

EXIM volume improved while domestic saw slowdown

Q1FY19 reported numbers in line with our estimates with increase in overall EXIM handling volumes for Q1FY18 at 794,405 TEUs, a growth of 11.4% YoY as there was pick in exports while domestic volume witnessed single digit growth (141,251 TEUs; +8.7% YoY). The management expects the domestic volumes to improve for the rest of FY19 with the increase in input cost to be passed on gradually. The SEIS income for Q1FY19 was at ₹ 700mn.

Double stacking and export demand enabled to maintain margins

The company saw 53% YoY growth in double stacked container trains to 829 rakes and the management is likely to see a growth of 50% YoY for the rest for FY19, primarily from Kathuwas which currently handles ~25,000 TEUs/month and Jhagwada which handles two double stacked trains per day with further scope for improvement, enabling to improve EBITDA margins by 187bps to 24.9% and rail freight margin for the quarter at 28.27%. There was an overall reduction of lead distance of 46kms (from 870 kms to 824 kms) with domestic volumes seeing the most reduction of 120kms (from 1438kms to 1318kms) while the lead distance for EXIM volumes was at 713kms which as per the management is likely to be in this range. 11 new terminals to be launched in FY19 with capex guidance at ₹ 8-10bn.

JNPT 4th terminal and Coastal shipping to see ramp up in volumes

JNPT 4th terminal container growth with the new extension gate concept to see an improvement in traffic along with reduction in evacuation time and the planned coastal shipping initiative of containers, the management expects to see ramp up in volumes by 10-12% YoY FY19.

Re-iterate BUY – We Maintain BUY valuing the company using DCF methodology with a TP of ₹ 822 (WACC: 10%; TGR: 4%). We expect the handling volumes to grow at 10-12% for FY19 with 11 new terminals, coastal shipping initiative and the planned transit-warehousing income from distribution logistics to increase market share for domestic container traffic in the near term. The completion of Dedicated Freight Corridor (DFC) in Dec'20 will be a significant boost for CONCOR.

Q1FY19 Result (₹ Mn)

Particulars	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Operating Income	15,683	14,675	6.9	16,324	(3.9)
Staff Expenditure	701	448	56.4	808	(13.3)
Operating Expenditure	11,080	10,850	2.1	11,265	(1.6)
EBITDA	3,902	3,377	15.6	4,251	(8.2)
Other Income	621	875	(29.1)	409	51.7
Depreciation	1,022	953	7.3	1,010	1.2
EBIT	3,500	3,299	6.1	3,650	(4.1)
Interest	-	-	-	-	-
PBT	3,500	3,299	6.1	3,650	(4.1)
Tax	977	834	17.1	735	32.8
PAT	2,524	2,465	2.4	2,915	(13.4)
			bps		bps
Operating Cost (%)	70.6	73.9	(329)	69.0	164
Staff Cost (%)	4.5	3.1	142	5.0	(48)
EBITDA (%)	24.9	23.0	187	26.0	(116)
EBIT (%)	22.3	22.5	(16)	22.4	(4)
PBT (%)	22.3	22.5	(16)	22.4	(4)
NPM (%)	16.1	16.8	(71)	17.9	(176)

CMP	₹658
Target / Upside	₹ 822/25%
BSE Sensex	37,297
NSE Nifty	11,253

Scip Details

Equity / FV	₹ 2,437mn/₹ 5/-
Market Cap	₹ 320bn
	USD 4.7bn
52-week High/Low	₹ 750/540
Avg. Volume (no)	307,569
NSE Symbol	CONCOR
Bloomberg Code	CCRI IN

Shareholding Pattern Jun'18(%)

Promoters	54.8
MF/Banks/FIs	11.9
FII's	25.6
Public / Others	4.7

Valuation (x)

	FY18	FY19E	FY20E
P/E	30.3	26.8	22.9
EV/EBITDA	20.3	18.1	15.4
ROE	11.6	12.3	13.5
ROCE	15.0	16.3	17.8

Estimates (₹ mn)

	FY18	FY19E	FY20E
Net Sales	61,671	68,473	77,169
EBITDA	14,828	16,639	19,446
PAT	10,607	11,989	14,042
EPS (₹)	21.8	24.6	28.8

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Other Key takeaways from the earnings call

