

Buy

Operationally strong Q4, COVID-19 to impact FY21

- Q4FY20 report lower than estimated Sales, while EBITDA and PAT came higher with margins improvement of ~840bps to 30.2%. COVID-19 had impact of ~9% on revenue. Impact of COVID will continue in the coming year FY21 also.
- FY21 guidance:** 1) Volumes will decline 20% YoY to 3mn Teus 2) Price hike deferred to 1st Oct 3) Capex will be Rs 5bn 4) Land License fee will be Rs 4.5bn vs Rs 1.4bn in FY20. 5) Surrendered 15 of 41 terminals built on Indian Rail land, impact insignificant as revenue contribution was 4%. Volume from the other terminals been shifted to nearby terminals.
- Factoring the weakness in volume growth, we lower our PAT estimates by -26%/-19% in FY21E/FY22E, respectively, which lowers our DCF based target price to Rs 560. Maintain Buy.

Revenue declines, but margins improves sharply

Revenue stood at Rs ~15.7Bn, down 10.4% YoY /+2.7% QoQ led -3.8%/-6.1 volume/realisation decline. EXIM realization declined by 5% YoY/-7% QoQ while domestic realisation declined by 7% YoY/QoQ. volume declined by -3.8% YoY/+3.4% QoQ led by -5% YoY in EXIM and +2% growth in Domestic. CONCOR's EBITDA was up 24% YoY at Rs 4.7Bn. Q4 EBITDA margin came at 30.2% vs 24.3% QoQ /21.9% YoY. Overall there was 20% YoY decline in cost driven by sharp decline in employee cost of 45% YoY and Rail freight cost of 16% YoY. The company informed that Land License fee will be Rs 4.5Bn vs Rs 1.4Bn in FY20. EXIM EBIT margins improved to 30.3% vs. 23.9% QoQ/23.3% YoY while Domestic EBIT margins jumped sharply to 9.1% versus 0.7% QoQ/5.2% YoY. FY20, Revenue stood at Rs 64.7Bn, down 1% YoY driven by -2%/+1 volume/realisation. Adj to IND-AS, EBITDA grew by 16% YoY to Rs 16.7Bn with margin at 26% vs 22% YoY, up 385bps. Adjusting PAT stood at Rs 10.2Bn for FY20 and Rs 3.1Bn for Q4FY20.

COVID-19 to impact volumes in FY21

Concor is pragmatic and gave the volume guidance of 3mn teus, down ~20% YoY on the back of weak EXIM and shift from rail to road post lockdown. While DFC is the primary driver, the company is exploring additional volume drivers like distribution service, coastal service, Service to Bangladesh post the opening of lockdown.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	15,686	17,499	(10.4)	15,276	2.7
Total Expense	10,942	13,671	(20.0)	11,559	(5.3)
EBITDA	4,745	3,829	23.9	3,717	27.6
Depreciation	1,336	1,117	19.6	1,263	5.8
EBIT	3,409	2,711	25.7	2,454	38.9
Other Income	952	1,288	(26.1)	626	51.9
Interest	108	7	1482.4	60	80.5
EBT	4,047	3,993	1.4	3,021	34.0
Tax	1,164	1,077	8.1	1,266	(8.1)
RPAT	2,883	2,916	(1.1)	1,755	64.3
APAT	3,089	2,916	5.9	1,755	76.0
			(bps)		(bps)
Gross Margin (%)	48.2	44.9	333	44.3	397
EBITDA Margin (%)	30.2	21.9	837	24.3	591
NPM (%)	18.4	16.7	172	11.5	689
Tax Rate (%)	28.8	27.0	178	41.9	(1315)
EBIT Margin (%)	21.7	15.5	624	16.1	566

CMP	Rs 434
Target / Upside	Rs 560 / 29%
BSE Sensex	35,231
NSE Nifty	10,383

Scrip Details

Equity / FV	Rs 3,046mn / Rs 5
Market Cap	Rs 264bn
	US\$ 3bn
52-week High/Low	Rs 666/Rs 263
Avg. Volume (no)	2,066,380
NSE Symbol	CONCOR
Bloomberg Code	CCRI IN

