COMPANY UPDATE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 345 | ∀ 8%

CONTAINER CORP OF INDIA | Logistics | 10 September 2020

Annual report analysis: FY20 a mixed bag

Container Corp's (CCRI) FY20 annual report reveals a mixed year with some hits and some misses. Lower volumes (–2%) amidst tough externalities, 600bps market share loss and tepid adj. PAT growth (+3.5%) due to weaker other income (–60%) were key negatives. On the other hand, stable realisation (+2%), secular margin gains (+425bps YoY) and strong OCF (Rs 47bn) were encouraging. CCRI is focused on expanding services and bolstering its tech architecture. Maintain SELL with a Sep'21 TP of Rs 345 given concerns over LLF concerns.

Sayan Das Sharma
research@bobcaps.in

Volume decline, market share loss key negatives...: After three successive years of growth, CCRI's handling/originating volumes declined 2%/6% (TEU terms) in FY20 amidst a tough demand climate. The company's decision to avoid a discount-led volume strategy translated into a 600bps market share loss for the year (–800bps/+215bps in EXIM/domestic). The near-term outlook remains muted – after CCRI's handling volumes plunged 21% YoY in Q1FY21, Indian Railways' container volumes in Q2 YTD have declined a further 11%.

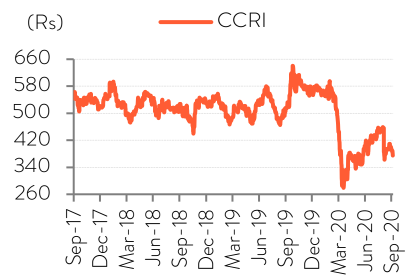
...but margin juggernaut rolls on: Notwithstanding a flat topline (–0.6%), operating margins continued to improve for the third consecutive year in FY20. EBITDA margin expanded 425bps YoY to 25.9%, aided by lower empty running charges, higher rail freight gross margin and lower employee costs. But despite 19% growth in EBITDA, adj. PAT grew by a meagre 3.5% YoY as other income dropped 60% owing to the absence of SEIS income.

Diversifying revenue base: CCRI remains committed to offering end-to-end logistics services to customers, and retains focus on expanding into new areas. After coastal shipping and distribution logistics, it has recently forayed into first-mile and last-mile connectivity solutions, coal transportation, and movement of bulk, cement and liquid cargo.

Ticker/Price	CCRI IN/Rs 375
Market cap	US$ 3.1bn
Shares o/s	609mn
3M ADV	US$ 14.9mn
52wk high/low	Rs 666/Rs 263
Promoter/FPI/DII	55%/27%/14%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	65,098	64,738	58,802	75,695	87,863
EBITDA (Rs mn)	14,079	16,749	13,339	19,457	22,992
Adj. net profit (Rs mn)	12,154	12,574	8,187	12,889	15,255
Adj. EPS (Rs)	19.9	20.6	13.4	21.2	25.0
Adj. EPS growth (%)	14.5	3.5	(34.9)	57.4	18.4
Adj. ROAE (%)	12.3	12.3	7.9	11.6	12.8
Adj. P/E (x)	18.8	18.2	27.9	17.7	15.0
EV/EBITDA (x)	14.9	13.2	16.5	10.5	8.7

Source: Company, BOBCAPS Research

Management discussion & analysis: Key takeaways

- **Focused on diversifying revenue base:** In its endeavour to offer end-to-end logistics solutions to customers, CCRI retains its focus on expanding into other segments of the logistics value chain.

Coastal shipping generated Rs 1bn of revenue in its first full year of operation

  - In FY20, the company completed its first full year of operations in the coastal shipping business (launched in Q4FY19). The segment handled 28,186teu of volumes and generated Rs 1bn of revenue. Due to pandemic-related demand disruptions, coastal operations were temporarily suspended in FY21.
  - In Jan'20, CCRI incorporated a subsidiary CONCOR Last Mile Logistics (CLMLL) to focus on providing first-mile-last-mile connectivity solutions to clients. CLMLL will also provide warehousing for specialised cargo, inventory management, development of freight terminals and railway goods sheds, and other value-added services.
  - As a medium-to-long term strategy, the company is exploring the agency business, movement of bulk cargo, temperature-sensitive cargo transport, coal transportation for major power companies, and bulk movement of cement, liquid cargo, and automobiles. It also intends to build an offshore presence in neighbouring countries.

"The Covid-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated and the recovery is projected to be more gradual than previously forecast" – excerpts from Chairman's letter to shareholders

- **Demand climate challenging:** The external demand environment in FY20 was challenging. The Chairman's letter to shareholders highlights several challenges on the global front – a weak global economy, trade restrictions and geopolitical tensions – in addition to the growth hurdles in India of EXIM imbalances and slowdown in imports. From Jan'20 onwards, Covid-19 incidence also affected global and domestic trade, thereby denting volumes.

  FY21 has started on a sombre note as well. Q1FY21 handling volume has plunged 21% YoY as pandemic-linked trade disruptions continue. Per management, the impact of the pandemic in the first half of CY20 has been more negative than anticipated and recovery is projected to be more gradual than previously expected. In the Q1FY21 earnings call, CCRI guided for a 20% decline in FY21 volumes.

- **Steps to retain market share:** In a competitive environment, the company is taking initiatives to protect its market share while maintaining profitability. These include creating new business verticals to offer value-added services, improving service experience, and innovative marketing. Running of double-stacked trains between Khatuwas and Mundra/Pipavav has reduced empty running charges, making its services more competitive.

Changed LLF policy of IR to 6% of underlying land value to hurt profitability

- **Higher LLF a key negative:** CCRI's management acknowledged that the recent change in Indian Railways' (IR) policy of charging land licensing fee (LLF) – to 6% of the underlying land value from a profitability per-TEU-handled method – will have a significant impact on profitability. The company has made suitable representation to the authorities. The LLF issue is the biggest overhang on CCRI's fundamentals, at present, in our view.
- **Surrendered 15 terminals to IR:** At present, CCRI operates 63 terminals (83 in FY19), of which 59 are its own terminals and 4 are strategic tie-ups. To mitigate the impact of increased LLF by the IR and given economic imperatives, the company has surrendered 15 terminals to the IR. It plans to commission three facilities at Mundra, Dahej (Gujarat), and Jajpur (Odisha) in FY21.
- **Emphasis on technology:** Management is heavily emphasising technology adoption to complement its service offerings. It has taken several steps in FY20 to fortify the back-end technology, viz. expanded the electronic filling of documents across all terminals, rolled out an employee portal, launched a mobile app for disseminating information to stakeholders, and also a first-mile-last-mile mobile app for EXIM customers.

Analysis of annual financial statements

We have analysed CCRI's standalone annual report and present the key takeaways in this section.

