

## Reduced transit times, price hike on horizon...

**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 mil TeU, of which Exim volumes were at 83% of the mix with the rest contributed by domestic containers

**Q2FY22 Results:** The performance was on expected lines.

- Revenues grew 21% YoY to ₹ 1824 crore, led by volume growth of 11%
- EBITDA margins expanded 256 bps YoY to 23.4%, mainly due to lower payment of land license fees (LLF) charges. Subsequently, absolute EBITDA grew 36% to ₹ 427 crore
- PAT grew 41% YoY to ₹ 264 crore, mainly on the back of a strong operational performance

**What should investors do?** Concor and CTOs in general are seeing their transit times declining between TKD/Dadri to Gujarat ports. Further, normalisation of DFC and ₹ 1000/TeU pan-India price hike from October 1 are expected to further accelerate its topline (shift of cargo from road to rail) and bottomline growth.

- 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. 26x P/E on FY23E EPS

**Key triggers for future price performance:** Higher double stacking along with assured transit times will help Concor efficiently utilise its rolling stocks, improve dwell time of containers on ports and its terminals at reduced costs

- DFC is expected to normalise from Q3 onwards
- Apart from rail transportation service, Concor continues to explore business opportunities in areas like first mile, last mile service and distribution logistics
- Clarity on land policy by GoI is expected to facilitate Concor privatisation

**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 ₹ 350



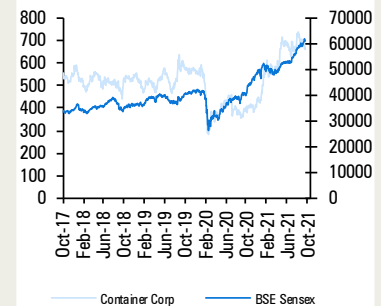
### Particulars

Particular	Amount
Market Capitalisation (₹ cr)	41,432.4
Total Debt (FY21) (₹ cr)	61.8
Cash (FY21) (₹ cr)	2,492.8
EV (₹ Crore)	39,001.4
52 week H/L	754/365
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

### Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-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

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### Key Financial Summary

₹ crore	FY19	FY20	FY21	5 Years CAGR (FY16-21)	FY22E	FY23E	2 Years CAGR
Net Sales	6956.1	6539.4	6427.1	0.4	8019.7	9859.7	23.9
EBITDA	1790.7	1693.8	1046.8	-2.0	1916.7	2425.5	52.2
PAT	1229.4	404.5	505.2	-8.4	1368.2	1902.3	94.1
P/E (x)	33.7	102.4	82.0		30.3	21.8	
P/B (x)	1.3	1.3	1.3		1.2	1.0	
RoCE (%)	12.8	10.9	4.5		10.8	12.9	
RoE (%)	11.4	12.1	5.4		11.7	14.2	

## Key takeaways

### Q2FY22 Results: Margins continue to stay strong

- While Exim volumes grew 6% YoY, Exim revenues grew 14%. The management has indicated at further price hikes to support its ambition of getting profitable business across India
- The company has paid LLF charges to the tune of ₹ 226 crore in H1 and expects the year to end with ₹ 450 crore payable to IR as LLF

### Q2FY22 Earnings Conference Call highlights

- Shortage of containers continues to impact volumes of the Exim business. The current share of Exim revenues was at 71% while domestic revenues contributed 29% in H1FY22. Over the next five years, the company aims to increase the domestic revenue share to ~ 40% while Exim is expected to contribute around 60% of total revenues. The management indicated that the profitability of the domestic business is similar to the Exim business and even with increased proportion of domestic business the company would be able to maintain the current margin profile
- It was the best ever Q2, H1 achieved by the company in terms of revenues and profitability
- The progress on the planned capex has been slow owing to impact of Covid-19. However, the company expects to meet the yearly target in the next six months
- Concor has taken a price hike of ₹ 1000/Teu effective from October 1, 2021
- The company is witnessing improved volumes owing to partial commissioning of the DFC. Hence, it has increased the volume guidance to 15% for FY22 from its earlier guidance of 12%

