

FY24 begins on weak note, Exim headwinds continue

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

Q4FY23 Results: Performance improves QoQ.

- Revenues grew 6% YoY to ₹ 2166 crore, aided by the strong performance of the domestic segment, which grew 23% YoY to ₹ 842 crore
- EBITDA margins expanded 33 bps to 20.5%. Absolute EBITDA grew 8% YoY to ₹ 445 crore but was below I-direct estimate of ₹ 466 crore
- Consequently, PAT grew 8% YoY to ₹ 279 crore

What should investors do? Headwinds in global supply chain together with the company's inability to procure equipment such as containers, axle, wheels, etc, and uncertainty over divestment has negatively impacted the fundamentals in the form of weak volume growth on the Exim side. While the management intends to counter the headwinds by launching various schemes, margin would remain under pressure.

- We continue to maintain our **HOLD** recommendation on the stock

Target Price and Valuation: We value the stock at ₹ 680 i.e. 27x P/E on FY25E 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



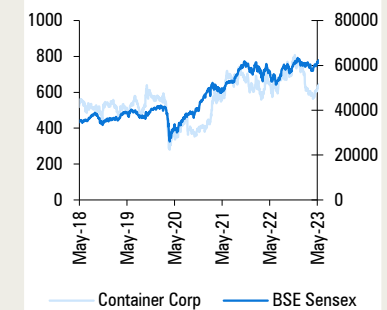
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	38,081.3
Total Debt (FY23) (₹ cr)	55.5
Cash (FY23) (₹ cr)	3,102.1
EV (₹ Crore)	35,034.6
52 week H/L	829/554
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
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	FY23	5 Years CAGR (FY17-22)	FY24E	FY25E	3 Years CAGR
Net Sales	6427.1	7652.7	8169.1	4.3	8628.3	9782.0	9.4
EBITDA	1046.8	1748.8	1865.6	4.6	1975.9	2377.0	12.9
PAT	505.2	1056.4	1173.9	1.1	1256.7	1527.4	14.1
P/E (x)	75.4	36.0	32.4		30.3	24.9	
P/B (x)	1.2	1.1	1.1		1.0	0.9	
RoE (%)	5.4	9.6	10.3		10.2	11.4	
RoCE (%)	4.5	10.2	10.7		10.5	12.1	

Key takeaways

Q4FY23 Results: Exim: Domestic revenue ratio reached 65:35 in FY23

- For Q4, EBIT per TeU for the Exim segment was at ₹ 3730 per TeU while for the domestic segment it was at ₹ 2808 per TeU
- The company has paid LLF charges to the tune of ₹ 392 crore in FY23 and has guided 7% growth in FY24

Q4FY23 Earnings Conference Call highlights

- Uncertainty over divestment has started weighing on some Concor customers and is part of the reason the company has lost market share this year
- Acquiring equipment such as containers, axle, wheels has become an issue (with respect to Make in India initiative). Hence, the company has been unable to aggressively ramp up operations
- Headwinds in global trade have negatively impacted Indian exports (especially handicraft and merchandise) and in spite of a sharp correction in ocean freight rates exports have not picked up, leading to a build-up of empty containers in hinterlands
- Concor is actively pursuing strategies to counter headwinds such as picking up containers on lease and tying up with various manufacturers to speed up container delivery. The management is also reaching out to IR to seek out issues regarding delivery of rakes
- For FY24, the management aims to claw back its lost market share from competitors by launching newer schemes, which could negatively weigh on its margins. Although the management expects higher double stacking of Exim and domestic containers to counter the expected margin pressure
- Concor has been facing market share pressure at Mundra and NCR region
- Concor expects to reach 5000 double stacked trains in FY24
- Capex was at ₹ 560 crore in FY23 and is expected to improve to ₹ 600 crore in Q4

