

Container Corporation

BSE SENSEX
74,743

S&P CNX
22,666

CMP: INR911

TP: INR1,120 (+23%)

Buy



Stock Info

	CCRI IN
Bloomberg Equity Shares (m)	609
M.Cap.(INRb)/(USDb)	555.3 / 6.7
52-Week Range (INR)	1035 / 572
1, 6, 12 Rel. Per (%)	-6/12/31
12M Avg Val (INR M)	1139
Free float (%)	45.2

Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	86.0	98.9	115.9
EBITDA	19.7	23.2	28.5
Adj. PAT	12.8	15.3	18.9
EBITDA Margin (%)	22.9	23.5	24.6
Adj. EPS (INR)	21.0	25.1	31.0
EPS Gr. (%)	9.4	19.4	23.6
BV/Sh. (INR)	195.7	209.0	225.5

Ratios

Net D/E (x)	(0.3)	(0.4)	(0.4)
RoE (%)	11.0	12.4	14.3
RoCE (%)	11.5	12.8	14.6
Payout (%)	46.9	46.9	46.9

Valuations

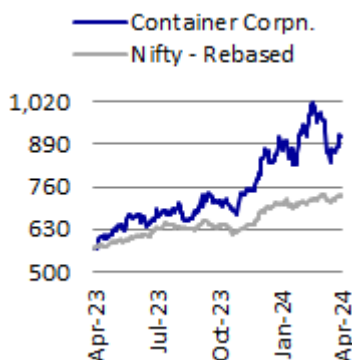
P/E (x)	43.3	36.3	29.4
P/BV (x)	4.6	4.4	4.0
EV/EBITDA (x)	25.5	21.3	16.9
Div. Yield (%)	1.1	1.3	1.6
FCF Yield (%)	1.6	2.4	3.2

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

Stock's performance (one-year)



Commissioning of DFC to drive the containerized cargo movement...

...CCRI will be the key beneficiary

- Container Corporation (CCRI) will be a key beneficiary of the Dedicated Freight Corridor (DFC), which is likely to result in volume growth driven by a modal shift and enhanced operating efficiencies. The DFC connecting Dadri to Mundra became operational in May'23. CCRI is operating a timetable of trains on this route, and this development has led to a significant shift in the proportion of its business from road to rail.
- Further, we anticipate that CCRI would benefit from the shift in northern hinterland volumes from Gujarat ports to JNPT after the entire DFC commissioning, which is likely to be completed in FY26. CCRI's strong positioning at JNPT (~55% market share in 9MFY24) could result in tailwinds from operating efficiencies stemming from DFC and the ability to offer full-fledged scheduled services.
- Domestic container volumes for CCRI grew 11% YoY in 9MFY24, while EXIM volumes rose 6% YoY during the same period. Weak trade volumes due to the geopolitical headwinds hit EXIM volumes. We expect domestic operations to scale up (35% contribution in 9MFY24) due to the addition of new services/commodities for multiple sectors, and a strong network of terminals. Further, strategic initiatives such as addition of FMCG-led cargo, deployment of LNG trucks, partnerships for solar energy products, etc., are likely to result in higher double-digit growth for domestic cargo.
- With DFC commissioning and a continuous ramp-up in the number of double-stacked trains, we expect blended volumes to report 10% CAGR during FY24-26. Further, with clarity on LLF provisioning, we project the EBITDA margin to be 23-25% over FY24-26. The stock trades at 16.9x FY26E EV/EBITDA. Reiterate BUY with a TP of INR1,120 (based on 22x EV/EBITDA on FY26E).

Reduction in LLF provisions to expand margins

- Land License Fee (LLF) for 9MFY24 stood at INR2.9b. CCRI has reversed INR360m of LLF provisions for previous years; hence, LLF provisioning is likely to be ~INR4.0b for FY24 (net of reversals).
- An additional INR900m provision is pending reconciliation, possibly reversing in the future as discussions are underway.
- CCRI has surrendered certain land parcels in Tughlakabad in Nov'23 that are anticipated to reduce the annual LLF cost by ~INR250m. CCRI has also offered to surrender a portion of land at its Vadodara terminal and plans to reduce LLF expenses by shifting volumes to its terminals.
- Management has guided LLF expenses at ~INR4.5b in FY25, assuming a 7% escalation over FY24. CCRI aims to further reduce LLF expenses by shifting volumes to its terminals.