Exhibit 1: Variance Analysis

	Q2FY22	Q2FY22E	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	Comments
Revenue	1,823.9	1,876.5	1,502.7	21.4	1,807.5	0.9	YoY revenue jump largely due to higher Exim realisation growth
Employee Expenses	99.7	103.2	84.2	18.4	98.5	1.2	
Terminal & other Expenses	983.8	1,013.3	820.5	19.9	964.7	2.0	
Administrative Expenses	314.0	337.8	285.1	10.1	310.8	1.0	Includes LLF charges of ₹ 113 crore
Total Expense	1,397.5	1,454.3	1,189.8	17.5	1,374.0	1.7	
EBITDA	426.5	422.2	313.0	36.3	433.5	-1.6	
EBITDA Margin (%)	23.4	22.5	20.8	256 bps	24.0	-60 bps	Margin expansion due to lower LLF charges and higher operating leverage
Depreciation	136.2	131.3	127.2	7.1	130.3	4.5	
Interest	13.5	11.2	8.5	NA	13.9	NA	
Other Income	75.0	64.4	71.3	5.2	55.5	35.1	
PBT	351.8	344.0	248.6	41.5	344.8	2.0	
Exceptional income/(expenses)	-0.1	0.0	0.0	NA	0.0	NA	
Total Tax	87.6	86.7	61.0	43.6	89.9	-2.6	
PAT	264.1	257.3	187.6	40.8	254.9	3.6	In-sync with higher operational performance
<b>Key Metrics</b>	<b>Q2FY22</b>	<b>Q2FY21</b>	<b>YoY(%)</b>	<b>Q1FY22</b>	<b>QoQ (%)</b>		
EXIM Volume (TEUs)	7,92,425.0	7,44,788.0	6.4	8,15,077.0	-2.8		YoY volume growth led by a weak base
Domestic Volume (TEUs)	1,88,332.0	1,40,885.0	33.7	1,76,669.0	6.6		
Total Volume (TEUs)	9,80,757	8,85,673	10.7	9,91,746	-1.1		
Adjusted EXIM Revenue (₹ crore)	1,292.6	1,130.0	14.4	1,307	-1.1		Realisation higher YoY due to price hikes at flagship terminal
Domestic Revenue (₹ crore)	531.4	372.7	42.6	501	6.1		

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	8,035.6	8,019.7	-0.2	9,790.9	9,859.7	0.7	Revenue estimates largely unchanged
EBITDA	1,693.8	1,046.8	1,880.3	1,916.7	1.9	2,359.6	2,425.5	2.8	
EBITDA Margin (%)	25.9	16.3	23.4	23.9	50 bps	24.1	24.6	50 bps	Margins estimates revised upwards due to efficient cost control measures
PAT	1,218.7	548.0	1,298.6	1,327.4	2.2	1,767.9	1,855.9	5.0	
EPS (₹)	6.6	8.3	22.0	22.5	2.2	29.8	31.2	4.8	

Source: ICICI Direct Research

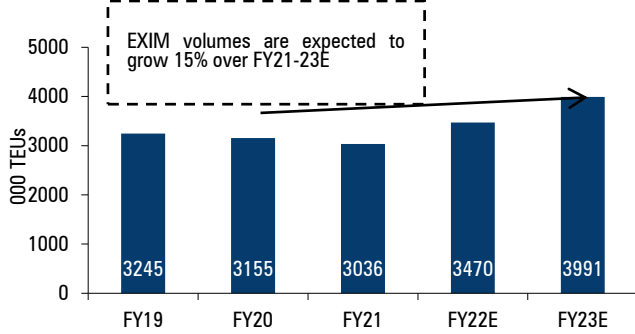
Exhibit 3: Assumptions

	Unit	Current			Earlier		Comments
		FY21	FY22E	FY23E	FY22E	FY23E	
Exim Volume	TEUs	30,35,794	34,70,175	39,90,701	35,02,860	40,28,250	Volumes largely maintained
Domestic Volume	TEUs	6,07,536	7,69,157	8,84,530	6,72,783	7,73,701	Domestic volumes saw stronger traction
Exim Realisation	₹/TEUs	15,525	16,596	17,754	16,889	17,918	
Domestic Realisation	₹/TEUs	27,521	28,689	30,404	29,521	31,319	

