

Reduction in LLF fee to further strengthen margins...

About the stock: Concor is the dominant player in the CTO business (65% market share) with ~60 terminals.

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

Q1FY23 Results: The EBITDA margin was better than I-direct expectations.

- Revenues grew 9% YoY to ₹ 1978 crore aided by strong performance of the domestic segment, which grew 35% YoY to ₹ 678 crore
- EBITDA margins remained flattish YoY at 23.9%. Absolute EBITDA grew 9% YoY to ₹ 472 crore and was better than I-direct estimate of ₹ 460 crore
- Consequently, PAT grew 14% YoY to ₹ 291 crore

What should investors do? The management has guided for clocking 6.5-7 million TeUs volumes in the next three to four years (currently at 4 million TeUs) and subsequently doubling revenues. Further, various newer initiatives (3PL, distribution logistics, cement & food grain transport, higher terminal utilisation, etc.) are expected to diversify Concor offerings to customers and thereby capture higher wallet share.

- 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 ₹ 810 i.e. 22x P/E on FY24E EPS

Key triggers for future price performance: Multiple triggers are in place for the stock like higher double stacking (46% jump in FY22 to 3757 trains), running rakes with higher axle loads, targeting 1 million TeUs container run rate at Khatuwas (MMLPs), DFC connectivity to Dadri, JNPT, diversification into other logistics verticals.

- Clarity on land policy by Gol is expected to facilitate Concor's privatisation
- Higher movement of bulk commodities to improve domestic volume share (has a dominant market share in India) in consolidated revenues

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 ₹ 85



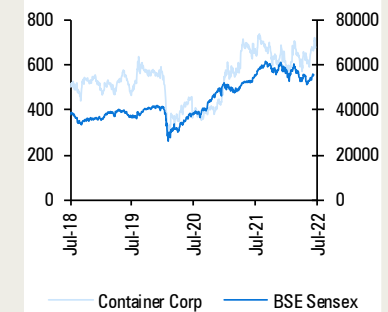
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	41,737.1
Total Debt (FY22) (₹ cr)	61.8
Cash (FY22) (₹ cr)	2,917.8
EV (₹ Crore)	38,881.0
52 week H/L	754/555
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	54.8	54.8	54.8	54.8
Others	45.2	45.2	45.2	45.2

Price Chart



Recent event & key risks

- Maintained guidance of 10-12% volume growth in FY23
- Key Risk:** (i) Slowdown in Exim trade (ii) Hike in haulage charges

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Key Financial Summary

₹ crore	FY20	FY21	FY22P	5 Years CAGR (FY17-22)	FY23E	FY24E	2 Years CAGR
Net Sales	6539.4	6427.1	7652.7	5.1	9235.1	11456.8	22.4
EBITDA	1693.8	1046.8	1747.3	7.0	2271.8	2910.0	29.1
PAT	404.5	505.2	1055.1	4.2	1862.4	2263.8	46.5
P/E (x)	103.2	82.6	39.6		22.4	18.4	
P/B (x)	1.3	1.3	1.2		1.1	0.9	
RoCE (%)	10.9	4.5	10.2		12.3	14.4	
RoE (%)	12.1	5.4	9.6		14.9	15.7	

Source: Company, ICICI Direct Research

Key takeaways

Q1FY23 Results: Volume/revenue guidance maintained at 10-12%

- EBIT per TeU for the Exim segment was at ₹ 3480 per TeU while for the domestic segment it was at ₹ 2591 per TeU
- The company has paid lower LLF charges to the tune of ₹ 96 crore in Q1FY23 while it has guided an annual LLF payment to the tune of ₹ 370 crore