Shareholding Pattern Mar'20(%)

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

Valuation (x)

	FY20A	FY21E	FY22E
P/E	25.8	34.4	26.4
EV/EBITDA	15.0	17.2	13.8
ROE (%)	1.6	7.2	8.6
RoACE (%)	10.0	7.2	8.6

Estimates {Rs mn}

	FY20A	FY21E	FY22E
Revenue	64,738	54,145	65,884
EBITDA	16,183	13,508	16,405
PAT	10,232	7,693	10,014
EPS (Rs.)	16.8	12.6	16.4

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Exhibit 1: Actual V/s DART estimates

(Rs mn)	Actual	Estimated	Variance %	Consensus	Variance %	Remarks
Net sales	15,686	16,781	(6.5)	16,124	(2.7)	6% decline in Realisation and 4% in volumes drove sales down 10% YoY
EBITDA	4,745	3,860	22.9	3,915	21.2	Cost declined by -20% YoY driving sharp margin improvement of ~840bps. Improvement in cost in Ral freight and decline in employee cost
EBITDA margin (%)	30.2	23.0	725bps	24.3	597bps	
Adj net income	3,089	2,366	30.6	2,423	27.5	Decline in other income to offset by higher operating profits
FDEPS (Rs)	5.1	3.9	30.6	4.0	27.5	

Source: Company, DART

Maintain Buy; remains the pick in logistics

Post COCOVID-19 impact driving subdued volume growth, we lower our FY21/22 estimates of sales/EBITDA/PAT by -22%/-21%/-26% and -17%/-18%/-19%, respectively. As a result, our DCF-based target price reduced to Rs 560, from Rs 610, on a WACC of 8.0%. We believe company should materially benefit from the entry into Coastal shipping and Distribution logistics in addition to roll out of DFC in FY22 onwards. We maintain our Buy rating, Concor remains our pick in the logistics space.

Exhibit 2: Change in estimates

Key parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	69,096	54,145	(21.6)	79,977	65,884	(17.6)
EBITDA (Rs mn)	17,136	13,508	(21.2)	19,994	16,405	(18.0)
EBITDA margin (%)	24.8	24.9	15bps	25.0	24.9	-10bps
Net profit (Rs mn)	10,458	7,693	(26.4)	12,373	10,014	(19.1)
EPS (Rs)	17.2	12.6	(26.4)	20.3	16.4	(19.1)

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Key assumptions	FY18	FY19	FY20	FY21E	FY22E
Revenue (Rs mn)	61,572	65,427	64,738	54,145	65,884
YoY %	9.8	6.3	(1.1)	(16.4)	21.7
Volumes (mn Teus)	3.5	3.8	3.7	3.1	3.6
YoY %	13.9	8.4	(2.1)	(18.6)	17.0
Realisation (Rs/teu)	17,433	17,085	17,274	17,739	18,449
YoY %	(3.6)	(2.0)	1.1	2.7	4.0

Source: Company, DART

Volume growth dampens; margins improves sharply

Revenue stood at Rs ~15.67Bn, down 10.4% YoY/+2.7% QoQ led by -3.8%/-6.1 volume/realisation decline. Exim revenue decline by 5% YoY/+1% QoQ while domestic revenue grew by +2 YoY/+16% QoQ. EXIM realization declined by 5% YoY/-7% QoQ while domestic realisation declined by 7% YoY/QoQ. Concor reported 941,270 TEUS in Q4FY20 of which 775319 teus were of EXIM and 165951 teus were of Domestic. Overall volume declined by -3.8% YoY/+3.4% QoQ. This was led by -5% YoY decline in EXIM and +2% growth in Domestic. Sequentially EXIM grew by 1% while Domestic reported +15.6%. FY20, Revenue stood at Rs 64.7Bn, down 1% YoY driven by -2%/+1 volume/realisation. EXIM revenue declined by 3% offset by +4% growth in Domestic. Volume declined by 2% YoY driven by -2%/-3% fall in EXIM/Domestic volumes. Adj to IND-AS, EBITDA grew by 16% YoY to Rs 16.7Bn with margin at 26% vs 22% YoY, up 385bps. Adjusting PAT stood at Rs 10.2Bn.

