कॉन/आइआरसी/SE/104/Vol-VII/ दिनांक: 02.08.2024

Sub: Intimation of Credit Rating(s) to CONCOR.

Pursuant to Regulation 30 and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please be informed that after the surveillance M/s ICRA Ltd. has reaffirmed the following credit rating(s):

Instrument	**Rated Amount (Rs. Crore)**	**Instrument**
Non fund-based limits – long term	800.00	[ICRA]AAA (Stable)
Issuer rating	-	[ICRA]AAA (Stable)

The report of ICRA for the above credit rating is enclosed for reference and record.

धन्यवाद।

August 02, 2024

Container Corporation of India Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-fund based limits - Long-term	800.00	800.00	[ICRA]AAA (Stable); reaffirmed
Issuer rating	-	-	[ICRA]AAA (Stable); reaffirmed
Total	**800.00**	**800.00**	

**Instrument details are provided in Annexure-I;*

Rationale

The reaffirmation of the rating factors in the dominant position of CONCOR in the containerised rail freight business supported by a large, pan-India infrastructure and an established track record of healthy operational performance. The rating also considers the strong financial profile of the entity, characterised by robust cash generation, low working capital requirements, large free cash balances and nil debt. Owing to its strategically located terminal network, the company will gain from the commissioning of the dedicated freight corridors (DFCs), particularly the western region, as several industrial clusters are located along the western DFC. The rating also factors in the GoI's ownership, which benefited CONCOR in the early stages of establishing its network, a source of competitive advantage for the company at present. ICRA notes that the GoI was looking to divest a 30.8% stake in the company along with ceding management control to a strategic investor. While the GoI had made the announcement in November 2019, the expression of interest (EoI) is yet to be released. While there has been little progress on the divestment front, the same remains an event-based sensitivity and ICRA will appropriately factor in the impact on CONCOR's credit profile if there are any developments in this regard.

The rating factors in the rising competition from private players in the containerised train operator (CTO) segment as well as road freight carriers, which moderated the company's market share to 56-58% in FY2024 from ~74% in FY2019-20. However, the company continues to retain its market leadership position and is making efforts to regain the lost market share by building operational efficiencies and several other initiatives to grow its container handling volumes. The rating also factors in the susceptibility of the profitability to changes in the haulage rates by the Indian Railways as railway freight costs remain the largest component of the cost structure of the company. The significant reliance on the EXIM segment also exposes the company's cash generation to global macroeconomic activities.

The Stable outlook on the rating stems from ICRA's expectations of CONCOR's ability to maintain a healthy credit profile, going forward driven by its leadership position in the containerised rail freight segment and strong cash generation.

Key rating drivers and their description

Credit strengths

Leadership position in container rail freight segment with strategically located infrastructure – CONCOR has maintained a market share of 73-74% in the rail freight segment over the last decade, although it moderated to ~62% in FY2023 owing to increasing competition from private CTOs and road freight players. CONCOR's pan-India, strategically located infrastructure offers competitive advantage and helps maintain its profitability despite the loss of market share. As per ICRA's expectations, the market share further reduced to 56-58% in FY2024 and is expected to stabilise at the current levels.

Established track record of healthy operational performance – The company has an established track record of healthy operational performance, characterised by growing container volumes and rising number of double-stacked trains. The company has been focusing on improving its services and operations by running time-table trains from Dadri to Mundra on WDFC as well as increasing penetration of the first mile last mile (FLML) connectivity in the container volumes handled in its operations.

Robust financial risk profile – CONCOR's financial risk profile is robust characterised by healthy revenue growth along with healthy operating margins, robust cash accruals and large cash balances. The company has been generating Rs. 1,000-1,100 crore of net cash accruals, which enabled the company to fund its capex requirements through internal accruals. Hence, the credit profile of the company has remained robust with marginal debt at a consolidated level interest coverage of 27.5x in FY2024 (PBDITA/interest of 32.7x in FY2024), and Rs. 3,296.1 crore of free cash as on March 31, 2024.