Q1FY23 Earnings Conference Call highlights

- The management highlighted that the domestic business was witnessing strong traction but the Exim segment was softer due to various macro and global geopolitical issues. With easing of logistics bottlenecks and likelihood of stability in geopolitical scenario the company is hopeful of a pick-up in the Exim segment over the next few quarters
- On the capex front, the management highlighted that the capex could be around ₹ 550-600 crore for FY23, which is lower than earlier envisaged of around ₹ 670 crore. The lower capex is on account of delay in sourcing containers as the company is now looking to source from domestic companies rather than from China due to geo political reasons. However, over the longer term the management expects to further incur a capex in the range of ₹ 8000-10000 crore in three to four years. The capex would be primarily utilised in developing infrastructure, purchasing containers, rolling stocks and electrical equipment's. The capex would be likely funded through internal accruals
- The company has maintained its guidance of 10-12% volume/revenue growth for FY23
- The company expects the land license fee (LLF) to be around ₹ 370 crore in FY23 vs. ₹ 450 crore in FY22, which included a provision of ₹ 70 crore
- The management indicated that for bulk transportation of cement it is in talks with all major cement manufacturers in India. It is a promising business segment and should witness strong growth once incumbent players set up their ecosystem for bulk transportation of cement by rail. The company is looking to convert customers who are currently using road transport to using the rail mode for transportation of bulk cement
- The company has added 31 high capacity rakes and is planning to further keep adding the same. Overall, Concor is planning to increase asset utilisation, which would aid in enhancing the operating efficiency for the company
- On the double stacking front, the double stacked trains during the quarter were up 42% at 1145 trains
- Concor's revenue mix includes 37.5% from Mundra, 11% Pipavav, 35% JNPT, 5% Chennai, 5% Vizag and 2% Tuticorin and 2% from Kolkata

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Revenue	1,978.3	2,015.9	1,807.5	9.4	2,043.0	-3.2	YoY revenue jump largely due to higher domestic container growth
Employee Expenses	103.4	100.8	98.5	4.9	121.2	-14.7	
Terminal & other Expenses	1,087.5	1,108.7	964.7	12.7	1,113.8	-2.4	
Administrative Expenses	315.1	346.7	310.8	1.4	395.2	-20.3	Includes LLF charges of ~₹ 96 crore
Total Expense	1,506.0	1,556.2	1,374.0	9.6	1,630.3	-7.6	
EBITDA	472.3	459.6	433.5	9.0	412.8	14.4	
EBITDA Margin (%)	23.9	22.8	24.0	-11 bps	20.2	367 bps	YoY margin maintained owing to lower LLF charges
Depreciation	131.2	131.7	130.3	0.7	130.9	0.2	
Interest	13.9	13.6	13.9	NA	14.0	NA	
Other Income	62.9	66.3	55.5	13.3	69.4	-9.3	
PBT	390.1	380.7	344.8	13.1	337.2	15.7	
Exceptional income/(expenses)	0.0	0.0	0.0	NA	0.0	NA	
Total Tax	98.8	95.9	89.9	9.8	80.4	22.9	
PAT	291.3	284.7	254.9	14.3	256.9	13.4	
Key Metrics	Q1FY23	Q1FY22	YoY(%)	Q4FY22	QoQ (%)		
EXIM Volume (TEUs)	784,857.0	815,077.0	-3.7	832,863.0	-5.8		Volume growth remains subdued due to lower imports
Domestic Volume (TEUs)	228,191.0	176,669.0	29.2	235,858.0	-3.3		Strong volume growth due to incremental volumes from industrial chemicals, tiles, cement, etc
Total Volume (TEUs)	1,013,048	991,746	2.1	1,068,721	-5.2		
Adjusted EXIM Revenue (₹ crore)	1,300.0	1,306.7	-0.5	1,359.9	-4.4		
Domestic Revenue (₹ crore)	678.0	500.8	35.4	683.2	-0.8		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E				FY24E				Comments
	FY22	Old	New	% Change	Old	New	% Change		
Revenue	7,652.7	9,583.3	9,235.1	-3.6	11,708.6	11,456.8	-2.2	Revenue estimate impacted due to continued weakness in Exim supply chain	
EBITDA	1,747.3	2,357.5	2,271.8	-3.6	2,974.0	2,910.0	-2.2		
EBITDA Margin (%)	22.8	24.6	24.6	0 bps	25.4	25.4	0 bps	Margins kept largely unchanged	
PAT	1,028.4	1,741.1	1,832.0	5.2	2,237.5	2,229.0	-0.4		
EPS (₹)	17.3	29.3	30.6	4.2	37.6	37.2	-1.2		