Q4 EBITDA was up 24% YoY at Rs 4.7Bn. Q4 EBITDA margin came at 30.2% vs 24.3% QoQ /21.9% YoY. Overall there was 20% YoY decline in cost. Employee expense declined sharply by 45% YoY/-33% QoQ while -16%/-24% YoY decline in Rail freight and other expense. On QoQ basis, Rail freight declined by -5% while other expense grew by +3%. The employees en-cash the leaves and commission amounting to Rs 3Bn which was there last year. Thus sharp decline of 45% YoY was witnessed. The company informed that Land License fee will be Rs 4.5Bn vs Rs 1.4Bn in FY20.

EXIM EBIT margins improved to 30.3% vs. 23.9% QoQ/23.3% YoY. EXIM EBIT/Teu at Rs 4,417 vs. Rs 3,658 QoQ/ Rs 3,764 YoY. Domestic EBIT margins jumped sharply to 9.1% versus 0.7% QoQ/5.2% YoY. Domestic EBIT/Teu at Rs 2395 vs. Rs 171 QoQ/ Rs 1397 YoY. EXIM/Domestic EBIT mix stood at 90%:10% vs 93%:7% YoY, 99%:1% QoQ. PAT (adj) came at Rs 3.2Bn. During the quarter, there was an exceptional item amounting Rs 205.8mn towards impairment of Investment in wholly owned subsidiary M/s Fresh & Healthy Enterprises Limited (FHEL). The company has declared a Dividend of Rs.2.85/share.

Exhibit 4: Result Snapshot

(Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Net sales	17,499	16,389	17,387	15,276	15,686	(10.4)	2.7	64,738	65,427	(1.1)
Expenditure	13,671	12,357	13,132	11,559	10,942	(20.0)	(5.3)	47,989	51,019	(5.9)
Staff cost	1,097	806	829	898	602	(45.1)	(32.9)	3,135	3,368	(6.9)
Rail freight	9,640	8,953	9,397	8,514	8,120	(15.8)	(4.6)	34,984	45,175	(22.6)
Other Operating exp	2,933	2,598	2,905	2,147	2,220	(24.3)	3.4	10,436	2,477	321.4
Operating profit	3,829	4,033	4,255	3,717	4,745	23.9	27.6	16,749	14,408	16.3
Other income	1,288	583	637	626	952	(26.1)	51.9	2,797	3,342	(16.3)
Interest	7	112	81	60	108	NM	80.5	81	7	NM
Depreciation	1,117	1,253	1,278	1,263	1,336	19.6	5.8	4,541	4,246	7.0
PBT	3,993	3,250	3,532	3,021	4,253	6.5	40.8	14,358	13,497	6.4
Tax	1,077	971	725	1,266	1,164	8.1	(8.1)	4,127	3,785	9.0
PAT	2,916	2,278	2,807	1,755	3,089	5.9	76.0	10,231	9,712	5.3
EPS (INR)	4.8	3.7	4.6	2.9	5.1	5.9	76.0	16.3	15.9	2.2

Source: Company, DART

% of Sales	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Total Cost (%)	78.1	75.4	75.5	75.7	69.8	(837bps)	(591bps)	74.1	78.0	(385bps)
Rail Freight expenses	6.3	4.9	4.8	5.9	3.8	(243bps)	(204bps)	4.8	5.1	(30bps)
Staff Cost	55.1	54.6	54.0	55.7	51.8	(333bps)	(397bps)	54.0	69.0	(1501bps)
Other Expenses	16.8	15.8	16.7	14.1	14.1	(261bps)	9bps	16.1	3.8	1234bps
EBITDA Margin (%)	21.9	24.6	24.5	24.3	30.2	837bps	591bps	25.9	22.0	385bps
Net Profit Margin (%)	16.7	13.9	16.1	11.5	19.7	303bps	820bps	15.8	14.8	96bps

