

Container Corporation

Estimate change 

TP change 

Rating change 

CMP: INR829

TP: INR990 (+19%)

Buy

Revival in EXIM volumes to drive growth ahead

Margins to remain stable

Bloomberg	CCRI IN
Equity Shares (m)	609
M.Cap.(INRb)/(USDb)	504.9 / 6.1
52-Week Range (INR)	933 / 555
1, 6, 12 Rel. Per (%)	0/13/8
12M Avg Val (INR M)	917

Financial Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	85.7	98.6	115.4
EBITDA	19.7	23.2	27.5
Adj. PAT	12.8	15.2	18.1
EBITDA Margin (%)	23.0	23.5	23.8
Adj. EPS (INR)	21.0	25.0	29.8
EPS Gr. (%)	9.2	19.3	19.0
BV/Sh. (INR)	195.7	209.0	224.8

Ratios

Net D:E	(0.3)	(0.4)	(0.4)
RoE (%)	11.0	12.4	13.7
RoCE (%)	11.4	12.7	14.1
Payout (%)	46.9	46.9	46.9

Valuations

P/E (x)	39.5	33.1	27.8
P/BV (x)	4.2	4.0	3.7
EV/EBITDA(x)	23.1	19.2	15.8
Div. Yield (%)	1.2	1.4	1.7
FCF Yield (%)	1.8	2.6	3.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	54.8	54.8	54.8
DII	22.9	21.6	17.6
FII	19.6	20.7	24.1
Others	2.8	3.0	3.6

FII Includes depository receipts

- Container Corporation (CCRI) reported volume growth of 6% YoY in 3QFY24. Revenue grew 11% YoY to INR22b (7% below our estimate).
 - Total volumes increased 6% YoY to 1.15m TEUs, with EXIM/Domestic volumes at 0.9m/0.25m TEUs (up 8%/down 1% YoY). Domestic volumes were 24% below our estimate, while EXIM volumes were ~3% below.
 - Blended realization improved ~5% YoY to INR19,161/TEU. EXIM/Domestic realization stood at INR15,915/INR30,966 per TEU (+5%/+8% YoY).
 - EBITDA margin came in at 23.2% (vs. our estimate of 23.3%). Margin was up 180bp YoY. EBITDA increased 20% YoY to INR5.1b (our estimate of INR5.5b).
 - The land license fee for 3QFY24 stood at INR719m (INR2.9b in 9MFY24). CCRI has reversed INR360m of LLF provisions for the previous years; hence, LLF provisioning is likely to be ~INR4b for FY24. The ongoing reconciliations with Indian Railways and provisioning reversal of previous years may keep LLF in a tight range going forward. In line with the operating performance, PAT grew 13% YoY (7% below our estimate of INR3.6b).
 - For 9MFY24, CCRI reported revenue of INR63.1b (+6% YoY), EBITDA of INR14.4b (+3% YoY), EBITDA margin of 22.8%, and APAT of ~INR 9.4b (+5% YoY). Total volumes handled during 9MFY24 stood at 3.47m TEUs (+7% YoY).
 - We marginally cut our EBITDA for FY24E/25E/26E by ~4%/4%/1%, factoring in lower volume growth on the EXIM front due to geopolitical tensions.
- Reiterate BUY with a TP of INR990 (based on 20x EV/EBITDA on FY26E).**

Highlights from the management commentary

- The DFC connecting Dadri to Mundra became operational in May'23. CCRI is running timetable trains on this route, and this development saw a significant shift in the portion of its business from road to rail.
- Rail freight margin during 3QFY24 was 24%, which has contracted from 27% in 2QFY24. The decline in rail freight margin was primarily due to a lag of 40 days in passing the busy season surcharge by the Indian Railways to end-customers.
- CCRI maintains a market share of 55-60% in EXIM container volumes. The company maintained its FY24 volume guidance.
- The rail coefficient at Mundra and Pipavav has not changed much despite DFC connectivity. However, the coefficient is expected to improve in future.

