

Container Corporation of India (CONCOR)

Rs. 1302

WHAT'S CHANGED...

PRICE TARGET	Unchanged
EPS (FY11E)	Changed from Rs 63.9 to Rs 63.4
EPS (FY12E)	Changed from Rs 74.3 to Rs 74.4
RATING.....	Unchanged

Fairly valued...

Container Corporation (Concor) Q2FY11 numbers were better than our estimates, on the back of better than expected EXIM volumes. The company reported a marginal growth in EXIM volumes against our expectation of de-growth for the same. We had anticipated lower container volumes because of oil spill near JNPT. The company recorded net sales of Rs 944.2 crore, growth of 3.1% YoY and decline of 1.6% QoQ in Q2FY11. EXIM and domestic volumes registered growth of 1.8% and 6.6% YoY, respectively, in Q2FY11. Net profit increased marginally YoY to Rs 206.7 crore.

Highlights for the quarter

- EXIM route volumes increased 1.8% YoY to 4,93,371 TEUs in Q2FY11. However the realisations in EXIM route declined by 6.9% YoY to Rs 14,863.3 per TEU. Primarily due to fall in realisations the revenue from EXIM segment declined by 5.2% YoY to Rs 733.31 crore.
- Domestic route volumes increased 6.6% YoY to 1,31,616 TEUs in Q2FY11. Realisations in domestic route increased by 6.1% YoY to Rs 16,021.6 per TEU. The revenue from domestic segment increased by 13.1% YoY to Rs 210.87 crore.

Valuation

We expect Concor's volume growth and realisations to be subdued, going forward. Hence, we have maintained our **REDUCE** rating on the stock with target price of Rs 1301. Our target price discounts FY11E and FY12E EPS by 20.5x and 17.5x, respectively.

Exhibit 1: Performance highlights

(Rs Crore)	Q2FY11	Q2FY11E	Q2FY10	Q1FY11	QoQ (Chg %)	YoY (Chg %)
Net Sales	944.2	904.2	959.9	915.9	3.1	-1.6
EBITDA	261.9	239.6	253.4	247.0	6.0	3.3
EBITDA Margin (%)	27.7	26.5	26.4	27.0	77 bps	134 bps
Depreciation	36.5	38.6	32.8	35.2	3.5	11.3
Interest	0.0	0.0	0.0	0.0	NA	NA
Other Income	38.1	36.2	43.9	35.9	6.1	-13.4
Reported PAT	206.7	185.3	204.3	193.5	6.8	1.2
EPS (Rs)	15.9	14.3	15.7	14.9	6.8	1.2

Source: Company, ICICIdirect.com Research

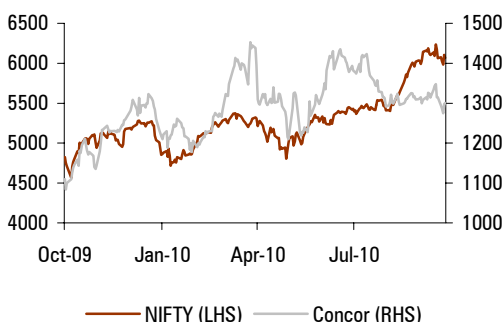
Rating matrix	
Rating	: Reduce
Target	: Rs. 1301
Target Period	: 12 months
Potential Upside	: 0 %

Key Financials				
(Rs Crore)	FY09	FY10	FY11E	FY12E
Net Sales	3417.2	3705.7	3867.0	4441.4
EBITDA	931.1	961.6	1014.3	1199.4
Net Profit	791.2	786.7	823.8	966.7

Valuation summary				
	FY09	FY10	FY11E	FY12E
EPS	60.9	60.5	63.4	74.4
PE (x)	21.4	21.5	20.5	17.5
Target PE (x)	21.4	21.5	20.5	17.5
EV to EBITDA (x)	16.3	15.5	14.6	12.0
Price to book (x)	4.6	3.9	3.4	3.0
RoNW (%)	21.0	18.1	16.5	16.8
RoCE (%)	25.9	22.1	20.3	20.6

