

## Exim headwinds, market share loss impact momentum

**About the stock:** Concor is the dominant player in the CTO business (58% 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

**Q3FY23 Results:** Margins inverted. Competition intensified.

- Revenues grew 4% YoY to ₹ 1988 crore aided by the strong performance of the domestic segment, which grew 22% YoY to ₹ 719 crore
- EBITDA margins contracted 229 bps to 21.4%. Absolute EBITDA de-grew 6% YoY to ₹ 426 crore and was below than I-direct estimate of ₹ 500 crore
- Consequently, PAT grew 4% YoY to ₹ 297 crore, due to higher other income

**What should investors do?** Concor has been consistently losing Exim market share, citing higher competitive pressure and also unable to grow longer lead distance cargo, due to Exim headwinds and also resource constraints. Domestic growth also saw deterioration in margins in Q3. While the company has launched 1+1 scheme to gain market share (carry complementary empty containers), recovery in margins would be key monitorable.

- We change our stance from BUY to **HOLD** recommendation

**Target Price and Valuation:** We value the stock at ₹ 700 i.e. 32x P/E on FY24E EPS.

**Key triggers for future price performance:** Higher double stacking (46% jump in FY22 to 3757 trains), running rakes with higher axle loads, targeting 1 mn 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 TCI Express

- TCI Express is a leading asset light B2B (95% of revenues) express logistics company with 28 sorting centres, 800+ owned pan-India centres covering 40000 pick-up and delivery points
- We value the stock at ₹ 2195 i.e. 41x P/E on FY24E EPS



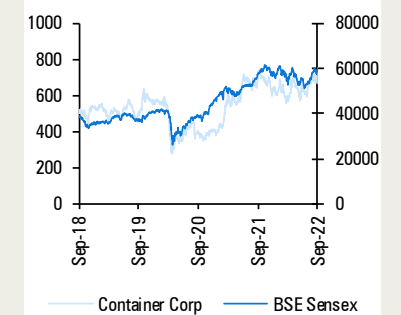
### Particulars

Particular	Amount
Market Capitalisation (₹ cr)	39,299.9
Total Debt (FY22) (₹ cr)	61.8
Cash (FY22) (₹ cr)	2,917.8
EV (₹ Crore)	36,443.8
52 week H/L	829/554
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-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

- Bulk business leading to strong growth in domestic segment
- Key Risk:** (i) Slowdown in Exim trade (ii) Hike in haulage charges

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## Key Financial Summary

₹ crore	FY21	FY22	5 Years CAGR (FY17-22)	FY23E	FY24E	FY25E	3 Years CAGR
Net Sales	6427.1	7652.7	5.1	8052.3	8508.2	9692.3	8.2
EBITDA	1046.8	1747.3	7.0	1900.3	2042.0	2345.5	10.3
PAT	505.2	1055.1	4.2	1268.4	1254.1	1314.9	7.6
P/E (x)	77.8	37.2		31.0	31.3	29.9	
P/B (x)	1.2	1.2		1.1	1.0	0.9	
RoE (%)	5.4	9.6		10.6	9.7	9.4	
RoCE (%)	4.5	10.2		10.0	9.7	10.7	

## Key takeaways

### Q3FY23 Results: Exim: Domestic revenue ratio reaches 64:36 from earlier 78:22

- EBIT per TeU for the Exim segment was at ₹ 3540 per TeU while for the domestic segment it was at ₹ 1700 per TeU
- The company has paid lower LLF charges to the tune of ₹ 97 crore in Q3FY23 while it has guided an annual LLF payment to the tune of ₹ 380-390 crore (excluding a provision of ₹ 70 crore)

### Q3FY23 Earnings Conference Call highlights

- Originating volumes have been impacted during the quarter due to global Exim congestion
- Resource constraint has also exacerbated the condition i.e. lower equipment import from Chinese ports due to shutdown and non-delivery of containers from domestic companies (out of 20000 containers ordered, mere 100-150 delivered)
- Concor's share at Mundra port has dropped sharply from 45% to 38% currently. It has also seen squeeze at Pipavav
- Concor is expected to cross a milestone of 4000 double stacked trains in FY23
- Capex was at ~₹ 220 crore in 9MFY23 and is expected to improve slightly in Q4
- Concor is seeing intensification in competition in short lead cargo and has launched schemes to counter the market share loss

