

Container Corporation of India Ltd (Revised)

October 05, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Issuer Rating*	-	CARE AAA (Is); Stable [Triple A (Issuer); Outlook; Stable]	Reaffirmed
Long-term Bank Facilities (Non-fund-based)	382 (Rupees Three Hundred and Eighty Two crore only)	CARE AAA; Stable [Triple A; Outlook: Stable]	Reaffirmed

¹Details of instruments/facilities in Annexure-1

*CARE Rating has applied its rating methodology for Issuer rating to assess credit rating of Container Corporation of India Limited.

Detailed Rationale & Key Rating Drivers

The ratings reaffirmation takes into account CONCOR's position as India's dominant container railroad player, majority ownership of the Government of India (GoI), zero fund-based debt position with comfortable liquidity and profitability profile. 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. The Government of India (GoI) holds 54.80% stake in the company as on March 31, 2017.

Market Leader

CONCOR is India's largest railway container freight operator. It operates in two segments; Export-Import (EXIM) and domestic. The company has strong infrastructure base with total wagons holding at 13,998 and 68 terminals as on March 31, 2017. The company also has 21,642 (owned plus leased) containers and owns 78 Reach Stackers and 16 Gantry Cranes.

Zero-debt, comfortable liquidity and financial position

CONCOR remained debt-free at the standalone level as on March 31, 2017. During FY17 (refers to the period April 01 to March 31), CONCOR achieved total operating income of Rs. 5,880.76 crore with PBILDT and PAT margins of 25.88% and 14.54% respectively. CONCOR's total throughput has increased to 3.10 million Twenty-foot Equivalent Unit (TEUs) in FY17 (PY: 2.92 million TEUs). The improvement in handling continued in Q1FY18 (refers to the period April 01 to June 30) wherein company handled 0.84 million TEUs (Q1FY17: 0.73 million TEUs). During Q1FY18, CONCOR reported PBILDT margin of 22.43% (Q1FY17: 19.77%) on total operating income of Rs. 1456.80 crore (Q1FY17: Rs. 1,325.16 crore). The improvement in performance in Q1FY18 was on account of increase in double-stack running to 479 (Q1FY17: 164) coupled with reduction in empty running leading to increase in rail freight margins.

Key Rating Weaknesses**Competition from private players**

Many container train operators (besides CONCOR) have now entered into market who has signed long-term concession agreements with Indian Railways for running of container trains. The major players include Gateway Rail Freight Ltd., World Window group, Adani etc. Further, various private ICD have become operational during past couple of years, which

has also resulted in increased competition for the company. However, CONCOR has adopted various marketing activities like special discounts and packages, reduction in prices in case of bulk bookings, online tracking of shipment etc. to compete in the market.

Prospects

The logistics value chain consists of key links or segments – transportation, storage and distribution. The Indian multimodal logistics industry has witnessed the advent of multiple container train operators since 2006. With the emergence of a number of new ports, viz., Mundra, Pipavav, Vizag, Tuticorin, Vallarpadam and a few other ports on the west coast, the hinterland connectivity in the country is expected to increase resulting in increased levels of hinterland penetration of container traffic in the years to come.

Going forward, with the developments in the logistics industry, requirement for services such as handling, sorting, stuffing and de-stuffing (with respect to containers), and temporary storage of goods are expected to increase further which augurs well for CONCOR.

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning outlook to credit ratings](#)

[CARE's policy on default recognition](#)

[CARE's rating methodology on financial ratios – Non-financial sector](#)

[CARE's Issuer Rating](#)

[Factoring Linkages in Ratings](#)

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.

Key performance indicators of the company are as under:

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Income from Operations	6,231.33	5,880.76
PBILDT	1,649.07	1,521.90
PAT	952.06	854.88
Overall gearing (times)	0.00	0.00
Interest Coverage (times)	NM	NM

A: Audited; NM: Not meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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: Mr. 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:**

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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	-	-	-	382.00	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Issuer Rating-Issuer Ratings	Issuer rat	0.00	CARE AAA (Is); Stable	-	1)CARE AAA (Is) (18-Oct-16)	1)CARE AAA (Is) (08-Dec-15)	1)CARE AAA (Is) (22-Oct-14)
2.	Non-fund-based - LT-BG/LC	LT	382.00	CARE AAA; Stable	-	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

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@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

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

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

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

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@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

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

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

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

CIN - L67190MH1993PLC071691

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