Stock data	
Market Capitalization	Rs 16,923.8 Crore
Debt (FY10)	Rs 0 Crore
Cash (FY10)	Rs 1,989.5 Crore
EV	Rs 14,934.2 Crore
52 week H/L (Rs)	1,500 / 1,051
Equity capital	Rs 130.0 Crore
Face value	Rs 10
MF Holding (%)	25.9
FII Holding (%)	1.8

Price movement (stock vis Nifty)



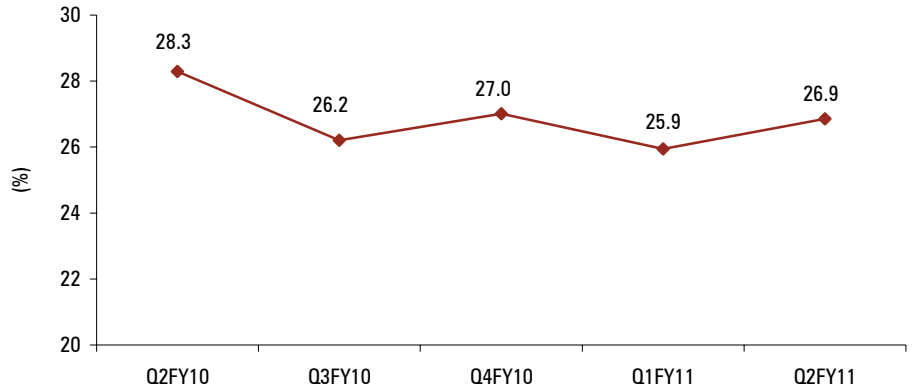
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There has been a declining trend seen YoY in Concor's market share in India's containerized exim traffic. The market share stood at 26.9% in Q2FY11 as compared to 28.3% during Q2FY10.

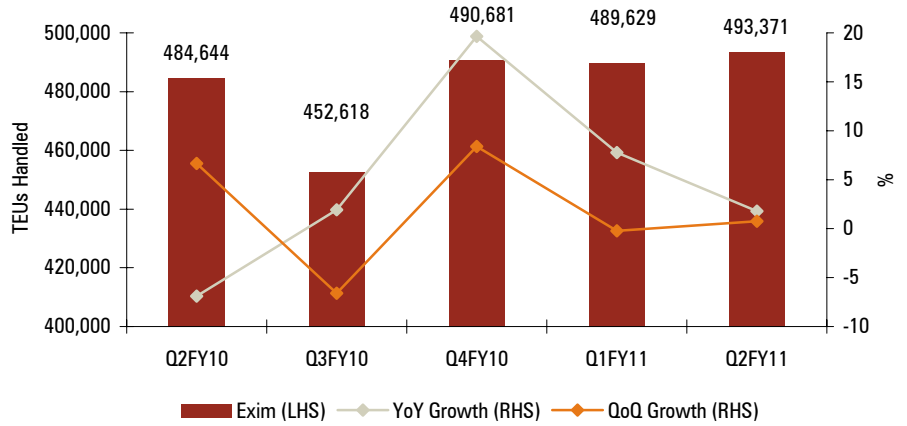
Exhibit 2: Concor's market share in India's containerised exim traffic



Source: Company, ICICIdirect.com Research

EXIM volumes during the quarter under review stood at 493371 TEUs which was higher by 1.8% Y-o-Y and 0.8% QoQ.. The growth was subdued on account of oil spill near JNPT impacted the container volumes for the month August 2010 that subsequently impacted container volumes for the quarter.

Exhibit 1: Exim container volumes handled by Concor



Source: Company, ICICIdirect.com Research

Domestic volumes during the quarter under review stood at 131616 TEUs which was higher by 6.6% Y-o-Y and 3.3% QoQ.

