

## LLF issue largely resolved; DFC on the horizon...

**About the stock:** Concor is the dominant player in the CTO business (66-67% Market share) with 45+ terminals.

- Revenue from rail transportation comprised 75% of the total revenues (rest 4% by road, 13% via handling income, 2% warehousing and 4% others)
- Total volumes handled in FY21 was 3.6 mil TeU, of which EXIM volumes stood at 83% of the mix and rest contributed by domestic containers

**Q1FY22 Results:** Volume growth much stronger than expected

- Revenues grew 52% YoY to ₹ 1808 crore, led by volume growth of 35%
- EBITDA margins expanded 1061 bps YoY to 24%, mainly due to lower payment of land license fees (LLF) charges. Subsequently, absolute EBITDA grew 173% to ₹ 434 crore
- PAT grew 3x YoY to ₹ 255 crore, mainly on strong operational performance

**What should investors do?** With the expected commissioning of the WDFC in September, 2021, Concor has infrastructure/facilities close to the DFC route and would be well placed to garner higher volume growth post commissioning of DFC (shift of cargo from road to rail)

- We remain positive on the long term growth prospects of the stock and maintain our BUY recommendation

**Target Price and Valuation:** We value the stock at ₹ 750 i.e. 25x P/E on FY23E EPS

**Key triggers for future price performance:** With easing of uncertainty regarding the LLF issue and rightsizing of its assets, Concor stays a structural growth story that will play a pivotal role in the changing Indian logistics landscape (DFC, cargo containerisation).

- DFC is expected to get operationalised from H2FY22 onwards
- Containerisation of cement, food grains opens newer growth avenues
- Purchase of land from Indian Railways to provide long term clarity to incoming buyer

**Alternate Stock Idea:** Apart from Concor, we remain positive on GDL

- Gateway Distriparks (GDL) has a diversified presence in logistics verticals like container train operators (70% of revenues), cold chain logistics, container freight stations
- We have a BUY rating on the stock, with a target price of ₹ 340



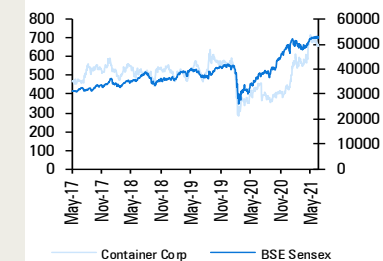
### Particulars

Particular	Amount
Market Capitalisation (₹ cr)	39,299.9
Total Debt (FY21) (₹ cr)	61.8
Cash (FY21) (₹ cr)	2,492.8
EV (₹ Crore)	36,868.8
52 week H/L	748/359
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

### Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	54.8	54.8	54.8	54.8
Others	45.2	45.2	45.2	45.2

### Price Chart



### Recent event & key risks

- Purchase of 24 terminals on Indian Railway land by Concor
- Key Risk:** (i) Slowdown in Exim trade (ii) hike in haulage charges

### Research Analyst

Bharat Chhoda, CFA  
bharat.chhoda@icicisecurities.com

Harshal Mehta  
harshal.mehta@icicisecurities.com

### Key Financial Summary

₹ crore	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	6956.1	6539.4	6427.1	7979.8	9723.3
EBITDA	1790.7	1693.8	1046.8	1867.3	2343.3
PAT	1229.4	404.5	505.2	1329.6	1800.4
P/E (x)	32.0	97.2	77.8	29.6	21.8
P/B (x)	1.2	1.3	1.2	1.1	1.0
RoCE (%)	12.8	10.9	4.5	10.5	12.8
RoE (%)	11.4	12.1	5.4	11.5	14.0

## Key takeaways

### Q1FY22 Results: Realisation hike yielding favourable results

- Concor saw strong volume growth (35%) in spite of the realisation hike taken by the company at its Tughlakabad terminal in Q3FY21
- The company has paid LLF charges to the tune of ₹ 113 crore and expects the year to end with ₹ 375 crore payable to IR as LLF (against ₹ 450 crore)
- Strong volume and realisation growth along with lower LLF charges and cost control measure led to a EBITDA margin of 24% vs. expectation of 21.5% margins

