

Container Corp. of India Ltd.

Industry	Logistics
Bloomberg	CCRI IN
BSE CODE	531344

Freight advance scheme & fare stability to drive margins & volumes in FY20

RATING	ACCUMULATE
CMP	514
Price Target	558
Potential Upside	9%

Rating Change	↔
Estimate Change	↓
Target Change	↓

Stock Info

52wk Range H/L	600/434
Mkt Capital (Rs Cr)	31,318
Free float (%)	45%
Avg. Vol 1M (,000)	735
No. of Shares (Cr)	61
Promoters Pledged %	0%

Research Analyst

CHINTAN BHINDORA

Chintan.bhindora@narnolia.com

+91-22-62701206

4QFY19 Result Update

- ❑ CONCOR posted a revenue growth of 12.4% YoY to INR 1,834cr, slightly above our expectation of INR 1,798cr, as blended realizations improved by 9.2% YoY to INR 18,738 (Our expectations of INR 18,319).
- ❑ EXIM volumes and realizations stood at 816,396 TEUs (up 2.5% YoY) & INR 17,167 (up 9.1% YoY) respectively. Domestic volumes and realizations stood at 162,534 TEUs (up 5.4% YoY) and INR 26,627 (up 8.4% YoY) respectively. The sharp rise in the realizations is primarily attributable to recent price hikes taken across all services & lower empty running costs (down from INR 65cr to INR 42cr).
- ❑ EBITDA margin contracted by 60bps YoY to 25.5% in 4QFY19 due to higher employee expenses as a % of sales (6% in Q4FY19 as against 5% in Q4FY18).
- ❑ PAT for the quarter stood at INR 352cr with a growth of 21% YoY (our expectation of INR 331cr) due to one off in other income (Interest on tax refund of INR 25cr).
- ❑ For FY20, CONCOR has availed freight advance scheme of railways by making an advance payment of INR 3,000cr with another tranche of INR 1,500cr due in September 2019. In doing so, company has immunized itself from any further rail freight hike for FY20.
- ❑ To take advantage of this immunity, CONCOR has announced unconditional fare stability for the entire year to all its current and prospective customers. With this one of its kind move in logistics space, CONCOR is expected to garner additional market share.

View and Valuation

Going forward, management expects to achieve a 10-12% volume growth in FY20. CONCOR is looking to add 3-4 warehousing facilities along with an increase in terminal network from 83 in FY19 to 93 in FY20 at a capital outlay of INR 1000cr. Also, company's foray into 3PL logistics & coastal shipping business to provide end to end logistics solutions in the most cost efficient manner will widen its scope of offering beyond rail. Post Q4FY19 results, we reduce our FY20 PAT estimates by 5% to factor in lower other income & higher finance cost as CONCOR has turned into a net debt company for the first time to avail freight advance scheme of railways. However, we remain confident that management will deliver on its volume growth guidance post the announcement of price stability coupled with margin expansion on account of lower empty running. We expect revenue, EBITDA and PAT to grow at 13.3%, 21.1% and 11.8% in FY20 but reduce target price to INR 558 (value at 25x FY20e EPS), Maintain ACCUMULATE.

Key Risks to our rating and target

- ❑ Lower than expected EXIM volumes due to global economy slowdown & election uncertainty.
- ❑ Diesel price volatility.

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20E
Net Sales	5922	5606	6167	6882	7797
EBITDA	1338	1247	1483	1780	2155
EBIT	991	895	1090	1355	1692
PAT	951	858	1049	1215	1360
EPS (Rs)	16	14	17	20	22
EPS growth	-9%	-10%	22%	16%	12%
ROE (%)	11%	10%	11%	12%	12%
ROCE (%)	12%	10%	12%	13%	15%
BV	137	145	154	170	181
P/B (X)	2.7	2.7	3.2	2.9	2.8
P/E (x)	23.5	28.1	28.8	25.1	23.0
EV/EBITDA (x)	15.1	16.9	18.1	16.6	13.9

