

Container Corporation

Estimate change



TP change



Rating change



Bloomberg	CCRI IN
Equity Shares (m)	609
M.Cap.(INRb)/(USDb)	417.6 / 5.3
52-Week Range (INR)	754 / 554
1, 6, 12 Rel. Per (%)	0/7/-9
12M Avg Val (INR M)	1082

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	75.9	90.3	106.5
EBITDA	17.3	21.7	26.1
Adj. PAT	10.6	13.9	16.9
EBITDA Margin (%)	22.8	24.1	24.5
Adj. EPS (INR)	17.4	22.8	27.8
EPS Gr. (%)	81.1	30.6	21.9
BV/Sh. (INR)	176.9	186.0	197.1

Ratios

Net D:E	(0.3)	(0.3)	(0.4)
RoE (%)	10.1	12.6	14.5
RoCE (%)	10.5	13.0	15.0
Payout (%)	51.6	60.0	60.0

Valuations

P/E (x)	39.3	30.1	24.7
P/BV (x)	3.9	3.7	3.5
EV/EBITDA(x)	21.7	16.9	13.7
Div. Yield (%)	1.3	2.0	2.4
FCF Yield (%)	1.8	3.4	3.9

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	54.8	54.8	54.8
DII	16.9	17.0	16.3
FII	23.7	23.5	24.9
Others	4.6	4.7	4.0

FII Includes depository receipts

CMP: INR685

TP: INR790 (+15%)

Buy

The domestic segment continues to drive volumes

- CCRI posted an in line operational performance, with a volume/realization growth of 2%/7% YoY. Revenue grew 9% YoY to INR19.8b, 4% lower than our estimate. EXIM/domestic volumes stood at 0.78m/0.22m TEUs (-3.7%/+29.2% YoY).
- EBITDA/PAT grew 9%/14% YoY to INR4.7b/INR2.9b (in line). CCRI continues to incur capex towards infrastructure, rolling stock, containers, and equipment. The management's focus is on improving its distribution logistics infrastructure.
- The company incurred INR0.96b towards land license fee (LLF) in 1QFY23. The same for FY23 is expected to be lower than the management's earlier guidance as per its discussions with the Indian Railways. We raise our FY23/FY24 EPS estimate by 4% each and maintain our Buy rating on the stock with a TP of INR790, implying a potential upside of 15%.

In line operational performance in 1QFY23

- Total volumes grew 2.1% YoY to 1.01m TEUs, with EXIM/domestic volumes at 0.78m/0.22m TEUs (-3.7%/+29.2% YoY).
- Blended realization improved 7% YoY to INR19,528/TEU. EXIM/domestic realization stood at INR16,572/INR29,697 per TEU, up 3%/5% YoY.
- EBITDA margin stood at 23.9% (down 10bp YoY). The same rose 370bp QoQ due to lower other expenses.
- The board has declared an interim dividend of INR2 per equity share.

Highlights from the management commentary

- The withdrawal of haulage rebates by the Indian Railways on empty container movement has led to an increase in cost. The same has been passed on by CCRI to its customers.
- LLF stood at INR0.96b. In FY22, LLF was high, at INR4.65b, as it included provisions of INR700m. The management expects LLF at INR3.6b in FY23.
- It expects robust growth in domestic volumes to continue. Trials have been conducted for transporting bulk cement in containers. Currently, cement volumes are low, but are picking up very fast.
- The management's focus is on capex towards containers and rolling stock addition. It is also looking at capex towards enhancing its distribution logistics network.

Valuation and view

- We expect volumes to pick up with the phase-wise commissioning of DFCs, resulting in 18% revenue CAGR over FY22-24E. LLF for FY23 is expected at INR3.7b, lower than its earlier guidance. Given the lower LLF and efficiency improvements from the commissioning of DFCs, we raise our earnings estimates and expect EBITDA margin to improve to ~24%, resulting in 23% EBITDA CAGR over FY22-24.
- The stock trades at 14x FY24E EV/EBITDA. We maintain our Buy rating on the stock with a DCF-based TP of INR790, a potential upside of 15%.

