

EXIM and Domestic volumes grew 6.3% and 9.6% YoY respectively

Q3FY19 reported numbers below our estimates. The total EXIM handling volumes were 785,873 TEUs, a growth of 6.3% YoY, as export volumes slowed in Nov'18, but picked up in Dec'18. The domestic volume witnessed a growth of 9.6% YoY to 140,233 TEUs. The management maintains its overall volume growth guidance of 12% YoY (4mn TEUs for FY19). The company expects domestic volumes growth of 11-13% YoY, aided by the start of coastal shipping business vertical in Jan'19.

Fall in export and increase in empty running cost muted down revenues.

The overall revenue grew 3.2% YoY to ₹ 16.5bn, but declined 9.1% QoQ due to fall in exports volumes in Nov-Dec'18. In segments, EXIM revenue was flat YoY at ₹ 13bn while domestic revenues grew 16.7% to ₹ 3.57bn. The originating volumes grew 1% YoY to 575,716 TEUs (EXIM-507,798; Domestic- 67,918). The SEIS income for Q3FY19 was at ₹ 844.5mn. EBITDA declined 2.3% YoY to ₹ 4.1bn, with EBITDA margins at 25.2% a decline 143 bps YoY due to increase in empty running cost by 4.2% to ₹ 625mn (Q3FY18- ₹ 600mn). Rail freight margin for Q3FY19 was at 26.54%.

Coastal shipping and other initiatives to bring in additional revenue

With plans of 90-92 MMLPs by Mar'19 and 100 terminals by FY20, it is likely to have 80% market share providing with both warehousing and secondary distribution revenues. The company plans to add more ships during FY20 to transport bulk and break-bulk commodities along with containers. The company plans to start distribution logistics center in Chennai and Agartala in FY20 and add another 20 centers in next three years. It is dedicated freight corridor (DFC) ready and finds no congestion in connection to Mundra and Pipavav ports.

Re-iterate BUY – We maintain **Buy** valuing the company using DCF methodology with a TP of ₹ 624 (WACC: 9.1%; TGR: 4%). We expect the handling volumes to grow at 12% for FY19. The planned new terminals, coastal shipping initiative and the transit-warehousing opportunity will help increase market share for domestic container traffic. The completion of Dedicated Freight Corridor (DFC) in FY21 will significantly boost CONCOR, which remains our top pick in logistics sector.

Q3FY19 Result (₹ Mn)

Particulars	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	16,571	16,057	3.2	18,223	(9.1)
Total Expense	12,387	11,773	5.2	13,181	(6.0)
EBITDA	4,184	4,284	(2.3)	5,042	(17.0)
Depreciation	1,059	995	6.4	1,048	1.1
EBIT	3,125	3,289	(5.0)	3,994	(21.8)
Other Income	741	715	3.6	692	7.1
Interest	0	0	0.0	0	0.0
EBT	3,866	4,004	(5.0)	4,686	(17.5)
Tax	1,119	1,233	(9.3)	1,326	(15.6)
RPAT	2,747	2,771	(0.9)	3,361	(18.3)
APAT	2,747	2,771	(0.9)	3,361	(18.3)
			(bps)		(bps)
Gross Margin (%)	44.3	46.1	(182)	46.7	(244)
EBITDA Margin (%)	25.2	26.7	(143)	27.7	(242)
NPM (%)	16.6	17.3	(68)	18.4	(187)
Tax Rate (%)	28.9	30.8	(185)	28.3	66
EBIT Margin (%)	18.9	20.5	(163)	21.9	(306)

CMP	₹ 512
Target / Upside	₹ 624 / 22%
BSE Sensex	36,154
NSE Nifty	10,831

Scrip Details

Equity / FV	₹ 3,046mn / ₹ 5
Market Cap	₹ 312bn
	US\$ 4bn
52-week High/Low	₹ 712/₹ 504
Avg. Volume (no)	763,561
NSE Symbol	CONCOR
Bloomberg Code	CCRI IN

Shareholding Pattern Dec'18(%)

Promoters	54.8
MF/Banks/FIs	14.7
FII's	25.6
Public / Others	4.7

Valuation (x)

	FY19E	FY20E	FY21E
P/E	25.8	22.0	17.4
EV/EBITDA	17.2	14.5	11.4
ROE (%)	12.4	13.6	15.9
RoACE (%)	12.2	13.3	15.6

Estimates (₹ mn)