Valuation and view

- With DFC commissioning and a continuous ramp-up in the number of double-stacked trains, we expect blended volumes to post 10% CAGR during FY24-26. We expect EBITDA margin to be 23-24% over FY24-26. The stock trades at 15.8x FY26E EV/EBITDA. **Reiterate BUY with a TP of INR990 (based on 20x EV/EBITDA on FY26E).**

Alok Deora - Research analyst (Alok.Deora@MotilalOswal.com)

Saurabh Dugar - Research analyst (Saurabh.Dugar@MotilalOswal.com)

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Standalone quarterly snapshot

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	19,783	19,707	19,884	21,660	19,193	21,904	22,051	22,559	81,034	85,708	23,716	(7)
YoY Change (%)	9.4	8.0	3.6	6.0	-3.0	11.1	10.9	4.2	6.7	5.8	19.3	
EBITDA	4,723	4,987	4,264	4,447	3,916	5,373	5,117	5,266	18,421	19,672	5,526	(7)
Margins (%)	23.9	25.3	21.4	20.5	20.4	24.5	23.2	23.3	22.7	23.0	23.3	
YoY Change (%)	9.0	16.9	-6.4	7.7	-17.1	7.7	20.0	18.4	6.6	6.8	29.6	
Depreciation	1,312	1,341	1,357	1,531	1,378	1,486	1,543	1,537	5,541	5,943	1,422	
Interest	139	143	142	146	141	147	175	157	570	620	133	
Other Income	629	520	1,136	955	815	1,025	1,007	994	3,240	3,840	823	
PBT before EO expense	3,901	4,022	3,901	3,726	3,212	4,764	4,406	4,567	15,550	16,949	4,793	(8)
Extra-Ord expense	0	0	0	13	0	0	0	0	13	0	0	
PBT	3,901	4,022	3,901	3,713	3,212	4,764	4,406	4,567	15,537	16,949	4,793	(8)
Tax	988	994	936	928	771	1,187	1,062	1,150	3,847	4,169	1,208	
Rate (%)	25.3	24.7	24.0	25.0	24.0	24.9	24.1	25.2	24.8	24.6	25.2	
Reported PAT	2,913	3,028	2,965	2,785	2,441	3,577	3,344	3,417	11,691	12,780	3,585	(7)
Adj PAT	2,913	3,028	2,965	2,785	2,441	3,577	3,344	3,417	11,703	12,780	3,585	(7)
YoY Change (%)	14.3	14.7	3.5	8.4	-16.2	18.1	12.8	22.7	10.2	9.2	20.9	
Margins (%)	14.7	15.4	14.9	12.9	12.7	16.3	15.2	15.1	14.4	14.9	15.1	



Highlights from the management commentary

Operational highlights

- The LLF for 9MFY24 stood at INR2.9b. CCRI has reversed INR360m of LLF provisions for the previous years; hence, LLF provisioning is likely to be ~INR4b for FY24. The ongoing reconciliations with Indian Railways and provisioning reversal of previous years may keep LLF in a tight range going forward. Further, CCRI has surrendered a small portion of land near Baroda, leading to potential reductions in its LLF costs.
- Rail freight margin during 3QFY24 was 24%, which has contracted from 27% in 2QFY24. The decline in rail freight margin was primarily due to a lag of 40 days in passing the busy season surcharge by the Indian Railways to end-customers. However, margins are expected to stabilize as surcharge has been passed on to the customers from Nov'23 onwards.
- CCRI's market share at various ports is as follows: Mundra – 36%, Pipavav – 45%.
- Empty running costs in 3QFY24 stood at ~INR1.4b (EXIM/Domestic: ~INR353m/ INR988m).
- Lead distances in 3QFY24: EXIM – 724km, Domestic – 1,413km, Total – 827km. Lead distances in both EXIM and domestic segments are increasing.
- LNG trucks are operational, with 75 already in use and an additional 50 trucks to be added.
- The number of double-stacked trains stood at 1,376 during the quarter.
- Additional five rakes have been added during 3QFY24, bringing the total to 12, with plans to add four more in FY24.
- An MoU has been signed with NTPC for the development of solar energy products at the company's terminals, and another MoU with a German company has been signed for the advancement of EXIM trades.
- The disruption in the Suez Canal has hit EXIM volumes, but stabilization is expected by Jan'24, with full stability by the first week of Feb'24.
- In terms of EXIM volumes, imports continue to show strength and are expected to remain steady throughout the remainder of FY24, while exports are weaker

due to geopolitical factors. Management has guided for EXIM volume growth of 10% in FY24.

- CCRI maintains a market share of 55-60% in EXIM container volumes. The primary focus is on delivering high-quality service to customers, with market share expected to remain at similar levels.
- The DFC connecting Dadri to Mundra became operational in May'23. CCRI is running timetable trains on this route, and this development saw a significant shift in the portion of its business from road to rail.