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

4QFY19 Results
Margins below expectations

<i>Financials</i>	<i>4QFY18</i>	<i>1QFY19</i>	<i>2QFY19</i>	<i>3QFY19</i>	<i>4QFY19</i>	<i>YoY %</i>	<i>QoQ%</i>	<i>FY18</i>	<i>FY19</i>	<i>YoY %</i>
Net Sales	1,632	1,568	1,822	1,657	1,834	12.4%	10.7%	6,167	6,882	11.6%
<i>Other Income</i>	41	62	69	74	129	214.8%	73.8%	303	334	10.5%
<i>COGS</i>	1,054	1,058	1,179	1,104	1,177	11.7%	6.6%	4,171	4,517	8.3%
<i>Employee Cost</i>	81	70	80	77	110	35.8%	42.9%	278	337	21.2%
<i>Other Expenses</i>	72	50	59	58	80	10.9%	39.7%	235	248	5.3%
EBITDA	425	390	504	418	467	9.9%	11.7%	1,483	1,780	20.0%
EBITDA Margin	26.0%	24.9%	27.7%	25.2%	25.5%	-0.6%	0.2%	24.0%	25.9%	1.8%
<i>Depreciation</i>	101	102	105	106	112	10.6%	5.5%	393	425	8.1%
<i>Interest</i>	0	0	0	0	1	3300%	3300%	0	1	722.2%
<i>Tax</i>	74	98	133	112	131	78.6%	17.4%	344	473	37.8%
Net Profit	291	252	336	275	352	20.9%	28.3%	1,049	1,215	15.9%
PAT Margin	17.9%	16.1%	18.4%	16.6%	19.2%	1.4%	2.6%	17.0%	17.7%	0.7%

Muted volume growth compensated by better realizations

CONCOR posted a revenue growth of 12.4% YoY to INR 1,834cr as blended realizations improved by 9.2% YoY to INR 18,738. EXIM volumes and realizations stood at 816,396 TEUs (up 2.5% YoY) & INR 17,167 (up 9.1% YoY) respectively. Domestic volumes and realizations stood at 162,534 TEUs (up 5.4% YoY) and INR 26,627 (up 8.4% YoY) respectively. The sharp rise in the realizations is primarily attributable to recent price hikes taken across all services & lower empty running costs (down from INR 65cr to INR 42cr). Price stability, offered to customers for FY20, is after considering a 4% increase to FY19 revenue.

EBITDA margin contracted by 60bps YoY to 25.5%

EBITDA margin contracted by 60bps YoY to 25.5% (our expectation of 28%) in 4QFY19 due to higher employee expenses as a % of sales (6% in 4QFY19 as against 5% in 4QFY18). For FY20, CONCOR has availed freight advance scheme of railways by making an advance payment of INR 3,000cr with another tranche of INR 1,500cr due in September 2019. In doing so, company has attained immunity from any further hike in rail freight rates for FY20. This move is expected to drive margin expansion going forward.

PAT growth of 21% YoY due to higher other income

PAT for the quarter stood at INR 352cr with a growth of 21% YoY. This is primarily on account of higher other income (INR 129cr in 4QFY19 as against INR 41cr in 4QFY18). Other income included a one off item pertaining to interest on tax refund (INR 25cr). As CONCOR turns from a net cash to a net debt company after availing freight advance scheme, we reduce are PAT estimates by 5% due to lower other income and higher finance cost.