Standalone quarterly snapshot

(INR m)

Y/E March	FY22				FY23				FY22	FY23	Var. 1QE (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Net Sales	18,075	18,239	19,200	20,430	19,783	21,697	23,274	25,502	75,945	20,695	(4)
YoY Change (%)	52.0	21.4	9.5	5.3	9.4	19.0	21.2	24.8	18.9	14.5	
EBITDA	4,335	4,265	4,556	4,127	4,723	5,199	5,630	6,181	17,283	4,682	1
Margin (%)	24.0	23.4	23.7	20.2	23.9	24.0	24.2	24.2	22.8	22.6	
YoY Change (%)	172.6	36.3	22.5	118.4	9.0	21.9	23.6	49.8	67.3	8.0	
Depreciation	1,303	1,362	1,324	1,309	1,312	1,353	1,353	1,394	5,298	1,353	
Interest	139	135	132	140	139	150	150	161	546	150	
Other Income	555	750	632	694	629	700	700	802	2,631	700	
PBT before EO expense	3,448	3,518	3,733	3,372	3,901	4,396	4,826	5,428	14,071	3,879	1
Extra-Ord. expense	0	1	0	0	0	0	0	0	1	0	
PBT	3,448	3,517	3,733	3,372	3,901	4,396	4,826	5,428	14,070	3,879	1
Tax	899	876	867	804	988	1,108	1,216	1,363	3,447	978	
Rate (%)	26.1	24.9	23.2	23.8	25.3	25.2	25.2	25.2	24.5	25.2	
Reported PAT	2,549	2,641	2,865	2,568	2,913	3,288	3,610	4,065	10,623	2,901	0
Adj. PAT	2,549	2,641	2,865	2,568	2,913	3,288	3,610	4,065	10,624	2,901	0
YoY Change (%)	313.4	40.8	20.5	158.1	14.3	24.5	26.0	58.3	81.1	13.8	
Margin (%)	14.1	14.5	14.9	12.6	14.7	15.2	15.5	15.9	14.0	14.0	



Highlights from the management commentary

Operational highlights

- CCRI handled ~1.01m TEUs in Q1FY23. Originating volumes in 1QFY23 stood at 603,493 TEUs (EXIM/Domestic at 497,222/106,271 TEUs).
- Withdrawal of haulage rebates by Indian railways has no impact on CCRI as it was completely passed on to the customers.
- There was a container shortage because of increased exports while the Imports were weak. However situation is improving in terms of container availability.
- The lead distance for EXIM/Domestic stood at 674km/1,320km for Q1FY23.
- Empty running cost for Q1FY23 was INR0.84b (EXIM/domestic: INR0.2b/INR0.63b).
- Rail freight margin stood at 25.6% during 1Q FY23.
- CCRI has increased tariff from start of Jun-22 post reduction of discount by Indian Railways on empty movement of container.
- Overall double stacking up 42% YoY to 1,145 trains in Q1FY23
- DFC benefits would be more visible when Dadri and JNPT are also connected with DFC. Once Dadri is connect Mundra coefficient could increase to 42%.

Volumes

- Port-wise market share for JNPT/ Mundra/ Pipavav was at 78%/42%/49% in 1Q FY23.
- Rail share at JNPT/ Mundra/ Pipavav stood at 18%/24%/61% in FY22.
- Volume mix of CCRI from ports of JNPT/Mundra/Pipavav/Vizag/Chennai/Tuticorin/Cochin at 35%/ 37.5%/ 11%/5%/5%/ 2%/2%, respectively in Q1FY23.

Land license fee

- Land license fee for Q1FY23 stood at INR0.96b and expects INR3.7-3.8b for FY23.
- Talks are on for the long term lease arrangement. Further clarification is awaited from the Ministry.
- In FY22, LLF was high at INR4.65b as it included INR700m of provisions as well.

Domestic segment

- Trials have been conducted for transporting bulk cement in containers. Currently cement volumes are low but picking up very fast.
- Management is optimistic about the domestic growth story and expects domestic demand to be the growth driver for CCRI.
- Working with OEM equipment manufacturers for First Mile Last Mile operations (FMLM). Good interest is also seen for 3PL logistics and distribution logistics.

Capex

- CCRI management expects a capex of INR5.5-6b in FY23 primarily towards procurement of rolling stock and containers.
- Apart from this, there would be capex towards distribution logistics and strengthening of the network.