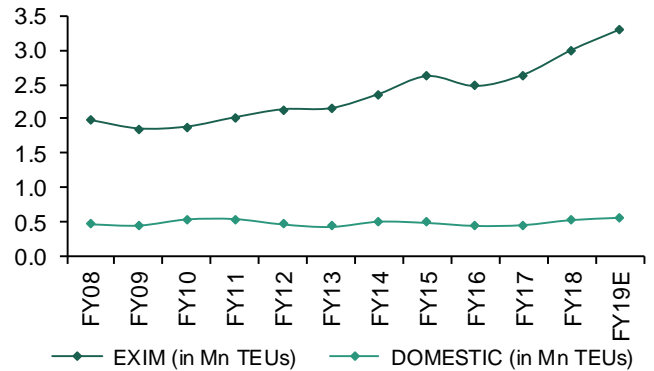
- During the quarter the company's market share at JNPT, Mundra and Pipavav ports was at 84.4%, 50.5% and 52.6% respectively with overall market share at 73.7%.
- Volume share from JNPT, Mundra and Pipavav ports at 35.2%, 32.5% and 14.3% respectively.
- Increase in other operating cost by ~30% YoY to ₹1,852.4mn primarily due to increase in land license fees.
- For Q1FY19 the originating volumes registered growth of 8% YoY to 592,449 TEUs (EXIM-522,284 TEUs; Domestic-70,155 TEUs) compared to Q1FY18 volumes of 548,282 TEUs (EXIM-483,776TEUs; Domestic-64,506 TEUs)
- The management expects staff cost to increase by 8-10% YoY for FY19.
- The company expects some operational benefit from the 15 August 2018 launch of Dadri-Phulera western DFC 169 kms line with major uptick to be seen once extended upto Palanpur which is likely to be connected in FY20
- Currently 11 rakes (68 tonnes payload) of high capacity are operating and the entire fleet is likely be converted in next two years.
- As per the management, the warehousing space at terminals to see growth from present 4.5 mn sq. ft. to 8mn sq. ft. in next two years with further addition of 50mn sq. ft of warehousing space to be added in next three year enabled by distribution logistics services.
- The company gained 4% domestic market share from Indian Railways
- Plans for extension gate concept in two more places
- The management sees utilisation levels of 11 new terminals to be launched in FY19 a challenge.
- The company is not able to maintain the time-tabled trains as per plans due to congestion problems.