Source: ICICI Direct Research

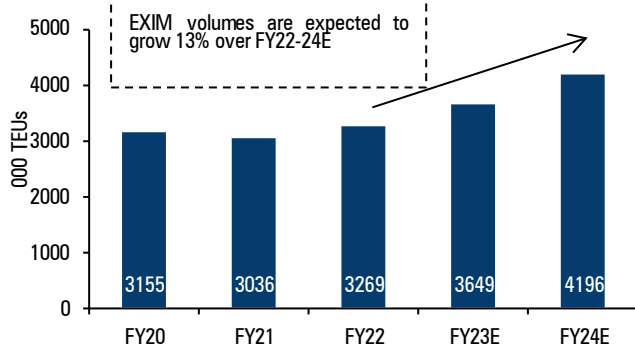
Exhibit 3: Assumptions

	Unit	Current			Earlier		Comments
		FY22	FY23E	FY24E	FY23E	FY24E	
Exim Volume	TEUs	3,269,026	3,648,542	4,195,823	3,719,515	4,277,443	
Domestic Volume	TEUs	803,899	980,867	1,177,040	964,679	1,157,615	Domestic volumes saw stronger traction
Exim Realisation	₹/TEUs	16,178	16,962	18,033	16,546	17,593	
Domestic Realisation	₹/TEUs	28,683	30,191	32,029	30,322	32,169	

Source: ICICI Direct Research

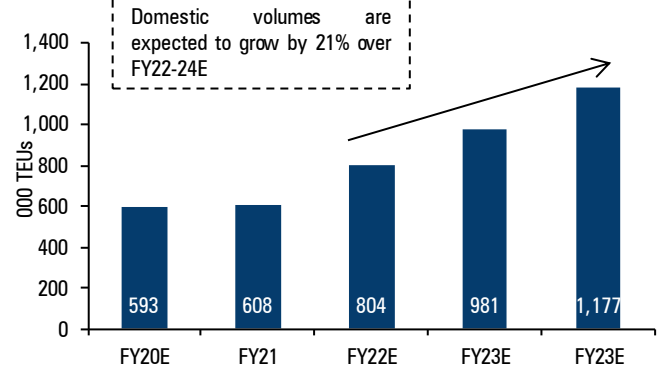
Key Metrics

Exhibit 4: Exim volumes



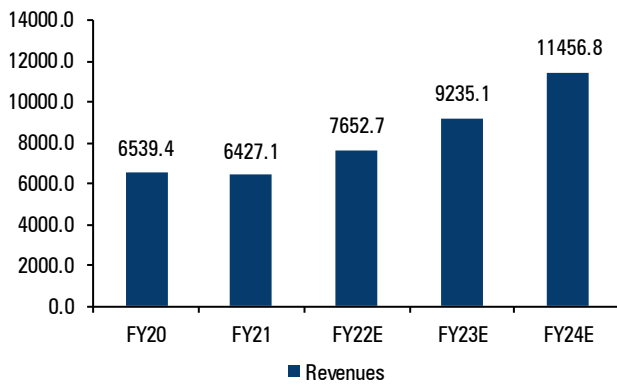
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



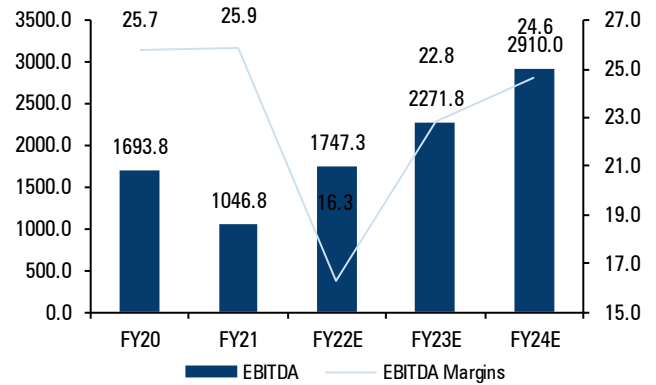
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 14% over FY21-24E



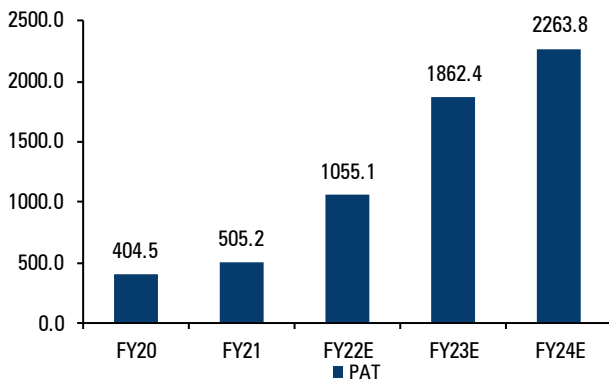
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 19% over FY21-24E