Guidance for FY23

- Domestic volumes are expected to grow faster than EXIM.
- EXIM would also grow at 10-12% in FY23. There are cargos being transported via rail from East to West and then exported. This is providing strong business to CCRI and also improving the lead distance.
- Cement shipment has started extremely well. CCRI has started commercial trails and expects strong volumes coming from this ahead.
- The focus is to grab market share in commodities that are currently being transported via Roads which can be shifted to Rail.

Key exhibits

Exhibit 1: Financial summary (INR m)

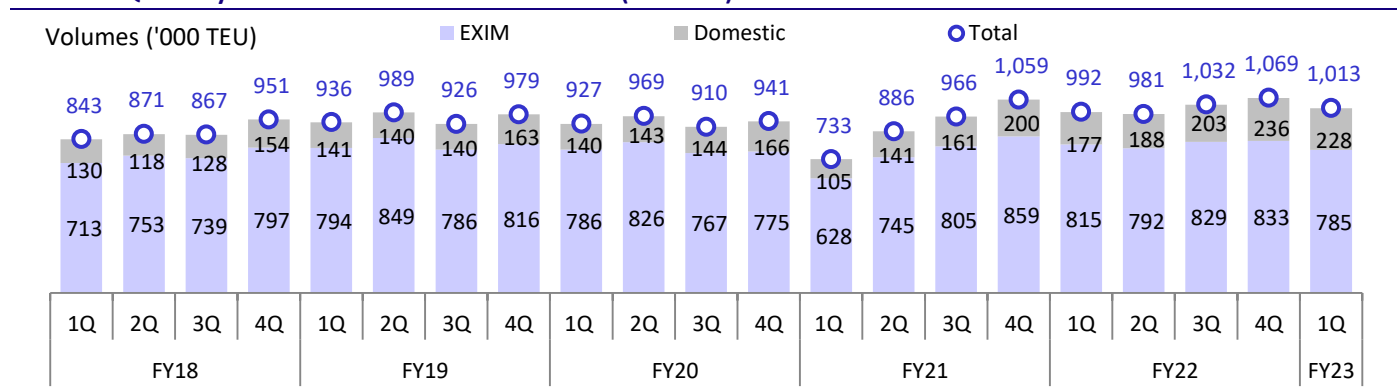
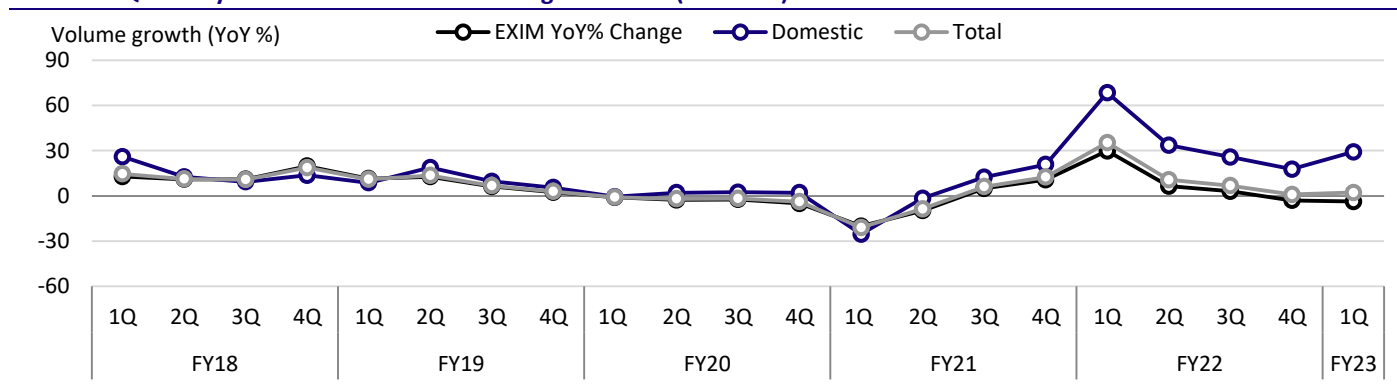
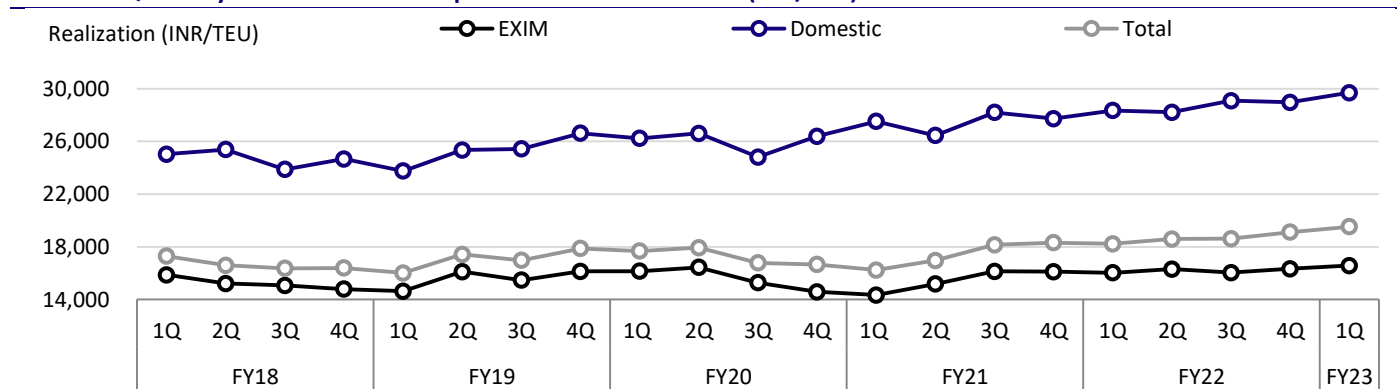
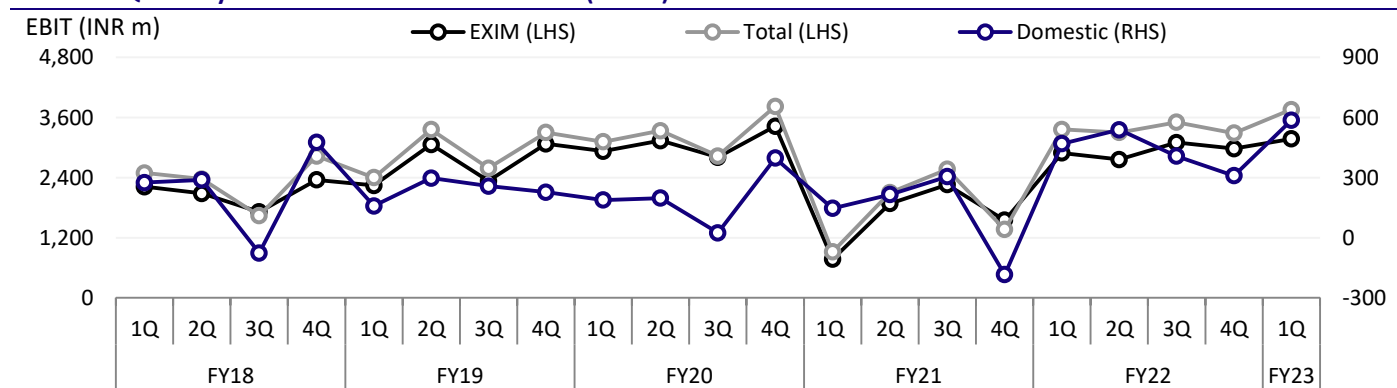
	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	YoY (%)	QoQ (%)
Net Sales	15,027	17,538	19,393	18,075	18,239	19,200	20,430	19,783	9%	-3%