Volume analysis

External headwinds mar FY20 volume growth

After three successive years of growth, handling/ originating volumes fell 2%/6% in FY20

- CCRI reported a 2.1%/5.8% decline in handling/originating volumes, in TEU terms, in FY20. A deepening macro slowdown marred volume growth in the first three quarters of the year, with Covid-related trade disruptions compounding the slowdown in Q4FY20.
- This decline comes on the heels of three consecutive years of volume growth. Prior to FY20, handling/originating volumes grew at a 9%/6% CAGR over FY16-FY19.
- EXIM handling/originating volumes fell 2.8%/6.6% in FY20. Domestic volumes, however, grew 1.5%/0.1%. This is the third successive year where domestic volumes have outpaced EXIM volumes, buoyed by management's focus on the segment as well as contribution from the new coastal shipping operations (28,186teu handled in FY20).
- During the year, CCRI witnessed a rise in export of commodities such as aluminum alloy, food items, medicines, machines, non-hazardous chemicals and iron artware. Imports of auto parts, newsprint, furniture, solar modules and aluminum scraps increased.

FIG 1 – HANDLING AND ORIGINATING VOLUMES

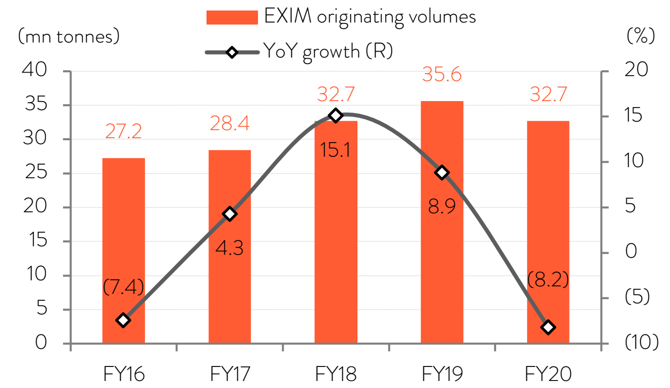
(mn teu)	FY16	FY17	FY18	FY19	FY20
Handling volumes					
EXIM	2.48	2.64	3.00	3.25	3.15
YoY growth (%)	(5.6)	6.7	13.6	8.1	(2.8)
Domestic	0.45	0.46	0.53	0.58	0.59
YoY growth (%)	(8.4)	2.8	15.1	10.2	1.5
Total	**2.92**	**3.10**	**3.53**	**3.83**	**3.75**
YoY growth (%)	(6.0)	6.1	13.9	8.4	(2.1)
Originating volumes					
EXIM	1.80	1.85	2.03	2.11	1.97
YoY growth (%)	(7.3)	2.9	9.5	4.1	(6.6)
Domestic	0.22	0.23	0.27	0.29	0.29
YoY growth (%)	(9.3)	3.2	17.0	7.4	0.1
Total	**2.02**	**2.08**	**2.29**	**2.39**	**2.26**
YoY growth (%)	(7.5)	2.9	10.3	4.5	(5.8)

Source: Company, BOBCAPS Research

Originating volume declined 7% in tonnage terms in FY20

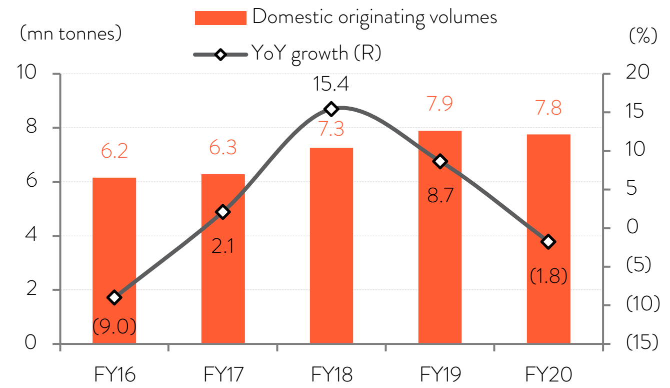
- In tonnage terms, total originating volumes declined 7% in FY20 vs. an 8.8% increase in FY19. CCRI carried 40.4mn tonnes (mt) of container cargo vs. 43.5mt in FY19.
- EXIM/domestic originating volumes declined 8.2%/1.8% in tonnage terms.

FIG 2 – EXIM ORIGINATING VOLUMES FELL 8.2% TO 32.7MT



Source: Company, BOBCAPS Research

FIG 3 – DOMESTIC VOLUMES DECLINED 1.8% YOY TO 7.8MT



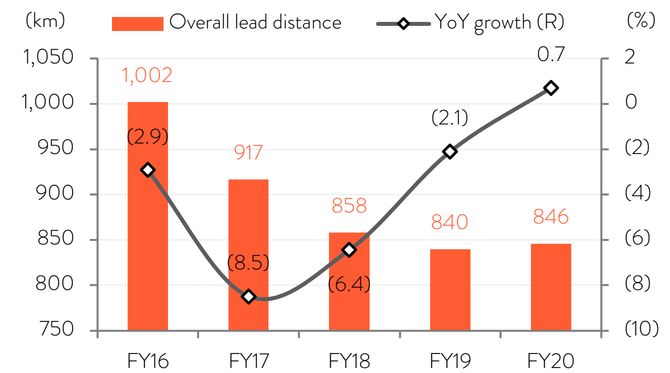
Source: Company, BOBCAPS Research

Lead distance ticked up after several years – cushioning NTKM fall

Lead distance increased, albeit marginally, after declining for many years

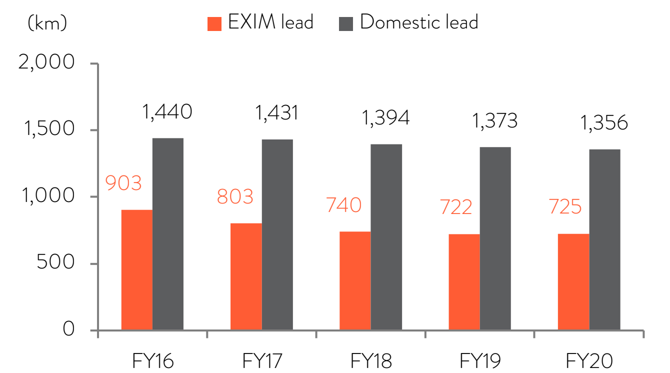
- After declining for several years, CCRI's lead distance expanded marginally by 0.7% YoY to 846km in FY20 vs. 840km in FY19. This is the first instance of a rise in total lead distance since FY15.
- EXIM lead distance increased slightly to 725km vs. 720km in FY19. Domestic lead, on the other hand, declined marginally to 1,356km vs. 1,373km.
- Steadier lead distances cushioned the decline in net-tonne-kilometre (NTKM) to 6.4% YoY at 34.2bn.