Source: Company, DART

Exhibit 5: Segment Snapshot

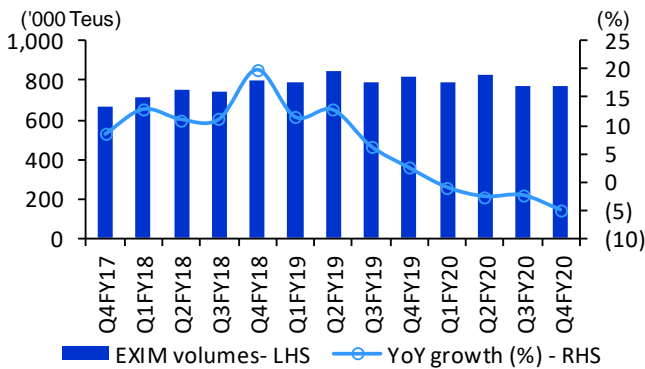
	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Sales	17,499	16,389	17,387	15,276	15,686	(10.4)	2.7	64,738	65,427	(1.1)
Exim	13,171	12,704	13,577	11,713	11,307	(14.2)	(3.5)	49,301	50,626	(2.6)
Domestic	4,328	3,685	3,810	3,562	4,380	1.2	22.9	15,437	14,801	4.3
Volumes	9,78,930	9,26,923	9,69,158	9,10,407	9,41,270	(3.8)	3.4	37,47,758	38,29,419	(2.1)
Exim	8,16,396	7,86,442	8,26,013	7,66,822	7,75,319	(5.0)	1.1	31,54,596	32,45,259	(2.8)
Domestic	1,62,534	1,40,481	1,43,145	1,43,585	1,65,951	2.1	15.6	5,93,162	5,84,160	1.5
Realisation	17,876	17,876	17,681	17,940	16,779	(6.1)	(6.5)	17,274	17,085	1.1
Exim	16,134	16,134	16,154	16,437	15,275	(5.3)	(7.1)	15,628	15,600	0.2
Domestic	26,627	26,627	26,232	26,614	24,810	(6.8)	(6.8)	26,024	25,338	2.7
EBIT	3,300	3,114	3,337	2,830	3,822	15.8	35.1	13,103	12,644	3.6
Exim	3,073	2,926	3,139	2,805	3,425	11.5	22.1	12,294	11,702	5.1
Domestic	227	189	198	25	397	75.0	1515.4	809	941	(14.1)
EBIT/Tue	3,371	3,360	3,443	3,108	4,060	20.5	30.6	3,496	3,302	5.9
Exim	3,764	3,720	3,800	3,658	4,417	17.4	20.7	3,897	3,606	8.1
Domestic	1,397	1,342	1,383	171	2,395	71.4	1297.7	1,363	1,612	(15.4)
EBIT Margin (%)	18.9	19.0	19.2	18.5	24.4	(551bps)	(584bps)	20.2	19.3	92bps
Exim	23.3	23.0	23.1	23.9	30.3	(696bps)	(634bps)	24.9	23.1	182bps
Domestic	5.2	5.1	5.2	0.7	9.1	(383bps)	(838bps)	5.2	6.4	(112bps)