Volumes

- Total volumes increased 6% YoY to 1.15m TEUs with EXIM/Domestic volumes at 0.9m/0.25m TEUs (+8%/-1% YoY).
- Blended realization improved ~5% YoY to INR19,161/TEU. EXIM/Domestic realization stood at INR15,915/INR30,966 per TEU (+5%/+8% YoY).
- Originating volumes in 3QFY24 stood at 0.64m TEUs (EXIM/Domestic at 0.53/0.11m TEUs).
- Double stacking has increased by 38% YoY in 9MFY24.

Capex

- CCRI has already spent INR4.7b in 9MFY24.
- Management expects to surpass its FY24 capex guidance of INR6b, which is the highest capex done in a fiscal year. This allocation will be directed towards ensuring a steady supply of containers, acquiring new trains, and commissioning terminals.

Guidance

- The company maintained its FY24 guidance. It expects 15% volume growth in the domestic segment and 10% in the EXIM segment.
- The DFC connection to JNPT is expected to increase rail coefficient from the current 18-19% to 25-30% in the next two years.
- CCRI aims to reach 80-85% in First Mile Last Mile (FMLM) in another two years from ~30% currently.
- The company is constructing a 100-acre logistics park near Ahmedabad, facilitating the handling of double-stacked trains.

Exhibit 1: Our revised forecasts

(INR m)	FY24E			FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	85,708	89,526	-4.3	98,568	1,04,952	-6.1	1,15,429	1,23,369	-6.4
EBITDA	19,672	20,553	-4.3	23,193	24,109	-3.8	27,451	27,754	-1.1
EBITDA Margin (%)	23.0	23.0	-0.5	23.5	23.0	55.8	23.8	22.5	128.6
PAT	12,780	13246	-3.5	15,248	15522	-1.8	18,140	17955	1.0
EPS (INR)	21.0	21.7	-3.5	25.0	25.5	-1.8	29.8	29.5	1.0

Source: Company, MOFSL

Key exhibits

Exhibit 2: Financial summary (INR m)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Net Sales	19,783	19,707	19,884	21,660	19,193	21,904	22,051	11%	1%
Terminal and Service Charges	10,875	10,679	11,356	12,133	10,685	12,030	12,946		
Employee Expenses	1,034	923	1,077	1,241	1,059	1,222	1,118		
Other Expenses	3,151	3,119	3,188	3,839	3,533	3,279	2,870		
EBITDA	4,723	4,986	4,264	4,447	3,916	5,372	5,117	20%	-5%
EBITDA margin (%)	24%	25%	21%	21%	20%	25%	23%		
Depreciation	1,312	1,341	1,357	1,531	1,378	1,486	1,543		
EBIT	3,411	3,645	2,907	2,916	2,538	3,886	3,574		
Interest	139	143	142	146	141	147	175		
Other Income	629	520	1,136	955	815	1,025	1,007		
PBT	3,901	4,022	3,901	3,725	3,212	4,764	4,406	13%	-8%
Total Tax	988	994	936	928	771	1,187	1,062		
Tax rate (%)	25%	25%	24%	25%	24%	25%	24%		
PAT	2,913	3,028	2,965	2,785	2,441	3,577	3,344	13%	-7%
EPS (INR)	4.8	5.0	4.9	4.6	4.0	5.9	5.5	13%	-7%

Exhibit 3: Segmental revenue and profitability

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Revenue (INR m)									
EXIM	13,007	13,186	12,697	13,239	12,315	14,438	14,365	13%	-1%
Domestic	6,777	6,521	7,187	8,421	6,879	7,467	7,687	7%	3%
Total Segment Revenue	19,783	19,707	19,884	21,660	19,193	21,904	22,051	11%	1%
Segmental EBIT									
EXIM	3,171	3,321	2,953	3,176	2,566	3,463	3,197	8%	-8%
Domestic	586	627	428	752	366	746	737	72%	-1%
Total	3,757	3,948	3,381	3,927	2,932	4,209	3,934	16%	-7%
EBIT Margin (%)									
EXIM	24.4%	25.2%	23.3%	24.0%	20.8%	24.0%	22.3%		
Domestic	8.6%	9.6%	6.0%	8.9%	5.3%	10.0%	9.6%		
Total	19.0%	20.0%	17.0%	18.1%	15.3%	19.2%	17.8%		