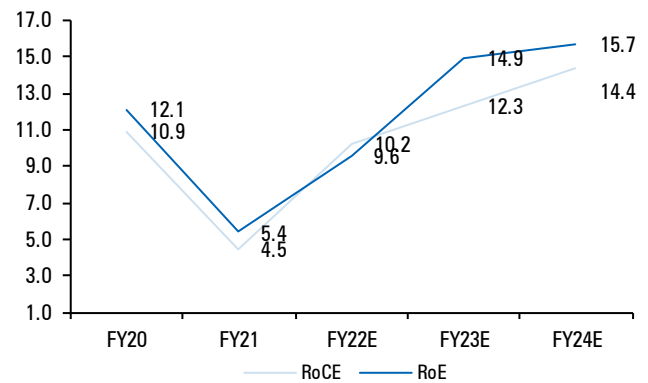
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 29% CAGR in FY22-24E



Source: Company, ICICI Direct Research

Exhibit 9: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 10: Valuation parameters

	Sales (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITD (x)	RoNW (%)	RoCE (%)
FY20	6539.4	-6.0	6.6	-67.1	103.2	6.6	12.1	10.9
FY21	6427.1	-1.7	8.3	24.9	82.6	10.4	5.4	4.5
FY22E	7652.7	19.1	17.3	108.9	39.6	6.0	9.6	10.2
FY23E	9235.1	20.7	30.6	76.5	22.4	4.6	14.9	12.3
FY24E	11456.8	24.1	37.2	21.6	18.4	3.6	15.7	14.4

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	6,427.1	7,652.7	9,235.1	11,456.8
Growth (%)	-1.7	19.1	20.7	24.1
Terminal/Other Service ch	4,674.7	5,252.1	6,187.5	7,618.8
Employee Cost	428.7	419.2	443.3	527.0
Administrative & other exp	277.0	234.3	332.5	401.0
Op. Expenditure	5,380.3	5,905.5	6,963.3	8,546.8
EBITDA	1,046.8	1,747.3	2,271.8	2,910.0
Growth (%)	-38.2	66.9	30.0	28.1
Depreciation	553.4	561.4	672.7	777.7
EBIT	493.4	1,185.9	1,599.2	2,132.3
Interest	42.9	62.4	26.3	21.8
Other Income	270.4	247.1	875.4	868.3
PBT	720.9	1,370.6	2,448.2	2,978.8
Growth (%)	-46.9	90.1	78.6	21.7
Tax	173.0	342.2	616.2	749.8
Reported PAT	548.0	1,028.4	1,832.0	2,229.0
Growth (%)	-55.0	87.7	78.1	21.7
Exceptional gain/loss	-78.7	0.0	0.0	0.0
Share of profit from JV	31.3	23.9	27.5	31.6
Minority Interest	4.5	2.9	3.0	3.1
Adjusted PAT	505.2	1,055.1	1,862.4	2,263.8
EPS	8.3	17.3	30.6	37.2

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	505.2	1,055.1	1,862.4	2,263.8
Add: Depreciation	553.4	561.4	672.7	777.7
Add: Interest	42.9	62.4	26.3	21.8
Cash Profit	1,101.4	1,678.9	2,561.5	3,063.3
Increase/(Decrease) in CL	152.5	(22.5)	(157.5)	27.2
(Increase)/Decrease in CA	9.4	(0.8)	(157.1)	(104.0)
Others	6.9	41.7	-	-
CF from Operating Activities	1,270.3	1,697.3	2,246.8	2,986.5
Purchase of Fixed Assets	(474.5)	(765.3)	(700.0)	(1,500.0)
(Inc)/Dec in Investments	(11.3)	4.1	(1,000.0)	(1,000.0)
Others	227.4	(2.6)	(204.9)	(179.8)
CF from Investing Activities	(258.4)	(763.8)	(1,904.9)	(2,679.8)
Inc/(Dec) in Loan Funds	(1.8)	0.0	(10.0)	(10.0)
Inc/(Dec) in Sh. Cap. & Res	-	-	-	-
Interest paid	(42.9)	(62.4)	(26.3)	(21.8)
Dividend paid and taxes	(184.6)	(329.0)	(329.0)	(329.0)
Others	(481.4)	(117.1)	-	-
CF from financing activities	(710.8)	(508.5)	(365.4)	(360.9)
Change in cash Eq.	301.2	425.0	(23.5)	(54.2)
Op. Cash and cash Eq.	2,191.6	2,492.8	2,917.8	2,894.4
Cl. Cash and cash Eq.	2,492.8	2,917.8	2,894.4	2,840.2