FIG 4 – LEAD DISTANCE INCREASED FOR THE FIRST TIME IN MANY YEARS, ALBEIT MARGINALLY



Source: Company, BOBCAPS Research

FIG 5 – EXIM LEAD DISTANCE TICKED UP MARGINALLY, DOMESTIC FELL SLIGHTLY



Source: Company, BOBCAPS Research

FIG 6 – NTKM AND TEU KM PROFILE

	FY16	FY17	FY18	FY19	FY20
NTKM (mn) – on originating volumes					
EXIM	24,598	22,813	24,198	25,703	23,693
YoY growth (%)	(8.8)	(7.3)	6.1	6.2	(7.8)
Domestic	8,870	9,001	10,120	10,833	10,509
YoY growth (%)	(14.3)	1.5	12.4	7.0	(3.0)
Total	**33,468**	**31,814**	**34,318**	**36,536**	**34,202**
YoY growth (%)	(10.3)	(4.9)	7.9	6.5	(6.4)
TEU km (mn) – on handling volumes					
EXIM	2,404	2,236	2,121	2,221	2,343
YoY growth (%)	3.9	(7.0)	(5.1)	4.7	5.5
Domestic	748	645	659	739	802
YoY growth (%)	(5.6)	(13.7)	2.1	12.1	8.6
Total	**3,152**	**2,881**	**2,780**	**2,960**	**3,145**
YoY growth (%)	4.6	(8.6)	(3.5)	6.5	6.2

Source: Company, BOBCAPS Research

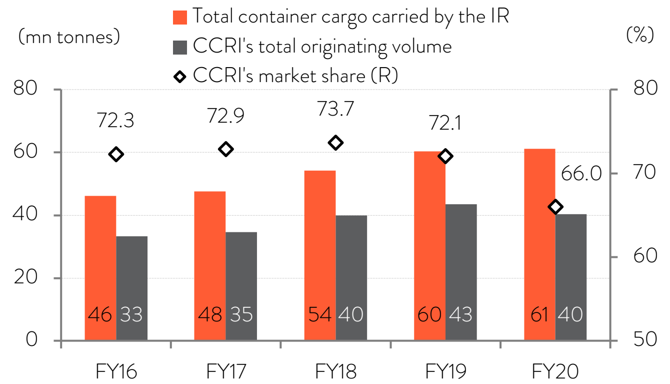
Market share analysis

Competitive pressure led to steep EXIM market share loss

Volume market share fell 600bps to 66% due to 800bps drop in EXIM share

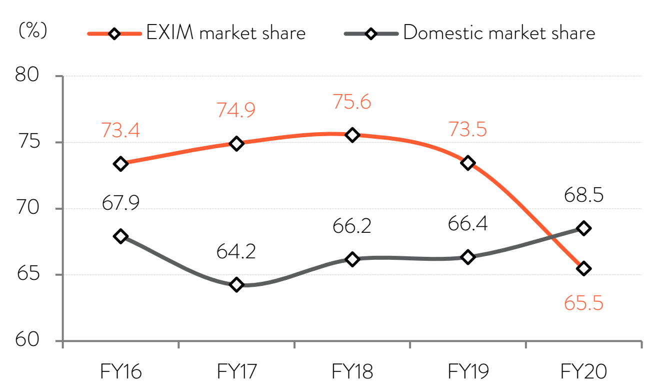
- Competitive pressure and CCRI's conscious decision of not pursuing low-margin, short-haul volumes saw the company losing ~600bps market share in container traffic carried by the Indian Railways (IR). CCRI's market share fell for the second consecutive year, to 66% in FY20 vs. 72.1% in FY19.
- This market share erosion was driven by the EXIM segment, where it lost ~800bps share to 65.5% from 73.5% in FY19, on tonnage basis. Domestic market share rose ~215bps to 68.5% – the highest ever.
- In a muted demand environment, private container train operators (PCTO) started offering steep discounts to customers. Also, these operators began pursuing short-haul business opportunities, which are typically catered to by road transporters, to boost volumes. CCRI consciously stayed away from the discount-led volume growth strategy as well as short-lead volumes, which translated into market share loss.

FIG 7 – LOST MARKET SHARE IN TOTAL CONTAINER TRAFFIC CARRIED BY INDIAN RAILWAYS



Source: Company, Indian Railways, BOBCAPS Research

FIG 8 – DOMESTIC MARKET SHARE EXPANDED; EXIM SHARE SLIDE CONTINUES

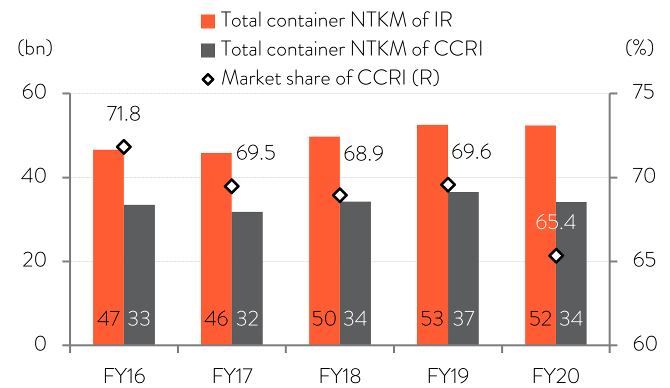


Source: Company, Indian Railways, BOBCAPS Research

FY20 NTKM share loss was lower at 420bps

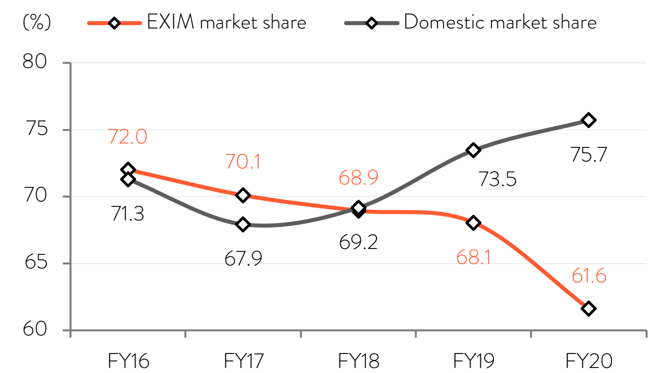
- Market share loss in NTKM terms was lower at 420bps to 65.4% in FY20 vs. 69.6% in FY19. CCRI's lead distance grew at 0.8% YoY vis-à-vis a 4% decline for the IR, stemming from the former's decision to not pursue short-lead business, which cushioned the NTKM market share loss.
- FY20 is the fourth consecutive year in which CCRI lost NTKM market share in the EXIM segment, shedding 650bps to 61.6% from 68.1% in FY19. Domestic market share increased 220bps to 75.7%.

FIG 9 – MARKET SHARE IN NTKM TERMS DECLINED 420BPS IN FY20



Source: Company, Indian Railways, BOBCAPS Research

FIG 10 – EXIM MARKET SHARE SLID FURTHER TO 62%, DOMESTIC INCHED UP TO 76%



Source: Company, Indian Railways, BOBCAPS Research

Revenue analysis

Core realisation growth softened to 1% YoY

Core realisation (adj. for lead distance) grew 0.4%/3.3% for EXIM/domestic segments

- CCRI reported a 1.6% increase in per TEU realisation in FY20, softening marginally vs. a 2.1% increase in FY19. This was aided by a price hike taken at the beginning of the year. CCRI did not effect any hikes in the remainder of the year as it offered price stability to customers, having participated in the advance freight scheme of the IR.
- EXIM/domestic realisations scaled up 0.8%/2.7% in FY20.
- Growth in core realisation (TEU/km adjusted for lead distance) was lower at 0.9% as compared to the 4.3% increase witnessed in FY19. EXIM/domestic core realisation ticked up 0.4%/3.3% respectively.
- With demand expected to be muted, we expect FY21 realisation to also remain sluggish. CCRI is already offering some discounts to shipping lines and will dole out further discounts in the future depending upon market conditions. The company does not expect any price increase in the near future.