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

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

Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

Strategic new initiatives to boost volumes

- CCRI has deployed 75 LNG trucks at Chennai, Nagpur, Baroda, and Ankleshwar terminals, and is witnessing healthy returns. Consequently, management plans to increase the fleet count and also signed an MoU with Indraprashta Gas Ltd (IGL) in Nov’23 for developing LNG pumps at CCRI terminals.
- Apart from this, the company has taken several new initiatives, including: a) MoU with NTPC Vidyut Vyapar Nigam in Dec’23 for solar energy product development at its terminals, and b) MoU with DB Schenker, a leading international trade-forwarding company from Germany, to expand CCRI’s range of services in the EXIM and domestic segments.
- The First Mile Last Mile (FMLM) mix has risen to 63% in 3QFY24 from 30-35% in 3QFY23, and the company plans to increase the mix to 80-85% in the next couple of years.

Leads in the container rail freight segment with strategically located infrastructure

- CCRI maintained ~75% market share in the rail freight segment over the last decade, although this has moderated to ~65% in FY23 due to rising competition from private Container Train Operators (CTOs) and the road freight players.
- CCRI’s strategically located infrastructure across India offers a competitive advantage, which helps the company maintain profitability despite losing some market share.

Valuation and view

- With DFC commissioning and a continuous ramp-up in the number of double-stacked trains, we expect blended volumes to report 10% CAGR during FY24-26.
- Further, with clarity on LLF provisioning, we project the EBITDA margin to be 23-25% over FY24-26. The stock trades at 16.9x FY26E EV/EBITDA.
- **Reiterate BUY with a TP of INR1,120 (based on 22x EV/EBITDA on FY26E).**