**Exhibit 1: Variance Analysis**

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	1,988.4	2,024.4	1,920.0	3.6	1,970.7	0.9	YoY revenue flattish largely due to flattish growth in Exim services
Employee Expenses	107.7	91.1	96.2	12.0	92.3	16.7	
Terminal & other Expenses	1,135.6	1,113.4	1,043.1	8.9	1,067.9	6.3	Higher empty movement, resource constraints and lower double stacking impacted gross margins
Administrative Expenses	318.8	319.9	325.1	-2.0	311.9	2.2	Includes LLF charges of ~₹ 97 crore
Total Expense	1,562.1	1,524.4	1,464.4	6.7	1,472.0	6.1	
EBITDA	426.4	500.0	455.6	-6.4	498.7	-14.5	
EBITDA Margin (%)	21.4	24.7	23.7	-229 bps	25.3	-386 bps	YoY margin lower due to imbalance in trade
Depreciation	135.7	132.7	132.4	2.4	134.1	1.2	
Interest	14.2	14.1	13.2	NA	14.3	NA	
Other Income	113.6	57.4	63.2	79.7	52.0	118.6	
PBT	390.1	410.7	373.3	4.5	402.2	-3.0	
Exceptional income/(expenses)	0.0	0.0	0.0	NA	-0.1	NA	
Total Tax	93.6	103.5	86.7	8.0	99.4	-5.8	
PAT	296.5	307.2	286.5	3.5	302.7	-2.1	
<b>Key Metrics</b>	<b>Q3FY23</b>	<b>Q3FY22</b>	<b>YoY(%)</b>	<b>Q2FY23</b>	<b>QoQ (%)</b>		
EXIM Volume (TEUs)	833,796.0	828,661.0	0.6	936,950.0	-11.0		Exim movement remained subdued due to global trade headwinds
Domestic Volume (TEUs)	251,358.0	203,040.0	23.8	206,945.0	21.5		High capacity rakes and new business initiatives are giving higher volumes
Total Volume (TEUs)	1,085,154	1,031,701	5.2	1,143,895	-5.1		
Adjusted EXIM Revenue (₹ crore)	1,269.7	1,329.5	-4.5	1,318.6	-3.7		
Domestic Revenue (₹ crore)	718.7	590.5	21.7	652.1	10.2		

Source: Company, ICICI Direct Research

**Exhibit 2: Change in estimates**

	FY23E			FY24E			FY25E		Comments
(₹ Crore)	FY22	Old	New % Change	Old	New % Change	Introduced			
Revenue	7,652.7	9,235.1	8,052.3	-12.8	11,456.8	8,508.2	-25.7	9,692.3	Revenues impacted due to Exim headwinds and market share loss
EBITDA	1,747.3	2,271.8	1,900.3	-16.4	2,910.0	2,042.0	-29.8	2,345.5	
EBITDA Margin (%)	22.8	24.6	23.6	-100 bps	25.4	24.0	-140 bps	24.2	Operating deleverage, unfavourable product mix impact margins
PAT	1,028.4	1,832.0	1,237.9	-32.4	2,229.0	1,219.4	-45.3	1,275.3	
EPS (₹)	17.3	30.6	20.8	-32.0	37.2	20.6	-44.7	21.6	

Source: ICICI Direct Research

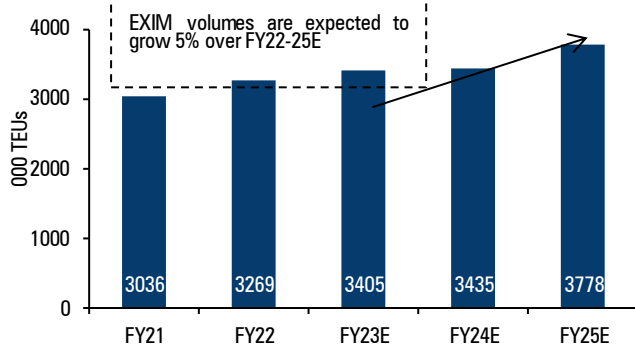
**Exhibit 3: Assumptions**

		Current			Earlier	Introduced		Comments
	Unit	FY22	FY23E	FY24E	FY23E	FY24E	FY25E	
Exim Volume	TEUs	32,69,026	34,05,123	34,34,837	36,48,542	41,95,823	37,78,321	Volumes revised down
Domestic Volume	TEUs	8,03,899	9,45,938	10,40,532	9,80,867	11,77,040	11,44,585	
Exim Realisation	₹/TEUs	16,178	15,180	15,536	16,962	18,033	16,163	
Domestic Realisation	₹/TEUs	28,683	29,580	29,326	30,191	32,029	29,915	