Terminal and Service Charges	8,205	9,323	10,501	9,647	9,838	10,431	11,138	10,875	13%	-2%
Employee Expenses	842	1,327	1,286	985	997	962	1,212	1,034	5%	-15%
Other Expenses	2,851	3,169	5,716	3,108	3,140	3,251	3,952	3,151	1%	-20%
EBITDA	3,129	3,719	1,890	4,335	4,265	4,556	4,127	4,723	9%	14%
EBITDA margin (%)	21%	21%	10%	24%	23%	24%	20%	24%		
Depreciation	1,272	1,364	1,324	1,303	1,362	1,324	1,309	1,312	1%	0%
EBIT	1,858	2,355	566	3,032	2,903	3,232	2,818	3,411	12%	21%
Interest	85	84	86	139	135	132	140	139	0%	-1%
Other Income	713	822	732	555	750	632	694	629	13%	-9%
PBT	2,486	3,092	1,212	3,448	3,518	3,733	3,372	3,901	13%	16%
Total Tax	610	714	217	899	876	867	804	988	10%	23%
Tax rate (%)	25%	23%	18%	26%	25%	23%	24%	25%		
PAT	1,876	2,379	995	2,549	2,641	2,865	2,568	2,913	14%	13%
EPS (INR)	3.1	3.9	1.6	4.2	4.3	4.7	4.2	4.8	14%	13%