	FY19E	FY20E	FY21E
Revenue	69,364	79,008	91,192
EBITDA	16,925	19,910	25,078
PAT	12,085	14,166	17,915
EPS (₹)	19.8	23.3	29.4

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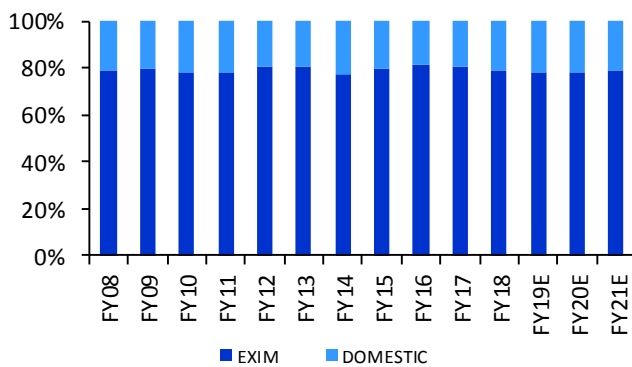
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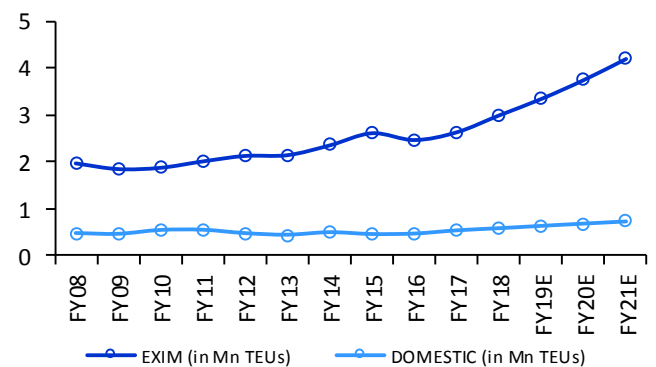
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Concall Highlights

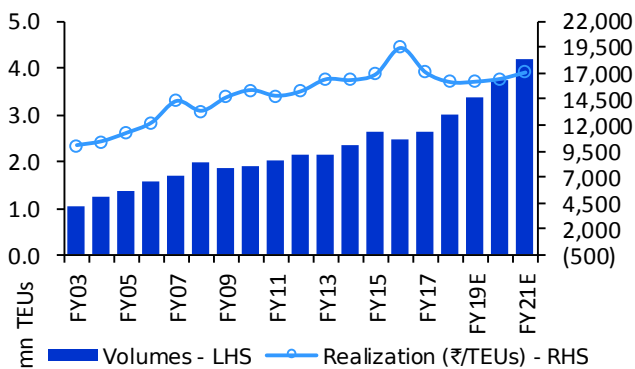
- During the quarter added 4 rakes taking the total count to 303 rakes. Additional three more rakes planned for Q4FY19.
- In next three to five years, plans to add 270 DFC complaint rakes with an investment of ₹ 45bn
- Increase in free days to 45 days for loaded containers and 90 days for empty containers saw increase in containers at depot during the quarter.
- During the quarter the company's market share at JNPT, Mundra and Pipavav ports was at 78.5%, 52.5% and 54% respectively.
- Volume share from JNPT, Mundra and Pipavav ports at 34%, 32% and 15% respectively.
- Overall rail share at JNPT, Mundra and Pipavav ports at 16.7%, 25.6% and 67.6% respectively
- As per the management, the operationalisation of DFC is likely to see 25% rail volume growth
- The number of double stacked trains was at 708, a drop of 100 rakes QoQ due to fall in export volumes. The lead distance for EXIM dropped 70 kms QoQ to 709kms while for domestic containers it increased by 24kms QoQ to 1453 kms.
- With plans to foray into international market, the company has bided for a contract worth \$35mn in Egypt for an ICD as it would be a maiden ICD and gateway to North Africa.
- Signed an MOU with JSC RZD Logistics, Russia for exploring logistic opportunities in Russia, India and international corridors, including but not limited to the International North-South transportation corridor (INSTC)

Exhibit 1: EXIM-Domestic Revenue Mix (%)