Exhibit 4: Realization snapshot

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Volumes (TEU)									
EXIM	7,84,857	9,36,950	8,33,796	8,51,261	8,41,690	9,69,746	9,02,582	8%	-7%
Domestic	2,28,191	2,06,945	2,51,358	2,67,773	2,51,920	2,61,022	2,48,226	-1%	-5%
Total	10,13,048	11,43,895	10,85,154	11,19,034	10,93,610	12,30,768	11,50,808	6%	-6%
Realization (INR/TEU)									
EXIM	16,572	14,073	15,228	15,553	14,631	14,888	15,915	5%	7%
Domestic	29,697	31,511	28,593	31,446	27,305	28,605	30,966	8%	8%
Total	19,528	17,228	18,324	19,356	17,550	17,797	19,161	5%	8%
EBIT (INR/TEU)									
EXIM	4,041	3,544	3,542	3,730	3,048	3,571	3,542	0%	-1%
Domestic	2,567	3,029	1,702	2,808	1,453	2,858	2,969	75%	4%
Total	3,709	3,451	3,115	3,510	2,681	3,419	3,418	10%	0%

Exhibit 5: Quarterly EXIM and domestic volume trends ('000 TEU)

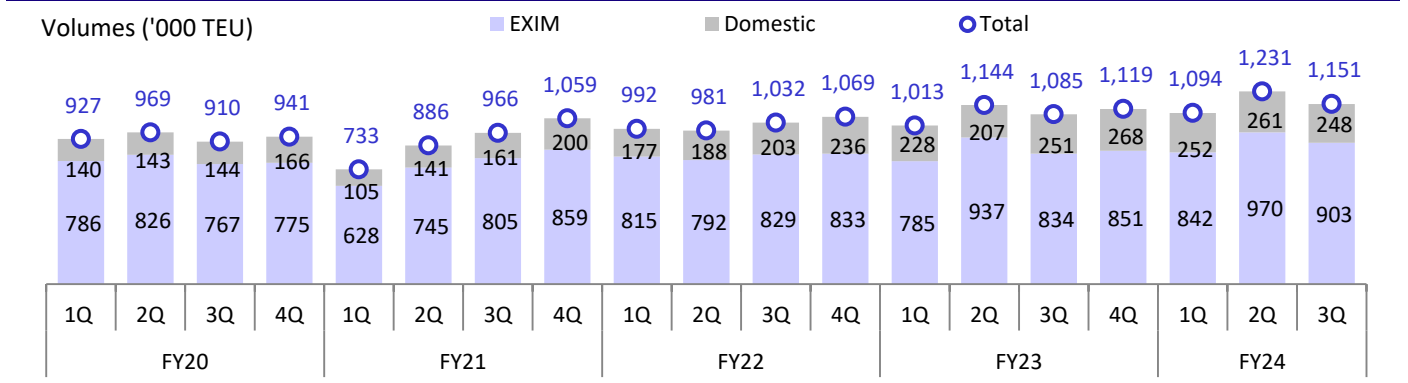


Exhibit 6: Quarterly EXIM and domestic volume growth YoY

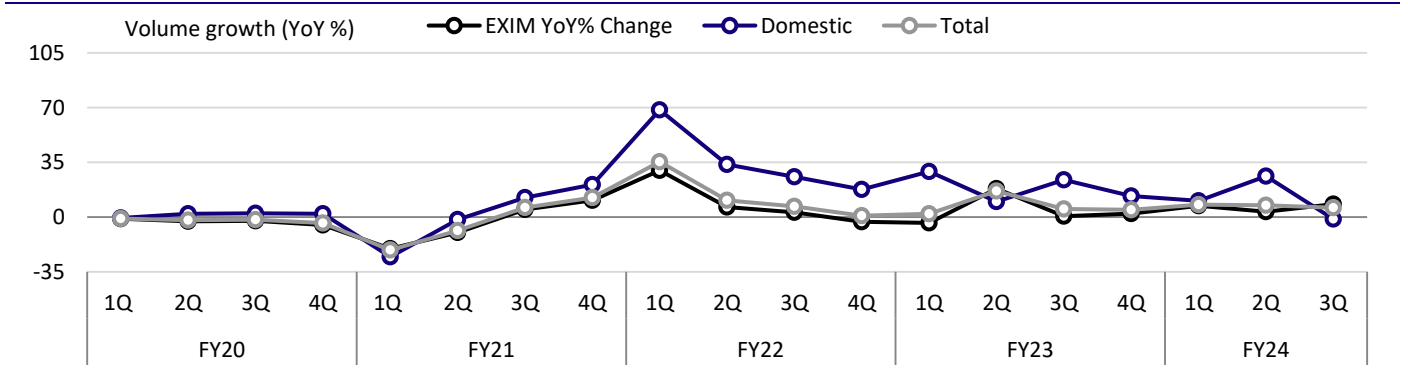


Exhibit 7: Quarterly EXIM and domestic per TEU realization trends (INR/TEU)

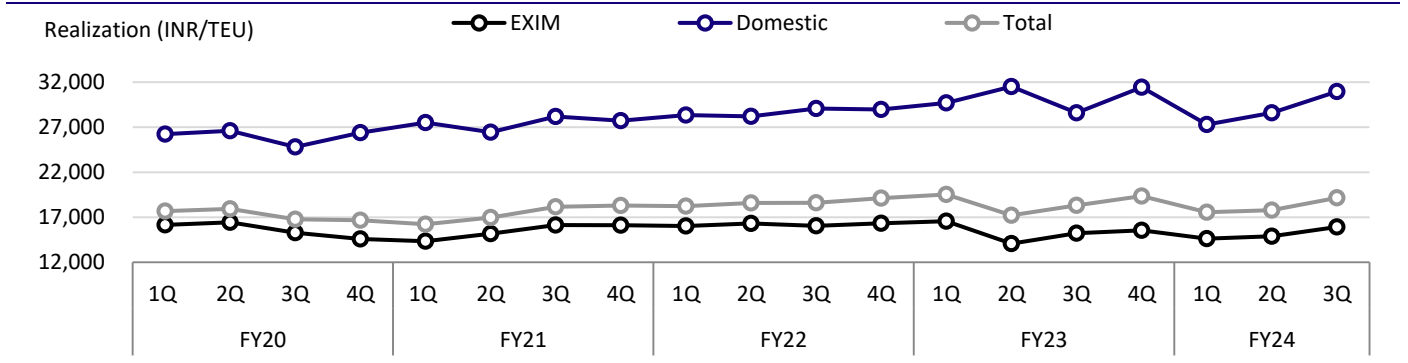
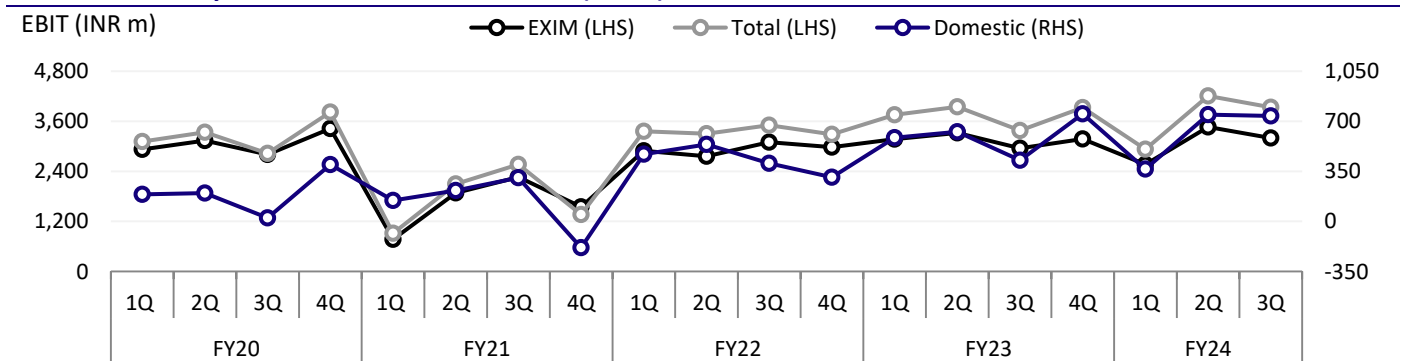
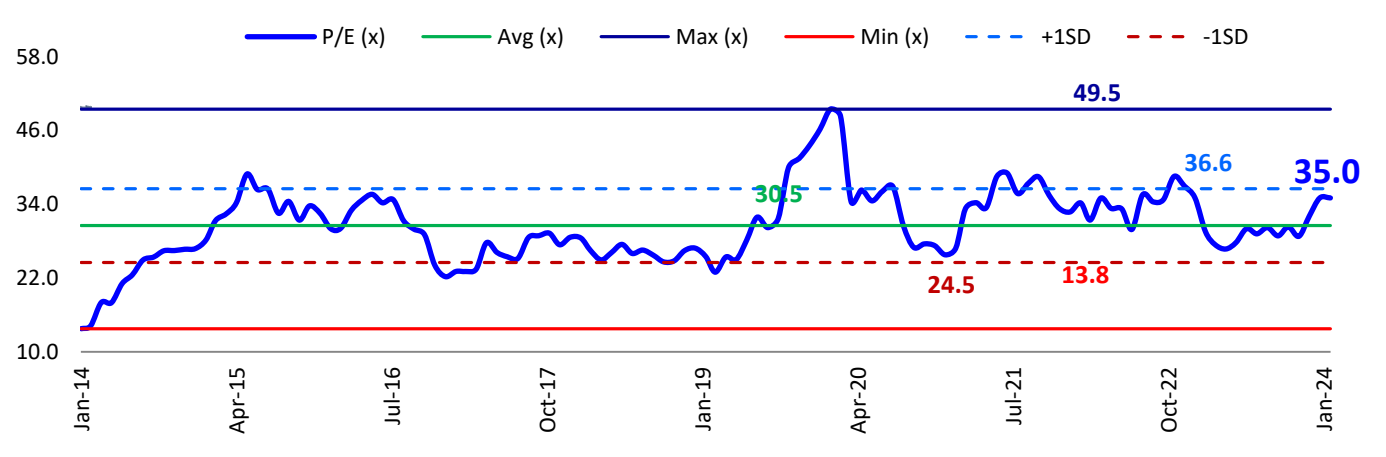