Dominant position in the containerized rail freight business

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

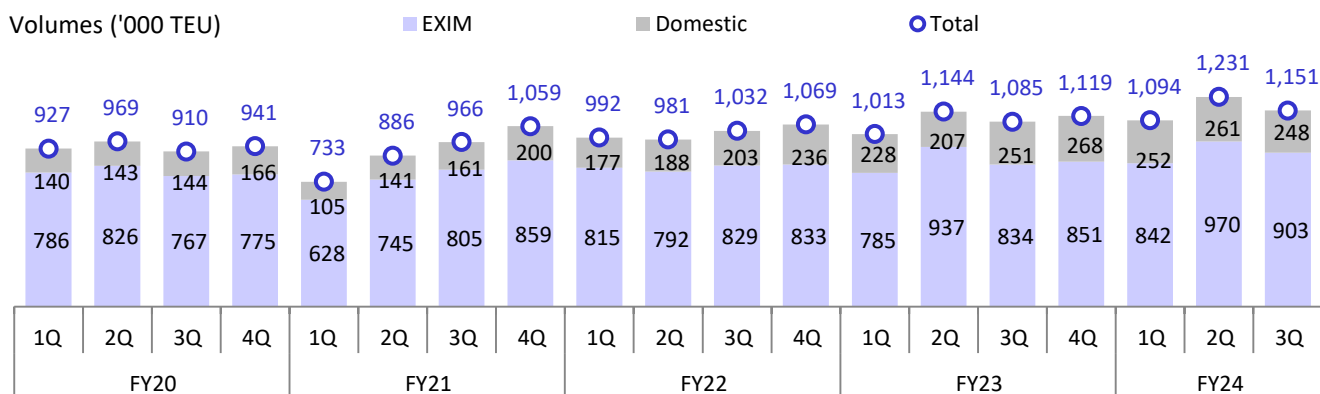


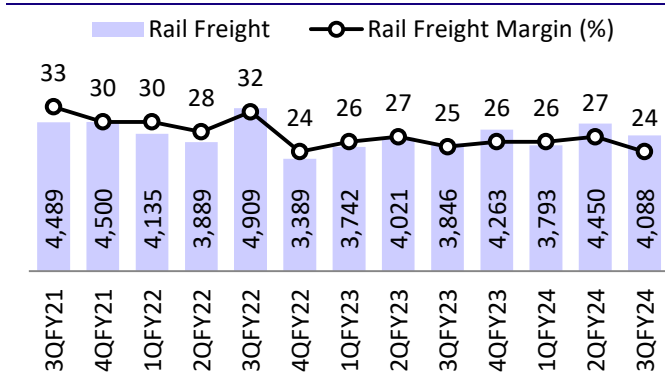
Exhibit 2: Segmental revenue and profitability

	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 3: Realization snapshot

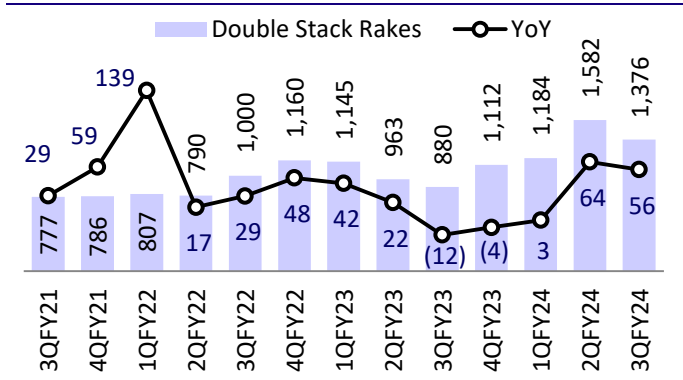
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (%)	QoQ (%)
Handling Volumes (TEU)									
EXIM	7,84,857	9,36,950	8,33,796	8,51,261	8,41,690	9,69,746	9,02,582	8%	-7%
Domestic	2,28,191	2,06,945	2,51,358	2,67,773	2,51,920	2,61,022	2,48,226	-1%	-5%
Total	10,13,048	11,43,895	10,85,154	11,19,034	10,93,610	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 4: Rail freight – margin trend



Source: MOFSL, Company

Exhibit 5: Double-stacked rakes increased YoY



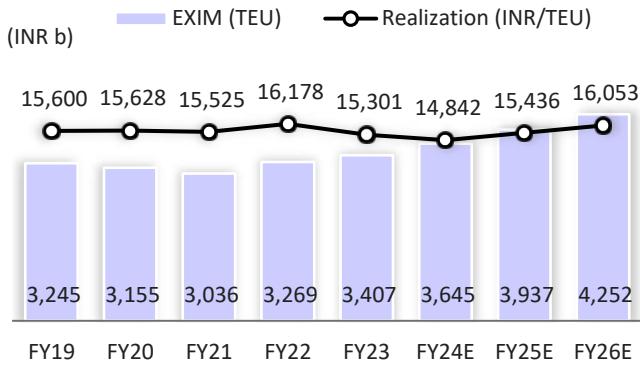
Source: MOFSL, Company

Increasing double-stacked rakes to result in higher operational efficiency and volumes

- Double-stacked trains can carry more containers than traditional single-stacked trains, thus increasing the overall capacity of the rail network.
- CCRI has been continuously increasing the number of double-stacked trains (to 1,376 in Dec’23 from 777 in Dec’21), which could lead to lower transportation costs per container, improving the company’s cost efficiency level.
- To boost its domestic volumes, CCRI has plans to add the FMCG segment and has placed orders for 1,000 customized containers of 12ft height (vs. the standard TEU height of 8.5ft). This would drive both cost reduction and higher volumes as more volumes would be viable with reduced per-unit costing.