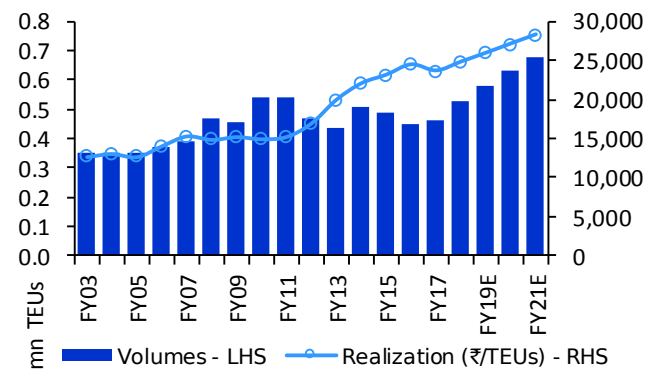
Source: DART, Company

Exhibit 2: EXIM-Domestic volume trend


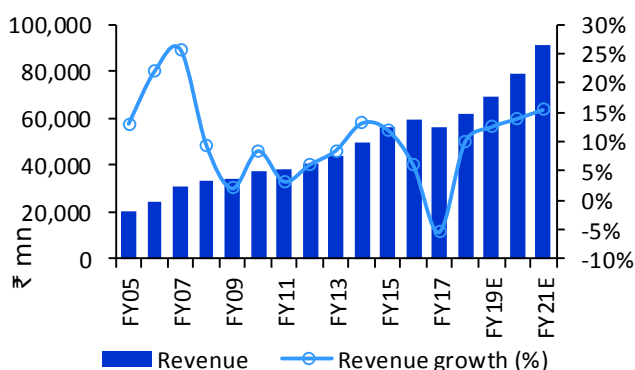
Source: DART, Company

Exhibit 3: EXIM volumes & realization/TEUs


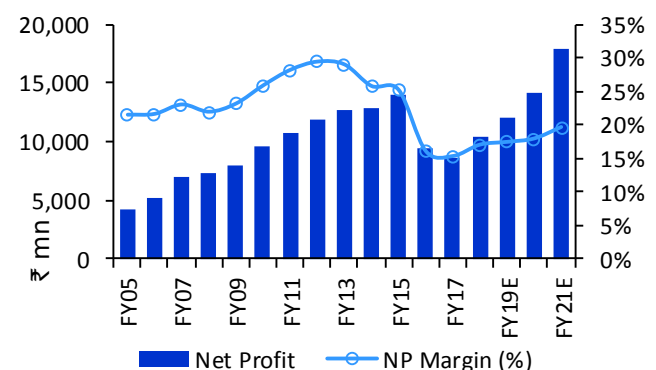
Source: DART, Company

Exhibit 4: Domestic volumes & realization/TEUs


Source: DART, Company

Exhibit 5: Revenue & Revenue growth (%)


Source: DART, Company

Exhibit 6: Profit & Profit growth (%)


Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY18A	FY19E	FY20E	FY21E
Revenue	61,671	69,364	79,008	91,192
Total Expense	46,843	52,439	59,098	66,114
COGS	41,712	46,820	52,935	59,275
Employees Cost	2,779	3,121	3,318	3,648
Other expenses	2,352	2,497	2,844	3,192
EBIDTA	14,828	16,925	19,910	25,078
Depreciation	3,927	3,931	4,555	5,186
EBIT	10,902	12,993	15,355	19,892
Interest	0	23	24	25
Other Income	3,026	3,815	4,345	5,016
EBT	13,927	16,785	19,676	24,882
Tax	3,436	4,700	5,509	6,967
RPAT	10,491	12,085	14,166	17,915
APAT	10,491	12,085	14,166	17,915

Balance Sheet

(₹ Mn)	FY18A	FY19E	FY20E	FY21E
Sources of Funds				
Equity Capital	2,437	3,046	3,046	3,046
Minority Interest	0	0	0	0
Reserves & Surplus	91,574	97,433	105,016	114,605
Net Worth	94,011	100,480	108,063	117,652
Total Debt	213	233	233	254
Net Deferred Tax Liability	1,877	1,877	1,877	1,877
Total Capital Employed	96,101	102,590	110,173	119,783