Exhibit 8: Quarterly EXIM and domestic EBIT trends (INR m)



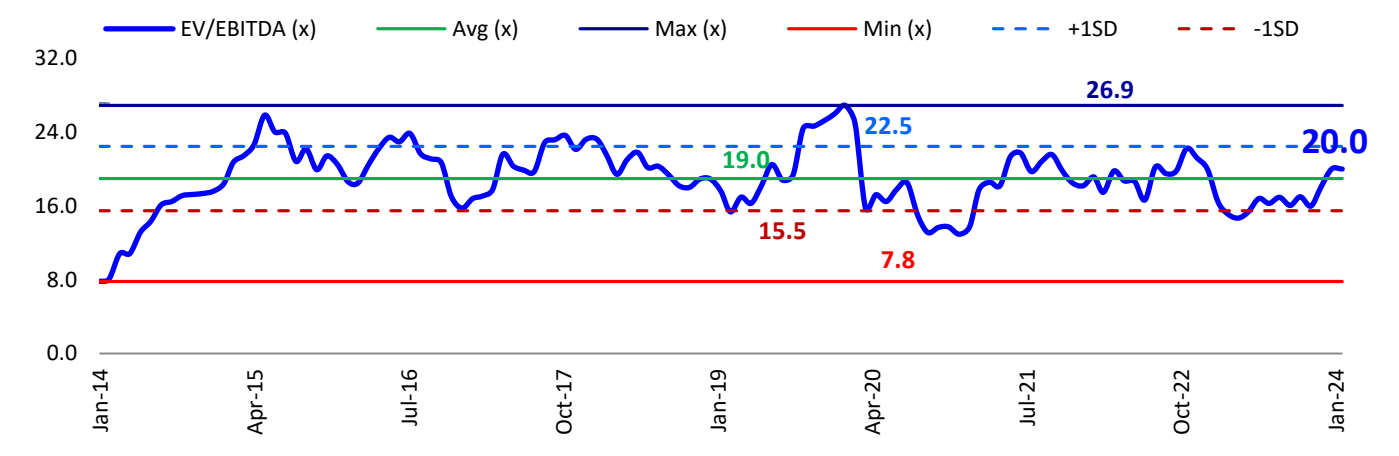
Source: MOFSL, Company

Exhibit 9: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 10: One-year forward EV/EBITDA (x)