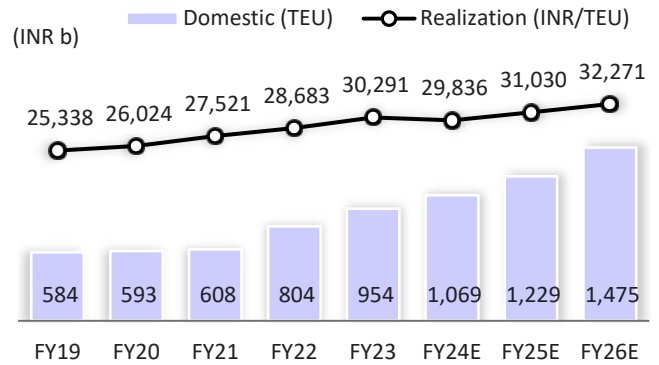
Financial story in charts

Exhibit 6: EXIM handling volumes and realization



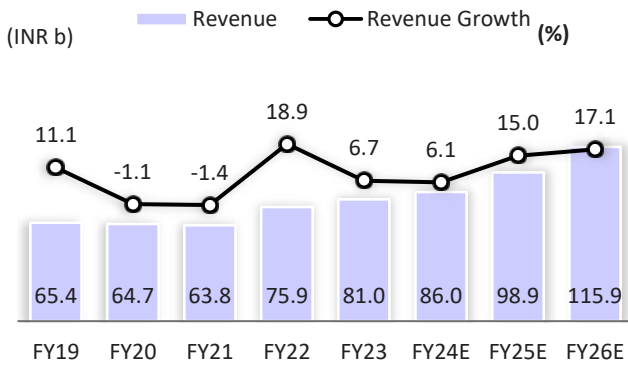
Source: MOFSL, Company

Exhibit 7: Domestic handling volumes and realization



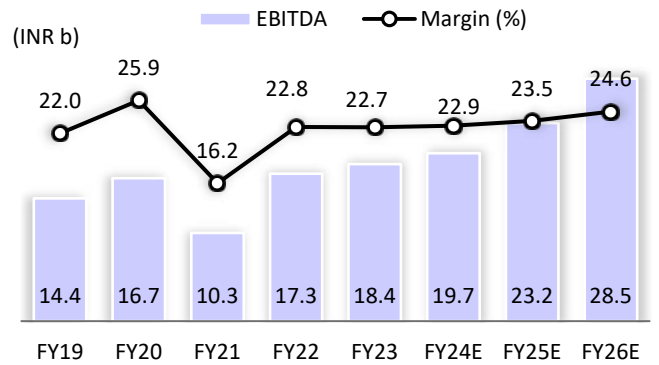
Source: MOFSL, Company

Exhibit 8: Revenue growth to be driven by domestic volumes



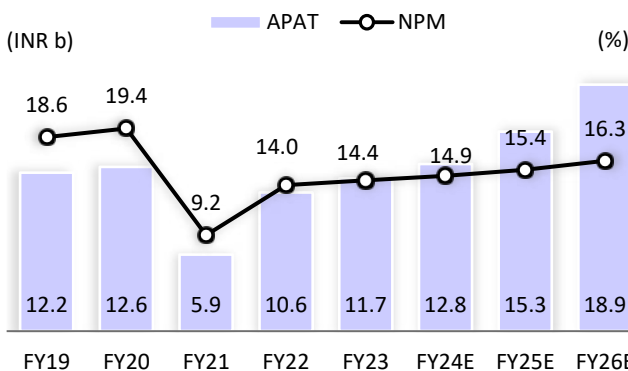
Source: MOFSL, Company

Exhibit 9: EBITDA and margin to improve with lower LLF provision and commissioning of DFC



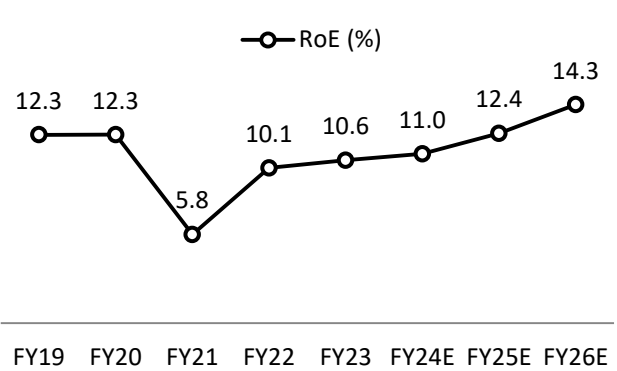
Source: MOFSL, Company

Exhibit 10: APAT to move in line with operating performance



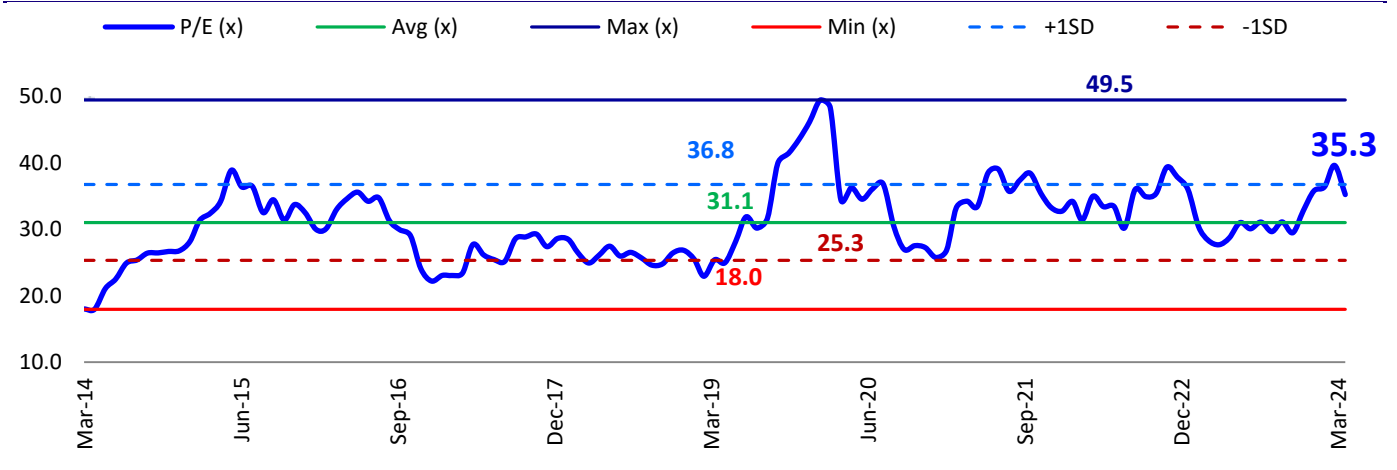
Source: MOFSL, Company

Exhibit 11: Return ratios to improve gradually



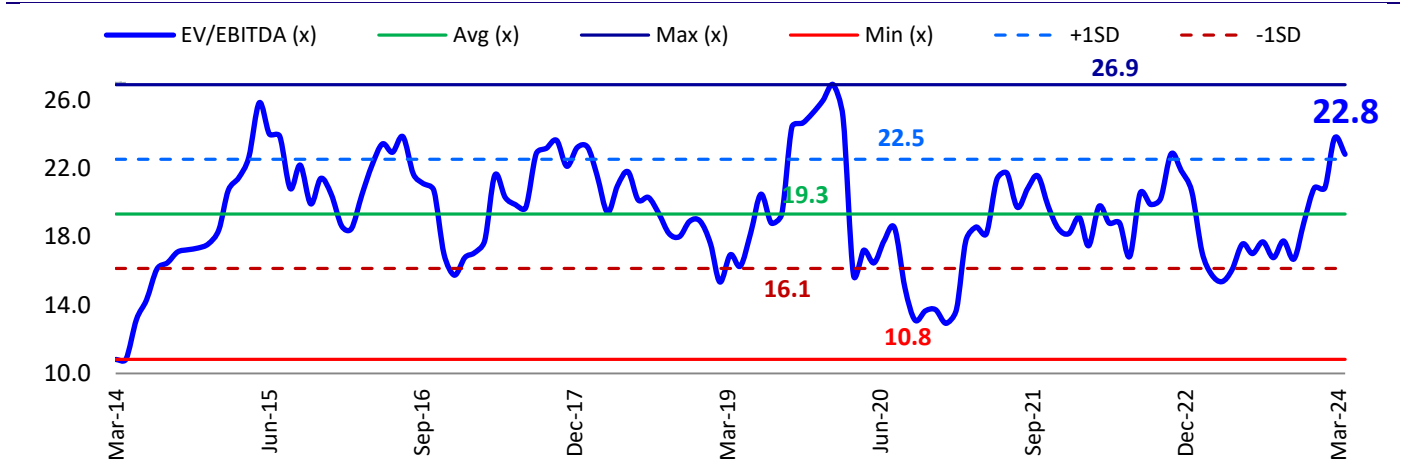
Source: MOFSL, Company

Exhibit 12: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 13: One-year forward EV/EBITDA (x)



Source: Company, MOFSL

Financials and valuations

Standalone – Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	58,893	65,427	64,738	63,850	75,945	81,034	85,993	98,908	1,15,854
Change (%)	9.2	11.1	-1.1	-1.4	18.9	6.7	6.1	15.0	17.1
Total Expenditure	46,814	51,019	47,989	53,521	58,661	62,613	66,292	75,674	87,399
As a percentage of Sales	79.5	78.0	74.1	83.8	77.2	77.3	77.1	76.5	75.4
EBITDA	12,079	14,408	16,749	10,329	17,284	18,421	19,700	23,234	28,454
Margin (%)	20.5	22.0	25.9	16.2	22.8	22.7	22.9	23.5	24.6