Exhibit 2: Segmental revenue and profitability

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	YoY (%)	QoQ (%)
Revenue (INR m)										
EXIM	11,300	12,986	13,838	13,067	12,926	13,295	13,599	13,007	0%	-4%
Domestic	3,727	4,553	5,555	5,008	5,314	5,905	6,832	6,777	35%	-1%
Total Segment Revenue	15,027	17,538	19,393	18,075	18,239	19,200	20,430	19,783	9%	-3%
Segmental EBIT										
EXIM	1,883	2,261	1,550	2,892	2,762	3,098	2,978	3,171	10%	6%
Domestic	215	305	-184	470	539	407	309	586	25%	89%
Total	2,099	2,566	1,366	3,361	3,301	3,505	3,287	3,757	12%	14%
EBIT Margin (%)										
EXIM	16.7%	17.4%	11.2%	22.1%	21.4%	23.3%	21.9%	24.4%		
Domestic	5.8%	6.7%	-3.3%	9.4%	10.1%	6.9%	4.5%	8.6%		
Total	14.0%	14.6%	7.0%	18.6%	18.1%	18.3%	16.1%	19.0%		

Exhibit 3: Realization snapshot

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	YoY (%)	QoQ (%)
Volumes (TEU)										
EXIM	744,788	804,557	858,544	815,077	792,425	828,661	832,863	7,84,857	-4%	-6%
Domestic	140,885	161,458	200,387	176,669	188,332	203,040	235,858	2,28,191	29%	-3%
Total	885,673	966,015	1,058,931	991,746	980,757	1,031,701	1,068,721	10,13,048	2%	-5%
Realization (INR/TEU)										
EXIM	15,172	16,140	16,117	16,032	16,312	16,044	16,327	16,572	3%	1%
Domestic	26,456	28,197	27,722	28,347	28,213	29,082	28,965	29,697	5%	3%
Total	16,967	18,155	18,313	18,226	18,597	18,610	19,116	19,528	7%	2%
EBIT (INR/TEU)										
EXIM	2,529	2,810	1,805	3,548	3,486	3,739	3,576	4,041	14%	13%
Domestic	1,528	1,888	-917	2,658	2,859	2,003	1,311	2,567	-3%	96%
Total	2,369	2,656	1,290	3,389	3,366	3,397	3,076	3,709	9%	21%

Exhibit 4: Quarterly EXIM and domestic volume trends ('000 TEU)**Exhibit 5: Quarterly EXIM and domestic volume growth YoY ('000 TEU)****Exhibit 6: Quarterly EXIM and domestic per TEU realization trends (INR/TEU)****Exhibit 7: Quarterly EXIM and domestic EBIT trends (INR m)**

Source: MOFSL, Company

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	90,257	1,06,521
Change (%)	-3.7	-8.9	9.2	11.1	-1.1	-1.4	18.9	18.8	18.0
Total Expenditure	45,834	43,593	46,814	51,019	47,989	53,521	58,661	68,524	80,415
As a percentage of Sales	77.4	80.8	79.5	78.0	74.1	83.8	77.2	75.9	75.5
EBITDA	13,384	10,354	12,079	14,408	16,749	10,329	17,284	21,733	26,106
Margin (%)	22.6	19.2	20.5	22.0	25.9	16.2	22.8	24.1	24.5
Depreciation	3,478	3,518	3,927	4,246	5,130	5,219	5,298	5,413	5,721
EBIT	9,906	6,835	8,152	10,162	11,619	5,109	11,986	16,320	20,385
Int. and Finance Charges	2	37	1	7	361	340	546	600	800
Other Income	3,175	2,892	5,705	6,735	2,797	2,855	2,631	2,831	3,031
PBT bef. EO Exp.	13,080	9,691	13,856	16,889	14,056	7,625	14,071	18,551	22,617
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	18,551	22,617
Current Tax	2,843	3,206	3,862	4,841	3,208	2,129	3,805	4,675	5,699
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	4,675	5,699
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	13,876	16,917
Adjusted PAT	9,508	7,331	10,574	12,154	10,120	5,867	10,624	13,876	16,917
Change (%)	-9.8	-22.9	44.2	14.9	-16.7	-42.0	81.1	30.6	21.9
Margin (%)	16.1	13.6	18.0	18.6	15.6	9.2	14.0	15.4	15.9