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	2,166.0	2,027.8	2,043.0	6.0	1,988.4	8.9	Higher domestic growth led to beat vs. estimates
Employee Expenses	124.1	101.4	121.2	2.4	107.7	15.3	
Terminal & other Expenses	1,213.3	1,135.6	1,113.8	8.9	1,135.6	6.8	Gross margins largely in line with estimates at 44%
Administrative Expenses	383.9	324.5	395.2	-2.9	318.8	20.4	Includes one-off expenses of ₹50 crore which created pressure on EBITDA margins
Total Expense	1,721.3	1,561.4	1,630.3	5.6	1,562.1	10.2	
EBITDA	444.7	466.4	412.8	7.7	426.4	4.3	
EBITDA Margin (%)	20.5	23.0	20.2	33 bps	21.4	-91 bps	Margins lower than estimates due to one-offs and higher employee expense
Depreciation	153.1	134.9	130.9	16.9	135.7	12.9	
Interest	14.6	14.3	14.0	NA	14.2	NA	
Other Income	95.5	57.4	69.4	37.7	113.6	-15.9	
PBT	372.6	374.7	337.2	10.5	390.1	-4.5	
Exceptional income/(expenses)	-1.3	0.0	0.0	NA	0.0	NA	
Total Tax	92.8	94.4	80.4	15.5	93.6	-0.8	
PAT	278.5	280.3	256.9	8.4	296.5	-6.1	
Key Metrics	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ (%)		
EXIM Volume (TEUs)	851,261.0	832,863.0	2.2	833,796.0	2.1		Exim movement remained subdued due to global trade headwinds
Domestic Volume (TEUs)	267,773.0	235,858.0	13.5	251,358.0	6.5		High capacity rakes and new business initiatives are giving higher volumes
Total Volume (TEUs)	1,119,034	1,068,721	4.7	1,085,154	3.1		
Adjusted EXIM Revenue (₹ crore)	1,323.9	1,359.9	-2.6	1,269.7	4.3		
Domestic Revenue (₹ crore)	842.1	683.2	23.3	718.7	17.2		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY24E				FY25E				Comments
(₹ Crore)	FY23	Old	New	% Change	Old	New	% Change		
Revenue	8,169.1	8,508.2	8,628.3	1.4	9,692.3	9,782.0	0.9		
EBITDA	1,865.6	2,042.0	1,975.9	-3.2	2,345.5	2,377.0	1.3		
EBITDA Margin (%)	22.8	24.0	22.9	-110 bps	24.2	24.3	10 bps	Margins impacted in FY24 due to expectation of gain in market share from competitors	
PAT	1,152.3	1,219.4	1,232.0	1.0	1,275.3	1,499.0	17.5		
EPS (₹)	19.3	20.6	20.6	0.1	21.6	25.1	16.1		

Source: ICICI Direct Research

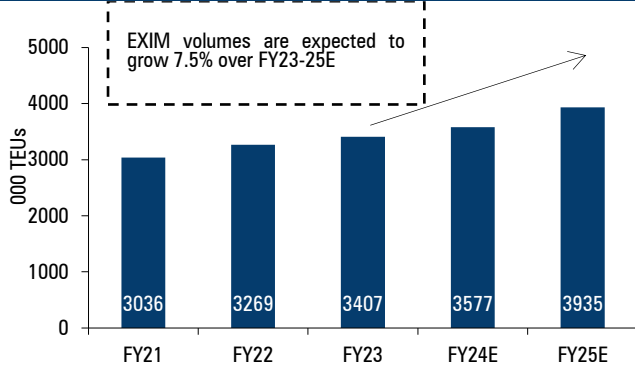
Exhibit 3: Assumptions

		Current			Earlier		Comments
	Unit	FY23	FY24E	FY25E	FY24E	FY25E	
Exim Volume	TEUs	3,406,864	3,577,207	3,934,928	3,434,837	3,778,321	
Domestic Volume	TEUs	954,267	1,068,779	1,197,033	1,040,532	1,144,585	
Exim Realisation	₹/TEUs	15,299	15,358	15,703	15,536	16,163	Realisation revised upwards in FY25
Domestic Realisation	₹/TEUs	30,294	29,843	30,515	29,326	29,915	

