

December 24, 2014

## Container Corporation (CONCOR)

₹ 1308

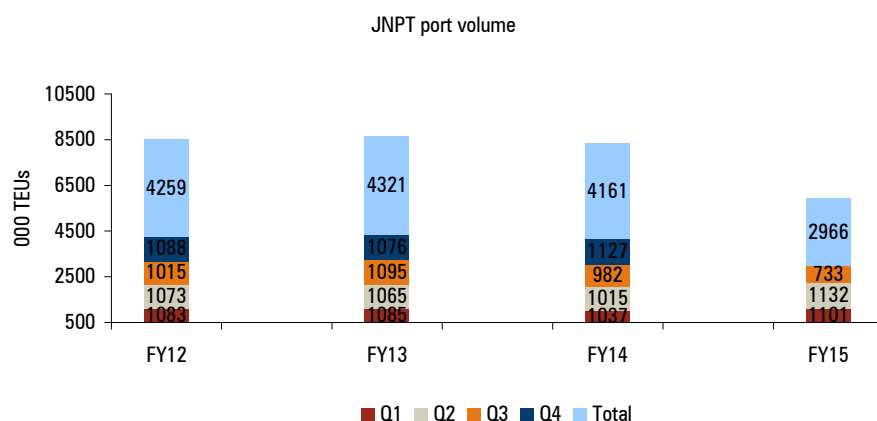
### GST implementation to buoy volumes...

The Cabinet recently approved the Constitution Amendment Bill on Goods and Services Tax (GST), thereby paving way for the bill to be introduced in Parliament. In a major breakthrough, the Centre was able to keep petroleum and petroleum products under GST through states will be allowed to levy tax for the first few years. Subsequently, the entry tax was subsumed within GST while the Centre agreed to pay GST compensation for five years. With these contentious issues being ironed out, it is now anticipated that GST can be rolled out from April 1, 2016. With the introduction of GST it is expected that the goods movement as well as volume will increase manifold in the country. Concor with its countrywide network and footprints at all container ports including private is expected to be a major beneficiary of the same. Also, in FY15, container volume at all major ports has grown nearly 8% YoY on a YTD basis. Further, with the economic scenario expected to improve, Exim container volumes are anticipated to grow.

#### Container volume growth at major ports augments Concor revenues

Concor draws ~44% of its volume from JNPT port while Mundra and Pipavav port contributes nearly 24% & 21%, respectively. As a result, growth in JNPT port volumes affects Concor's volume considerably. Over FY15, the container volumes at JNPT port grew nearly 11%, thereby aiding Concor's volume. Going ahead, as the container volume growth picks up due to GST and improved economic scenario, Concor stands to gain considerably.

**Exhibit 1: JNPT port container volume over the years**



Source: ICICIdirect.com Research

#### GST to add fillip to volume: Calls for upgradation

As GST is expected to roll out in FY16, we anticipate total volume CAGR for Concor at ~11% over FY14-17E, thereby leading to revenue & earnings CAGR of ~16% each in the same period. Also, PFTs becoming operational in due course of time are expected to add another revenue line for Concor. Further, with competitive intensity remaining intact any near term risk of adverse freight rate movement is expected to be mitigated by higher volume generation. Finally, as strong balance sheet and superior cash flow calls for upgradation, we assign P/E multiple of 22x FY17E EPS to arrive at target price of ₹ 1670 and have a BUY recommendation on the stock.

Rating matrix		
Rating	:	Buy
Target	:	₹ 1670
Target Period	:	12 months
Potential Upside	:	28%

What's Changed?	
Target	Changed from ₹ 1485 to ₹1670
EPS FY16E	Changed from ₹ 57.2 to ₹58.1
EPS FY17E	Changed from ₹74.1 to ₹75.9
Rating	Unchanged

Key Financials				
₹ Crore	FY14	FY15E	FY16E	FY17E
Net Sales	5,109	5,460	6,478	7,912
EBITDA	1,078	1,269	1,555	1,998
Net Profit	950	904	1,133	1,479
EPS (₹)	48.7	46.3	58.1	75.9