Exhibit 1: EXIM-Domestic revenue mix %



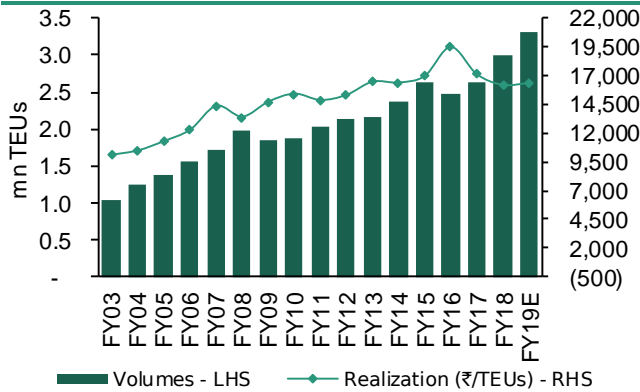
Source: Company, DART

Exhibit 2: EXIM-Domestic volume trend



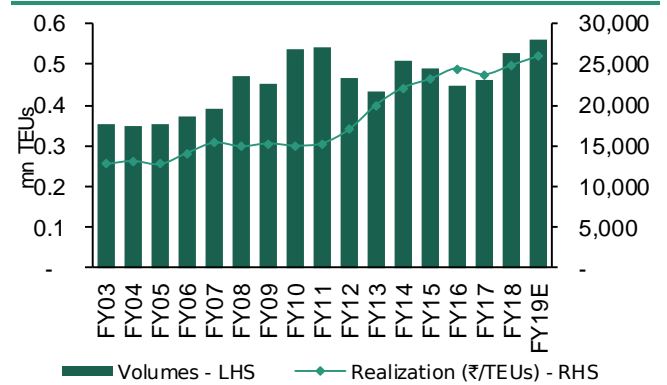
Source: Company, DART

Exhibit 3: EXIM volumes & realization/TEUs



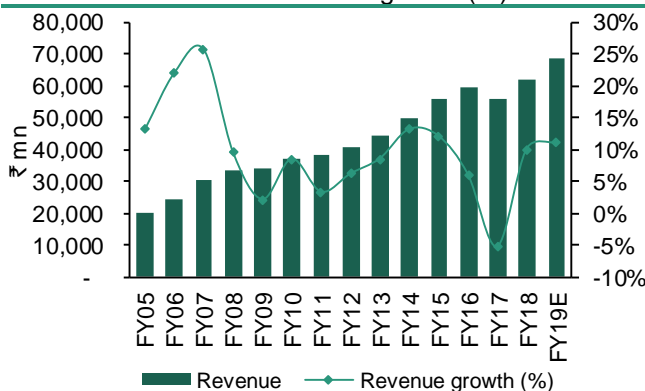
Source: Company, DART

Exhibit 4: Domestic volumes & realization/TEUs



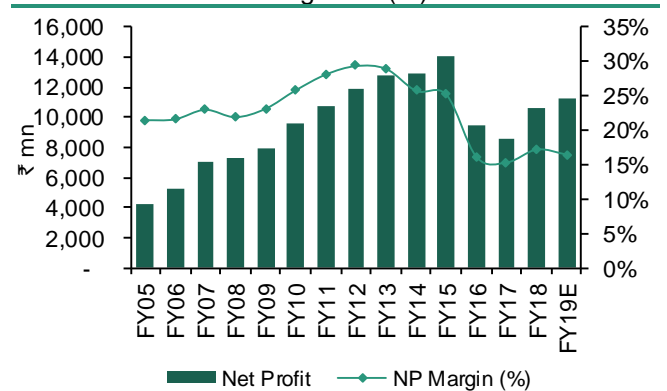
Source: Company, DART

Exhibit 5: Revenue & Revenue growth (%)



Source: Company, DART

Exhibit 6: Profit & Profit growth (%)



Source: Company, DART

Income Statement (₹ mn)

Particulars	Mar17	Mar18P	Mar19E	Mar20E
Net Sales	56,061	61,671	68,473	77,169
Total Expenditure	43,593	46,843	51,834	57,723
Operating Expenses	39,523	41,712	46,288	51,703
Employee Expenses	1,869	2,779	3,081	3,241
Selling & Adm. Expenses	2,202	2,352	2,465	2,778
Other Income	2,892	3,026	3,766	4,244
EBIDTA (Excl. OI)	12,468	14,828	16,639	19,446
EBIDTA (Incl. OI)	15,360	17,854	20,405	23,690
Depreciation	3,518	3,811	4,212	4,721
Profit Before Tax	11,806	14,043	16,193	18,969
Tax	3,226	3,436	4,204	4,926
Net Profit	8,580	10,607	11,989	14,042

Balance Sheet (₹ mn)

Particulars	Mar17	Mar18P	Mar19E	Mar20E
Sources of Funds				
Equity Capital	1,950	2,437	2,437	2,437
Other Reserves	86,512	91,574	98,040	105,615
Net Worth	88,462	94,011	100,477	108,052
Loan Funds	250	213	233	233
Deferred Tax Liability	2,402	1,877	1,877	1,877
Total Capital Employed	91,114	96,101	102,587	110,163
Applications of Funds				
Gross Block	60,102	68,682	77,605	86,618
Less: Accumulated Dep.	26,404	32,198	36,410	41,131
Net Block	33,698	36,484	41,195	45,487
Capital Work in Progress	5,071	6,710	6,778	6,845
Investments	48,375	31,752	33,452	35,052
Current Assets, Loans & Advances				
Inventories	225	274	303	338
Sundry Debtors	425	604	610	655
Cash and Bank Balance	16,835	19,817	20,299	22,260
Loans and Advances	7,294	10,838	10,793	11,228
<i>sub total</i>	24,779	31,533	32,005	34,481
Less: Current Liabilities & Provisions				
Current Liabilities	8,120	10,378	10,843	11,703
<i>sub total</i>	8,120	10,378	10,843	11,703
Net Current Assets	16,659	21,155	21,162	22,778
Total Assets	91,114	96,101	102,587	110,163

E – Estimates

Cash Flow (₹ mn)