Depreciation	3,927	4,246	5,130	5,219	5,298	5,541	5,943	6,098	6,540
EBIT	8,152	10,162	11,619	5,109	11,986	12,880	13,757	17,136	21,914
Int. and Finance Charges	1	7	361	340	546	570	620	600	600
Other Income	5,705	6,735	2,797	2,855	2,631	3,240	3,840	3,890	3,940
PBT bef. EO Exp.	13,856	16,889	14,056	7,625	14,071	15,550	16,978	20,426	25,254
EO Items	-129	0	-8,816	-834	-1	-13	0	0	0
PBT	13,727	16,889	5,240	6,791	14,070	15,537	16,978	20,426	25,254
Current Tax	3,862	4,841	3,208	2,129	3,805	3,840	4,176	5,147	6,364
Deferred Tax	-579	-107	-1,726	-371	-358	6	0	0	0
Tax	3,283	4,735	1,482	1,758	3,447	3,847	4,176	5,147	6,364
Tax Rate (%)	23.9	28.0	28.3	25.9	24.5	24.8	24.6	25.2	25.2
Reported PAT	10,445	12,154	3,758	5,033	10,623	11,691	12,801	15,279	18,890
Adjusted PAT	10,574	12,154	10,120	5,867	10,624	11,703	12,801	15,279	18,890
Change (%)	44.2	14.9	-16.7	-42.0	81.1	10.2	9.4	19.4	23.6
Margin (%)	18.0	18.6	15.6	9.2	14.0	14.4	14.9	15.4	16.3

