

Logistics

Container Corporation of India Ltd

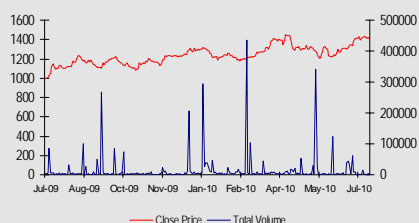
Reduce

CMP **Rs 1401**Target Price **Rs 1318**

Key Data

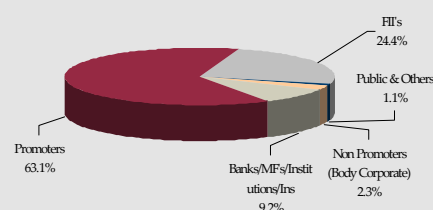
Face Value (Rs)	10
Market Cap (Rs mn)	181090
Total O/s Shares (mn)	130
Free Float (%)	37%
52 week H/L (Rs)	1500/964
Avg Monthly Volume (BSE)	10785
Avg Monthly Volume (NSE)	42517
BSE Code	531344
NSE Code	CONCOR
Bloomberg code	CCRI.IN
Beta	0.36
Date of Incorporation	Oct. 1988
Last Dividend Declared (FY10)	140%
Six month returns	9.5%
Indices	BSE 200
FCCB's Outstanding	NA
Warrants outstanding	NA

One Year Price Chart



Source: Capitaline

Share Holding Pattern (31.06.2010)



Source: Company, KJMC Research

Hiral Kotak

Research Analyst

Phone-022 4094 5500 Ext. 202

Email - hiral.doshi@kjmc.com

Concor declared its Q1 FY11 which was below our expectations. The net sales marginally grew by 0.9% y-o-y to Rs 9158.9 millions despite increase in volume by 7.4% y-o-y. The decline in sales was mainly led by decline in lead distance by 7.6%. The net profit declined by 3.7% to Rs 1935.1 million and for FY11E the management has given domestic volume guidance 10-12%. The following are the key takeaways of the conference call.

Key Highlights

- ▶ **Net Sales grew by 0.9% y-o-y despite increase in volume by 7.4% y-o-y:** The net sales of the company marginally grew by 0.9% to Rs 9158.9 millions despite volume growth of 7.4% y-o-y to 617013 TEUs. The realization in the Exim has declined by 7.7% due to shorter lead distance by 7.6% to 1186km on account of increase in exim traffic towards Mundra Port and unable to pass on the full impact of freight rate hike done from Jan, 2010 onwards.
- ▶ **EBIDTA margins decline marginally by 30bps to 27% y-o-y:** The EBIDTA margins declined marginally by 30bps to 27% on account of increase in staff cost and other expenditure.
- ▶ **Decline in empty running expenses:** For Q1FY11 the empty running expenses were Rs 204 million compared to Rs 330 billion in Q1 FY10. The empty running expenses were significantly in control which enables the company to maintain its margins.
- ▶ **Other income drop by 13% y-o-y led by mandatory investment in low- yield fund:** The other income drop by 13% y-o-y and 6.2% q-o-q respectively on account of mandatory investment in low yields of about.
- ▶ **Net Profit declined by 3.7% y-o-y led by decline in other income and rise in depreciation:** The net profit declined by 3.7% to Rs 1935.1 millions led by shorter lead distance, increase in depreciation by 11.5% and decline in other income by 13% y-o-y.
- ▶ **Capex & cash position:** For FY11E the company has a capex plan of Rs 6.13 bn and the company in planning to add overall 20 rakes and 5-6 ICDs at Punjab, Himachal Pradesh, Gujarat, Andhra Pradesh, Rajasthan, Maharashtra, etc. The company has a healthy cash balance of Rs 21 bn. The company presently has 59 ICDs.
- ▶ **Volume guidance:** The management has given volume guidance of 10-12% on the domestic segment.

Financial Snapshot (Standalone)

Rs in mn

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	33473.0	34171.6	37022.7	40151.5	44345.4
EBIDTA	8903.7	9310.6	9762.7	10801.5	12008.8
EBIDTA Margin (%)	26.6	27.2	26.4	26.9	27.1
PAT	7522.1	7912.0	7785.9	8812.4	9520.1
EPS	57.9	60.9	59.9	67.8	73.2
P/E (x)	24.2	23.0	23.4	20.7	19.1
P/BV (x)	5.7	4.8	4.2	3.6	3.1
EV/EBIDTA (x)	18.7	17.7	16.6	14.7	12.9
ROE(%)	23.6	21.0	17.9	17.4	16.3

Source: KJMC Research

Q1 FY11 Result Update (Standalone)