Source: Company, DART

Other highlights from the management Conference call

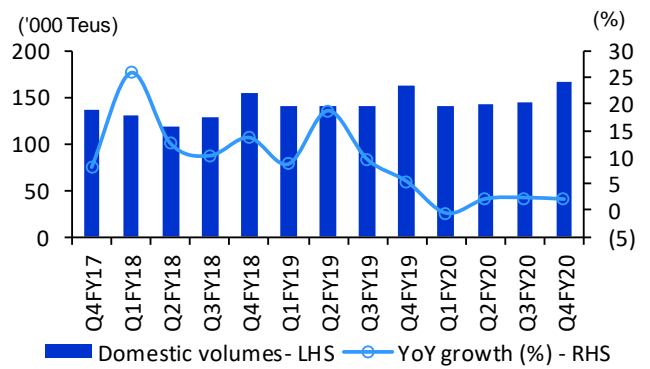
- **Plan:** (1) Bangladesh service is on hold due to COVID-19 (2) Focus on first mile and last mile (3) Will start Coastal shipping by Dec (4) Distribution logistics will be area of focus (5) increase in service quality on coal service provided at Karnataka State Electricity board
- **Staff:** En-cash leaves and commission was there last year which was not in this quarter and year. Total employees stood at 1421 in FY20.
- **Rail freight margins at 31.3%** 27.39% YoY, FY20 at 28.7% vs 27.4% in FY19
- Company is not looking to participate in **advanced freight scheme** as of now.
- **Market share:** Lost 6% due to forgo of short distance volume and didn't give deep disc on long discounts. Will maintain the margin of 32-34%.
- **Port wise share (%):** JNPT (33%), Mundra (31%), Pipavav (14%), Vizag (7%), Chennai (6%), others (19%).
- **Rail Coefficient:** JNPT (17.1%, concor share: 66%), Mundra (25.8%, concor share: 44%), Pipavav (67%, concor share: 49%).
- **Originating volumes:** Total 531,274 teus of which 451,007 teus in EXIM and 80,267 teus in domestic. Originating volumes fell 11% QoQ leading to 70K volume decline
- **Empty running cost:** Rs 2.03Bn of which Rs 1.07Bn exim and 0.96Bn for domestic
- **Double stake trains:** The company did 494 double stake trains in Q4 and 2528 trains in FY20
- **North West Corridor:** Forms 40% of Total volumes of which 40% will be rail share and of which 70-75% will be CONCOR share.
- **DFCC:** DFCC will not be effective unless it gets connected to Mundra/Pipavav. Expect to get complete by Dec-20 or March-21