FIG 11 – REALISATION TRENDS

(Rs)	FY16	FY17	FY18	FY19	FY20
Per TEU					
Overall realisation/teu	**19,397**	**17,320**	**16,651**	**16,999**	**17,274**
YoY growth (%)	8.0	(10.7)	(3.9)	2.1	1.6
EXIM realisation/teu	18,482	16,019	15,212	15,498	15,628
YoY growth (%)	8.8	(13.3)	(5.0)	1.9	0.8
Domestic realisation/teu	24,449	22,831	24,801	25,338	26,024
YoY growth (%)	5.6	(6.6)	8.6	2.2	2.7
Per TEU km					
Overall realisation/teu/km	**19.4**	**18.9**	**19.4**	**20.2**	**20.4**
YoY growth (%)	11.3	(2.4)	2.8	4.3	0.9
EXIM realisation/teu/km	20.5	19.9	20.6	21.5	21.6
YoY growth (%)	10.5	(2.5)	3.1	4.4	0.4
Domestic realisation/teu/km	17.0	16.0	17.8	18.5	19.2
YoY growth (%)	6.8	(7.9)	10.4	2.6	3.3

Source: Company, BOBCAPS Research

Revenue mix: Share of rail freight income declined

Rail freight income declined 5%; road/handling income grew 11%/6% in FY20

- Standalone revenue declined marginally by 0.6% to Rs 65bn in FY20.
- Rail freight income declined 4.7%, following a 6.6% drop in originating volumes. Consequently, the share of rail freight income slipped to 76% from 79.4% in FY19.
- Road/handling income grew at 10.7%/6.4%, faster than rail freight, albeit off a lower base. Warehousing revenue declined by 22%, after CCRU started offering 45 days of free storage at its EXIM terminals from H2FY19 onwards (H1FY20 warehousing revenue was impacted due to the policy).
- Other operating income includes income from coastal shipping operations of Rs 1bn (Rs 195mn in FY19).

FIG 12 – SERVICE-WISE REVENUE MIX

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Rail freight income	45,587	42,818	47,348	51,656	49,230
Road income	1,588	1,490	1,774	2,063	2,284
Handling income	5,774	5,920	6,642	7,519	7,997
Storage/Warehousing	3,398	3,129	2,534	1,620	1,262
Total sale of service	56,347	53,356	58,298	62,858	60,774
Other operating income	1,080	1,064	1,508	3,277	4,804
Discounts/rebates	(709)	(690)	(896)	(1,038)	(839)
Standalone revenue	**56,717**	**53,730**	**58,910**	**65,098**	**64,738**
YoY growth (%)					
Rail freight income	4.8	(6.1)	10.6	9.1	(4.7)
Road income	(6.5)	(6.2)	19.0	16.3	10.7
Handling income	(5.2)	2.5	12.2	13.2	6.4
Storage/Warehousing	(5.0)	(7.9)	(19.0)	(36.1)	(22.1)
Total sale of service	2.7	(5.3)	9.3	7.8	(3.3)
Other operating income	20.5	(1.5)	41.8	117.3	46.6
Standalone revenue	**1.8**	**(5.3)**	**9.6**	**10.5**	**(0.6)**
% of total					
Rail freight income	80.4	79.7	80.4	79.4	76.0
Road income	2.8	2.8	3.0	3.2	3.5
Handling income	10.2	11.0	11.3	11.5	12.4
Storage/Warehousing	6.0	5.8	4.3	2.5	1.9
Total sale of service	99.3	99.3	99.0	96.6	93.9
Other operating income	1.9	2.0	2.6	5.0	7.4
Discounts/rebated	(1.3)	(1.3)	(1.5)	(1.6)	(1.3)
Standalone revenue	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Company, BOBCAPS Research

Cost and margin analysis

EBITDA margin juggernaut continued in FY20

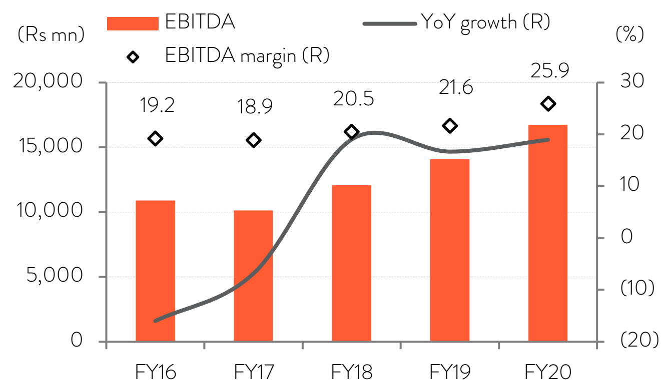
Despite flattish topline, CCRI managed strong 425bps EBITDA margin expansion

- Notwithstanding the volume decline, CCRI reported strong EBITDA margin expansion of 425bps to 25.9% in FY20 from 21.6% in FY19. This marks the third consecutive year of margin gains for the company and was catalysed by strong cost control measures.
- All major expense heads declined in FY20 vs. FY19 – terminal and service charges fell 6%, employee costs decreased by 7%, and other expenses reduced 4%.

Empty running costs declined ~20% due to 25% discount offered by IR

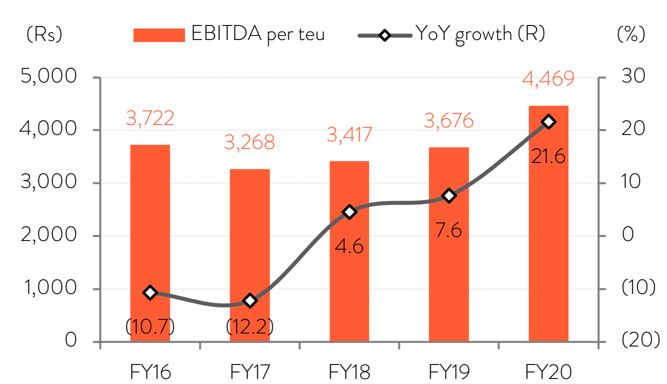
- Lower empty running charges also helped boost EBITDA. Empty charges declined to Rs 2bn from Rs 2.5bn in FY19 following a 25% discount in empty haulage charges offered by the IR, effective from Jan'19.
- The margin expansion is even more impressive given that the number of double-stacked trains – a key profitability driver – was lower at 2,528 in FY20 vs. 3,126 in FY19, owing to lower handling volumes.
- EBITDA per TEU increased by a strong 21.6% YoY to Rs 4,469 – the highest ever – driven by the factors mentioned above.