Standalone – Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	2,437	3,047	3,047	3,047	3,047	3,047	3,047	3,047	3,047
Total Reserves	91,574	1,00,632	97,601	98,991	104,727	1,09,403	1,16,200	1,24,312	1,34,341
Net Worth	94,011	1,03,679	1,00,647	1,02,037	107,773	1,12,450	1,19,246	1,27,359	1,37,388
Deferred Liabilities	2,533	1,616	0	0	0	0	0	0	0
Total Loans	0	7,007	0	0	0	0	0	0	0
Capital Employed	96,544	1,12,301	1,00,647	1,02,037	107,773	1,12,450	1,19,246	1,27,359	1,37,388
Gross Block	47,332	57,038	70,379	81,028	87,217	92,104	99,604	1,07,104	1,14,604
Less: Accum. Deprn.	10,848	15,091	20,686	28,011	33,309	38,850	44,793	50,891	57,431
Net Fixed Assets	36,484	41,947	49,694	53,018	53,908	53,254	54,811	56,213	57,173
Capital WIP	6,710	6,247	9,375	9,198	7,482	8,265	8,265	8,265	8,265
Total Investments	13,890	14,029	14,441	14,452	14,356	14,425	14,425	14,425	14,425
Curr. Assets, Loans, and Adv.	49,395	63,845	42,013	44,735	51,365	56,063	62,451	72,141	85,084
Inventory	275	233	261	239	307	372	394	449	519
Account Receivables	604	884	1,591	1,555	1,761	2,131	2,261	2,601	3,047
Cash and Bank Balance	19,817	1,704	21,686	24,732	28,879	30,479	36,715	46,009	58,437
Loans and Advances	28,699	61,025	18,475	18,209	20,419	23,081	23,081	23,081	23,081
Curr. Liability and Prov.	10,592	13,767	15,020	19,908	20,244	20,356	21,505	24,484	28,358
Account Payables	2,542	3,504	1,553	2,709	4,236	3,770	3,992	4,557	5,263
Other Current Liabilities	7,344	9,544	12,776	15,500	14,428	15,150	16,077	18,491	21,659
Provisions	705	719	692	1,699	1,579	1,436	1,436	1,436	1,436
Net Current Assets	38,804	50,078	26,992	24,827	31,122	35,707	40,946	47,656	56,726
Appl. of Funds	96,544	1,12,301	1,00,647	1,02,037	107,773	1,12,450	1,19,246	1,27,359	1,37,388

Financials 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	25.1	31.0
Cash EPS	23.8	26.9	25.0	18.2	26.1	28.3	30.8	35.1	41.7
BV/Share	154.3	170.2	165.2	167.5	176.9	184.6	195.7	209.0	225.5
DPS	6.9	8.5	3.6	5.0	9.0	9.0	9.9	11.8	14.5
Payout (%)	48.0	51.4	60.7	60.5	51.6	46.9	46.9	46.9	46.9
Valuation (x)									
P/E	52.4	45.6	44.1	94.5	52.2	47.4	43.3	36.3	29.4
Cash P/E	38.2	33.8	31.3	50.0	34.8	32.2	29.6	25.9	21.8
P/BV	5.9	5.3	5.5	5.4	5.1	4.9	4.6	4.4	4.0
EV/Sales	8.8	8.3	8.0	8.1	6.7	6.3	5.9	5.0	4.2
EV/EBITDA	43.1	37.9	30.9	49.9	29.6	27.7	25.5	21.3	16.9
Dividend Yield (%)	0.8	0.9	0.4	0.5	1.0	1.0	1.1	1.3	1.6
FCF per share	9.6	-44.2	53.8	9.4	12.2	13.3	14.8	21.6	29.5
Return Ratios (%)									
RoE	11.6	12.3	9.9	5.8	10.1	10.6	11.0	12.4	14.3
RoCE	11.2	11.6	9.7	5.8	10.5	11.0	11.5	12.8	14.6
RoIC	11.1	10.0	11.5	7.0	16.3	16.7	17.4	21.6	28.5
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	29
Leverage Ratio (x)									
Current Ratio	4.7	4.6	2.8	2.2	2.5	2.8	2.9	2.9	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	16,978	20,426	25,254
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	-4,176	-5,147	-6,364
(Inc.)/Dec. in WC	1,169	-33,386	26,758	1,691	-1,003	-1,219	996	2,584	3,359
CF from Operations	13,260	-19,902	34,067	9,610	13,496	13,942	16,520	20,671	25,449
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	16,520	20,671	25,449
(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	9,020	13,171	17,949
(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	-6,004	-7,167	-8,861
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	-6,624	-7,767	-9,461
Inc./Dec. in Cash	2,983	-621	2,489	3,047	4,146	-601	6,236	9,294	12,429
Opening Balance	16,835	19,817	19,196	21,685	24,732	31,080	30,479	36,715	46,009
Closing Balance	19,817	19,196	21,685	24,732	28,879	30,479	36,715	46,009	58,437

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

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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Details of Compliance Officer: Neeraj Agarwal, 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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