Exhibit 6: EXIM Volume and growth trend



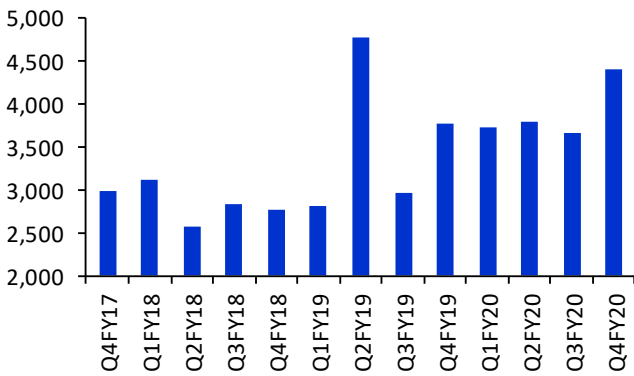
Source: Company, DART

Exhibit 7: Domestic Volume and growth trend



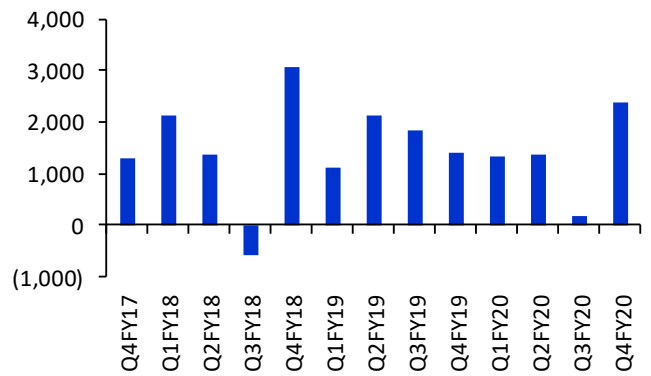
Source: Company, DART

Exhibit 8: EXIM EBIT/teu trend



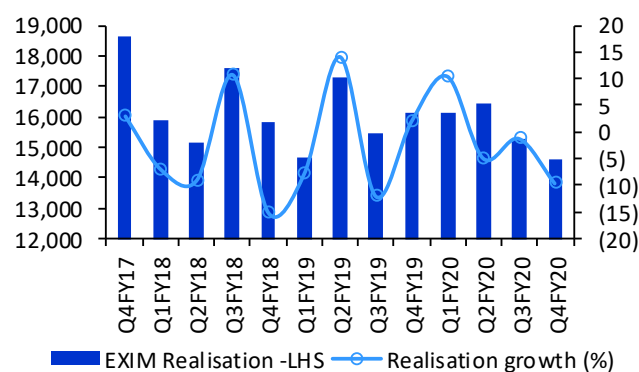
Source: Company, DART

Exhibit 9: Domestic EBIT/teu trend



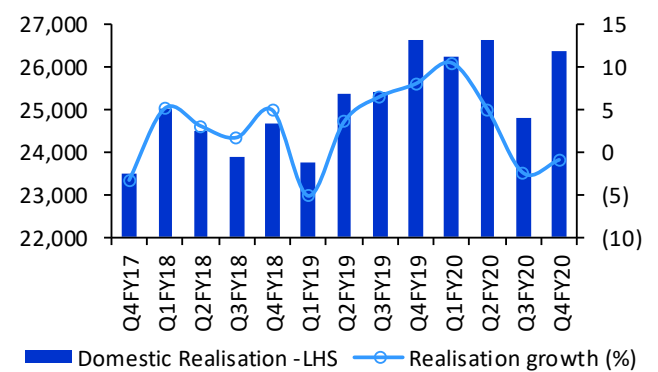
Source: Company, DART

Exhibit 10: EXIM realization and growth trend

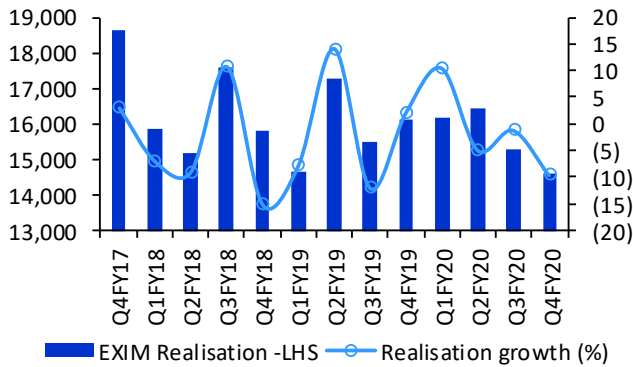


Source: Company, DART

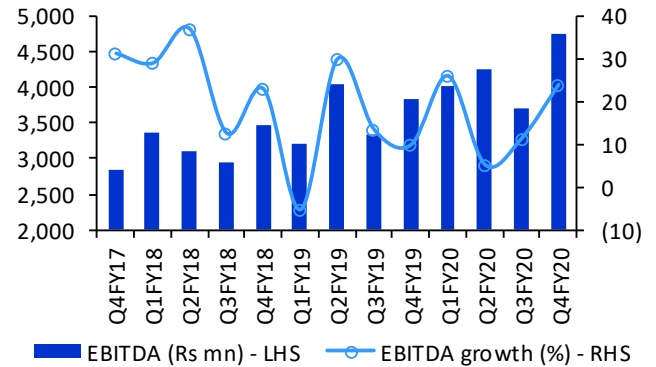
Exhibit 11: Domestic realization and growth trend