Concall Highlights

- Empty Running Cost - Overall : INR 23cr decrease from 65cr to 42cr, EXIM : INR 18cr decrease from 34cr to 16cr, Domestic : 5cr decrease from 31cr to 26cr
- SEIS income of INR 84.5cr booked during this quarter. Sharp jump in the other income is due to interest on income tax refund of INR 25cr.
- Q4 Market Share Port Wise: JNPT 77.47%, Mundra Port 51.71%, Pipavav 54.1%, Q4 Rail Share at Ports : Mundra Port 25.65%, Pipavav 68.59%.
- 4QFY19 Port wise Volume share: JNPT 33.49%, Mundra 32.16%, Pipavav 15.17% & balance at other smaller ports.
- Subsidiaries revenues have fallen sharply YoY from INR 455cr in FY18 to INR 74 in FY19 as Concor Air has given up international handling at Mumbai Airport (INR 330cr revenue loss due to the same).
- Despite the FHEL auditor qualification, management has reiterated that it is in the turnaround phase and has started to generate 2.5x revenues post re-engineering actions taken and start of new facility in March 2019.
- DFC will open up in Mundra & Pipavav by December 2019.
- Management is looking to take its coastal shipping venture to the east coast and then further to Bangladesh in FY20 after flagging off operations in January 2019 from Kandla to Tuticorin.
- The distribution logistics business also started it's operations with start of first centre in Ennore, Chennai on March, 2019. Management is confident of adding another 3-4 centers in FY20 to expand this business.
- International businesses: Russian venture will be from Mumbai to Moscow via Iran through International North South Transport Corridor. For Egypt, company has received approvals for setting up a JV and will now participate in bidding process to set up a dry port in Cairo.

Exhibit: Net sales (Rs. Crore) and Sales Growth trend

Despite a muted volume growth of 2.9%, realizations improved by 9.2% YoY due to recent price hikes

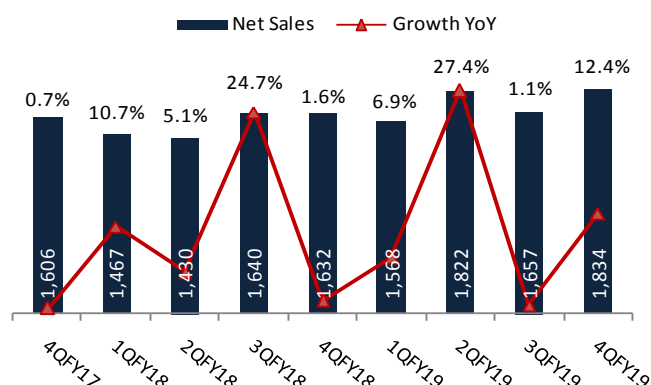


Exhibit: Trend in Segmental Revenue

Contribution of Domestic segment has increased by 300bps from 18.5% in FY16 to 21.5% in FY19

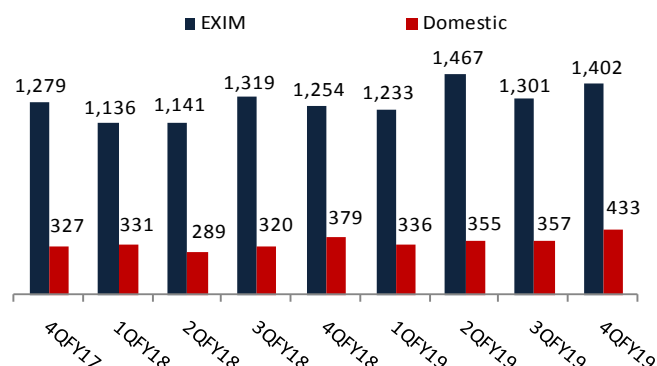


Exhibit: GP (INR Cr) and Gross Margin trend

Availment of Advanced Freight Scheme for FY20 will immunize CONCOR from any hikes taken by railways