FIG 13 – EBITDA GREW 19% YOY TO RS 16.7BN



Source: Company, Indian Railways, BOBCAPS Research

FIG 14 – EBITDA/TEU JUMPED 22%



Source: Company, Indian Railways, BOBCAPS Research

- EXIM segment EBITDA increased 19.7% YoY to Rs 16bn and the margin expanded ~200bps to 26.6%.
- Domestic segment EBITDA grew at a slower 2.6% to Rs 2.2bn in FY20. EBITDA margin for the segment contracted 20bps YoY to 14.1%, likely due to contribution from the lower margin coastal shipping business.

Decline in terminal and service charges

Rail freight margin expanded 117bps to 28.9%

- Total terminal and service (T&S) charges fell 6% in FY20, translating into a 380bps decline as a percentage of total sales. T&S charges were flat (–0.2%) on a per originating TEU basis, but down 4% per handling TEU.
- Rail freight expenses fell 6% in FY20, translating into a 117bps expansion in rail freight gross margins to 28.9%. On a per TEU basis, rail freight expenses declined by 0.5% in FY20.
- We expect rail freight expenses per TEU to be benign in FY21 as well, due to the IR's recent announcement of a 5% discount in haulage charges per TEU on movement of laden containers. This discount will be in effect from 4 Aug 2020 till 30 Apr 2021.
- Handling gross margin also expanded by 320bps, but road freight gross margin contracted 90bps.
- LLF – which in FY20 was based on profitability of volumes handled in terminals on land licenses from the IR – fell sharply by 78% to Rs 397mn from Rs 1,833mn in FY19. IR has changed the method of LLF computation from FY21 onward – this will now be determined at 6% of the value of the underlying land, with an annual escalation of 7%.

  CCRI estimates that total LLF could go up sharply to Rs 4.8bn for its remaining 26 leased terminals in FY21, even after surrendering 15 terminals to the IR. However, the IR has demanded Rs 7.8bn of LLF for just two terminals and the matter is currently under discussion with the company. We expect increased LLF to weigh on FY21 profitability.

FIG 15 – BREAKUP OF T&S CHARGES

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Rail freight expenses	36,443	33,381	35,220	37,314	34,984
Road freight expenses	1,210	1,177	1,348	1,574	1,764
Handling expenses	2,057	2,152	2,270	2,583	2,492
Land licence fee	1,035	1,716	1,572	1,833	397
Others	1,239	1,163	1,302	1,871	2,832
Total terminal and service charges	**41,984**	**39,588**	**41,712**	**45,175**	**42,468**
YoY growth (%)					
Rail freight expenses	12.5	(8.4)	5.5	5.9	(6.2)
Road freight expenses	(10.0)	(2.7)	14.5	16.8	12.0
Handling expenses	(4.3)	4.6	5.5	13.8	(3.5)
Land licence fee	(12.1)	65.7	(8.4)	16.6	(78.4)
Others	0.0	(6.1)	12.0	43.7	51.4
Total terminal and service charges	**9.6**	**(5.7)**	**5.4**	**8.3**	**(6.0)**

Source: Company, BOBCAPS Research

FIG 16 – SERVICE-WISE GROSS MARGINS

(%)	FY16	FY17	FY18	FY19	FY20
Rail freight gross margin	20.1	22.0	25.6	27.8	28.9
Road freight gross margin	23.8	21.0	24.0	23.7	22.8
Handling gross margin	64.4	63.6	65.8	65.6	68.8
Terminal and service charges as % of revenue	**74.0**	**73.7**	**70.8**	**69.4**	**65.6**

Source: Company, BOBCAPS Research

Employee expenses down 7%

Per employee cost declined 4.4% in FY20

- Employee expenses decreased 7% in FY20. As per the company, this was on account of lower provisions for various elements of employee remuneration such as performance pay. Consequently, employee cost as a percentage of sales contracted 33bps to 4.8%.
- Employee count came down marginally to 1,426 from 1,464 in FY19. Cost per employee declined by 4.4% in FY20, after climbing steeply for two years by 49%/22% in FY18/FY19.
- Revenue per employee grew 2% YoY, a testament to the efficient operations run by CCRI.

FIG 17 – EMPLOYEE EXPENSES

Particulars	FY16	FY17	FY18	FY19	FY20
Total employee costs (Rs mn)	**1,568**	**1,869**	**2,779**	**3,368**	**3,135**
YoY growth (%)	(0.7)	19.2	48.7	21.2	(6.9)
As % of sales (%)	2.8	3.5	4.7	5.2	4.8
Total no. of employees	1,332	1,474	1,473	1,464	1,426
Addition/(reduction)	(3)	142	(1)	(9)	(38)
Cost per employee (Rs mn)	**11.8**	**12.7**	**18.9**	**23.0**	**22.0**
YoY growth (%)	(0.5)	7.7	48.8	21.9	(4.4)
Revenue per employee (Rs mn)	**426**	**365**	**400**	**445**	**454**
YoY growth (%)	2.0	(14.4)	9.7	11.2	2.1

Source: Company, BOBCAPS Research

Other income plunged due to absence of SEIS income

- Total other income decreased to Rs 2.8bn from Rs 7bn in FY19, attributable to the absence of income from the Service Export from India Scheme (SEIS) in FY20 vs. Rs 3.7bn booked in FY19.
- As the Directorate General of Foreign Trade (DGFT) did not notify CCRI about extension of the SEIS benefit in FY20, the company has not booked any amount.
- Even adjusted for SEIS income, other income declined from Rs 3.3bn in FY19 owing to lower interest on bank deposits.

FIG 18 – OTHER INCOME

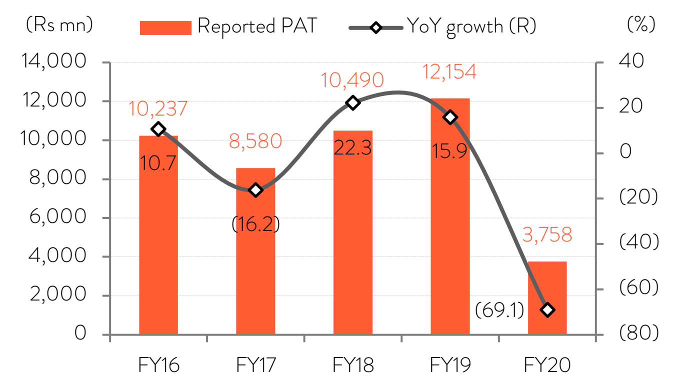
(Rs mn)	FY16	FY17	FY18	FY19	FY20
Interest income					
On loans given to employees	28	24	43	183	165
On loans given to wholly owned subsidiaries	147	133	129	70	5
On bank deposits	2,202	1,855	1,626	1,466	931
On tax free bonds	535	535	535	535	536
On security deposits given	3	3	0	0	1
Total interest income	**2,916**	**2,550**	**2,333**	**2,255**	**1,638**
Other non-operating income	259	342	693	1,088	1,160
Total non-operating income	**3,175**	**2,892**	**3,026**	**3,342**	**2,797**
SEIS income	**2,500**	**2,331**	**2,761**	**3,721**	**-**
Total other income	**5,675**	**5,223**	**5,787**	**7,064**	**2,797**