Source: ICICI Direct Research

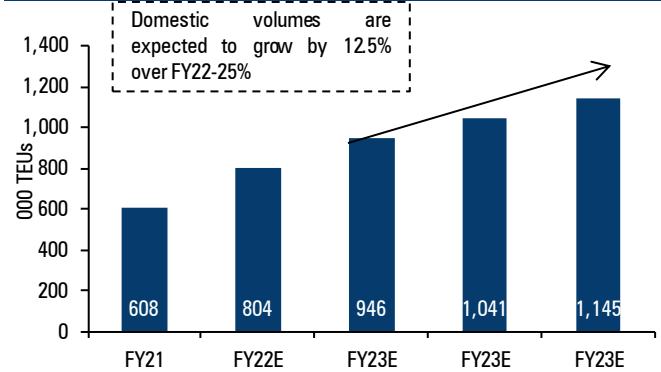
## Key Metrics

Exhibit 4: Exim volumes



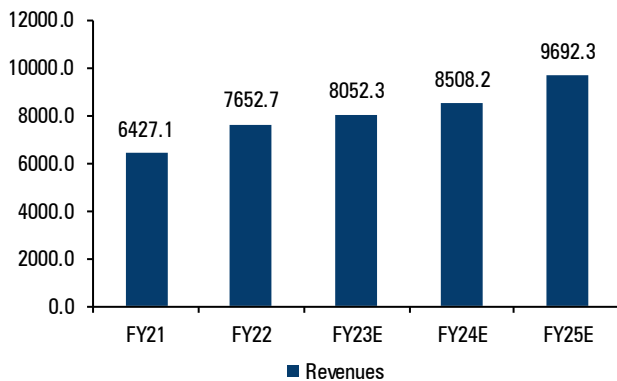
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



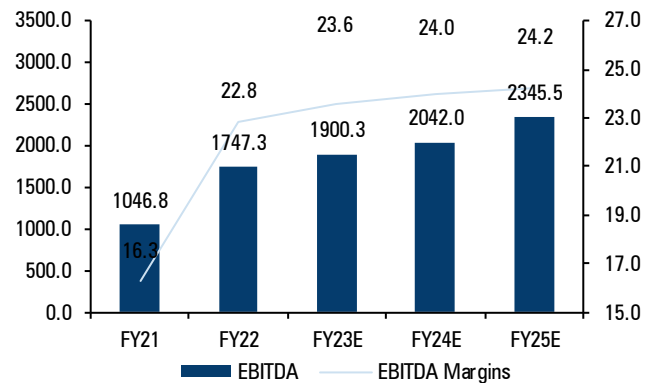
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 8% over FY21-25E



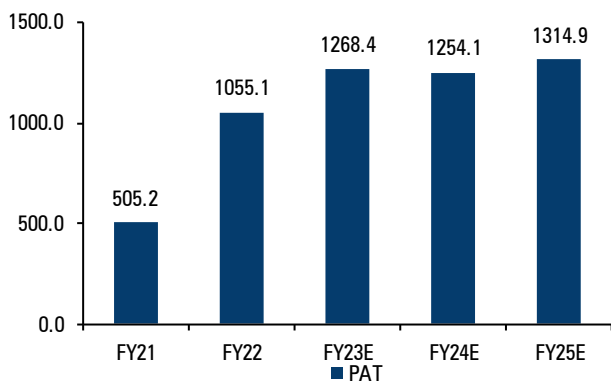
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 10% over FY21-25E



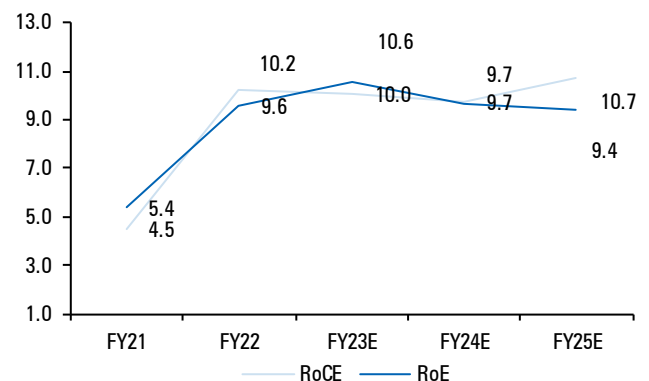
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 8% CAGR in FY22-25E