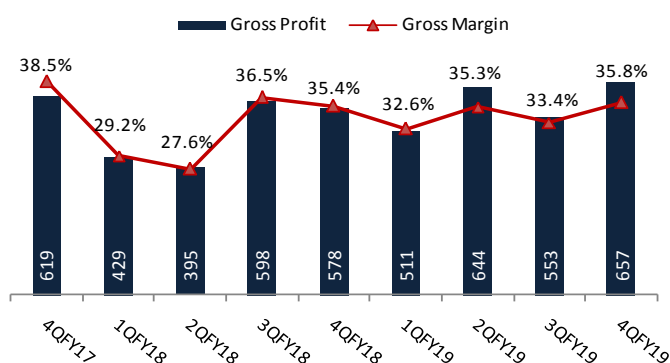


Exhibit: EBITDA (INR Cr) and EBITDA Margin trend

Higher Employee expenses led to contraction in margins YoY

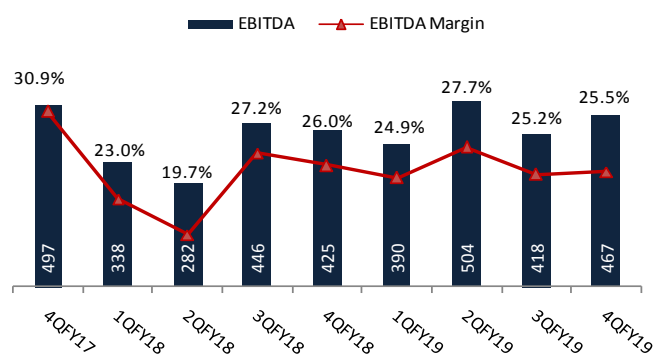


Exhibit: PAT (INR Cr) and PAT Margin trend

PAT grew by 21% YoY due to higher other income (up from INR 41cr to INR 129cr)