Source: Company, BOBCAPS Research

Exceptional item mars reported PAT

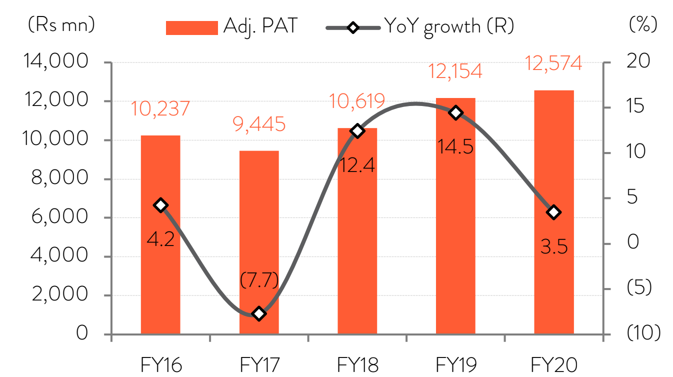
- CCRI's PBT (before exceptional items) declined 16.5%, much below the 19% EBITDA growth. This was driven by (1) lower other income, and (2) increase in interest expense to Rs 361mn vs. Rs 1mn in FY19 stemming from the Rs 7bn short-term loan raised in Q1FY20 to fund the advance paid to the IR.
- Over FY16-FY19, CCRI had recognised Rs 10.5bn of SEIS income on the P&L, though it did not receive any refund towards this claim. In FY20, DGFT notified the company that it would not be eligible for Rs 8.6bn of the pending SEIS claim. Accordingly, CCRI created a provision for this amount. This exceptional item translated into a 69% decline in reported PAT.
- Adj. PAT grew by 3.5% despite lower PBT, owing to the cut in corporate tax rate and the resultant deferred tax.

FIG 19 – EXCEPTIONAL ITEM LED TO SHARP 69% PLUNGE IN FY20 REPORTED PAT



Source: Company, BOBCAPS Research

FIG 20 – ADJ. PAT GREW BY 3.5%



Source: Company, BOBCAPS Research

Unit dynamics: P&L on per TEU-km basis

FIG 21 – PER TEU-KM P&L

(Rs per TEU-km)	FY16	FY17	FY18	FY19	FY20	FY17	FY18	FY19	FY20
Volume (mn TEU)	**2.9**	**3.1**	**3.5**	**3.8**	**3.7**	**6.1**	**13.9**	**8.4**	**(2.1)**
Overall lead distance (km)	1,002	917	858	840	846	(8.5)	(6.4)	(2.1)	0.7
	(Rs/TEU-km)					YoY growth (%)			
Revenue	**19.4**	**18.9**	**19.4**	**20.2**	**20.4**	**(2.4)**	**2.9**	**4.1**	**0.9**
Terminal and service charges	14.3	13.9	13.8	14.0	13.4	(2.9)	(1.1)	2.0	(4.6)
Gross profit	**5.0**	**5.0**	**5.7**	**6.2**	**7.0**	**(1.1)**	**14.2**	**9.1**	**13.4**
Employee expenses	0.5	0.7	0.9	1.0	1.0	22.7	39.6	14.2	(5.6)
Other expenses	0.8	0.8	0.8	0.8	0.8	(3.6)	3.4	(0.8)	(2.3)
Total expenses	15.6	15.3	15.5	15.9	15.1	(2.0)	0.9	2.6	(4.6)
EBITDA	**3.7**	**3.6**	**4.0**	**4.4**	**5.3**	**(4.1)**	**11.7**	**9.9**	**20.7**
Depreciation	1.2	1.2	1.3	1.3	1.6	4.2	4.8	1.9	22.6
EBIT	**2.5**	**2.3**	**2.7**	**3.1**	**3.7**	**(7.9)**	**15.4**	**13.8**	**19.9**
Interest	0.0	0.0	0.0	0.0	0.1	NM	NM	NM	NM
Other income	1.9	1.8	1.9	2.2	0.9	(5.2)	4.0	15.0	(59.8)
PBT	**4.5**	**4.2**	**4.6**	**5.3**	**4.4**	**(7.0)**	**10.7**	**14.2**	**(15.6)**
Tax	1.0	0.8	1.1	1.5	0.5	(14.5)	31.5	34.9	(68.2)
Adj. PAT	**3.5**	**3.3**	**3.5**	**3.8**	**4.0**	**(5.0)**	**5.5**	**7.8**	**5.0**

Source: Company, BOBCAPS Research

Balance sheet and cash flow analysis

Core working capital cycle well managed

Core working capital cycle increased marginally due to lower payables

- CCRI's cash conversion days increased to 2 from a negative 13 days in FY19 due to a decrease in trade payable days to 9 from 20 days in FY19. This still represents a healthy cash conversion cycle.

FIG 22 – CORE WORKING CAPITAL CYCLE REMAINS COMFORTABLE

Days	FY16	FY17	FY18	FY19	FY20
Debtor days	3	3	4	5	9
Payable days	12	16	16	20	9
Inventory days	1	2	2	1	1
Cash conversion cycle	**(8)**	**(12)**	**(10)**	**(13)**	**2**
Core working capital (Rs mn)	**(1,198)**	**(1,765)**	**(1,664)**	**(2,388)**	**299**

Source: Company, BOBCAPS Research

Lower current assets boost operating cash flow

Not participating in IR's advance freight scheme

- CCRI's operating cash flow increased dramatically, notwithstanding slight deterioration in core working capital, owing to a steep decline in current assets.
- Decrease in current assets was led by (1) the company's decision not to participate in the IR's advance freight scheme in FY20, as against a payment

of Rs 30bn in FY19, and (2) write-off of Rs 8.6bn of SEIS income. The latter's impact on operating cash flow is nullified as we adjust this exceptional item recognised in the P&L from cash flow calculations.

FIG 23 – CASH FLOW ANALYSIS

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Change in core working capital	(118)	567	(101)	724	(2,687)
Change in other current liabilities	312	1,234	2,041	1,231	299
Change in provisions	(22)	179	18	16	(27)
Change in current assets	(1,883)	(4,916)	(2,152)	(33,073)	39,089
Change in loans/adv and others	(2,727)	(2,502)	2,838	1,327	3,462
Changes in total working capital	**(4,438)**	**(5,438)**	**2,645**	**(29,775)**	**40,134**
Reported PAT	10,237	8,580	10,490	12,154	3,758
Depreciation	3,478	3,518	3,927	4,246	5,130
Interest expenses	2	37	1	7	361
Other non-cash adjustments	735	(983)	(549)	(117)	(1,761)
Operating cash flow	**10,013**	**5,714**	**16,514**	**(13,485)**	**47,622**
Capital expenditure	(5,892)	(9,155)	(8,352)	(9,245)	(16,005)
Free cash flow	**4,121**	**(3,441)**	**8,162**	**(22,730)**	**31,617**

Source: Company, BOBCAPS Research

DuPont analysis: ROE remains flat in FY20

ROE remained flat at 12.3%

- CCRI reported stable ROE of 12.3% in FY20. Though operating margin surged 425bps, lower other income limited adj. PAT margin expansion to only 75bps to 19.4%.
- Margin gains were nullified by a slight moderation in asset turn and equity multiplier (not reflected in Fig 24 due to round-off), yielding stable ROE.