Exhibit 2: Domestic container volumes handled by Concor

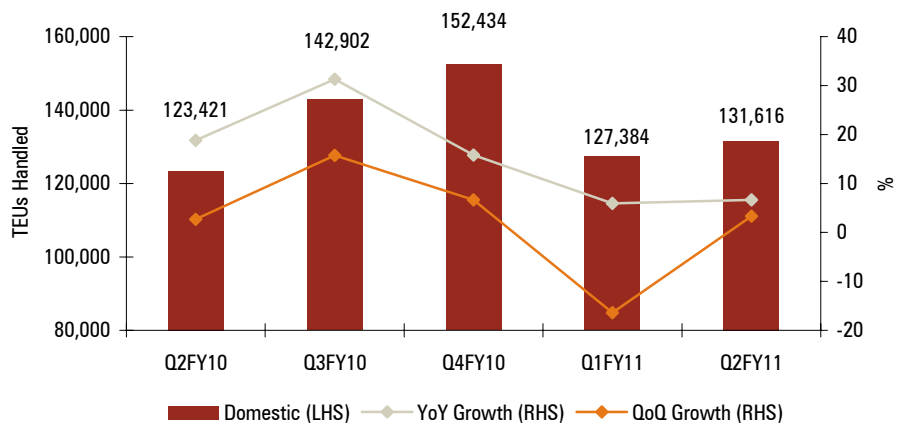
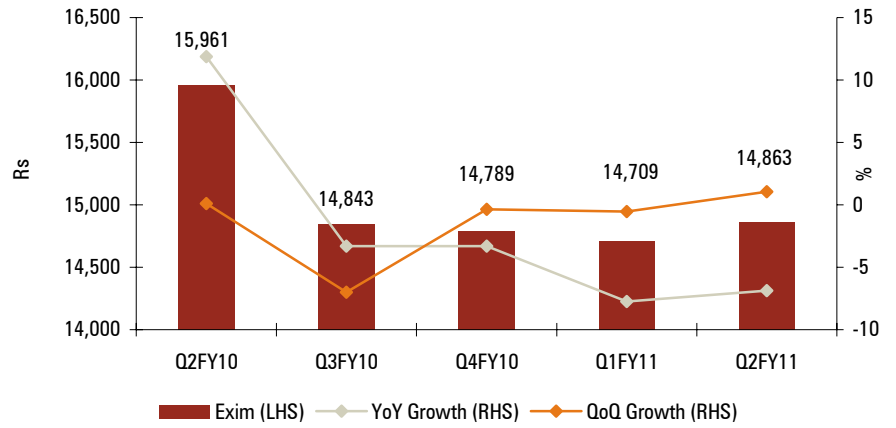


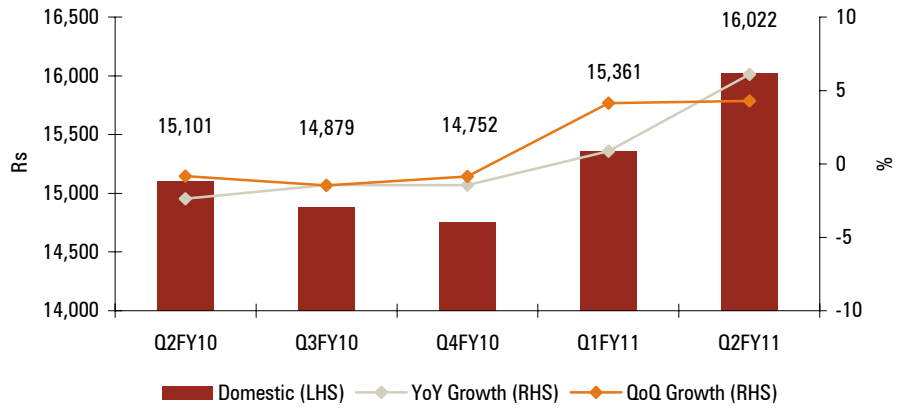
Exhibit 3: Exim realisation per TEU



Fall in the lead distances have been the major reason for pull down of realisation per TEU in the past few quarters

