	31.9	19.4
EV/EBITDA (x)	13.2	12.4	17.7	11.3
Debt/Equity (x)	0.1	0.0	0.0	0.0
RoE (%)	12.4	12.4	7.1	10.9

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