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 (%)
FY21	6427.1	-1.7	8.3	24.9	77.8	9.7	5.4	4.5
FY22	7652.7	19.1	17.3	108.9	37.2	5.6	9.6	10.2
FY23E	8052.3	5.2	20.8	20.2	31.0	5.3	10.6	10.0
FY24E	8508.2	5.7	20.6	-1.1	31.3	5.5	9.7	9.7
FY25E	9692.3	13.9	21.6	4.8	29.9	5.0	9.4	10.7

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Total operating Income	7,652.7	8,052.3	8,508.2	9,692.3
Growth (%)	19.1	5.2	5.7	13.9
Terminal/Other Service charge	5,252.1	5,459.4	5,743.0	6,542.3
Employee Cost	419.2	402.6	425.4	465.2
Administrative & other exp	234.3	289.9	297.8	339.2
Op. Expenditure	5,905.5	6,151.9	6,466.2	7,346.7
EBITDA	1,747.3	1,900.3	2,042.0	2,345.5
Growth (%)	66.9	8.8	7.5	14.9
Depreciation	561.4	657.4	762.4	832.4
EBIT	1,185.9	1,243.0	1,279.6	1,513.2
Interest	62.4	26.3	21.8	17.3
Other Income	247.1	437.7	371.8	208.4
PBT	1,370.6	1,654.3	1,629.5	1,704.2
Growth (%)	90.1	20.7	-1.5	4.6
Tax	342.2	416.4	410.2	429.0
Reported PAT	1,028.4	1,237.9	1,219.4	1,275.3
Growth (%)	87.7	20.4	-1.5	4.6
Exceptional gain/loss	0.0	0.0	0.0	0.0
Share of profit from JV	23.9	27.5	31.6	36.3
Minority Interest	2.9	3.0	3.1	3.3
Adjusted PAT	1,055.1	1,268.4	1,254.1	1,314.9
EPS	17.3	20.8	20.6	21.6

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit after Tax	1,055.1	1,268.4	1,254.1	1,314.9
Add: Depreciation	561.4	657.4	762.4	832.4
Add: Interest	62.4	26.3	21.8	17.3
Cash Profit	1,678.9	1,952.1	2,038.3	2,164.6
Increase/(Decrease) in CL	(22.5)	(211.0)	(52.6)	(12.4)
(Increase)/Decrease in CA	(0.8)	(110.3)	(34.1)	(63.6)
Others	41.7	-	-	-
CF from Operating Activities	1,697.3	1,630.8	1,951.7	2,088.6
Purchase of Fixed Assets	(765.3)	(500.0)	(1,500.0)	(1,000.0)
(Inc)/Dec in Investments	4.1	(1,000.0)	(1,000.0)	(1,000.0)
Others	(2.6)	(204.9)	(179.8)	(160.4)
CF from Investing Activities	(763.8)	(1,704.9)	(2,679.8)	(2,160.4)
Inc/(Dec) in Loan Funds	0.0	(10.0)	(10.0)	(10.0)
Inc/(Dec) in Sh. Cap. & Res	-	-	-	-
Interest paid	(62.4)	(26.3)	(21.8)	(17.3)
Dividend paid and taxes	(329.0)	(329.0)	(329.0)	(329.0)
Others	(117.1)	-	-	-
CF from financing activities	(508.5)	(365.4)	(360.9)	(356.4)
Change in cash Eq.	425.0	(439.5)	(1,089.0)	(428.1)
Op. Cash and cash Eq.	2,492.8	2,917.8	2,478.4	1,389.3
Cl. Cash and cash Eq.	2,917.8	2,478.4	1,389.3	961.2