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	1,10,277	1,17,044
Net Worth	83,457	88,462	94,011	1,03,679	1,00,647	1,02,037	107,773	1,13,324	1,20,090
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	1,13,324	1,20,090
Gross Block	31,473	40,676	47,332	57,038	70,379	81,028	87,217	93,217	1,00,717
Less: Accum. Deprn.	3,474	6,978	10,848	15,091	20,686	28,011	33,309	38,722	44,443
Net Fixed Assets	28,000	33,698	36,484	41,947	49,694	53,018	53,908	54,495	56,274
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	59,760	68,697
Inventory	180	229	275	233	261	239	307	358	421
Account Receivables	493	425	604	884	1,591	1,555	1,761	2,093	2,471
Cash and Bank Balance	7,999	16,835	19,817	1,704	21,686	24,732	28,879	36,890	45,387
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	23,675	27,624
Account Payables	1,868	2,415	2,542	3,504	1,553	2,709	4,236	4,949	5,807
Other Current Liabilities	5,202	5,441	7,344	9,544	12,776	15,500	14,428	17,147	20,237
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	36,085	41,073
Appl. of Funds	87,002	91,231	96,544	1,12,301	1,00,647	1,02,037	107,773	1,13,323	1,20,090

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	22.8	27.8
Cash EPS	21.3	17.8	23.8	26.9	25.0	18.2	26.1	31.7	37.2
BV/Share	137.0	145.2	154.3	170.2	165.2	167.5	176.9	186.0	197.1
DPS	4.3	6.3	6.9	8.5	3.6	5.0	9.0	13.7	16.7
Payout (%)	33.3	51.9	48.0	51.4	60.7	60.5	51.6	60.0	60.0
Valuation (x)									
P/E					41.3	71.2	39.3	30.1	24.7
Cash P/E					27.4	37.7	26.2	21.6	18.4
P/BV					4.1	4.1	3.9	3.7	3.5
EV/Sales					5.9	5.9	4.9	4.1	3.4
EV/EBITDA					22.8	36.6	21.7	16.9	13.7
Dividend Yield (%)					0.5	0.7	1.3	2.0	2.4
FCF per share					53.8	9.4	12.2	23.2	26.9
Return Ratios (%)									3.4
RoE	11.9	8.5	11.6	12.3	9.9	5.8	10.1	12.6	14.5
RoCE	11.5	8.6	11.2	11.6	9.7	5.8	10.5	13.0	15.0
RoIC	14.6	9.3	11.1	10.0	11.5	7.0	16.3	21.9	28.4
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	37	38
Leverage Ratio (x)									
Current Ratio	6.3	5.5	4.7	4.6	2.8	2.2	2.5	2.5	2.5
Net Debt/Equity	-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	18,551	22,617
Depreciation	3,627	3,650	3,927	4,246	5,130	5,219	5,298	5,413	5,721
Interest and Finance Charges	-2,914	-2,514	-2,332	-2,247	-1,678	-1,648	-1,302	-2,231	-2,231
Direct Taxes Paid	-3,192	-3,868	-3,360	-5,404	-1,382	-2,444	-3,568	-4,675	-5,699
(Inc.)/Dec. in WC	-21,026	9,575	1,169	-33,386	26,758	1,691	-1,003	3,048	3,509
CF from Operations	-10,426	18,650	13,260	-19,902	34,067	9,610	13,496	20,106	23,916
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	20,106	23,916
(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	14,106	16,416
(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	2,831	3,031
CF from Investments	-4,281	-6,165	-5,297	14,461	-25,733	-2,761	-3,492	-3,169	-4,469
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	-800
Dividend Paid	-2,613	-2,944	-4,168	-1,828	-5,666	-3,564	-4,874	-8,326	-10,150
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	-8,926	-10,950
Inc./Dec. in Cash	-17,881	8,836	2,983	-621	2,489	3,047	4,146	8,011	8,497
Opening Balance	25,879	7,999	16,835	19,817	19,196	21,685	24,732	28,879	36,890
Closing Balance	7,999	16,835	19,817	19,196	21,685	24,732	28,879	36,890	45,387

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

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