Source: ICICI Direct Research

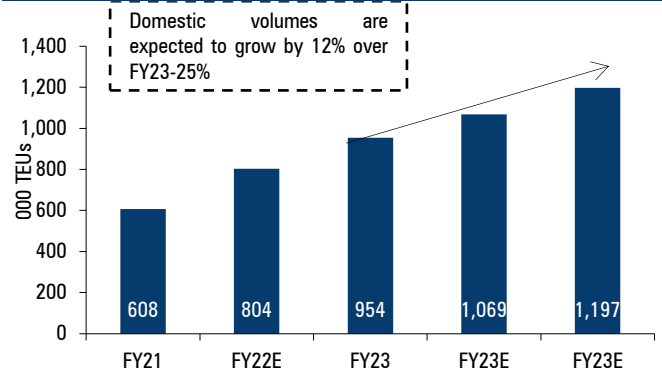
Key Metrics

Exhibit 4: Exim volumes



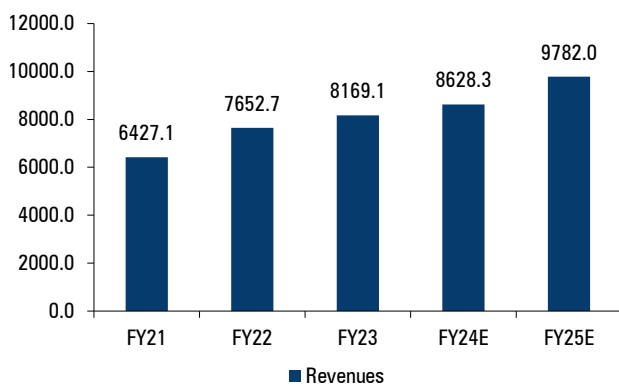
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



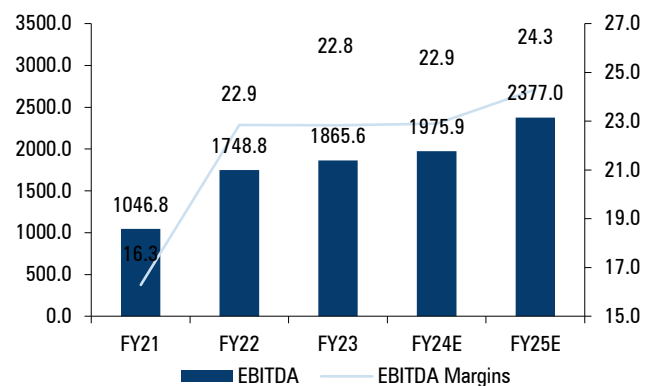
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 9% over FY22-25E



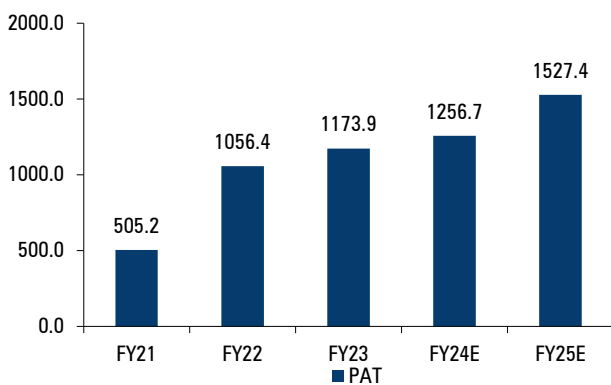
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 13% over FY22-25E



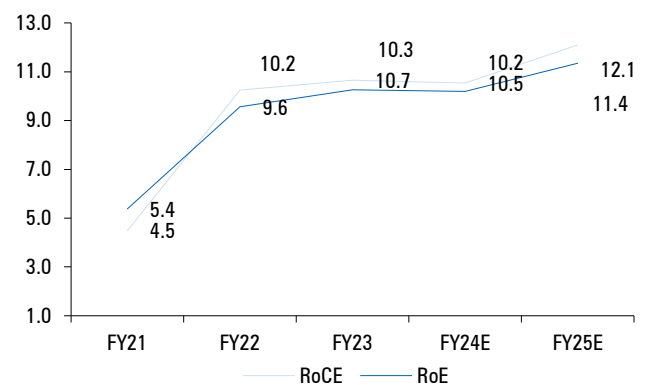
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 14% CAGR in FY23-25E



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	75.4	9.3	5.4	4.5
FY22	7652.7	19.1	17.3	109.1	36.0	5.3	9.6	10.2
FY23	8169.1	6.7	19.3	11.1	32.4	4.9	10.3	10.7
FY24E	8628.3	5.6	20.6	7.1	30.3	4.8	10.2	10.5
FY25E	9782.0	13.4	25.1	21.5	24.9	4.1	11.4	12.1

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement					₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E	
Total operating Income	7,652.7	8,169.1	8,628.3	9,782.0	
Growth (%)	19.1	6.7	5.6	13.4	
Terminal/Other Service ch	5,252.1	5,596.4	5,910.4	6,602.8	
Employee Cost	417.6	430.8	448.7	469.5	
Administrative & other exp	234.3	276.4	293.4	332.6	
Op. Expenditure	5,903.9	6,303.6	6,652.5	7,404.9	
EBITDA	1,748.8	1,865.6	1,975.9	2,377.0	
Growth (%)	67.1	6.7	5.9	20.3	
Depreciation	561.4	573.0	607.8	668.8	
EBIT	1,187.4	1,292.5	1,368.1	1,708.2	
Interest	62.4	63.9	54.8	44.3	
Other Income	245.5	313.4	333.1	339.3	
PBT	1,370.6	1,542.1	1,646.4	2,003.2	
Growth (%)	90.1	12.5	6.8	21.7	
Tax	342.2	389.7	414.4	504.2	
Reported PAT	1,028.4	1,152.3	1,232.0	1,499.0	
Growth (%)	87.7	12.1	6.9	21.7	
Exceptional gain/loss	0.0	0.0	0.0	0.0	
Share of profit from JV	25.2	21.1	24.3	28.0	
Minority Interest	2.9	0.4	0.4	0.4	
Adjusted PAT	1,056.4	1,173.9	1,256.7	1,527.4	
EPS	17.3	19.3	20.6	25.1	

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement					₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E	
Profit after Tax	1,056.4	1,173.9	1,256.7	1,527.4	
Add: Depreciation	561.4	573.0	607.8	668.8	
Add: Interest	62.4	63.9	54.8	44.3	
Cash Profit	1,680.2	1,810.8	1,919.4	2,240.5	
Increase/(Decrease) in CL	(22.5)	(71.9)	(137.9)	(16.9)	
(Increase)/Decrease in CA	(0.9)	(135.6)	82.0	(39.9)	
Others	(286.8)	(197.5)	-	-	
CF from Operating Activities	1,370.0	1,405.8	1,863.4	2,183.7	
Purchase of Fixed Assets	(768.8)	(488.5)	(600.0)	(1,000.0)	
(Inc)/Dec in Investments	4.6	115.1	(1,000.0)	(1,000.0)	
Others	(0.8)	(155.0)	(58.8)	(61.2)	
CF from Investing Activities	(765.0)	(528.5)	(1,658.8)	(2,061.2)	
Inc/(Dec) in Loan Funds	0.0	(6.3)	(10.0)	(10.0)	
Inc/(Dec) in Sh. Cap. & Res	-	-	-	-	
Interest paid	(62.4)	(63.9)	(54.8)	(44.3)	
Dividend paid and taxes	(329.0)	(402.1)	(402.1)	(402.1)	
Others	211.9	(221.3)	(12.1)	(13.4)	
CF from financing activities	(179.4)	(693.6)	(479.1)	(469.8)	
Change in cash Eq.	425.6	183.7	(274.4)	(347.3)	
Op. Cash and cash Eq.	2,492.8	2,918.4	3,102.1	2,827.7	
Cl. Cash and cash Eq.	2,918.4	3,102.1	2,827.7	2,480.4	