FIG 24 – DUPONT ANALYSIS BREAKDOWN

	FY16	FY17	FY18	FY19	FY20
EBIT margin (%)	13.1	12.3	13.8	15.1	17.9
Interest/other income (PBT/EBIT) (x)	1.8	1.8	1.7	1.7	1.2
Tax burden (PAT/PBT) (x)	0.8	0.8	0.8	0.7	0.9
Total asset turnover (revenue/assets) (x)	0.7	0.6	0.6	0.6	0.6
Equity multiplier (assets/equity) (x)	1.0	1.0	1.0	1.1	1.1
ROE (%)	**12.8**	**11.0**	**11.7**	**12.3**	**12.3**

Source: Company, BOBCAPS Research

Debt-free balance sheet with strong cash position

Strong balance sheet with net cash position

- Participation in IR's advance freight scheme in FY20 fuelled an increase in short-term debt in FY19 (advance payment of Rs 30bn was made in end-FY19). With participation withdrawn in FY21, CCRI turned net cash positive again in FY20.

FIG 25 – LEVERAGE POSITION REMAINS COMFORTABLE

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Gross debt	-	-	-	7,007	-
Cash and cash equivalents	24,371	16,835	19,817	1,704	21,686
Net debt	(24,371)	(16,835)	(19,817)	5,302	(21,686)
Net debt-EBITDA (x)	**(2.2)**	**(1.7)**	**(1.6)**	**0.4**	**(1.3)**

Source: Company, BOBCAPS Research

FIG 26 – GROSS BLOCK BREAK-UP

(Rs mn)	FY16	FY17	FY18	FY19	FY20
Leasehold land	130	130	130	130	7,073
Freehold land	253	2,106	2,765	4,482	4,483
Buildings	7,768	11,151	13,694	16,864	18,552
Plant & machinery	21,226	24,288	26,511	30,594	34,992
Furniture and fixtures	415	572	950	1,039	1,207
Office equipment	825	959	1,192	1,408	1,472
Vehicles	18	2	3	3	30
Others	655	1,275	1,871	2,297	2,351
Total	**31,289**	**40,483**	**47,116**	**56,818**	**70,159**

Source: Company, BOBCAPS Research

Other key aspects

- CCRI's related party transactions are mostly with the IR or JVs, as part of the normal course of its business. Hence, we do not see any matter of consequence in these transactions.
- Outstanding dues with the IR have come down in FY20 owing to CCRI's decision to avoid participating in the advance freight scheme.

FIG 27 – MATERIAL RELATED PARTY TRANSACTIONS

(Rs mn)	FY17	FY18	FY19	FY20
Transaction with JVs	45	79	116	204
Transactions with employee trusts	3,892	5,186	4,345	4,350
Transactions with Govt. entities	3,427	2,881	32,282	6,359
Indian Railways	3,427	2,881	32,280	6,132
Others	-	-	2	227
Total	**7,364**	**8,145**	**36,743**	**10,912**

Source: Company, BOBCAPS Research

Valuation methodology

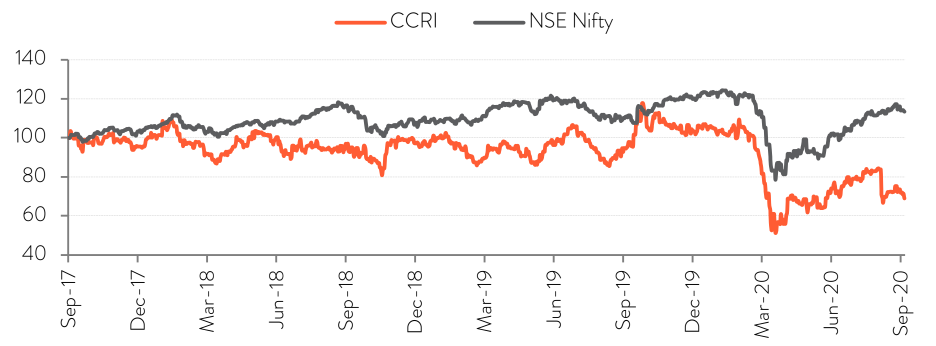
We broadly maintain our earnings estimates and continue to value CCRI's core operations using the P/E methodology. We reiterate SELL and maintain our Sep'21 target price at Rs 345, assigning an unchanged 15x multiple on TTM Sep'22E EPS of Rs 23.

Our target multiple is at ~40% discount to the average trading multiple of the past five years (~25x). We believe this is justified due to (1) uncertainty regarding LLF chargeable by the IR from FY21 onwards, and (2) near-term demand headwinds amidst a tepid global container trade outlook. We have factored in Rs 4.8bn of LLF into our estimates – the management's estimate, instead of the IR's estimate of Rs 7.8bn for two terminals - and await clarity on the final quantum.

The LLF development gives rise to multiple concerns, in our view. Added operating leverage in a cyclical business, exacerbated by the 7% annual escalation clause, would make the long-term earnings profile volatile. The sharper-than-anticipated rise in LLF under the new policy also raises questions over the haulage charges that can apply to container train operators (CTO) operating on the dedicated freight corridor – a sharp rise in haulage charges can largely offset DFC benefits and jeopardise CCRI's long-term growth narrative.

Lastly, this move may hinder the strategic stake sale process as bidders are unlikely to have the same interest in CCRI sans one of its key competitive advantages – access to IR's terminals at subsidised rates, which partially explains its superior ROCE profile vis-à-vis private CTOs. Thus, the LLF dispute will remain an overhang on the stock price, in our view.

FIG 28 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

Key upside risks to our thesis are –

- sharp downward revision in land licensing fee,
- sharper-than-expected recovery in volumes, and
- above-expected operating margin achieved through cost control measures.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue	**65,098**	**64,738**	**58,802**	**75,695**	**87,863**
EBITDA	14,079	16,749	13,339	19,457	22,992
Depreciation	4,246	5,130	5,260	6,156	6,972
EBIT	9,833	11,619	8,079	13,301	16,020
Net interest income/(expenses)	(7)	(361)	(340)	0	0
Other income/(expenses)	7,064	2,797	3,265	3,930	4,374
Exceptional items	0	0	0	0	0
EBT	16,889	14,056	11,004	17,231	20,394
Income taxes	(4,735)	(1,482)	(2,817)	(4,342)	(5,139)
Extraordinary items	0	(8,816)	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	**12,154**	**3,758**	**8,187**	**12,889**	**15,255**
Adjustments	0	8,816	0	0	0
Adjusted net profit	**12,154**	**12,574**	**8,187**	**12,889**	**15,255**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Accounts payables	3,504	1,553	1,295	1,642	1,912
Other current liabilities	9,241	9,539	8,665	11,154	12,947
Provisions	719	692	666	857	995
Debt funds	7,006	0	0	0	0
Other liabilities	303	3,236	3,236	3,236	3,236
Equity capital	3,047	3,047	3,047	3,047	3,047
Reserves & surplus	1,00,632	97,601	1,03,741	1,11,475	1,20,627
Shareholders' fund	1,03,679	1,00,647	1,06,788	1,14,521	1,23,674
Total liabilities and equities	**1,24,453**	**1,15,668**	**1,20,650**	**1,31,410**	**1,42,764**
Cash and cash eq.	1,704	21,686	28,073	27,479	29,836
Accounts receivables	884	1,591	1,611	2,074	2,407
Inventories	233	261	237	305	354
Other current assets	44,491	5,402	4,946	6,368	7,391
Investments	14,029	14,441	14,441	14,441	14,441
Net fixed assets	41,879	49,656	58,772	64,615	69,643
CWIP	6,247	9,375	0	0	0
Intangible assets	68	38	38	38	38
Deferred tax assets, net	(1,616)	145	145	145	145
Other assets	16,534	13,073	12,387	15,946	18,509
Total assets	**1,24,453**	**1,15,668**	**1,20,650**	**1,31,410**	**1,42,764**