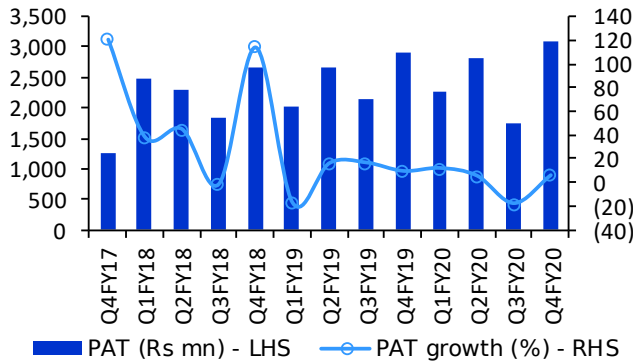
Source: Company, DART

Exhibit 12: Revenue and Revenue growth trend


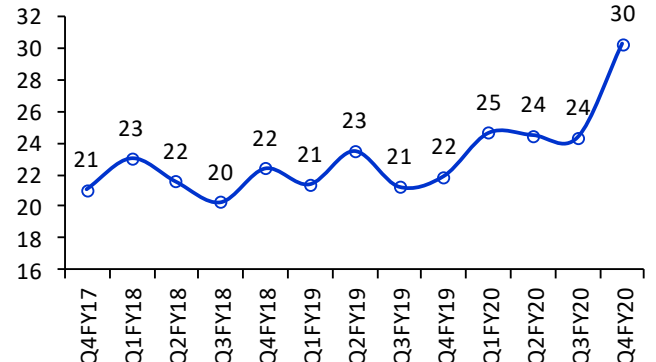
Source: Company, DART

Exhibit 13: EBITDA and EBITDA growth trend


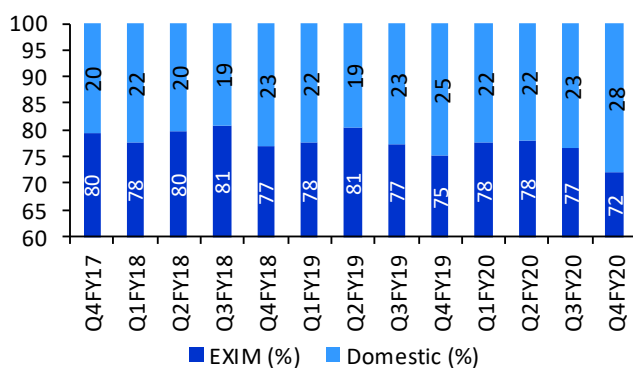
Source: Company, DART

Exhibit 14: PAT and PAT growth trend


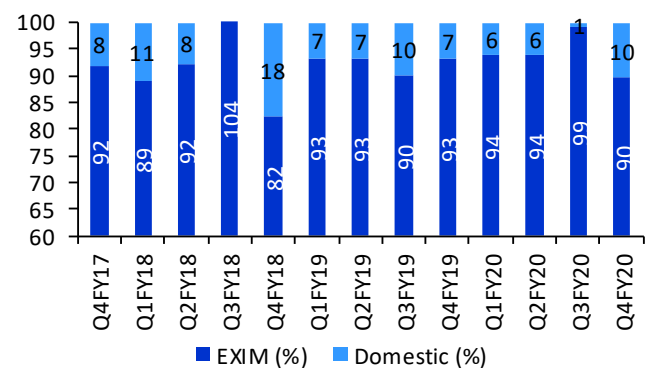
Source: Company, DART

Exhibit 15: EBITDA margin trend


Source: Company, DART

Exhibit 16: Revenue mix trend


Source: Company, DART

Exhibit 17: EBIT mix trend


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	65,427	64,738	54,145	65,884
Total Expense	51,019	48,555	40,638	49,479
COGS	45,175	42,468	35,548	43,813
Employees Cost	3,368	3,135	3,086	3,228
Other expenses	2,477	2,952	2,003	2,438
EBIDTA	14,407	16,183	13,508	16,405
Depreciation	4,246	4,541	5,203	5,428
EBIT	10,162	11,642	8,305	10,977
Interest	7	81	0	0
Other Income	3,342	2,797	1,976	2,405
Exc. / E.O. items	0	(8,611)	0	0
EBT	13,497	5,747	10,281	13,382
Tax	3,785	4,127	2,588	3,368
RPAT	9,712	1,621	7,693	10,014
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	9,712	10,232	7,693	10,014

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	3,046	3,046	3,046	3,046
Minority Interest	0	0	0	0
Reserves & Surplus	100,632	97,601	109,113	116,623
Net Worth	103,679	100,647	112,160	119,670
Total Debt	185	0	0	0
Net Deferred Tax Liability	1,616	0	0	0
Total Capital Employed	105,479	100,647	112,160	119,670

Applications of Funds

Net Block	41,947	49,694	49,491	49,563
CWIP	6,247	9,375	9,469	9,564
Investments	14,029	14,441	14,441	12,941
Current Assets, Loans & Advances	63,845	42,158	55,300	63,870
Inventories	233	261	285	271
Receivables	884	1,591	1,632	1,986
Cash and Bank Balances	1,704	21,686	32,279	37,891
Loans and Advances	61,025	18,620	21,104	23,723
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	20,589	15,020	16,541	16,267
Payables	0	0	0	0
Other Current Liabilities	20,589	15,020	16,541	16,267
<i>sub total</i>				
Net Current Assets	43,256	27,138	38,759	47,603
Total Assets	105,479	100,647	112,160	119,670