Source: ICICI Direct Research

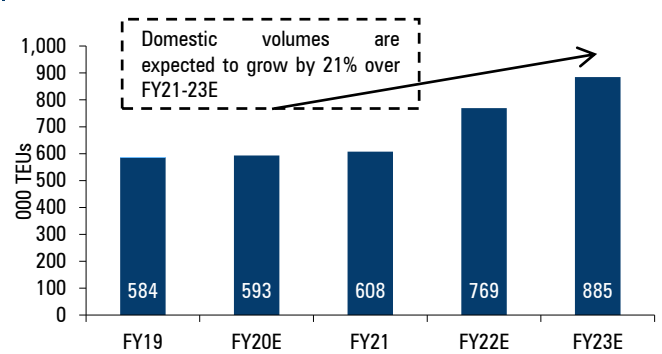
## Key Metrics

Exhibit 4: Exim volumes



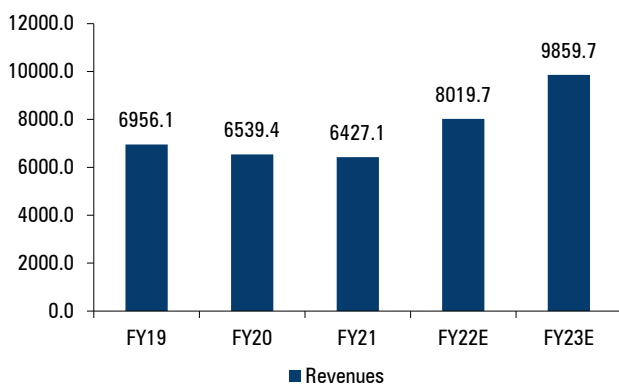
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



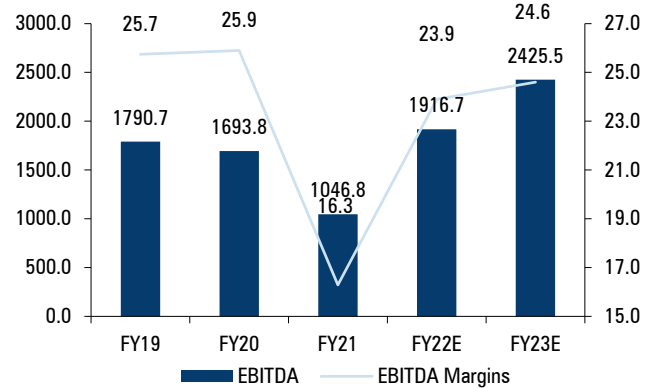
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 24% over FY21-23E



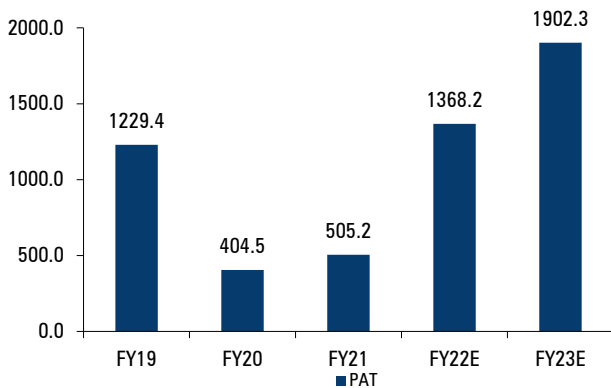
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 52% over FY21-23E



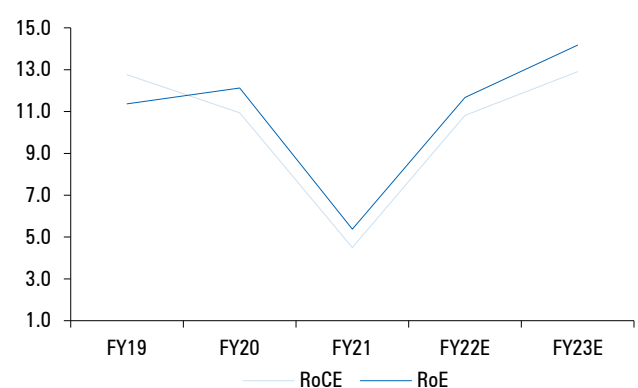
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 94% 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 (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITD (x)	RoNW (%)	RoCE (%)
FY19	6956.1	5.2	20.2	10.8	33.7	7.7	11.4	12.8
FY20	6539.4	-6.0	6.6	-67.1	102.4	6.6	12.1	10.9
FY21	6427.1	-1.7	8.3	24.9	82.0	10.3	5.4	4.5
FY22E	8019.7	24.8	22.5	170.8	30.3	5.7	11.7	10.8
FY23E	9859.7	22.9	31.2	39.0	21.8	3.9	14.2	12.9