Applications of Funds

Net Block	36,484	41,381	45,742	49,562
CWIP	6,710	6,778	6,845	6,982
Investments	31,752	33,452	35,052	37,052
Current Assets, Loans & Advances	31,533	32,904	35,972	41,222
Inventories	274	307	346	387
Receivables	604	618	671	762
Cash and Bank Balances	19,817	20,774	23,460	27,211
Loans and Advances	10,838	11,206	11,496	12,861
Less: Current Liabilities & Provisions	10,378	11,924	13,439	15,034
Payables	10,378	11,924	13,439	15,034
Net Current Assets	21,155	20,980	22,534	26,187
Total Assets	96,101	102,590	110,173	119,783

E – Estimates

Important Ratios

Particulars	FY18A	FY19E	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	32.4	32.5	33.0	35.0
EBIDTA Margin	24.0	24.4	25.2	27.5
EBIT Margin	17.7	18.7	19.4	21.8
Tax rate	24.7	28.0	28.0	28.0
Net Profit Margin	17.0	17.4	17.9	19.6
(B) As Percentage of Net Sales (%)				
COGS	67.6	67.5	67.0	65.0
Employee	4.5	4.5	4.2	4.0
Other	3.8	3.6	3.6	3.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Inventory days	2	2	2	2
Debtors days	4	3	3	3
Average Cost of Debt	0.0	10.5	10.5	10.5
Payable days	61	63	62	60
Working Capital days	125	110	104	105
FA T/O	1.7	1.7	1.7	1.8
(D) Measures of Investment				
AEPS (₹)	17.2	19.8	23.3	29.4
CEPS (₹)	23.7	26.3	30.7	37.9
DPS (₹)	9.2	10.8	13.7	16.0
Dividend Payout (%)	53.5	54.5	58.8	54.5
BVPS (₹)	154.3	164.9	177.4	193.1
RoANW (%)	11.5	12.4	13.6	15.9
RoACE (%)	11.2	12.2	13.3	15.6
RoAIC (%)	14.5	16.4	18.2	22.2
(E) Valuation Ratios				
CMP (₹)	512	512	512	512
P/E	29.8	25.8	22.0	17.4
Mcap (₹ Mn)	312,205	312,205	312,205	312,205
MCap/ Sales	5.1	4.5	4.0	3.4
EV	292,601	291,664	288,978	285,247
EV/Sales	4.7	4.2	3.7	3.1
EV/EBITDA	19.7	17.2	14.5	11.4
P/BV	3.3	3.1	2.9	2.7
Dividend Yield (%)	1.8	2.1	2.7	3.1
(F) Growth Rate (%)				
Revenue	10.0	12.5	13.9	15.4
EBITDA	18.9	14.1	17.6	26.0
EBIT	21.8	19.2	18.2	29.6
PBT	18.0	20.5	17.2	26.5
APAT	22.3	15.2	17.2	26.5
EPS	22.3	15.2	17.2	26.5

Cash Flow

(₹ Mn)	FY18A	FY19E	FY20E	FY21E
CFO	13,346	17,172	19,877	23,222
CFI	(4,556)	(10,595)	(10,584)	(11,142)
CFF	(5,398)	(5,965)	(7,727)	(9,745)
FCFF	4,857	8,277	10,893	14,079
Opening Cash	16,835	19,817	20,774	23,460
Closing Cash	19,817	20,774	23,460	27,211

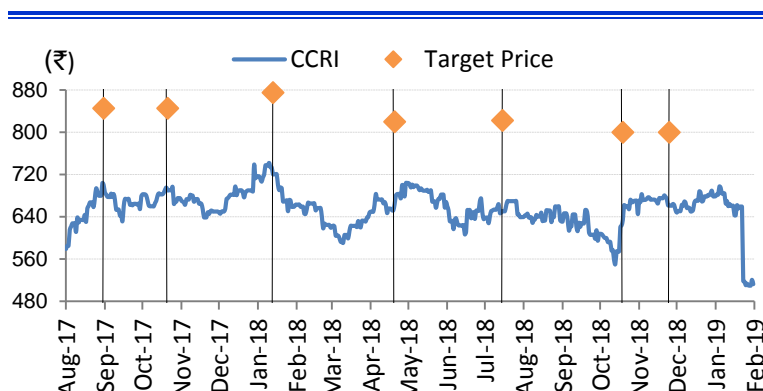
E – Estimates

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 (₹)
Sep-17	Buy	845	700
Nov-17	Buy	845	690
Jan-18	Buy	875	720
May-18	Buy	820	663
Jul-18	Buy	822	650
Oct-18	Buy	800	634
Dec-18	Buy	800	661

*Price as on recommendation date

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