Valuation summary				
	FY14	FY15E	FY16E	FY17E
P/E (x)	26.8	28.2	22.5	17.2
Target P/E (x)	34.3	36.0	28.7	22.0
EV / EBITDA (x)	21.2	17.7	14.2	10.5
P / BV (x)	3.7	3.4	3.1	2.7
RONW (%)	13.8	12.0	13.6	15.8
ROCE (%)	12.8	11.3	13.2	16.0

Stock data	
Particular	Amount
Market Capitalisation (₹ Crore)	27,724.7
Total Debt (Mar-14) (₹ Crore)	-
Cash and Investment (Mar-14) (₹ Crore)	2,704.2
EV (₹ Crore)	25,020.6
52 week H/L	1439 / 697
Equity Capital (₹ Crore)	195.0
Face Value (₹)	10.0

Price performance (%)			
	3M	6M	12M
Adani Ports	5.0	22.0	78.0
Essar Ports	15.2	19.7	88.7
Gujarat Pipavav	7.5	55.5	191.8

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## Financial summary

Profit and loss statement ₹ Crore				
(Year-end March)	FY14	FY15E	FY16E	FY17E
Revenue	5,108.5	5,460.2	6,477.6	7,911.6
Growth (%)	14.9	6.9	18.6	22.1
Terminal/Other Service charge	3,645.6	3,849.4	4,550.5	5,498.5
Employee Cost	126.4	136.5	145.7	182.0
Administrative & other exp.	258.5	204.8	226.7	233.4
Op. Expenditure	4,030.5	4,190.7	4,923.0	5,913.9
EBITDA	1,078.1	1,269.5	1,554.6	1,997.7
Growth (%)	2.7	17.8	22.5	28.5
Depreciation	193.4	416.1	450.1	498.9
EBIT	884.7	853.4	1,104.5	1,498.8
Interest	1.0	0.0	0.0	0.0
Other Income	369.9	351.5	405.9	468.5
PBT	1,253.6	1,204.9	1,510.4	1,967.3
Growth (%)	4.2	-3.9	25.4	30.2
Tax	302.3	301.2	377.6	487.9
Reported PAT	951.3	903.7	1,132.8	1,479.4
Growth (%)	2.2	-5.0	25.4	30.6
Adjustments	0.0	0.0	0.0	0.0
Adj. Net Profit	951.3	903.7	1,132.8	1,479.4

Source: Company, ICICIdirect.com Research

Balance sheet ₹ Crore				
(Year-end March)	FY14	FY15E	FY16E	FY17E
Source of Funds				
Equity Capital	195.0	195.0	195.0	195.0
Reserves & Surplus	6,694.8	7,327.4	8,120.4	9,155.9
Shareholder's Fund	6,889.8	7,522.4	8,315.3	9,350.9
Minority Interest	27.5	0.0	0.0	0.0
Loan Funds	0.0	0.0	0.0	0.0
Deferred Tax Liability	305.0	315.0	325.0	335.0
Provisions	45.7	45.7	45.7	45.7
Source of Funds	7,268.0	7,883.1	8,686.0	9,731.6
Application of Funds				
Gross Block	4,801.6	5,801.6	6,501.6	6,951.6
Less: Acc. Depreciation	1,488.0	1,904.1	2,354.2	2,853.1
Net Block	3,313.6	3,897.4	4,147.3	4,098.5
Capital WIP	0.0	0.0	0.0	0.0
Total Fixed Assets	3,313.6	3,897.4	4,147.3	4,098.5
Investments	1,440.3	1,107.2	1,180.7	1,259.7
Inventories	16.7	52.4	53.2	65.0
Debtor	47.8	32.9	40.8	49.9
Cash	2,704.2	3,006.9	3,470.2	4,500.5
Loan & Advance, Other CA	508.3	605.2	747.7	885.2
Total Current assets	3,276.9	3,697.4	4,311.9	5,500.5
Current Liabilities	566.8	602.1	696.6	823.7
Provisions	195.9	216.9	257.3	303.5
Total CL and Provisions	762.8	819.0	953.9	1,127.1
Net Working Capital	2,514.1	2,878.4	3,358.0	4,373.4
Application of Funds	7,268.0	7,883.1	8,686.0	9,731.6