Rs in mn

Particulars	Q1 FY11	Q1 FY10	y-o-y (%)	Q4 FY10	q-o-q (%)
Net Sales	9158.9	9073.8	0.9	9505.3	-3.6
Total Expenditure	6689.0	6595.4	1.4	7304.5	-8.4
Staff Cost	202.4	197.5	2.5	190.2	6.4
Rail Freight Exp	5273.7	5268.6	0.1	5571.0	-5.3
Others	1212.9	1129.4	7.4	1543.3	-21.4
EBITDA	2469.8	2478.4	-0.3	2200.8	12.2
EBITDA margins (%)	27.0	27.3		23.2	
Depreciation	352.2	315.8	11.5	364.5	-3.4
EBIT	2117.6	2162.6	-2.1	1836.3	15.3
Interest	0.0	0.0		0.0	
Other Income	358.8	412.6	-13.0	382.7	-6.2
PBT	2476.5	2575.2	-3.8	2219.0	11.6
Tax	541.3	566.2	-4.4	487.1	11.1
PAT	1935.1	2009.0	-3.7	1731.9	11.7
Equity Capital	1299.8	1299.8	0.0	1299.8	0.0
EPS	14.9	15.5	-3.7	13.3	11.7

Source: Company, KJMC Research

Segment Analysis

Rs in mn

Particulars	Q1 FY11	Q1 FY10	y-o-y (%)	Q4 FY10	q-o-q (%)
Sales (Rs in mn)					
Exim	7202.1	7243.3	-0.6	7256.6	-0.8
Domestic	1956.8	1830.5	6.9	2248.7	-13.0
Total	9158.9	9073.8	0.9	9505.3	-3.6
EBIT (Rs in mn)					
Exim	1986.1	1960.8	1.3	1603.2	23.9
Domestic	265.8	307.1	-13.4	361.5	-26.5
Total	2251.9	2267.8	-0.7	1964.7	14.6
Volume (in TEU)					
Exim	489629	454329	7.8	490681	-0.2
Domestic	127384	120213	6.0	152434	-16.4
Total	617013	574542	7.4	643115	-4.1
Price Realisations (per TEU)					
Exim	14709.2	15942.9	-7.7	14788.9	-0.5
Domestic	15361.4	15227.2	0.9	14752.1	4.1
Margins (per TEU)					
Exim	4056.3	4315.8	-6.0	3267.3	24.1
Domestic	2086.6	2554.2	-18.3	2371.7	-12.0

Source: Company, KJMC Research

Valuations

At CMP of Rs 1401, the stock is available at a P/E of 20.7x and 19.1x of its FY11E and FY12E earning of Rs 67.8 and Rs 73.2 respectively. Concor is well positioned to capitalize the growth in Exim trade with the well set up infrastructure. In Q1 FY11 the major ports has shown growth of 16.7% in container traffic and Concor has reported growth of 7.4%. We assign **“Reduce”** recommendation on the stock with a price target of Rs 1318 by valuing stock at 18x its FY12E EPS translating into downside of 6% from CMP.

Mr. Girish Jain	Executive Director	jaingirish@kjmc.com	2288 5201 (B)
Mr. Suresh Parmar	A.V.P. - Institutional Equities	suresh.parmar@kjmc.com	4094 5551 (D)
Mr. Vipul Sharma	A.V.P. - Institutional Sales	vipul.sharma@kjmc.com	4094 5556 (D)

Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	-	appreciate more than 20% over a 12- month period
Accumulate	-	appreciate 10% to 20% over a 12- month period
Hold / Neutral	-	appreciate up to 10% over a 12- month period
Reduce	-	depreciate up to 10% over a 12- month period
Sell	-	depreciate more than 10% over a 12- month period

Disclaimer :

This publication has been prepared from information available on public domain and does not constitute a solicitation to any person to buy or sell a security. The information contained therein has been obtained from source believed to be reliable to the best of our knowledge. KJMC Capital Market Services Ltd. does not bear any responsibility for the authentication of the information contained in the reports and consequently, is not liable for any decisions taken based on the same. Further KJMC only provides information updates and analysis. All option for buying and selling are available to investors when they are registered clients of KJMC Capital Market Services Ltd. As per SEBI requirements it is stated that, KJMC Capital Market Services Ltd. , and/or individuals thereof may have positions in securities referred herein and may make purchases or sale thereof while this report is in circulation

★ KJMC Capital Market Services Ltd.

Member

The National Stock Exchange (EQ, WDM)	:	SEBI Regn. No. INB230719932
The National Stock Exchange (Derivatives)	:	SEBI Regn. No. INF 230719932
The Stock Exchange, Mumbai	:	SEBI Regn. No. INB010719939
MCX-SX Currency	:	INE260719932
MCX-Commodity	:	MCX/TM/CORP/1772
Mutual Fund's AMFI No.	:	ARN - 2386

Atlanta Bldg., 16th Flr., Nariman Point, Mumbai - 400 021. Tel. : 22885201-04/4094 5500 Fax : 22852892 E-mail : eq@kjmc.com

For further details : visit our website - www.kjmc.com

KJMC Research is also available on Bloomberg (KJMC <Go>)