Source: Company, MOFSL

Financial and valuations

Ratio analysis

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)									
EPS	17.4	19.9	16.6	9.6	17.4	19.2	21.0	25.0	29.8
Cash EPS	23.8	26.9	25.0	18.2	26.1	28.3	30.7	35.0	40.5
BV/Share	154.3	170.2	165.2	167.5	176.9	184.6	195.7	209.0	224.8
DPS	6.9	8.5	3.6	5.0	9.0	9.0	9.8	11.7	14.0
Payout (%)	48.0	51.4	60.7	60.5	51.6	46.9	46.9	46.9	46.9
Valuation (x)									
P/E	47.8	41.6	40.2	86.1	47.5	43.2	39.5	33.1	27.8
Cash P/E	34.8	30.8	28.5	45.6	31.7	29.3	27.0	23.7	20.5
P/BV	5.4	4.9	5.0	5.0	4.7	4.5	4.2	4.0	3.7
EV/Sales	8.0	7.6	7.2	7.3	6.1	5.7	5.3	4.5	3.7
EV/EBITDA	39.0	34.5	28.0	45.1	26.7	25.0	23.1	19.2	15.8
Dividend Yield (%)	0.8	1.0	0.4	0.6	1.1	1.1	1.2	1.4	1.7
FCF per share	9.6	-44.2	53.8	9.4	12.2	13.3	14.7	21.5	28.3
Return Ratios (%)									
RoE	11.6	12.3	9.9	5.8	10.1	10.6	11.0	12.4	13.7
RoCE	11.2	11.6	9.7	5.8	10.5	11.0	11.4	12.7	14.1
RoIC	11.1	10.0	11.5	7.0	16.3	16.7	17.4	21.6	27.2
Working Capital Ratios									
Asset Turnover (x)	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8
Inventory (Days)	2	1	1	1	1	2	2	2	2
Debtor (Days)	4	5	9	9	8	10	10	10	10
Creditor (Days)	26	34	16	29	38	31	30	30	30
Leverage Ratio (x)									
Current Ratio	4.7	4.6	2.8	2.2	2.5	2.8	2.9	3.0	3.0
Net Debt/Equity	-0.2	0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4

Standalone – Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	13,857	16,889	5,240	6,791	14,070	15,537	16,949	20,385	24,251
Depreciation	3,927	4,246	5,130	5,219	5,298	5,541	5,943	6,098	6,540
Interest and Finance Charges	-2,332	-2,247	-1,678	-1,648	-1,302	-1,667	-3,220	-3,290	-3,340
Direct Taxes Paid	-3,360	-5,404	-1,382	-2,444	-3,568	-4,251	-4,169	-5,137	-6,111
(Inc.)/Dec. in WC	1,169	-33,386	26,758	1,691	-1,003	-1,219	937	2,573	3,393
CF from Operations	13,260	-19,902	34,067	9,610	13,496	13,942	16,439	20,629	24,733
Others	19	15	8,621	633	-90	-117	0	0	0
CF from Operations incl. EO	13,279	-19,887	42,689	10,243	13,406	13,825	16,439	20,629	24,733
(inc.)/dec. in FA	-8,595	-7,040	-9,888	-4,501	9,597	-5,723	-7,500	-7,500	-7,500
Free Cash Flow	4,684	-26,927	32,801	5,741	23,002	8,101	8,939	13,129	17,233
(Pur.)/Sale of Investments	-153	-139	-618	-570	595	-82	0	0	0
Others	3,451	21,639	-15,227	2,310	-13,684	-231	3,840	3,890	3,940
CF from Investments	-5,297	14,461	-25,733	-2,761	-3,492	-6,036	-3,660	-3,610	-3,560
Issue of Shares	0	0	0	0	0	0	0	0	0
(Inc.)/Dec. in Debt	0	7,007	-7,007	0	0	0	0	0	0
Interest Paid	-1	-7	-81	-1	0	1	-20	0	0
Dividend Paid	-4,168	-1,828	-5,666	-3,564	-4,874	-7,311	-5,994	-7,152	-8,509
Others	-831	-366	-1,714	-869	-893	-1,079	-600	-600	-600
CF from Fin. Activity	-4,999	4,805	-14,467	-4,434	-5,767	-8,389	-6,614	-7,752	-9,109
Inc./Dec. in Cash	2,983	-621	2,489	3,047	4,146	-601	6,165	9,267	12,064
Opening Balance	16,835	19,817	19,196	21,685	24,732	31,080	30,479	36,644	45,910
Closing Balance	19,817	19,196	21,685	24,732	28,879	30,479	36,644	45,910	57,975

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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