Source: Company, ICICIdirect.com Research

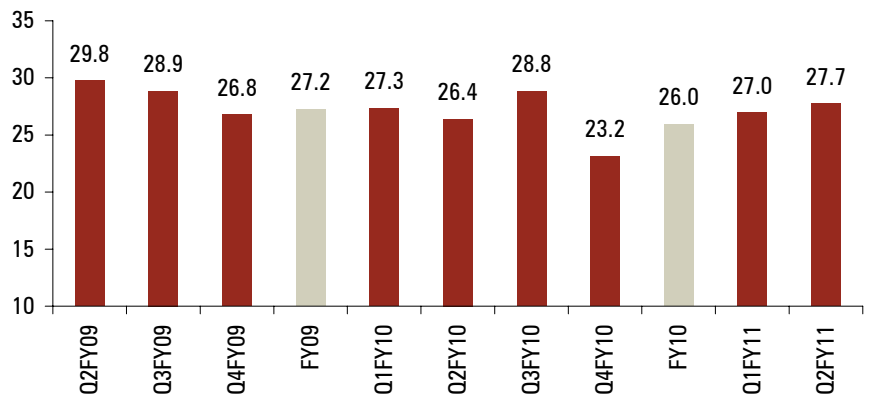
Exhibit 4: Domestic realisation per TEU



The Domestic realisation per TEU has increased 6.1% YoY and 4.3% QoQ to Rs 16022 per TEU.

Source: Company, ICICIdirect.com Research

Exhibit 5: Trend in EBITDA margin (%)



The EBITDA margin for Q2FY11 has increased by 130 bps YoY and 70 bps QoQ to 27.7%

Source: Company, ICICIdirect.com Research

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Gateway Distriparks				Sales (Rs Crore)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	GATDIS	CMP	114 FY10	521.7	7.3	15.5	9.1	12.9	11.3
		Target	126 FY11E	637.3	7.2	15.9	8.5	11.8	12.0
MCap	1,228	% Upside	11 FY12E	725.9	8.0	14.2	7.7	12.4	12.5
Container Corporation of India				Sales (Rs Crore)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	CONCOR	CMP	1,302 FY10	3,705.7	60.5	21.5	15.5	18.1	22.1
		Target	1,301 FY11E	3,867.0	63.4	20.5	14.6	17.0	20.8
MCap	16,924	% Upside	0 FY12E	4,441.4	74.4	17.5	12.0	16.9	20.8
Allcargo Global Logistics				Sales (Rs Crore)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	ALLGLO	CMP	156 CY09	2,060.9	10.4	15.0	10.3	13.2	16.2
		Target	188 CY10E	2,529.6	11.1	14.0	8.1	11.9	16.2
MCap	2,036	% Upside	21 CY11E	2,848.8	14.8	10.5	6.1	13.8	18.3
Transport Corporation of India				Sales (Rs Crore)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	TRACOR	CMP	129 FY10	1,451.5	5.9	21.8	11.4	13.3	14.0
		Target	122 FY11E	1,633.3	7.1	18.1	10.4	14.0	14.4
MCap	935	% Upside	-5 FY12E	1,806.6	8.2	15.7	9.1	14.0	14.5
Sanghvi Movers				Sales (Rs Crore)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	SANMOV	CMP	183 FY10	331.5	20.9	8.8	4.8	19.1	19.4
		Target	198 FY11E	380.0	23.0	7.9	4.3	17.8	18.5
MCap	803	% Upside	8 FY12E	406.2	24.4	7.5	4.0	16.1	17.9

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: 20% or more;

Buy: Between 10% and 20%;

Add: Up to 10%;

Reduce: Up to -10%

Sell: -10% or more;

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