### Q1FY22 Earnings Conference Call highlights

- The management expects to pay an amount in the range of ₹ 6000-7000 crore to acquire Indian Railway land with respect to its 24 terminals. It expects to raise debt in the range of ₹ 3500-4000 crore for covering the said transaction
- It was the best ever Q1 achieved by the company
- It has recently floated tender to for carrying 0.5 MT bulk cement
- On the Exim front, loaded running improved and it also increased terminal charges at Tughlakabad terminal (last quarter)
- The management is not looking at immediate price hikes
- Capex for FY22 is expected at ₹ 500 crore, of which ₹ 300 crore has been earmarked for rail equipment and ₹ 200 crore for IT, infrastructure, etc

Exhibit 1: Variance Analysis

	Q1FY22	Q1FY22E	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	Comments
Revenue	1,807.5	1,760.6	1,189.1	52.0	1,939.3	-6.8	Revenue jump due to a to mix of volume and realisation growth
Employee Expenses	98.5	88.0	79.6	23.8	128.6	-23.4	
Terminal & other Expenses	964.7	959.5	652.3	47.9	1,050.1	-8.1	
Administrative Expenses	310.8	334.5	298.3	4.2	571.6	-45.6	Includes LLF charges of ₹ 113 crore
Total Expense	1,374.0	1,382.0	1,030.1	33.4	1,750.3	-21.5	
EBITDA	433.5	378.5	159.0	172.6	189.0	129.4	
EBITDA Margin (%)	24.0	21.5	13.4	1061 bps	9.7	1424 bps	Margin expansion due to lower LLF charges and higher operating leverage
Depreciation	130.3	129.8	126.0	3.4	132.4	-1.5	
Interest	13.9	8.5	8.5	NA	8.6	NA	
Other Income	55.5	72.3	58.8	-5.6	73.2	-24.2	
PBT	344.8	312.5	83.3	313.7	121.3	184.4	
Exceptional income/(expenses)	0.0	0.0	0.0	NA	-83.4	NA	
Total Tax	89.9	78.8	21.7	315.0	21.7	314.1	
PAT	254.9	233.8	61.7	313.3	16.2	1,475.2	In-sync with higher operational performance
<b>Key Metrics</b>	<b>Q1FY22</b>	<b>Q1FY21</b>	<b>YoY(%)</b>	<b>Q4FY21</b>	<b>QoQ (%)</b>		
EXIM Volume (TEUs)	815,077.0	627,905.0	29.8	858,544.0	-5.1		Volume growth led by a weak base and YoY recovery in Exim trade
Domestic Volume (TEUs)	176,669.0	104,806.0	68.6	200,387.0	-11.8		
Total Volume (TEUs)	991,746	732,711	35.4	1,058,931	-6.3		
Adjusted EXIM Revenue (₹ crore)	1,306.7	900.7	45.1	1,384	-5.6		Realisation higher YoY due to price hikes at flagship terminal
Domestic Revenue (₹ crore)	500.8	288.5	73.6	556	-9.9		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments		
	FY20	FY21	Old	New	% Change	Old		New	% Change
Revenue	6,539.4	6,427.1	7,849.9	7,979.8	1.7	9,804.5	9,723.3	-0.8	Revenue estimates largely unchanged
EBITDA	1,693.8	1,046.8	1,679.9	1,867.3	11.2	2,117.8	2,343.3	10.6	
EBITDA Margin (%)	25.9	16.3	21.4	23.4	200 bps	21.6	24.1	250 bps	Margins estimates revised upwards due to expected LLF resolution
PAT	1,218.7	548.0	1,122.4	1,288.8	14.8	1,410.4	1,754.0	24.4	
EPS (₹)	6.6	8.3	19.1	21.8	14.2	23.9	29.5	23.6	