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	8,019.7	9,859.7
Growth (%)	-6.0	-1.7	24.8	22.9
Terminal/Other Service ch	4,277.5	4,674.7	5,413.3	6,606.0
Employee Cost	317.0	428.7	384.9	473.3
Administrative & other exp	251.2	277.0	304.7	354.9
Op. Expenditure	4,845.6	5,380.3	6,103.0	7,434.2
EBITDA	1,693.8	1,046.8	1,916.7	2,425.5
Growth (%)	-5.4	-38.2	83.1	26.5
Depreciation	544.4	553.4	615.1	664.1
EBIT	1,149.4	493.4	1,301.6	1,761.4
Interest	46.1	42.9	26.3	21.8
Other Income	253.4	270.4	498.6	740.6
PBT	1,356.8	720.9	1,773.9	2,480.1
Growth (%)	-17.7	-46.9	146.1	39.8
Tax	138.1	173.0	446.5	624.3
Reported PAT	1,218.7	548.0	1,327.4	1,855.9
Growth (%)	3.8	-55.0	142.2	39.8
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	1,368.2	1,902.3
EPS	6.6	8.3	22.5	31.2

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	1,368.2	1,902.3
Add: Depreciation	544.4	553.4	615.1	664.1
Add: Interest	46.1	42.9	26.3	21.8
Cash Profit	994.9	1,101.4	2,009.6	2,588.2
Increase/(Decrease) in CL	(163.5)	152.5	(41.9)	(9.2)
(Increase)/Decrease in CA	3,795.3	9.4	(84.3)	(91.1)
Others	(340.9)	6.9	-	-
CF from Operating Activitie	4,285.8	1,270.3	1,883.3	2,487.8
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)	(184.6)	(182.8)	(182.8)
Others	40.4	(481.4)	-	-
CF from financing activities	(1,532.9)	(710.8)	(219.1)	(214.6)
Change in cash Eq.	1,985.9	301.2	(24.2)	1,295.0
Op. Cash and cash Eq.	205.7	2,191.6	2,492.8	2,468.6
Cl. Cash and cash Eq.	2,191.6	2,492.8	2,468.6	3,763.6

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	11,067.8	12,787.3
Shareholder's Fund	10,047.0	10,187.1	11,372.5	13,092.0
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	12,140.1	13,757.3
Application of Funds				
Gross Block	7,495.7	8,286.7	8,786.7	9,486.7
Less: Acc. Depreciation	2,152.7	2,632.3	3,247.4	3,911.4
Net Block	5,343.1	5,654.4	5,539.3	5,575.2
Capital WIP	943.1	922.6	968.7	1,017.1
Total Fixed Assets	6,286.1	6,576.9	6,508.0	6,592.4
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	33.0	40.5
Debtor	164.6	160.8	109.9	135.1
Cash & Bank balances	2,191.6	2,492.8	2,468.6	3,763.6
Loan & Advance, Other CA	545.4	539.4	657.8	707.6
Total Current assets	2,927.9	3,216.9	3,269.2	4,646.7
Current Liabilities	155.4	269.3	329.6	405.2
Other Current Liabilities	990.3	1,027.9	925.1	832.6
Provisions	31.4	32.4	33.0	40.6
Total CL and Provisions	1,177.0	1,329.6	1,287.6	1,278.4
Net Working Capital	1,750.9	1,887.4	1,981.5	3,368.3
Application of Funds	10,612.5	11,080.6	12,140.0	13,757.2

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	583.3	671.5
Cash per share	71.9	81.8	81.0	123.5
EPS	6.6	8.3	22.5	31.2
Cash EPS	31.1	34.7	65.1	84.2
DPS	3.6	5.0	5.0	5.0
Profitability & Operating Ratios				
EBITDA Margin (%)	25.9	16.3	23.9	24.6
PAT Margin (%)	6.2	7.9	17.1	19.3
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	11.7	14.2
RoCE	10.9	4.5	10.8	12.9
RoIC	17.1	7.5	19.3	25.0
Valuation Ratios (x)				
P/E	102.4	82.0	30.3	21.8
Price to Book Value	1.3	1.3	1.2	1.0
EV/EBITDA	6.6	10.3	5.7	3.9
EV/Sales	1.7	1.7	1.4	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	2.5	3.6
Quick ratio	2.5	2.4	2.5	3.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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