Favourable outlook for containerised cargo in India – At present, containerised cargo movement in India is significantly below the global average. Over the last couple of years, containerised cargo movement through the country's ports has witnessed significant growth. Going forward, as well with export-oriented industries witnessing higher demand from export markets, the containerised cargo movement is expected to witness healthy growth. Additionally, innovations to carry cargo which was earlier not carried in containers in a major manner e.g. cement will also support container volume growth for the company. The development of the WDFC is expected to provide impetus to containerised cargo movement in the country. As the WDFC is expected to be fully operational shortly, the container volume growth as well modal shift from road to railways is expected to benefit CONCOR's handling volumes.

Significant sovereign ownership; slow progress on disinvestment – Currently, the GOI holds a 54.8% stake in CONCOR. The company had benefitted from the ownership in the past when it was able to expand its operations supported by the availability of railway land at strategic locations, which gave it a first-mover advantage in the CTO industry. The company also benefits from the managerial support through the Government of India (GoI) nominees on its board. While the GOI was looking to offload a 30.8% stake in the company, there has been no meaningful progress on the same since the disinvestment was announced. However, ICRA would continue to monitor any development on this front and will evaluate the impact of the same on the credit profile of the company.

Credit challenges

Significant dependence on EXIM cargoes – At present, the share of EXIM cargoes in the overall volumes handled by the company is significantly high at around 78%. Accordingly, the performance of the company remains vulnerable to volatility in the global trade which drives shipping volumes.

Performance susceptible to periodic changes in haulage rates – The charges paid by CONCOR to the Indian Railways for using locomotives, wagons, railway network and fuel are called haulage rates. These are notified by the Indian Railways periodically and the charges paid by CONCOR forms nearly 73% of the company's total operating expenses. Hence, the performance of the entity remains susceptible to changes in the haulage rates, which has witnessed periodic revisions. In October 2023, the Railways levied a peak season surcharge of ~10% and as a result the company had to partially absorb the increase in the haulage rates thereby impacting the rail freight margins in FY2024.

Rising competition from private players and road carriers, particularly in low lead distances – The company has been facing stiff competition from private CTOs. As a result, CONCOR has been losing market share since FY2020, moderating to ~62% in FY2023 and estimated to have moderated further to 56-58% in FY2024. The road freight players also pose competition to the company, as rising efficiencies due to the implementation of GST, improving highways, door-to-door connectivity and the flexibility associated with the road segment make it a serious competitor for rail freight players. Additionally, inefficiencies such as network congestion, preference given to passenger trains and cross subsidisation of passenger fares with freight fares reduce the competitiveness of rail freight. However, the operationalisation of the WDFC is expected to reduce the inefficiencies in the railway network to some extent, going forward. CONCOR has been focusing on improving its first mile last mile (FMLM) connectivity to provide end-to-end solution to its customers. However, these initiatives are yet to yield material benefits for the company.

ESG comments

Rail transportation has lower CO2 emissions compared to road transportation. Hence, the CTO sector is favourably placed to benefit from the long-term tightening of environmental norms towards emissions. CONCOR, being the market leader in the CTO segment, is expected to benefit from its dominant position. The company is further making efforts to reduce CO2 emissions by using fuel-efficient equipment and rail infrastructure and focusing on water and energy management by using solar energy at some of the terminals and harvesting rainwater. As a cost reduction measure, the company has deployed around 90 LNG trucks in FY2024. Additionally, the company is in talks to set-up solar panels across its terminals.

CONCOR's exposure to social risks mainly pertains to ensuring safe operations and human capital risk management. Based on the disclosures in the annual report, there have been no major industrial accidents. Overall, the exposure to social risks is not material from a credit perspective.