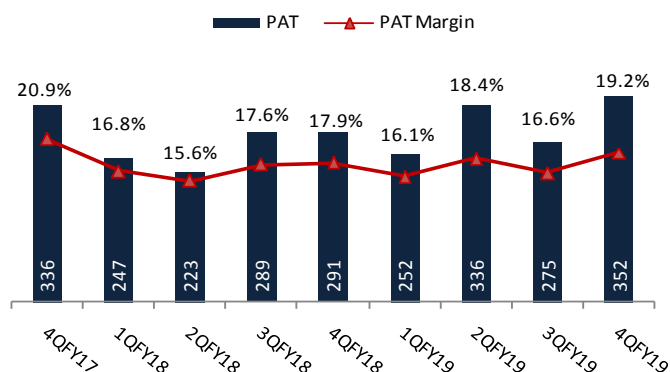


Exhibit: Return Ratios

Return Ratios to improve going forward as profitability improves

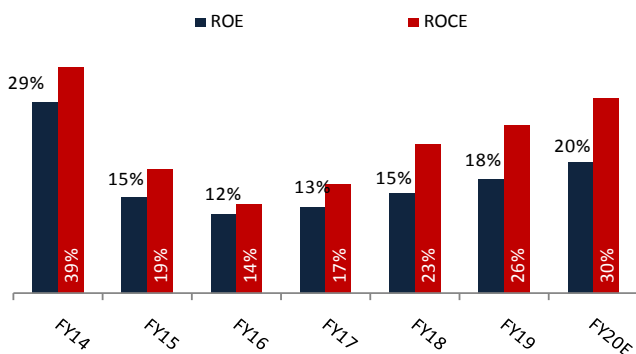


Exhibit: EXIM - Volumes & Realization

EXIM volumes grew by 2.5% while realization growth was 9.1% YoY

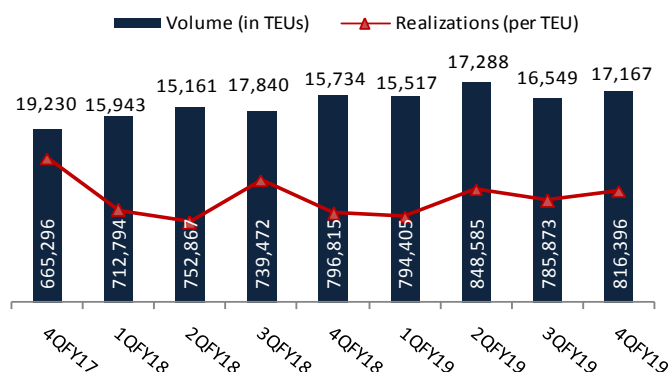


Exhibit: Domestic - Volumes & Realization

Domestic volumes grew by 5.4% while realizations grew by 8.4% YoY

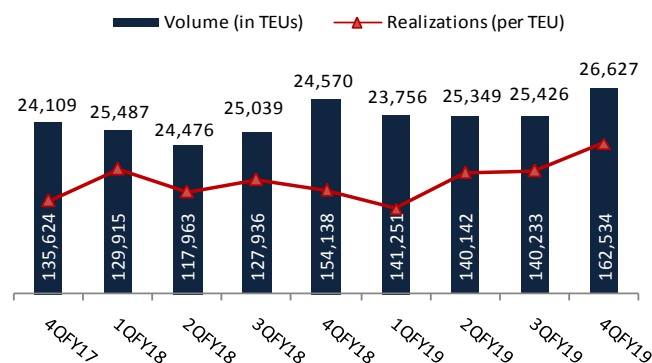


Exhibit: Double Stacking & Rail Freight Margin

FY19 witnessed a 42% growth in double stacking. Rail Freight Margins have stabilized above 25% mark

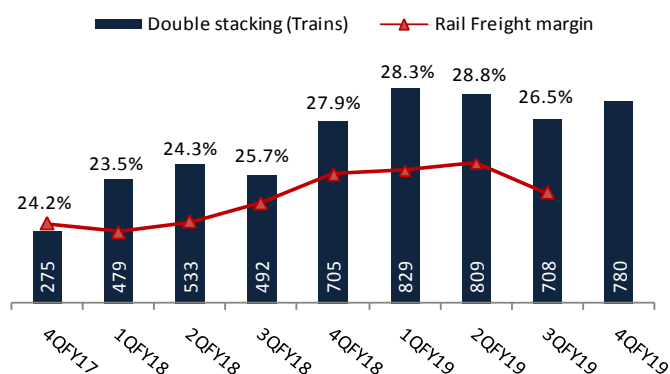
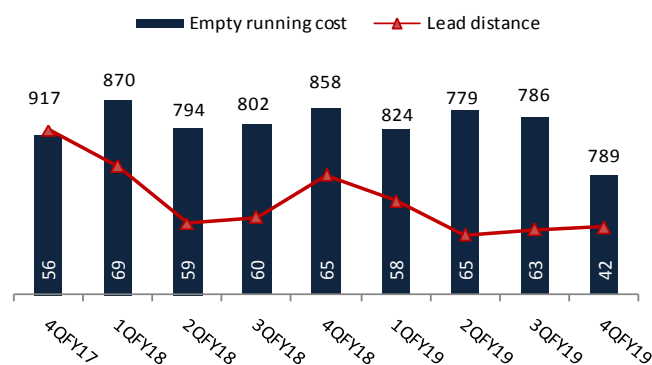


Exhibit: Empty Running (INR Cr) & Lead Distance

Empty running reduced sharply YoY which lead to improvement in realizations



Financial Details

Balance Sheet

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Equity Share Capital	195	195	195	195	244	305	305
Reserves	6,790	7,441	8,151	8,651	9,157	10,063	10,745
Networth	6,985	7,636	8,346	8,846	9,401	10,368	11,050
Debt	-	-	-	-	-	701	841
Other Non Current Liab	349	264	410	328	267	246	246
Total Capital Employed	7,335	7,899	8,756	9,174	9,668	11,314	12,136
Net Fixed Assets (incl CWIP)	3,241	3,542	3,313	3,877	4,319	4,819	5,377
Non Current Investments	864	1,155	1,358	1,374	1,389	1,403	1,403
Other Non Current Assets	968	1,098	3,457	2,070	1,786	1,653	1,653
Non Current Assets	5,073	5,795	8,128	7,321	7,495	7,876	8,433
Inventory	15	17	18	23	27	23	18
Debtors	33	37	49	42	60	88	84
Cash & Bank	2,566	2,588	800	1,683	1,982	170	782
Other Current Assets	381	253	435	872	1,084	4,449	4,105
Current Assets	2,996	2,895	1,302	2,620	3,153	4,731	4,989
Creditors	169	206	187	242	254	350	219
Provisions	133	146	14	18	25	18	20
Other Current Liabilities	432	438	473	507	701	924	1,047
Curr Liabilities	734	791	674	767	980	1,293	1,286
Net Current Assets	2,261	2,104	628	1,853	2,173	3,439	3,703
Total Assets	8,069	8,690	9,430	9,941	10,648	12,607	13,422

Income Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
Revenue from Operation	4,985	5,585	5,922	5,606	6,167	6,882	7,797
Change (%)		12.1%	6.0%	-5.3%	10.0%	11.6%	13.3%
Other Income	372	359	317	289	303	334	224
EBITDA	1,102	1,308	1,338	1,247	1,483	1,780	2,155
Change (%)		18.7%	2.3%	-6.8%	18.9%	20.0%	21.1%
Margin (%)	22.1%	23.4%	22.6%	22.2%	24.0%	25.9%	27.6%
Depr & Amor.	189	373	348	352	393	425	464
EBIT	913	935	991	895	1,090	1,355	1,692
Finance Cost	-	-	0	4	0	1	27
EBT	1,284	1,295	1,308	1,181	1,393	1,689	1,888
Exp Item- Gain/(Loss)	-	(0)	-	-	-	-	-
Tax	299	247	357	323	344	473	529
Reported PAT	985	1,048	951	858	1,049	1,215	1,360
Change (%)		6.4%	-9.2%	-9.8%	22.3%	15.9%	11.9%
Margin(%)	19.8%	18.8%	16.1%	15.3%	17.0%	17.7%	17.4%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E
ROE	14.1%	13.7%	11.4%	9.7%	11.2%	11.7%	12.3%
ROCE	13.1%	12.2%	11.9%	10.1%	11.6%	13.1%	15.3%
Asset Turnover	0.6	0.6	0.6	0.6	0.6	0.5	0.6
Debtor Days	2	2	3	3	3	4	4
Inv Days	1	1	1	1	1	1	1
Payable Days	12	18	18	21	22	24	21
Int Coverage	-	-	6,604	245	12,113	1,832	63
P/E	21	26	24	28	29	25	23
Price / Book Value	3.0	3.6	2.7	2.7	3.2	2.9	2.8
EV/EBITDA	15.7	18.3	15.1	16.9	18.1	16.6	13.9

Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	1,284	1,295	1,308	1,181	1,393	1,689	1,888
(inc)/Dec in Working Capital	(170)	111	(2,103)	957	110	(2,882)	347
Non Cash Op Exp	190	374	368	368	411	425	464
Int Paid (+)	-	-	0	4	0	1	27
Tax Paid	(246)	(342)	(319)	(387)	(336)	(556)	(529)
others	(313)	(330)	(299)	(265)	(250)	(334)	(224)
CF from Op. Activities	746	1,106	(1,045)	1,858	1,328	(1,658)	1,973
(inc)/Dec in FA & CWIP	(521)	(802)	(590)	(914)	(859)	(925)	(1,021)
Free Cashflow	225	304	(1,635)	944	468	(2,583)	952
(Pur)/Sale of Inv	(382)	(291)	(200)	(16)	(15)	(14)	-
others	96	331	362	314	345	334	224
CF from Inv. Activities	(806)	(762)	(428)	(616)	(530)	(604)	(797)
inc/(dec) in NW	-	-	-	-	-	-	-
inc/(dec) in Debt	-	-	-	-	-	701	140
Int. Paid	-	-	(0)	(4)	(0)	(1)	(27)
Div Paid (inc tax)	(304)	(308)	(314)	(354)	(500)	(621)	(676)
others	-	-	-	-	-	373	(2)
CF from Fin. Activities	(304)	(308)	(315)	(358)	(500)	451	(565)
Inc(Dec) in Cash	(365)	37	(1,788)	884	298	(1,811)	611
Add: Opening Balance	2,920	2,555	2,588	800	1,683	1,982	170
Closing Balance	2,555	2,592	800	1,683	1,982	170	782

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (FormerlyMicrosec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFALis engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, it's associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and it's associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL)and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances.The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors.Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.