

Container Corporation

Awaiting resolution on LLF

The uncertainty on the Land License Fees (LLF) continues, as CONCOR has provided for Rs 4.5bn vs. the Indian Railway's (IR) revised demand of Rs 12.8bn. IR has based its calculation on the extant policy (6% of land value, which will be further increased 7% annually). As CONCOR has represented to the IR, management is confident of its stance. While the onground demand trends are improving, we believe that until clarity on LLF emerges, the stock price will be driven by news flow around the same. We maintain ADD with a revised target price of Rs 415 at 22x Sep-22E EPS (our estimates are largely unchanged). **Key risks: any reduction on revised LLF charges on the upside and further delay in the DFC on the downside.**

- 2QFY21 financials:** Volumes have recovered +21% QoQ (-9% YoY) to 885k TEUs. As blended realisations declined 5% YoY (+5% QoQ) to Rs 16.9k/TEU, revenue came in at Rs 15bn (+26% QoQ, -14% YoY). EBITDA margin at 20.8% recovered from COVID lows (+750bps QoQ). Other operating expenses include Rs 700mn of additional LLF charges as compared to last year. Adjusted PAT came in at Rs 1.87bn (vs. Rs 617mn QoQ).
- Concall and other takeaways: (1) Uncertainty around LLF continues:** CONCOR is currently operating 28 terminals on the railway land. As per IR's demand notice, for FY21, CONCOR has to pay Rs 12.75bn for its 13 terminals based on the extant policy of IR (at 6% of land value). However, CONCOR's assessment is Rs 4.5bn, and it has represented to IR for the same. Media reports suggest that the GoI is contemplating to reduce the LLF fees to 3% of land value **(2) Demand picking up:** In Sep-20, EXIM volumes were higher YoY. Given an improving scenario, management has raised guidance – it expects to end FY21 with a volume decline of 10% YoY vs. the earlier guidance of a 20% decline. **(3) DFC:** As Phase-I of DFC, Rewari to Palanpur (650kms) is expected to be commissioned by FY21, CONCOR expects market share gains from higher double-stacking/running of timetabled trains. The new rakes of CONCOR have higher payload as they are DFC compliant. The rail coefficient at JNPT has risen to 23% (from 17% earlier) due to faster train movement (turnaround times have reduced to 24-36 hours).

Financial Summary (Standalone)

YEMar (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	15,027	17,387	(14)	11,891	26	68,819	64,738	55,344	68,042	85,501
Adj. EBITDA	3,130	4,255	(26)	1,590	97	14,408	16,749	10,958	15,133	19,494
APAT	1,876	2,375	(21)	617	204	12,154	10,282	6,466	9,847	13,186
Adj. EPS (Rs)	3.1	3.9	(21)	1.0	204	19.9	16.9	10.6	16.2	21.6
P/E (x)						18.9	22.4	35.6	23.4	17.5
EV / EBITDA (x)						15.9	12.1	18.0	12.8	9.7
RoE (%)						12.3	10.1	6.3	9.3	11.9

Source: Company, HSIE Research

Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Revenue	55,344	68,042	85,501	52,975	66,369	83,399	4	3	3
EBITDA	10,958	15,133	19,494	10,648	14,760	19,015	3	3	3
EBITDA margin (%)	19.8	22.2	22.8	20.1	22.2	22.8	-30 bps	0 bps	0 bps
APAT	6,466	9,847	13,186	6,316	9,723	13,048	2	1	1
EPS (Rs)	10.6	16.2	21.6	10.4	16.0	21.4	2	1	1

Source: Company, HSIE Research

ADD

CMP (as on 06 Nov 2020)	Rs 378
Target Price	Rs 415
NIFTY	12,264

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 410	Rs 415
	FY21E	FY22E
EPS %	2%	1%

KEY STOCK DATA

Bloomberg code	CCRI IN
No. of Shares (mn)	609
MCap (Rs bn) / (\$ mn)	230/3,105
6m avg traded value (Rs mn)	977
52 Week high / low	Rs 605/263

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(17.6)	7.5	(34.9)
Relative (%)	(27.8)	(24.7)	(38.4)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	54.8	54.8
FIs & Local MFs	14.4	15.8
FPIs	26.7	24.5
Public & Others	4.2	4.9
Pledged Shares	0.0	0.0

Source : BSE

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