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income + Depreciation	16,400	17,704	13,447	19,045	22,227
Interest expenses	7	361	340	0	0
Non-cash adjustments	(117)	(1,761)	0	0	0
Changes in working capital	(29,775)	40,134	(13)	(2,483)	(1,768)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	**(13,485)**	**56,438**	**13,774**	**16,562**	**20,459**
Capital expenditures	(9,245)	(16,005)	(5,000)	(12,000)	(12,000)
Change in investments	(139)	(412)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(9,384)**	**(16,417)**	**(5,000)**	**(12,000)**	**(12,000)**
Equities issued/Others	609	0	0	0	0
Debt raised/repaid	7,006	(7,006)	0	0	0
Interest expenses	(7)	(361)	(340)	0	0
Dividends paid	(6,280)	(2,281)	(2,047)	(5,156)	(6,102)
Other financing cash flows	3,428	(10,392)	0	0	0
Cash flow from financing	**4,756**	**(20,040)**	**(2,387)**	**(5,156)**	**(6,102)**
Changes in cash and cash eq.	**(18,113)**	**19,982**	**6,387**	**(594)**	**2,357**
Closing cash and cash eq.	**1,704**	**21,686**	**28,073**	**27,479**	**29,836**

Per Share

Y/E 31 Mar (Rs)	FY19A	FY20A	FY21E	FY22E	FY23E
Reported EPS	19.9	6.2	13.4	21.2	25.0
Adjusted EPS	19.9	20.6	13.4	21.2	25.0
Dividend per share	10.3	3.7	3.4	8.5	10.0
Book value per share	170.2	165.2	175.3	188.0	203.0

Valuations Ratios

Y/E 31 Mar (x)	FY19A	FY20A	FY21E	FY22E	FY23E
EV/Sales	3.2	3.4	3.7	2.7	2.3
EV/EBITDA	14.9	13.2	16.5	10.5	8.7
Adjusted P/E	18.8	18.2	27.9	17.7	15.0
P/BV	2.2	2.3	2.1	2.0	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY19A	FY20A	FY21E	FY22E	FY23E
Tax burden (Net profit/PBT)	72.0	89.5	74.4	74.8	74.8
Interest burden (PBT/EBIT)	171.8	121.0	136.2	129.5	127.3
EBIT margin (EBIT/Revenue)	15.1	17.9	13.7	17.6	18.2
Asset turnover (Revenue/Avg TA)	62.2	59.6	54.8	66.2	71.5
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.0	1.0	1.0
Adjusted ROAE	12.3	12.3	7.9	11.6	12.8

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
YoY growth (%)					
Revenue	10.5	(0.6)	(9.2)	28.7	16.1
EBITDA	16.7	19.0	(20.4)	45.9	18.2
Adjusted EPS	14.5	3.5	(34.9)	57.4	18.4
Profitability & Return ratios (%)					
EBITDA margin	21.6	25.9	22.7	25.7	26.2
EBIT margin	15.1	17.9	13.7	17.6	18.2
Adjusted profit margin	18.7	19.4	13.9	17.0	17.4
Adjusted ROAE	12.3	12.3	7.9	11.6	12.8
ROCE	9.4	10.7	7.6	11.7	13.1
Working capital days (days)					
Receivables	5	9	10	10	10
Inventory	1	1	1	1	1
Payables	20	9	8	8	8
Ratios (x)					
Gross asset turnover	1.3	1.0	0.8	0.8	0.9
Current ratio	3.7	2.5	3.4	2.7	2.6
Net interest coverage ratio	NM	NM	NM	NM	NM
Adjusted debt/equity	0.1	(0.2)	(0.3)	(0.2)	(0.2)

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

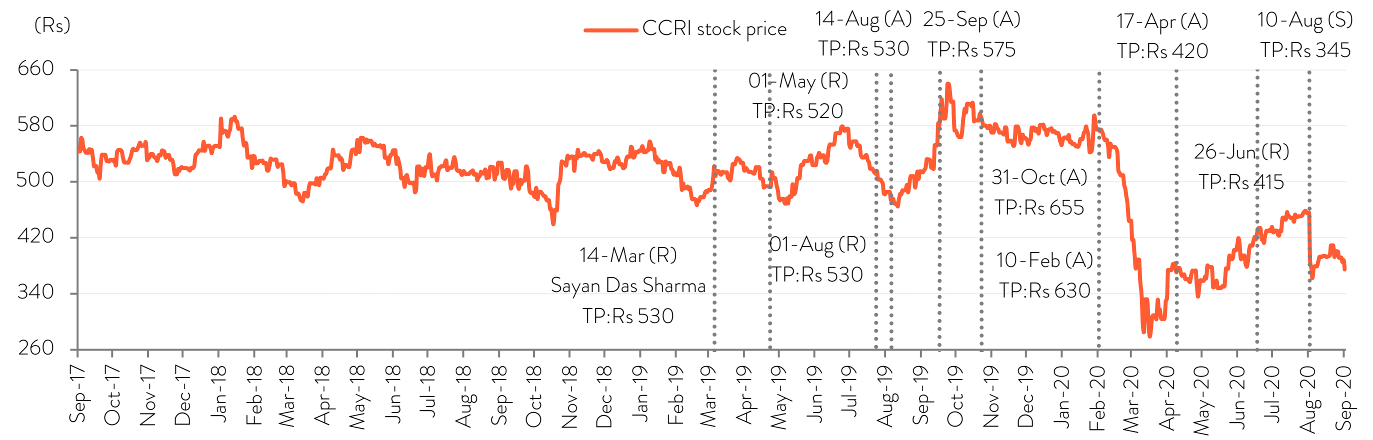
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

RATINGS AND TARGET PRICE (3-YEAR HISTORY): CONTAINER CORP OF INDIA (CCRI IN)



B – Buy, A – Add, R – Reduce, S – Sell

Rating distribution

As of 31 August 2020, out of 100 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 21 have ADD ratings, 11 are rated REDUCE and 20 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.