Liquidity position: Strong

CONCOR's liquidity position is expected to remain strong going forward supported by significant cash balance (Rs. 3296.1 crore at the end of FY2024) and robust cash accruals of ~Rs. 1,000 crore p.a. are more than adequate to meet the capex of Rs. 700-800 crore p.a. and incremental working capital requirements, going forward.

Rating sensitivities

Positive factors – NA

Negative factors – The rating could be downgraded if the GoI divests its stake to a sponsor with a weaker credit profile. A significant decline in revenue and profitability due to loss of market share on a sustained basis to road carriers or private CTOs and/or larger-than-expected outflow on account of the land licence fee (LLF) charges from the Railways could also be the negative triggers. Stress on the liquidity and credit profiles due to higher-than-expected debt-funded capex could trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The ratings factor in the implicit support from the Government of India
Consolidation/Standalone	The rating is based on the consolidated financials of the company. The entities forming part of the consolidated financials are given in Annexure-II

About the company

Container Corporation of India Limited (CONCOR) was incorporated in March 1988 and started its operations in November 1989 after taking over seven inland container depots (ICDs) of the Indian Railways. Over the years, the company has developed its infrastructure and now operates 66 terminals across the country along with three strategic tie ups. The company primarily provides inland transportation of containers from ports using rail wagons. CONCOR also manages cold storage chains and warehouses. The GOI, through Ministry of Railways, held the majority stake of 54.8% in the company at the end of June 2024.

Key financial indicators (audited)

CONCOR Consolidated	FY2023	FY2024
Operating income	8169.1	8653.4
PAT	1152.3	1232.0
OPBDIT/OI	22.8%	22.6%
PAT/OI	14.1%	14.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)*	0.4	0.5
Interest coverage (times)	29.2	27.5

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore; *Includes lease liability, long-term and short-term debt*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Jul 26, 2024	Jun 23, 2023	Sep 09, 2022	Aug 24, 2021
1	Term Loans	Long-term	-	-	-	[ICRA]AA+; &	[ICRA]AA+ &
2	Non-fund based limits	Long-term	800	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA+; &	[ICRA]AA+ &
3	Issuer Rating	Long-term	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA+; &	[ICRA]AA+ &

&: Rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term– Non-Fund Based	Simple
Issuer Rating	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Unallocated	Non-fund based	NA	NA	NA	800.00	[ICRA]AAA (Stable)
-	Issuer rating	NA	NA	NA	-	[ICRA]AAA (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	CONCOR's Ownership	Consolidation Approach
Container Corporation of India Limited	100% (Self)	Full Consolidation
SIDCUL CONCOR Infra Company Limited (SCICL)	74%	Full Consolidation
Punjab Logistics Infrastructure Limited (PCIL)	51%	Full Consolidation
Fresh & Healthy Enterprises Limited	100%	Full Consolidation
CONCOR Air Limited	100%	Full Consolidation
Star Track Terminals Private Limited	49%	Equity Method
Transworld Terminals Private limited	49%	Equity Method
Gateway Terminals India Pvt. Ltd.:	26%	Equity Method
CMA-CGM Logistics Park (Dadri) Pvt. Ltd	49%	Equity Method
Himalayan Terminals Pvt. Ltd.	40%	Equity Method
HALCON	50%	Equity Method
India Gateway Terminal Pvt. Ltd.:	11.87%	Equity Method
TCI-CONCOR Multimodal Solutions Pvt. Ltd	49%	Equity Method
Container Gateway Ltd	49%	Equity Method
Allcargo Logistics Park Pvt. Ltd	49%	Equity Method
Angul Sukinda Railway Ltd.	26%	Equity Method
CONCOR Gateway Ltd	50%	Equity Method

Source: CONCOR's results FY2024

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545322
Prashant.vasisht@icraindia.com

Varun Gogia
+91 987 115 6542
varun.gogia1@icraindia.com

Mohika kundara
+91 95991 33619
mohika.kundara@icraindia.com

Abhijit Nadkarni
+91 7045309908
abhijit.nadkarni@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches