

Operational performance rebounds sequentially...

Concor reported strong results that were better than I-direct estimates on all fronts. On volumes front, Exim segment grew 19% QoQ (still down 10% YoY) while domestic volumes grew 35% QoQ (led to flat YoY). Hence, Exim revenues grew 26% QoQ to ₹ 1130 crore while domestic revenues grew 29% to ₹ 373 crore. Standalone EBITDA margins expanded 745 bps QoQ to 20.8% due to better cost control measure by the company and absolute EBITDA doubled. For the quarter, the company recorded ₹ 113 crore as land license fee (LLF) for all terminals in other expenses.

LLF norms continue to keep stock under pressure

As per the annual land licensing fee (LLF) norms for Concor, from April 1, Indian Railways (on which 28 Concor terminals operate of its total ~65 terminals). Ministry of Railways has demanded ₹ 1276 crore (annually) for 13 terminals (expect much higher amount when accounted for rest 13 terminals), based on 6% of the value of land. Concor, on the other hand, has estimated and accounted ₹ 450 crore for FY21 as LLF and is actively contesting the excess demand. As per media sources, the Finance Ministry has also recommended the Railways Ministry lower the LLF calculations from 6% of value of land to 3% (and also increasing tenure of contract). However, even if they account for the FM recommendation, the new fee would still be double Concor's estimate. In an environment of weak volume growth, the higher fixed nature of expense is expected to create margin pressure for the company. However, the management believes the situation would be resolved in favour of Concor.

DFC commissioning to grow volume in medium to long term

Rail segment showed a snapshot of DFC in the lockdown era, with better turnaround times (due to lower passenger traffic) and running time table bound trains on certain routes that led to shift of market share from road to rail (with newer customers looking for multimodal solutions for their supply chain). However, in the near term, with higher rail traffic and normalisation of surface movement, road sector would benefit whereas, in the medium to long term, the commissioning of DFC bodes well for the rail sector. The DFC connectivity to western ports is expected to be completed towards H1FY22 (moves 40-45% of Indian freight traffic, of which 40% currently moves on rail and Concor holds 70% of rail share).

Valuation & Outlook

Concor plans to capture higher realisation by giving complete logistics package to customers and non-participation in low margin short lead distance cargo. It has started first-mile last-mile logistics in 15 of its terminals (also building a mobile app to facilitate customer tie-up). From mid-June onwards it has also begun its coastal services. Further, distribution logistics is expected to gain traction in FY21 amid weaker development in FY20. Despite the challenges in the near to medium term, Concor stays a structural growth story that will play a pivotal role in the changing Indian logistics landscape (DFC, cargo containerisation). We maintain **BUY** with TP of ₹ 450.

Key Financial Summary

₹ crore	FY18	FY19	FY20	FY21E	FY22E
Net Sales	6612.5	6956.1	6539.4	6181.8	7620.6
EBITDA	1488.7	1790.7	1693.8	1186.9	1676.5
PAT	1109.5	1229.4	404.5	720.0	1156.7
P/E (x)	22.5	20.3	61.8	34.7	21.6
P/B (x)	0.9	0.8	0.8	0.8	0.7
RoCE (%)	11.3	12.8	10.9	5.7	8.9
RoE (%)	10.7	11.4	12.1	6.5	9.8

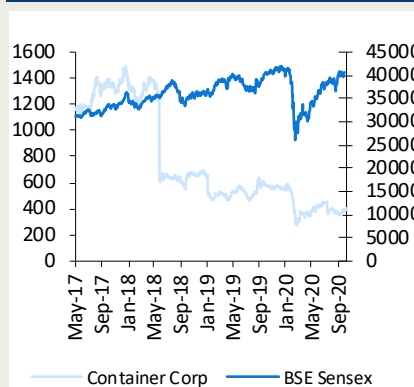
Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalisation (₹cr)	23,153.4
Total Debt (FY 20) (₹cr)	63.6
Cash (FY 20) (₹cr)	2,191.6
EV (₹Crore)	21,025.4
52 week H/L	666/263
Equity Capital (₹Crore)	304.7
Face Value (₹)	5.0

Price Performance



Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20
Promote	54.8	54.8	54.8	54.8
Others	45.2	45.2	45.2	45.2

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Exhibit 1: Variance Analysis

	Q2FY21	Q2FY21E	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	Comments
Revenue	1,502.7	1,473.6	1,738.7	-13.6	1,189.1	26.4	Sharp recovery QoQ mainly due to strong growth in Exim volumes (19%) and realisation (6%)
Employee Expenses	84.2	103.2	82.9	1.5	79.6	5.8	
Terminal & other Expenses	820.5	810.5	939.7	-12.7	652.3	25.8	
Administrative Expenses	285.1	368.4	290.5	-1.9	298.3	-4.4	Includes provision of ₹ 113 crore as LLF
Total Expense	1,189.8	1,282.0	1,313.2	-9.4	1,030.1	15.5	
EBITDA	313.0	191.6	425.5	-26.5	159.0	96.8	
EBITDA Margin (%)	20.8	13.0	24.5	-365 bps	13.4	745 bps	Margins positively impacted QoQ due to higher operating leverage and lower employee cost
Depreciation	127.2	129.8	127.8	-0.5	126.0	0.9	
Interest	8.5	9.6	8.1	NA	8.5	NA	
Other Income	71.3	62.6	63.7	12.0	58.8	21.3	
PBT	248.6	114.8	353.2	-29.6	83.3	198.3	
Exceptional income/(expenses)	0.0	0.0	-861.1	NA	0.0	NA	
Total Tax	61.0	28.9	-185.8	NA	21.7	181.6	
PAT	187.6	85.8	-322.0	NA	61.7	204.2	
Key Metrics	Q2FY21	Q2FY20	YoY(%)	Q1FY21	QoQ (%)		
EXIM Volume (TEUs)	744,788.0	826,013.0	-9.8	627,905.0	18.6		QoQ strong recovery mainly due to phase wise opening of manufacturing sector
Domestic Volume (TEUs)	140,885.0	143,145.0	-1.6	104,806.0	34.4		
Total Volume (TEUs)	885,673	969,158	-8.6	732,711	20.9		
Adjusted EXIM Revenue (₹ crore)	1,130.0	1,358	-16.8	901	25.5		
Domestic Revenue (₹ crore)	372.7	381	-2.2	288	29.2		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY19	FY20	FY21E			FY22E			Comments
			Old	New	% Change	Old	New	% Change	
Revenue	6,956.1	6,539.4	5,804.2	6,181.8	6.5	7,137.8	7,620.6	6.8	Improved mainly on account of strong recovery in Exim segment

Source: Company, ICICI Direct Research

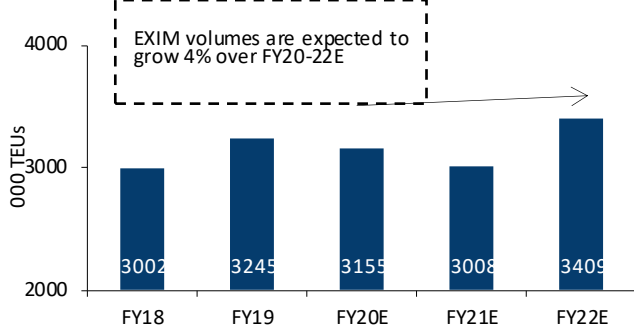
Exhibit 3: Assumptions

Unit	FY20	Current		Earlier		Comments	
		FY21E	FY22E	FY21E	FY22E		
Exim Volume	TEUs	3,154,596	3,007,702	3,408,502	2,875,541	3,263,057	Volumes improve due to stronger recovery
Domestic Volume	TEUs	593,162	579,001	654,426	549,995	622,560	
Exim Realisation	₹/TEUs	15,628	15,412	16,904	14,951	16,294	
Domestic Realisation	₹/TEUs	26,024	26,649	28,090	27,301	28,918	

Source: ICICI Direct Research, Company

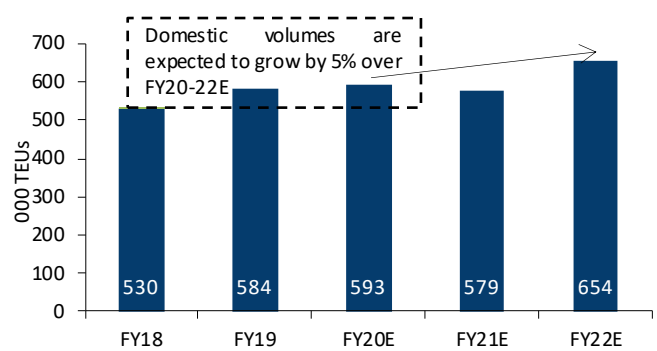
Key Metrics

Exhibit 4: Exim volumes



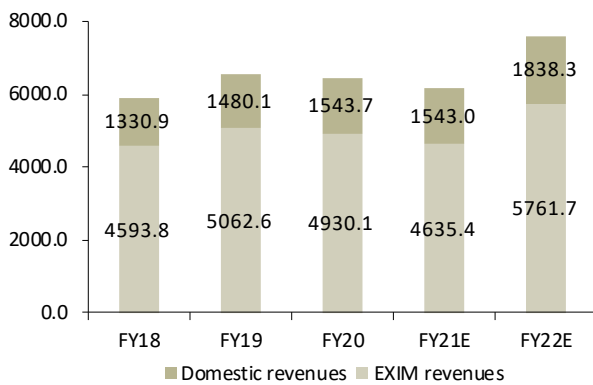
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



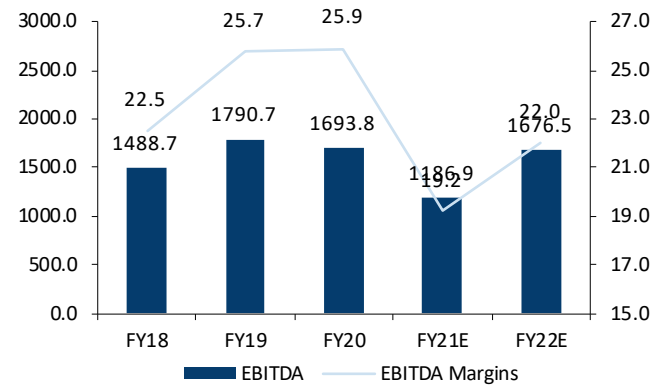
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 8% over FY20-22E



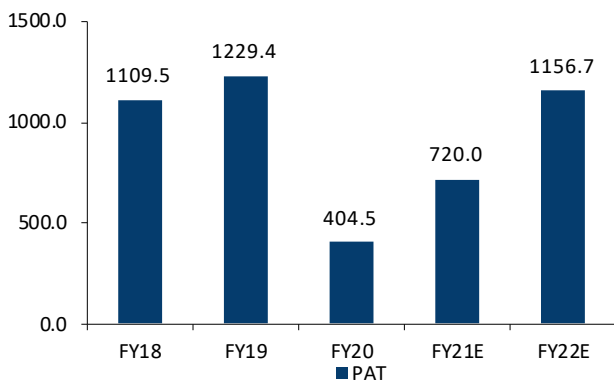
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to remain flat over FY20-22



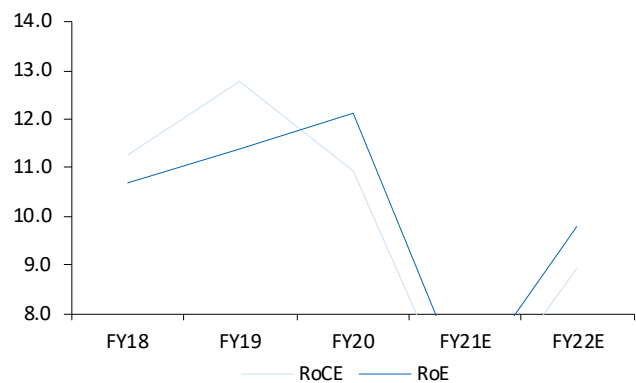
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 69% CAGR in FY20-22 (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/EBIT (x)	RoNW (%)	RoCE (%)
FY 18	6612.5	10.6	18.2	29.4	22.5	4.0	10.7	11.3
FY 19	6956.1	5.2	20.2	10.8	20.3	4.8	11.4	12.8
FY 20	6539.4	-6.0	6.6	-67.1	61.8	3.5	12.1	10.9
FY 21E	6181.8	-5.5	11.8	78.0	34.7	4.8	6.5	5.7
FY 22E	7620.6	23.3	19.0	60.6	21.6	3.2	9.8	8.9

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit & Loss Statement					₹ crore
(Year-end March)	FY19	FY20	FY21E	FY22E	
Total operating Income	6,956.1	6,539.4	6,181.8	7,620.6	
Growth (%)	5.2	-6.0	-5.5	23.3	
Terminal/Other Service	4,561.0	4,277.5	4,080.0	4,953.4	
Employee Cost	340.6	317.0	327.6	342.9	
Administrative & other	263.7	251.2	587.3	647.7	
Op. Expenditure	5,165.3	4,845.6	4,994.9	5,944.1	
EBITDA	1,790.7	1,693.8	1,186.9	1,676.5	
Growth (%)	20.3	-5.4	-29.9	41.3	
Depreciation	452.3	544.4	556.7	626.7	
EBIT	1,338.5	1,149.4	630.2	1,049.9	
Interest	6.5	46.1	36.2	22.7	
Other Income	317.0	253.4	328.7	472.9	
PBT	1,648.9	1,356.8	922.8	1,500.1	
Growth (%)	22.1	-17.7	-32.0	62.6	
Tax	474.4	138.1	232.3	377.6	
Reported PAT	1,174.5	1,218.7	690.5	1,122.5	
Growth (%)	17.6	3.8	-43.3	62.6	
Exceptional gain/loss	0.0	-851.8	0.0	0.0	
Share of profit from JV	47.9	39.8	31.8	36.6	
Minority Interest	7.0	-2.2	-2.3	-2.4	
Adjusted PAT	1,229.4	404.5	720.0	1,156.7	
EPS	20.2	6.6	11.8	19.0	

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow Statement					₹ crore
(Year-end March)	FY19	FY20	FY21E	FY22E	
Profit after Tax	1,229.4	404.5	720.0	1,156.7	
Add: Depreciation	452.3	544.4	556.7	626.7	
Add: Interest	6.5	46.1	36.2	22.7	
Cash Profit	1,688.2	994.9	1,312.9	1,806.0	
Increase/(Decrease) in	276.8	(163.5)	(91.0)	60.6	
(Increase)/Decrease in	(3,367.8)	3,795.3	(126.4)	(8.4)	
Others	(538.6)	(340.9)	-	-	
CF from Operating Acti	(1,941.4)	4,285.8	1,095.5	1,858.2	
Purchase of Fixed Ass	(785.8)	(752.1)	(500.0)	(1,000.0)	
(Inc)/Dec in Investment	(45.9)	(28.6)	(60.0)	(63.0)	
Others	192.1	13.8	(142.0)	(130.6)	
CF from Investing Activ	(639.6)	(767.0)	(702.0)	(1,193.6)	
Inc/(Dec) in Loan Funds	708.7	(707.0)	(10.0)	(10.0)	
Inc/(Dec) in Sh. Cap. &	(247.7)	(687.4)	-	-	
Interest paid	(6.5)	(46.1)	(36.2)	(22.7)	
Dividend paid and taxes	(221.6)	(132.9)	(174.6)	(277.6)	
Others	521.5	40.4	-	-	
CF from financing activ	754.4	(1,532.9)	(220.8)	(310.3)	
Change in cash Eq.	(1,826.6)	1,985.9	172.8	354.4	
Op. Cash and cash Eq.	2,032.4	205.7	2,191.6	2,364.4	
Cl. Cash and cash Eq.	205.7	2,191.6	2,364.4	2,718.8	