Source: ICICI Direct Research

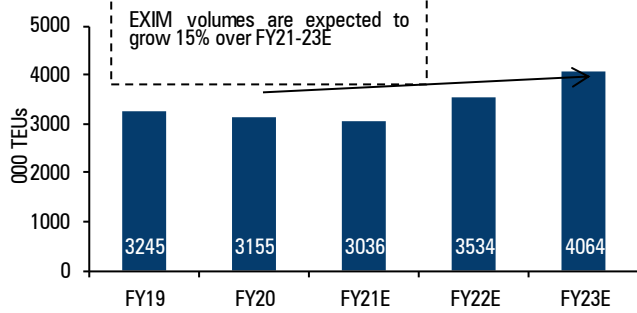
Exhibit 3: Assumptions

	Unit	Current			Earlier		Comments
		FY21	FY22E	FY23E	FY22E	FY23E	
Exim Volume	TEUs	30,35,794	35,34,256	40,64,395	35,02,860	40,28,250	Volumes largely maintained
Domestic Volume	TEUs	6,07,536	7,63,975	8,78,572	6,72,783	7,73,701	Domestic volumes saw stronger traction
Exim Realisation	₹/TEUs	15,525	16,201	17,110	16,889	17,918	
Domestic Realisation	₹/TEUs	27,521	28,797	30,550	29,521	31,319	

Source: ICICI Direct Research

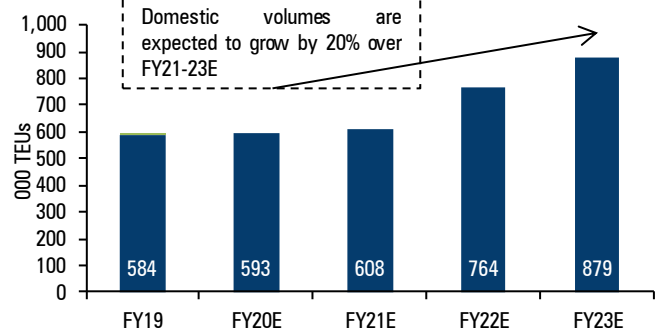
Key Metrics

Exhibit 4: Exim volumes



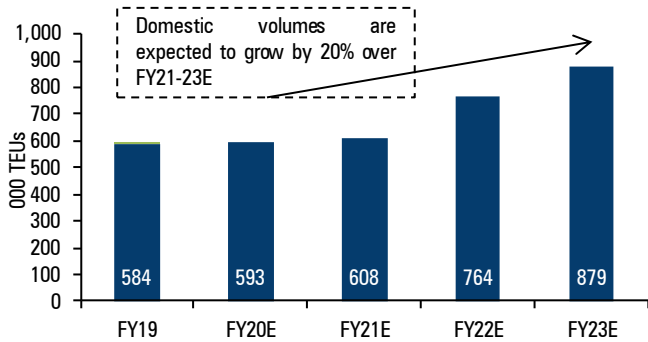
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



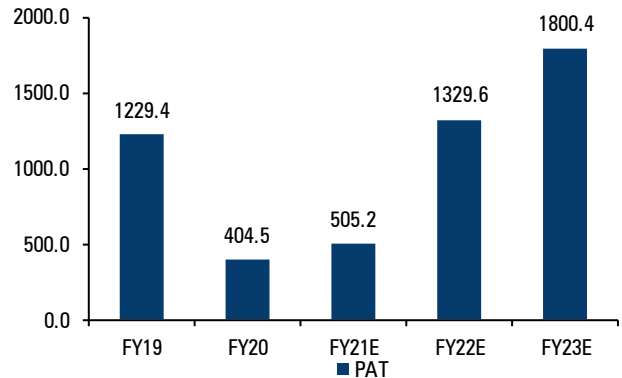
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 23% over FY21-23E



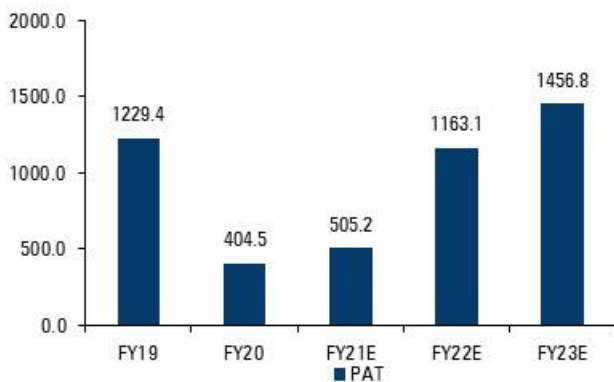
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 50% over FY21-23E