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet					₹ crore
(Year-end March)	FY22	FY23	FY24E	FY25E	
Source of Funds					
Equity Capital	304.7	304.7	304.7	304.7	
Reserves & Surplus	10,449.3	10,921.4	11,776.0	12,901.2	
Shareholder's Fund	10,753.9	11,226.0	12,080.6	13,205.9	
Minority Interest	102.2	101.8	103.9	105.9	
Loan Funds	61.8	55.5	45.5	35.5	
Deferred Tax Liability	0.0	0.0	0.0	0.0	
Provisions	776.0	846.4	863.4	880.6	
Source of Funds	11,693.9	12,229.8	13,093.3	14,227.9	
Application of Funds					
Gross Block	8,890.8	9,364.2	9,964.2	10,964.2	
Less: Acc. Depreciation	3,174.6	3,747.6	4,355.4	5,024.2	
Net Block	5,716.2	5,616.6	5,608.8	5,940.0	
Capital WIP	744.7	823.0	864.2	907.4	
Total Fixed Assets	6,460.9	6,439.7	6,473.0	6,847.4	
Other Intangibles	17.2	17.8	17.8	17.8	
Investments	1,253.5	1,132.8	2,136.9	3,141.4	
Other Non-Current Assets	1,594.7	1,753.3	1,788.4	1,824.2	
Inventories	30.7	37.2	35.5	40.2	
Current Investments	0.0	121.8	134.0	147.4	
Debtor	181.7	216.0	118.2	134.0	
Cash & Bank balances	2,918.4	3,102.1	2,827.7	2,480.4	
Loan & Advance, Other CA	543.8	644.3	657.7	672.6	
Total Current assets	3,674.6	4,121.4	3,773.1	3,474.6	
Current Liabilities	422.3	382.1	354.6	402.0	
Other Current Liabilities	813.4	784.2	705.7	635.2	
Provisions	71.4	69.0	35.5	40.2	
Total CL and Provisions	1,307.1	1,235.2	1,095.8	1,077.4	
Net Working Capital	2,367.6	2,886.2	2,677.3	2,397.2	
Application of Funds	11,693.9	12,229.7	13,093.2	14,227.8	

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Book Value	551.6	575.8	619.6	677.3
Cash per share	95.8	101.8	92.8	81.4
EPS	17.3	19.3	20.6	25.1
Cash EPS	53.1	57.3	61.2	72.1
DPS	9.0	11.0	11.0	11.0
Profitability & Operating Ratios				
EBITDA Margin (%)	22.9	22.8	22.9	24.3
PAT Margin (%)	13.8	14.4	14.6	15.6
Fixed Asset Turnover (x)	1.2	1.3	1.3	1.4
Inventory Turnover (Days)	1.5	1.7	1.5	1.5
Debtor (Days)	8.7	9.7	5.0	5.0
Current Liabilities (Days)	20.1	17.1	15.0	15.0
Return Ratios (%)				
RoE	9.6	10.3	10.2	11.4
RoCE	10.2	10.7	10.5	12.1
RoIC	17.7	18.2	19.0	22.3
Valuation Ratios (x)				
P/E	36.0	32.4	30.3	24.9
Price to Book Value	1.1	1.1	1.0	0.9
EV/EBITDA	5.3	4.9	4.8	4.1
EV/Sales	1.2	1.1	1.1	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	0.0	0.0	0.0
Current Ratio	2.8	3.3	3.4	3.2
Quick ratio	2.8	3.3	3.4	3.2
Working Cap days	-10.0	-5.8	-8.5	-8.5

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP		Rating	M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)		(₹ Cr)	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E		
APSEZ	691	800	BUY	1,49,266	42.4	36.8	44.7	16.3	18.8	15.5	14.4	12.3	10.4	10.8	11.9	13.3	18.3	14.0	14.8		
Container Corporation	625	680	HOLD	33,146	19.3	20.6	25.1	32.4	30.3	24.9	4.9	4.8	4.1	10.7	10.5	12.1	10.3	10.2	11.4		
Transport Corp. of India	650	810	BUY	4,742	42.5	44.3	51.1	15.3	14.7	12.7	10.3	9.3	8.0	19.4	18.3	18.1	19.3	17.1	16.7		
TCI Express	1,476	2,150	BUY	5,650	37.6	48.4	61.5	39.2	30.5	24.0	28.1	21.8	17.2	30.7	32.4	33.1	24.4	25.6	26.0		
Mahindra Logistics	362	410	HOLD	2,596	3.7	7.7	15.1	98.8	47.2	23.9	10.8	8.6	6.8	22.2	25.6	30.5	4.7	9.2	15.9		
Gateway Distriparks	64	75	HOLD	3,198	3.4	3.8	4.7	18.8	16.7	13.6	9.2	7.8	6.7	14.5	16.8	19.1	9.9	10.5	11.9		

Source: ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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