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet					₹ crore
(Year-end March)	FY19	FY20	FY21E	FY22E	
Source of Funds					
Equity Capital	304.7	304.7	304.7	304.7	
Reserves & Surplus	10,025.3	9,742.3	10,287.8	11,166.9	
Shareholder's Fund	10,329.9	10,047.0	10,592.5	11,471.5	
Minority Interest	106.3	108.5	110.7	112.9	
Loan Funds	70.0	63.6	53.6	43.6	
Deferred Tax Liability	165.9	0.0	0.0	0.0	
Provisions	87.1	393.4	322.3	265.4	
Source of Funds	10,759.2	10,612.5	11,079.1	11,893.5	
Application of Funds					
Gross Block	6,121.2	7,452.5	7,952.5	8,952.5	
Less: Acc. Depreciatio	1,565.0	2,109.4	2,666.1	3,292.7	
Net Block	4,556.2	5,343.1	5,286.4	5,659.7	
Capital WIP	626.3	943.1	990.2	1,039.7	
Total Fixed Assets	5,182.5	6,286.1	6,276.6	6,699.5	
Other Intangibles	7.9	4.8	4.8	4.8	
Investments	1,231.6	1,275.2	1,342.8	1,414.0	
Other Non-Current Ass	1,626.0	1,295.5	1,321.4	1,347.8	
Inventories	23.6	26.3	25.4	31.3	
Debtor	95.5	164.6	152.4	104.4	
Cash & Bank balances	205.7	2,191.6	2,364.4	2,718.8	
Loan & Advance, Othe	4,427.4	545.4	677.3	719.5	
Total Current assets	4,752.3	2,927.9	3,219.6	3,574.0	
Current Liabilities	353.1	155.4	169.4	313.2	
Other Current Liabilities	1,670.0	990.3	891.3	802.1	
Provisions	18.1	31.4	25.4	31.3	
Total CL and Provisions	2,041.2	1,177.0	1,086.0	1,146.6	
Net Working Capital	2,711.1	1,750.9	2,133.5	2,427.4	
Application of Funds	10,759.2	10,612.5	11,079.0	11,893.5	

Source: Company, ICICI Direct Research

Exhibit 14: Key Ratios				
(Year-end March)	FY19	FY20	FY21E	FY22E
Per share data (₹)				
Book Value	529.8	515.3	543.3	588.4
Cash per share	6.8	71.9	77.6	89.2
EPS	20.2	6.6	11.8	19.0
Cash EPS	55.2	31.1	41.9	58.5
DPS	6.0	3.6	4.7	7.6
Profitability & Operating Ratios				
EBITDA Margin (%)	25.7	25.9	19.2	22.0
PAT Margin (%)	17.7	6.2	11.6	15.2
Fixed Asset Turnover (1.3	1.0	1.0	1.1
Inventory Turnover (Da	1.2	1.5	1.5	1.5
Debtor (Days)	5.0	9.2	9.0	5.0
Current Liabilities (Days	18.5	8.7	10.0	15.0
Return Ratios (%)				
RoE	11.4	12.1	6.5	9.8
RoCE	12.8	10.9	5.7	8.9
RoIC	14.8	17.1	9.0	14.0
Valuation Ratios (x)				
P/E	18.8	57.2	32.2	20.0
Price to Book Value	0.7	0.7	0.7	0.6
EV/EBITDA	4.5	3.1	4.3	2.8
EV/Sales	1.1	0.8	0.8	0.6
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	2.3	2.5	3.0	3.1

Source: Company, ICICI Direct Research

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Sell: <-15%



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