

Container Corporation of India Limited

November 09, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities – Non fund based	462.00 (enhanced from 382.00)	CARE AAA; Stable [Triple A; Outlook: Stable]	Re-affirmed
Total	462.00 (Rupees Four Hundred Sixty Two Creore Only)		
Issuer Rating*	-	CARE AAA (Is); Stable [Triple A (Issuer Rating); Outlook: Stable	Re-affirmed

*The rating is subject to the company maintaining overall gearing not exceeding 0.05x (expected level as on March 31, 2019).

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings takes into account CONCOR's position as India's dominant container railroad player, its majority ownership by Government of India (GoI), zero fund-based debt position with comfortable liquidity and profitability profile and healthy operational performance of the company. The ratings also factor in the company's wide network of terminals spread across the country and its established client base.

Going forward, the ability to maintain growth in income and sustain profitability margins, in light of competition from the private players shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Government of India ownership

CONCOR is a public sector enterprise under the Ministry of Railways and is the sole container freight subsidiary of Indian Railways. As on March 31, 2018, the Government of India held 54.80% stake in the company while the balance is held by financial institutions and banks, foreign institutional investors and public.

Market leader in the segment with strong infrastructure base

CONCOR is India's largest railway container freight operator. The company has carried 39.97 million tons of containerized cargo by rail in FY18 (refers to the period April 01 to March 31) representing 73.6% of total market size (PY: 34.70 million tons, 72.9%). The company has strong infrastructure base with total wagons holding at 14,534 and 79 terminals as on March 31, 2018.

Zero-debt, comfortable liquidity and profitability profile

CONCOR remained debt-free at standalone level as on March 31, 2018. During FY18, CONCOR achieved growth rate of 9.36% in its total operating income to Rs. 6,431 crore as against Rs. 5,881 crore in FY17. The improvement was largely on account of higher Twenty-foot Equivalent Units (TEUs) handled by the company in FY18 viz a viz FY17. The PBILDT margin of the company improved to 27.18% in FY18 as against 25.88% in FY17. The improvement was largely on account of higher TEUs handling leading to apportionment of overhead costs. The improved performance continued in H1FY19 (prov.) and CONCOR reported PBILDT margin of 29.12% (H1FY18: 26.39%) on total operating income of Rs. 3,522 crore (H1FY18: Rs. 3,075 crore).

Healthy operational performance

CONCOR's total throughput for FY18 was 3.53 million Twenty-foot Equivalent Units (TEUs) as against 3.10 million TEUs handled in FY17, reflecting an improvement of 13.87 per cent y-o-y. The EXIM container traffic handled increased to 3.00 million TEUs in FY18 (PY: 2.64 million) while the domestic cargo handling improved to 0.53 million TEUs in FY18 (PY: 0.46 million). The improvement was largely on account of growth of 12% in domestic containerized loading of Indian Railways. CONCOR experienced a rise in export of commodities such as buffalo meat, aluminum ingots, cotton yarn, stone, medicines, and food items etc. while increased, import of commodities such as waste paper, news print, auto parts and machines etc.

Key Rating Weaknesses

Competition from Private players

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Numerous private container train operators (besides CONCOR) have entered in the segment and have signed Concession Agreements with Indian Railways for running of container trains. However, company has adopted various marketing activities like special discounts and packages, reduction in prices in case of bulk bookings, online tracking of shipment, focus on double stack operations to provide cost effective service etc. to compete in the market.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Non Financial Sector](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Rating Methodology: Service Sector Companies](#)

[CARE's Issuer Rating](#)

About the Company

Container Corporation of India Ltd (CONCOR) was incorporated in March 1988 as a Public Sector Enterprise under the Ministry of Railways by taking over network of seven Inland Container Depots (ICDs) of Indian Railways (IR). The company was formed in order to have a separate organization for promoting and managing the growth of containerization in India as well as developing multi-modal (surface, rail, water and air) transport logistics and infrastructure to support India's growing inland as well as international trade. CONCOR's core business is characterized by three distinct activities, that of a carrier, a terminal operator and a warehouse operator.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	5,881	6,431
PBILDT	1,522	1,748
PAT	858	1,049
Overall gearing (times)	0.00	0.00
Interest coverage (times)	NM	NM

A: Audited; NM- Not Meaningful

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Sudhir Kumar

Tel: 011-45333232

Email: sudhir.kumar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-BG/LC	-	-	-	462.00	CARE AAA; Stable
Issuer Rating-Issuer Ratings	-	-	-	0.00	CARE AAA (Is); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE AAA (Is); Stable	-	1)CARE AAA (Is); Stable (05-Oct-17)	1)CARE AAA (Is) (18-Oct-16)	1)CARE AAA (Is) (08-Dec-15)
2.	Non-fund-based - LT-BG/LC	LT	462.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Oct-17)	1)CARE AAA (18-Oct-16)	1)CARE AAA (08-Dec-15) 2)CARE AAA (17-Apr-15)

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited****(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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