Particulars	Mar17	Mar18P	Mar19E	Mar20E
Profit before tax	11,806	14,043	16,193	18,969
Depreciation & w.o.	3,518	3,811	4,212	4,721
Direct taxes paid	(3,226)	(3,436)	(4,204)	(4,926)
Change in Working Capital	1,927	(1,514)	475	345
(A) CF from Opt. Activities	14,061	12,904	16,676	19,109
Capex	(9,106)	(10,219)	(8,990)	(9,080)
Free Cash Flow to Firm	4,955	2,685	7,685	10,028
Inc./ (Dec.) in Investments	(621)	16,624	(1,700)	(1,600)
(B) CF from Inv. Activities	(9,727)	6,404	(10,690)	(10,680)
Inc./ (Dec.) in Debt	(197)	(37)	20	-
Interest exp net	(37)	-	-	-
Dividend Paid (Incl. Tax)	(4,146)	(5,704)	(6,435)	(7,540)
(C) CF from Financing	(4,379)	(5,254)	(6,415)	(7,540)
Net Change in Cash	8,836	2,983	482	1,961
Opening Cash balances	7,999	16,835	19,817	20,299
Closing Cash balances	16,835	19,817	20,299	22,260

Important Ratios

Particulars	Mar17	Mar18P	Mar19E	Mar20E
(A) Measures of Performance (%)				
EBIDTA Margin (excl. O.I.)	22.2	24.0	24.3	25.2
Gross Profit Margin	27.3	29.0	29.8	30.7
Tax/PBT	27.3	24.5	26.0	26.0
Net Profit Margin	15.3	17.2	17.5	18.2
(B) As Percentage of Net Sales				
Operating Expenses	70.5	67.6	67.6	67.0
Employee Expenses	3.3	4.5	4.5	4.2
Selling & Adm. Expenses	3.9	3.8	3.6	3.6
(C) Measures of Financial Status				
Average Cost of Debt (%)	10.5	-	-	-
Debtors Period (days)	2.8	3.6	3.3	3.1
Closing stock (days)	1.5	1.6	1.6	1.6
Inventory Turnover Ratio (x)	249	225	226	228
Fixed Assets Turnover (x)	0.9	0.9	0.9	0.9
WC Turnover (x)	3.4	2.9	3.2	3.4
Non-Cash WC (₹ Mn)	(176)	1,338	863	519
(D) Measures of Investment				
EPS (₹.) (excl EO)	17.6	21.8	24.6	28.8
CEPS (₹.)	17.6	21.8	24.6	28.8
DPS (₹.)	24.8	29.6	33.2	38.5
Dividend Payout (%)	18.2	10.0	11.3	13.2
Profit Ploughback (%)	103.2	46.0	45.9	45.9
Book Value (₹.)	(3.2)	54.0	54.1	54.1
RoANW (%)	363.0	385.7	412.3	443.3
RoACE (%)	10.0	11.6	12.3	13.5
RoAIC (%)	13.3	15.0	16.3	17.8
(E) Valuation Ratios				
CMP (₹.)	658	658	658	658
P/E (x)	37.4	30.3	26.8	22.9
Market Cap. (₹. Mn.)	256,717	320,896	320,906	320,906
MCap/ Sales (x)	4.6	5.2	4.7	4.2
EV (₹. Mn.)	240,132	301,292	300,840	298,879
EV/Sales (x)	4.3	4.9	4.4	3.9
EV/EBDITA (x)	19.3	20.3	18.1	15.4
P/BV (x)	1.8	1.7	1.6	1.5
FCFE/Yield (%)	1.8	0.8	2.4	3.1
Dividend Yield (%)	2.8	1.5	1.7	2.0

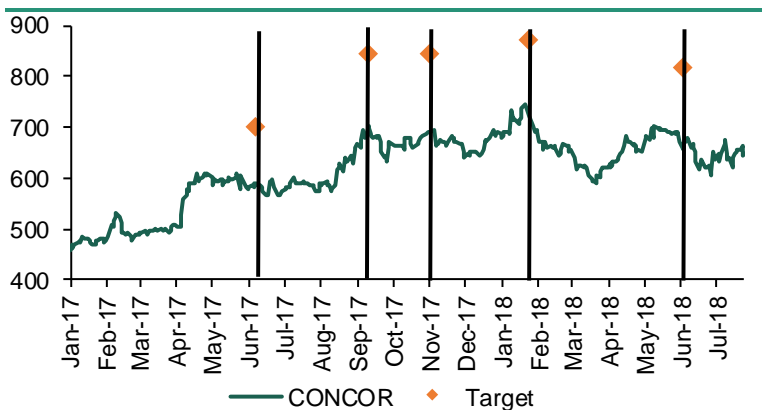
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)*
Jun-17	Buy	703	586
Sep-17	Buy	845	702
Nov-17	Buy	845	694
Jan-18	Buy	875	728
May-18	Buy	820	665

* As on Recommendation Date

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