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	31.0	34.4	34.3	33.5
EBIDTA Margin	22.0	25.0	24.9	24.9
EBIT Margin	15.5	18.0	15.3	16.7
Tax rate	28.0	71.8	25.2	25.2
Net Profit Margin	14.8	2.5	14.2	15.2
(B) As Percentage of Net Sales (%)				
COGS	69.0	65.6	65.7	66.5
Employee	5.1	4.8	5.7	4.9
Other	3.8	4.6	3.7	3.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	1373.2	144.3		
Inventory days	1	1	2	2
Debtors days	5	9	11	11
Average Cost of Debt	3.7	87.5		
Payable days	0	0	0	0
Working Capital days	241	153	261	264
FA T/O	1.6	1.3	1.1	1.3
(D) Measures of Investment				
AEPS (Rs)	15.9	16.8	12.6	16.4
CEPS (Rs)	22.9	24.2	21.2	25.3
DPS (Rs)	6.8	3.6	3.2	4.1
Dividend Payout (%)	42.9	21.4	25.0	25.0
BVPS (Rs)	170.2	165.2	184.1	196.4
RoANW (%)	9.8	1.6	7.2	8.6
RoACE (%)	9.6	10.0	7.2	8.6
RoAIC (%)	11.3	12.7	10.5	13.6
(E) Valuation Ratios				
CMP (Rs)	434	434	434	434
P/E	27.2	25.8	34.4	26.4
Mcap (Rs Mn)	264,314	264,314	264,314	264,314
MCap/ Sales	4.0	4.1	4.9	4.0
EV	262,794	242,628	232,035	226,423
EV/Sales	4.0	3.7	4.3	3.4
EV/EBITDA	18.2	15.0	17.2	13.8
P/BV	2.5	2.6	2.4	2.2
Dividend Yield (%)	1.6	0.8	0.7	0.9
(F) Growth Rate (%)				
Revenue	6.3	(1.1)	(16.4)	21.7
EBITDA	(2.4)	12.3	(16.5)	21.5
EBIT	(6.2)	14.6	(28.7)	32.2
PBT	(2.6)	(57.4)	78.9	30.2
APAT	(6.8)	5.4	(24.8)	30.2
EPS	(6.8)	5.4	(24.8)	30.2
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	18,269	17,313	13,508	16,405
CFI	(2,397)	(8,240)	(3,117)	(1,690)
CFF	4,805	(14,467)	3,819	(2,503)
FCFF	(27,601)	32,188	4,798	4,210
Opening Cash	19,817	1,704	21,686	32,279
Closing Cash	1,704	21,686	32,279	37,890

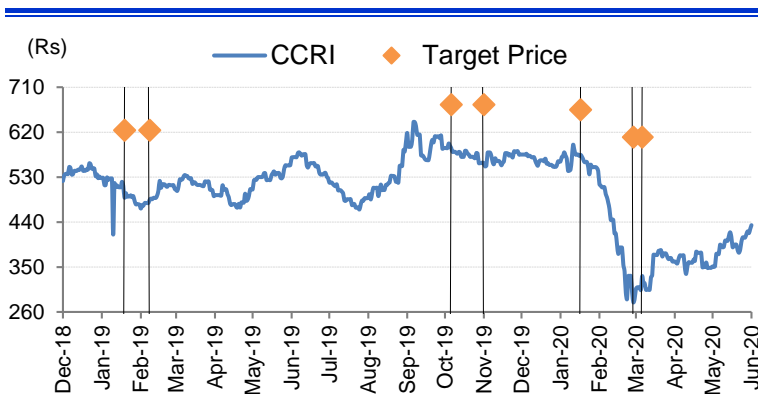
E – Estimates

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 (Rs.)	Price (Rs.)
Feb-19	Buy	624	489
Mar-19	Buy	624	484
Oct-19	Buy	675	588
Nov-19	Buy	675	557
Feb-20	Buy	665	575
Mar-20	Buy	610	279
Mar-20	Buy	610	332

*Price as on recommendation date

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