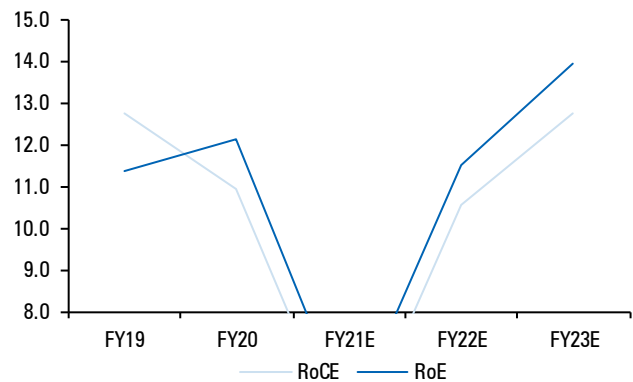
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 89% CAGR in FY21-23 (low base)



Source: Company, ICICI Direct Research

Exhibit 9: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 10: Valuation parameters

	Sales	Sales	EPS	EPS	PE	EV/EBITD	RoNW	RoCE
	(₹ cr)	Growth (%)	(₹)	Growth (%)	(x)	(x)	(%)	(%)
FY19	6956.1	5.2	20.2	10.8	32.0	7.3	11.4	12.8
FY20	6539.4	-6.0	6.6	-67.1	97.2	6.2	12.1	10.9
FY21E	6427.1	-1.7	8.3	24.9	77.8	9.7	5.4	4.5
FY22E	7979.8	24.2	21.8	163.2	29.6	5.5	11.5	10.5
FY23E	9723.3	21.8	29.5	35.4	21.8	4.0	14.0	12.8

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	6,539.4	6,427.1	7,979.8	9,723.3
Growth (%)	-6.0	-1.7	24.2	21.8
Terminal/Other Service chg	4,277.5	4,674.7	5,426.3	6,563.2
Employee Cost	317.0	428.7	383.0	466.7
Administrative & other exp	251.2	277.0	303.2	350.0
Op. Expenditure	4,845.6	5,380.3	6,112.6	7,380.0
EBITDA	1,693.8	1,046.8	1,867.3	2,343.3
Growth (%)	-5.4	-38.2	78.4	25.5
Depreciation	544.4	553.4	617.2	666.2
EBIT	1,149.4	493.4	1,250.1	1,677.1
Interest	46.1	42.9	26.3	21.8
Other Income	253.4	270.4	498.6	688.7
PBT	1,356.8	720.9	1,722.3	2,343.9
Growth (%)	-17.7	-46.9	138.9	36.1
Tax	138.1	173.0	433.5	590.0
Reported PAT	1,218.7	548.0	1,288.8	1,754.0
Growth (%)	3.8	-55.0	135.2	36.1
Exceptional gain/loss	-851.8	-78.7	0.0	0.0
Share of profit from JV	39.8	31.3	36.0	41.4
Minority Interest	-2.2	4.5	4.8	5.0
Adjusted PAT	404.5	505.2	1,329.6	1,800.4
EPS	6.6	8.3	21.8	29.5