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	9,882.5	10,450.9	11,984.3	13,919.1
Shareholder's Fund	10,187.1	10,755.6	12,289.0	14,223.7
Minority Interest	104.0	101.1	103.1	105.2
Loan Funds	61.8	61.8	51.8	41.8
Deferred Tax Liability	0.0	0.0	0.0	0.0
Provisions	727.8	775.9	638.0	527.8
Source of Funds	11,080.6	11,694.4	13,082.0	14,898.5
Application of Funds				
Gross Block	8,286.7	8,909.9	9,609.9	11,109.9
Less: Acc. Depreciation	2,632.3	3,193.7	3,866.4	4,644.1
Net Block	5,654.4	5,716.2	5,743.5	6,465.8
Capital WIP	922.6	744.7	781.9	821.0
Total Fixed Assets	6,576.9	6,460.9	6,525.5	7,286.9
Other Intangibles	8.3	17.2	17.2	17.2
Investments	1,289.3	1,254.0	2,258.7	3,263.8
Other Non-Current Assets	1,318.7	1,595.3	1,627.2	1,659.7
Inventories	24.0	30.7	38.0	47.1
Debtor	160.8	181.7	126.5	156.9
Cash & Bank balances	2,492.8	2,917.8	2,894.4	2,840.2
Loan & Advance, Other CA	539.4	543.8	744.2	803.5
Total Current assets	3,216.9	3,674.1	3,803.0	3,847.7
Current Liabilities	269.3	422.3	379.5	470.8
Other Current Liabilities	1,027.9	813.4	732.1	658.9
Provisions	32.4	71.4	38.0	47.1
Total CL and Provisions	1,329.6	1,307.1	1,149.5	1,176.8
Net Working Capital	1,887.4	2,367.0	2,653.5	2,671.0
Application of Funds	11,080.6	11,694.4	13,082.0	14,898.6

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
Per share data (₹)				
Book Value	522.5	551.7	630.3	729.5
Cash per share	81.8	95.8	95.0	93.2
EPS	8.3	17.3	30.6	37.2
Cash EPS	34.7	53.1	83.2	99.8
DPS	5.0	9.0	9.0	9.0
Profitability & Operating Ratios				
EBITDA Margin (%)	16.3	22.8	24.6	25.4
PAT Margin (%)	7.9	13.8	20.2	19.8
Fixed Asset Turnover (x)	1.0	1.2	1.4	1.6
Inventory Turnover (Days)	1.5	1.5	1.5	1.5
Debtor (Days)	9.0	5.0	5.0	5.0
Current Liabilities (Days)	15.3	20.1	15.0	15.0
Return Ratios (%)				
RoE	5.4	9.6	14.9	15.7
RoCE	4.5	10.2	12.3	14.4
RoIC	7.5	17.7	22.1	25.9
Valuation Ratios (x)				
P/E	82.6	39.6	22.4	18.4
Price to Book Value	1.3	1.2	1.1	0.9
EV/EBITDA	10.4	6.0	4.6	3.6
EV/Sales	1.7	1.4	1.1	0.9
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)	0.1	0.0	0.0	0.0
Current Ratio	2.4	2.8	3.3	3.3
Quick ratio	2.4	2.8	3.3	3.2
Working Cap days	-4.8	-13.6	-8.5	-8.5
Asset Turnover	0.8	0.9	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
APSEZ	800	900	BUY	1,62,540	21.2	35.9	44.3	32.5	34.5	22.3	21.8	22.2	15.3	12.7	9.6	13.7	16.3	11.3	16.5
Container Corporation	685	750	BUY	36,558	17.3	30.6	37.2	82.6	39.6	22.4	10.4	6.0	4.6	4.5	10.2	12.3	5.4	9.6	14.9
Transport Corp. of India	720	860	BUY	5,252	37.3	42.4	50.8	38.0	19.3	17.0	20.9	12.8	11.4	13.3	20.3	20.2	12.9	20.5	19.1
TCI Express	1,690	1,950	BUY	6,507	26.2	33.5	37.5	73.1	65.0	50.8	53.6	48.5	37.4	36.3	31.9	33.4	29.5	26.1	26.6
Mahindra Logistics	475	550	BUY	3,406	5.2	9.0	14.9	91.9	53.1	32.0	16.2	12.2	9.2	12.2	33.1	38.4	6.3	10.1	14.6
Gateway Distriparks	70	85	BUY	3,498	4.5	3.5	4.4	37.1	15.6	19.9	12.6	10.3	8.9	11.7	15.4	16.2	6.4	13.7	10.2

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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