Source: Company, ICICIdirect.com Research

Cash flow statement ₹ Crore				
(Year-end March)	FY14	FY15E	FY16E	FY17E
Profit after Tax	951.3	903.7	1,132.8	1,479.4
Add: Depreciation	193.4	416.1	450.1	498.9
Add: Others	177.0	-49.4	103.0	153.8
Cash Profit	1,321.7	1,270.4	1,685.9	2,132.0
Increase/(Decrease) in CL	-61.6	-53.4	-126.5	-161.5
(Increase)/Decrease in CA	-1.3	20.8	8.8	20.8
CF from Operating Activities	1,258.8	1,237.9	1,568.2	1,991.4
Purchase of Fixed Assets	-535.3	-1,000.0	-700.0	-450.0
(Inc)/Dec in Investments	-689.2	333.1	-73.5	-79.0
Others				
CF from Investing Activities	-1,224.5	-666.9	-773.5	-529.0
Inc/(Dec) in Loan Funds	3.5	2.9	8.4	11.8
Inc/(Dec) in Sh. Cap. & Res.	0.0	0.0	0.0	0.0
Others	-279.7	-271.1	-339.8	-443.8
CF from financing activities	-276.2	-268.2	-331.5	-432.0
Change in cash Eq.	-241.8	302.8	463.2	1,030.3
Op. Cash and cash Eq.	2,946.0	2,704.2	3,006.9	3,470.2
Cl. Cash and cash Eq.	2,704.2	3,006.9	3,470.2	4,500.5

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY14	FY15E	FY16E	FY17E
Per share data (₹)				
Book Value	353.4	385.8	426.5	479.6
Cash per share	138.7	154.2	178.0	230.8
EPS	48.7	46.3	58.1	75.9
Cash EPS	58.7	67.7	81.2	101.5
DPS	12.3	11.6	14.5	19.0
Profitability & Operating Ratios				
EBITDA Margin (%)	21.1	23.3	24.0	25.3
PAT Margin (%)	18.6	16.6	17.5	18.7
Fixed Asset Turnover (x)	1.5	1.4	1.6	1.9
Inventory Turnover (Days)	4.0	3.5	3.0	3.0
Debtor (Days)	2.1	2.2	2.3	2.3
Current Liabilities (Days)	40.5	40.3	39.3	38.0
Return Ratios (%)				
RoE	13.8	12.0	13.6	15.8
RoCE	12.8	11.3	13.2	16.0
RoIC	25.2	22.5	27.1	37.0
Valuation Ratios (x)				
PE	26.8	28.2	22.5	17.2
Price to Book Value	3.7	3.4	3.1	2.7
EV/EBITDA	21.2	17.7	14.2	10.5
EV/Sales	4.5	4.1	3.4	2.7
Leverage & Solvency Ratios				
Debt to equity (x)	0.0	0.0	0.0	0.0
Interest Coverage (x)	NA	NA	NA	NA
Debt to EBITDA (x)	0.0	0.0	0.0	0.0
Current Ratio	4.3	4.5	4.5	4.9
Quick ratio	4.3	4.5	4.5	4.8

Source: Company, ICICIdirect.com Research

## ICICIdirect.com coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY14P	FY15E	FY16E	FY14P	FY15E	FY16E	FY14P	FY15E	FY16E	FY14P	FY15E	FY16E	FY14P	FY15E	FY16E
Container Corporation (CONCOR)	1,308	1,485	BUY	25,541	48.7	55.9	65.5	23.3	20.3	17.4	18.1	14.9	12.4	12.8	14.0	14.9	13.8	14.2	14.9
Gateway Distriparks (GATDIS)	340	303	HOLD	2,606	12.5	14.9	20.2	18.8	15.8	11.6	9.7	8.0	6.2	18.2	20.8	23.9	16.2	17.9	21.6
BlueDart (BLUDAR)	6,200	6,310	HOLD	9,504	51.6	68.1	94.0	62.5	47.3	34.3	43.4	31.1	23.2	22.5	25.0	32.6	19.1	25.0	32.6
Gujarat Pipavav Port (GUJPPL)#	174	221	BUY	4,158	4.0	4.7	5.6	21.7	18.5	15.2	8.9	8.3	7.3	11.4	12.1	13.0	13.7	13.8	14.3

#Calendar year end, Source: Company, ICICIdirect.com Research

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