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	404.5	505.2	1,329.6	1,800.4
Add: Depreciation	544.4	553.4	617.2	666.2
Add: Interest	46.1	42.9	26.3	21.8
Cash Profit	994.9	1,101.4	1,973.1	2,488.4
Increase/(Decrease) in CL	(163.5)	152.5	(43.7)	(13.6)
(Increase)/Decrease in CA	3,795.3	9.4	(82.7)	(87.3)
Others	(340.9)	6.9	-	-
CF from Operating Activities	4,285.8	1,270.3	1,846.6	2,387.5
Purchase of Fixed Assets	(752.1)	(474.5)	(500.0)	(700.0)
(Inc)/Dec in Investments	(28.6)	(11.3)	(1,000.0)	(110.6)
Others	13.8	227.4	(188.4)	(167.6)
CF from Investing Activities	(767.0)	(258.4)	(1,688.4)	(978.2)
Inc/(Dec) in Loan Funds	(707.0)	(1.8)	(10.0)	(10.0)
Inc/(Dec) in Sh. Cap. & Res	(687.4)	-	-	-
Interest paid	(46.1)	(42.9)	(26.3)	(21.8)
Dividend paid and taxes	(132.9)	(122.5)	(319.1)	(432.1)
Others	40.4	(543.6)	-	-
CF from financing activities	(1,532.9)	(710.8)	(355.4)	(463.9)
Change in cash Eq.	1,985.9	301.2	(197.2)	945.4
Op. Cash and cash Eq.	205.7	2,191.6	2,492.8	2,295.6
Cl. Cash and cash Eq.	2,191.6	2,492.8	2,295.6	3,241.0

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	9,742.3	9,882.5	10,892.9	12,261.2
Shareholder's Fund	10,047.0	10,187.1	11,197.6	12,565.9
Minority Interest	108.5	104.0	106.1	108.2
Loan Funds	63.6	61.8	51.8	41.8
Deferred Tax Liability	0.0	0.0	0.0	0.0
Provisions	393.4	727.8	609.7	515.3
Source of Funds	10,612.5	11,080.6	11,965.2	13,231.1
Application of Funds				
Gross Block	7,452.5	8,317.2	8,817.2	9,517.2
Less: Acc. Depreciation	2,109.4	2,662.8	3,280.0	3,946.2
Net Block	5,343.1	5,654.4	5,537.2	5,571.0
Capital WIP	943.1	922.6	968.7	1,017.1
Total Fixed Assets	6,286.1	6,576.9	6,505.9	6,588.1
Other Intangibles	4.8	8.3	8.3	8.3
Investments	1,275.2	1,289.3	2,297.1	2,416.3
Other Non-Current Assets	1,295.5	1,318.7	1,345.1	1,372.0
Inventories	26.3	24.0	32.8	40.0
Debtor	164.6	160.8	109.3	133.2
Cash & Bank balances	2,191.6	2,492.8	2,295.6	3,241.0
Loan & Advance, Other CA	545.4	539.4	656.9	704.6
Total Current assets	2,927.9	3,216.9	3,094.6	4,118.7
Current Liabilities	155.4	269.3	327.9	399.6
Other Current Liabilities	990.3	1,027.9	925.1	832.6
Provisions	31.4	32.4	32.8	40.1
Total CL and Provisions	1,177.0	1,329.6	1,285.8	1,272.2
Net Working Capital	1,750.9	1,887.4	1,808.8	2,846.5
Application of Funds	10,612.5	11,080.6	11,965.1	13,231.1

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Book Value	515.3	522.5	574.3	644.5
Cash per share	71.9	81.8	75.4	106.4
EPS	6.6	8.3	21.8	29.5
Cash EPS	31.1	34.7	63.9	81.0
DPS	3.6	3.3	8.7	11.8
Profitability & Operating Ratios				
EBITDA Margin (%)	25.9	16.3	23.4	24.1
PAT Margin (%)	6.2	7.9	16.7	18.5
Fixed Asset Turnover (x)	1.0	1.0	1.2	1.5
Inventory Turnover (Days)	1.5	1.5	1.5	1.5
Debtor (Days)	9.2	9.0	5.0	5.0
Current Liabilities (Days)	8.7	15.3	15.0	15.0
Return Ratios (%)				
RoE	12.1	5.4	11.5	14.0
RoCE	10.9	4.5	10.5	12.8
RoIC	17.1	7.5	18.5	23.8
Valuation Ratios (x)				
P/E	97.2	77.8	29.6	21.8
Price to Book Value	1.3	1.2	1.1	1.0
EV/EBITDA	6.2	9.7	5.5	4.0
EV/Sales	1.6	1.6	1.3	1.0
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	0.1	0.0	0.0
Current Ratio	2.5	2.4	2.4	3.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

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