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	10,450.9	11,390.3	12,315.4	13,301.3
Shareholder's Fund	10,755.6	11,694.9	12,620.0	13,605.9
Minority Interest	101.1	103.1	105.2	107.3
Loan Funds	61.8	51.8	41.8	31.8
Deferred Tax Liability	0.0	0.0	0.0	0.0
Provisions	775.9	638.0	527.8	439.6
Source of Funds	11,694.4	12,487.9	13,294.8	14,184.6
Application of Funds				
Gross Block	8,890.8	9,390.8	10,890.8	11,890.8
Less: Acc. Depreciation	3,174.6	3,831.9	4,594.3	5,426.6
Net Block	5,716.2	5,558.9	6,296.5	6,464.2
Capital WIP	744.7	781.9	821.0	862.1
Total Fixed Assets	6,460.9	6,340.8	7,117.6	7,326.2
Other Intangibles	17.2	17.2	17.2	17.2
Investments	1,254.0	2,258.7	3,263.8	4,269.5
Other Non-Current Assets	1,595.3	1,627.2	1,659.7	1,692.9
Inventories	30.7	33.1	35.0	39.8
Debtor	181.7	110.3	116.6	132.8
Cash & Bank balances	2,917.8	2,478.4	1,389.3	961.2
Loan & Advance, Other CA	543.8	718.4	739.2	776.1
Total Current assets	3,674.1	3,340.2	2,280.0	1,909.9
Current Liabilities	422.3	330.9	349.7	398.3
Other Current Liabilities	813.4	732.1	658.9	593.0
Provisions	71.4	33.1	35.0	39.8
Total CL and Provisions	1,307.1	1,096.1	1,043.5	1,031.1
Net Working Capital	2,367.0	2,244.1	1,236.6	878.8
Application of Funds	11,694.4	12,487.9	13,294.8	14,184.6

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Book Value	551.7	599.8	647.3	697.8
Cash per share	95.8	81.4	45.6	31.6
EPS	17.3	20.8	20.6	21.6
Cash EPS	53.1	63.2	66.2	70.5
DPS	9.0	9.0	9.0	9.0
Profitability & Operating Ratios				
EBITDA Margin (%)	22.8	23.6	24.0	24.2
PAT Margin (%)	13.8	15.8	14.7	13.6
Fixed Asset Turnover (x)	1.2	1.3	1.2	1.3
Inventory Turnover (Days)	1.5	1.5	1.5	1.5
Debtor (Days)	5.0	5.0	5.0	5.0
Current Liabilities (Days)	20.1	15.0	15.0	15.0
Return Ratios (%)				
RoE	9.6	10.6	9.7	9.4
RoCE	10.2	10.0	9.7	10.7
RoIC	17.7	17.6	15.9	17.9
Valuation Ratios (x)				
P/E	37.2	31.0	31.3	29.9
Price to Book Value	1.2	1.1	1.0	0.9
EV/EBITDA	5.6	5.3	5.5	5.0
EV/Sales	1.3	1.3	1.3	1.2
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	0.0	0.0	0.0
Current Ratio	2.8	3.0	2.2	1.9
Quick ratio	2.8	3.0	2.2	1.8
Working Cap days	-13.6	-8.5	-8.5	-8.5
Asset Turnover	0.9	0.9	0.8	0.8

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	605	1,000	BUY	1,22,921	21.9	28.7	43.2	24.6	25.3	21.1	17.3	16.4	14.3	12.7	9.5	11.5	16.3	10.7	12.5
Container Corporation	645	700	HOLD	34,121	17.3	20.8	20.6	97.2	77.8	37.2	6.2	9.7	5.6	10.9	4.5	10.2	12.1	5.4	9.6
Transport Corp. of India	610	810	BUY	4,450	37.3	41.6	49.8	32.2	16.4	14.7	17.8	10.9	9.8	13.3	20.3	19.9	12.9	20.5	18.8
Gujarat Pipavav	94	110	BUY	4,544	4.1	5.6	6.7	23.0	16.8	14.1	8.9	7.5	6.4	12.1	15.7	18.6	8.6	11.7	13.8
TCI Express	1,840	2,195	BUY	7,043	26.2	33.5	40.0	79.1	70.3	55.0	58.0	52.5	40.4	36.3	31.9	33.4	29.5	26.1	26.6
Mahindra Logistics	475	610	BUY	3,406	5.2	9.5	16.9	91.9	50.0	28.1	16.2	11.9	8.7	12.2	33.7	40.0	6.3	10.6	16.2
BlueDart Express	6,800	8,000	HOLD	16,157	160.9	202.8	246.8	158.7	42.3	33.5	22.9	15.3	13.6	40.7	77.5	71.2	12.8	39.7	40.8
Gateway Distriparks	66	75	HOLD	3,298	4.5	3.4	3.8	32.0	35.0	14.7	12.7	12.0	9.8	9.9	11.7	15.4	5.6	6.4	13.7

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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