

Container Corporation Of India Ltd.

Exim margins play a spoilsport once again

Though the growth in Concor's revenues, at 14% YoY, was in line with our estimates, the performance at the margins and net profit front was rather muted (an 8% YoY drop) in Q4FY10. We maintain our cautious view on the company and expect the stock to correct post this below-expected performance. We believe that a 7-8% correction in the stock could offer an attractive entry point to investors. Maintain Hold.

Revenues grow 14.3% YoY – in line with estimates: Concor recorded 14.3% YoY and 8.6% sequential growth to Rs. 9.6bn, which was in line with our expectation of Rs.9.5bn in Q4FY10. Exim revenues grew by 14.1% YoY and 8% sequentially to Rs. 7.3bn, while Domestic revenues grew by ~10% YoY and 5.8% sequentially to Rs. 2.3bn in the quarter.

Exim margins play a spoilsport once again: Exim EBIT margin once again played a spoilsport for the company, leading to a drop of 360bps YoY and 590bps QoQ in the company's EBITDA margin to 22.9% in Q4FY10. Exim EBIT margin for the quarter dropped 480bps YoY and 630bps sequentially to 22.1%, while its domestic EBIT margin was steady YoY at 16.1% in Q4FY10. Such drop in Exim EBIT margin could be primarily due to greater empties in the quarter, however we will have a better clarity on the same post the company's concall tomorrow.

Net profit drops 8% YoY: On account of the company's lacklustre operating performance, the company recorded 8% YoY and 13.7% sequential drop to Rs. 1.7bn, as against our expectation of Rs 2.1bn in the quarter.

The company will be holding a concall tomorrow (Apr 28th, 1100 hrs – 022-30650129 / 66290349), post which we will revise our estimates.

Result Variance – Q4FY10

YE Mar, Rs mn	Actual	Estimated	% Variance
Revenue	9,605	9,506	1.0
EBITDA	2,201	2,705	(18.6)
Net Profit	1,732	2,112	(18.0)

Source: RHH, Company

Quarterly Performance

YE Mar (Rs mn)	Q4FY10	Q4FY09	% YoY growth	Q3FY10	% QoQ growth
Net Revenues	9,605	8,406	14.3	8,845	8.6
EBITDA	2,201	2,229	(1.3)	2,550	(13.7)
Net Profit	1,732	1,882	(8.0)	2,006	(13.7)
EBITDA Margin (%)	22.9	26.5	(360bps)	28.8	(590bps)
Net Profit margin (%)	18.0	22.4	(440bps)	22.7	(470bps)
Revenue Mix (%)					
EXIM	7,257	6,360	14.1	6,718	8.0
Domestic	2,249	2,046	9.9	2,126	5.8
EBIT Margin (%)					
EXIM	22.1	26.9	(480bps)	28.4	(630bps)
Domestic	16.1	15.9	20bps	18.5	240bps

Source: RHH, Company

What's New? Target Rating Estimates

CMP	TARGET	RATING	RISK
Rs 1,402	Rs 1,347	HOLD	MEDIUM

BSE	NSE	BLOOMBERG
531344	CONCOR	CCRI IN

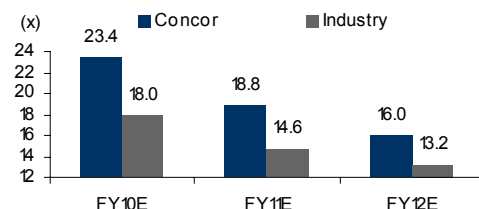
Company data

Market cap (Rs mn / US\$ mn)	182,260 / 4,096
Outstanding equity shares (mn)	130
Free float (%)	36.9
Dividend yield (%)	1.0
52-week high/low (Rs)	1500 / 755
2-month average daily volume	66,741

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Concor	1,402	9.8	15.1	27.5
Sensex	17,691	0.3	8.6	8.2

P/E comparison



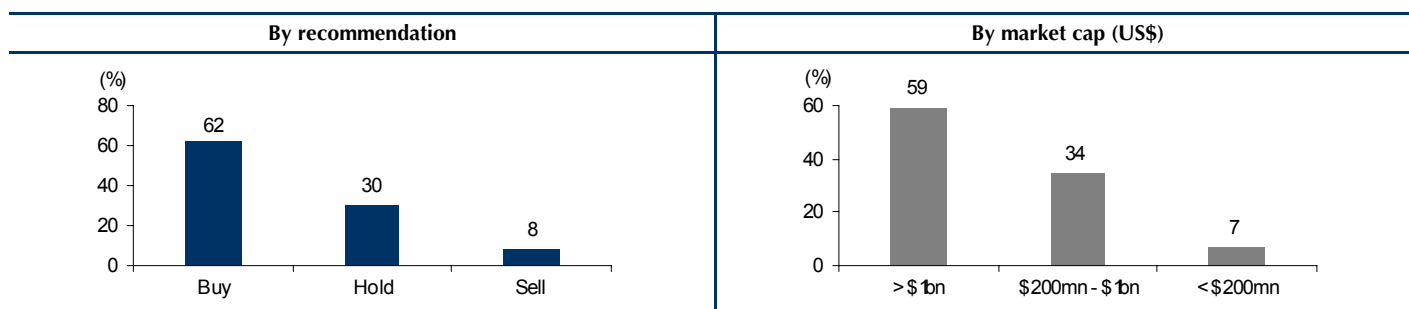
Valuation matrix

(x)	FY09	FY10E	FY11E	FY12E
P/E @ CMP	23.0	23.4	18.8	16.0
P/E @ Target	22.1	22.5	18.1	15.4
EV/EBITDA @ CMP	17.7	16.9	13.5	11.5





Coverage Profile



Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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