

Well placed to tide over challenging times...

Concor reported strong numbers with reported revenues, PAT above I-direct estimates. The company did not record any exceptional income during the quarter vs. ₹ 84 crore in Q4FY19. Operationally, Exim volumes de-grew 5% (realisation de-growth of 10% YoY) while domestic volumes grew ~2% (realisation remained flat). Exim revenues de-grew 14% to ₹ 1131 crore while domestic revenues remained flat at ₹ 438 crore. Standalone EBITDA margins grew 837 bps YoY to 30.2% while absolute EBITDA grew 24%. Due to the inclusion of SEIS income in the previous comparable quarter and an exceptional loss in the current quarter, reported PAT de-grew 16%.

Focus on better realisation with end to end logistics services

In FY20, Concor lost ~6% market share in the CTO segment owing to non-participation in the low margin short lead distance cargo and long lead deep discounted cargo (prevalent in few areas like Ludhiana). Further, the company plans to capture higher realisation and profitability by providing complete logistics package to the customers. Concor has started first-mile last-mile logistics on 15 of its terminals while from mid-June onwards it has also begun its coastal services. Further, distribution logistics is expected to gain traction in FY21 amid a weaker development in FY20. Concor has also surrendered its 15 terminals that were built on rail land (based on low business on these terminals), lowering its count to 29 terminals that are based on railways land. For FY21E, FY22E, we expect EBITDA margins to remain rangebound at 23-25%, as higher realisation and gross margins are expected to get partially impacted by the change in land licensing fee (earlier variable but now fixed according to the circle rates).

DFC connectivity expected till end of FY21

The DFC connectivity to ports is expected to be complete towards the end of FY21. The North-West DFC connectivity and time bound transit guarantee on the route, which moves 40-45% of Indian freight traffic, of which 40% currently moves on rail and Concor holds 70% of the rail share, is expected to improve the turnaround times of train. This would lead to higher market share gain for rail against the road players.

Valuation & Outlook

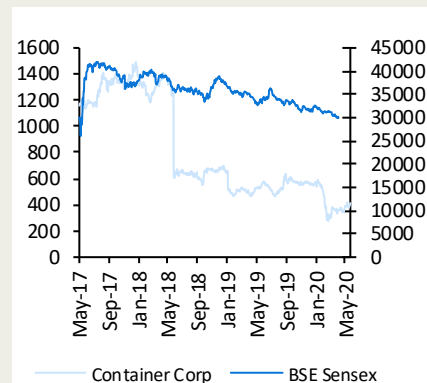
Although volumes will get negatively impacted in FY21E due to Covid-19 related Exim de-growth, the situation is expected to reverse in FY22E as the economy normalises. Also, the setting up of DFC network is expected to further aid the volume growth of the company from FY22E onwards. With focus on providing value added services and restraint on taking any low margin business (especially short lead cargo), we expect realisations to boost the topline. The twin catalyst is expected to keep margins healthy in the medium to long term. We maintain **BUY** with a target price of ₹ 520.



Particulars

Particular	Amount
Market Capitalisation (₹cr)	21,203.6
Total Debt (FY 20P) (₹cr)	63.6
Cash (FY 20P) (₹cr)	2,191.6
EV (₹Crore)	19,075.7
52 week H/L	666/263
Equity Capital (₹Crore)	304.7
Face Value (₹)	5.0

Price Performance



Shareholding Pattern

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

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Key Financial Summary

₹ crore	FY18	FY19	FY20	FY21E	FY22E
Net Sales	6612.5	6956.1	6539.4	6062.4	7459.8
EBITDA	1488.7	1790.7	1693.8	1327.7	1753.0
PAT	1109.5	1229.4	404.5	961.1	1314.1
P/E (x)	23.9	21.6	65.5	27.6	20.2
P/B (x)	0.9	0.8	0.8	0.8	0.7
RoCE (%)	11.3	12.8	10.9	6.7	9.1
RoE (%)	10.7	11.4	12.1	8.6	10.9

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Revenue	1,568.6	1,542.9	1,749.9	-10.4	1,527.6	2.7	Revenues lower YoY mainly due to lower Exim volumes(-5%) and realisation (-10%)
Employee Expenses	60.2	77.1	109.7	-45.1	89.8	-32.9	
Terminal & other Expenses	812.0	848.6	964.0	-15.8	851.4	-4.6	
Administrative Expenses	222.0	254.6	293.3	-24.3	214.7	3.4	
Total Expense	1,094.2	1,180.3	1,367.1	-20.0	1,155.9	-5.3	
EBITDA	474.5	362.6	382.9	23.9	371.7	27.6	
EBITDA Margin (%)	30.2	23.5	21.9	837 bps	24.3	591 bps	Adjusting for the IND-AS effect, the margins came strong at 26.6%
Depreciation	133.6	127.0	111.7	19.6	126.3	5.8	
Interest	10.8	4.9	0.7	NA	6.0	NA	
Other Income	95.2	63.2	128.8	-26.1	62.6	51.9	
PBT	425.3	293.8	399.3	6.5	302.1	40.8	
Exceptional income/(expense)	-20.6	0.0	84.4	NA	0.0	NA	One time provision towards impairment of wholly owned subsidiary FHEL
Total Tax	110.2	74.0	131.3	-16.1	126.6	-13.0	
PAT	294.5	219.7	352.3	-16.4	175.5	67.8	
Key Metrics	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)		
EXIM Volume (TEUs)	775,319.0	816,396.0	-5.0	766,822.0	1.1		YoY de-growth due to Concor weak sentiments in the economy and COVID related shutdown in the month of March
Domestic Volume (TEUs)	165,951.0	162,534.0	2.1	143,585.0	15.6		
Total Volume (TEUs)	941,270	978,930	-3.8	910,407	3.4		
Adjusted EXIM Revenue (₹cr)	1,131	1,317	-14.2	1,171	-3.5		
Domestic Revenue (₹crore)	438	433	1.2	356	22.9		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹Crore)	FY21E			FY22E			Comments		
	FY 19	FY 20	Old	New	Change	Old		New	Change
Revenue	6,956.1	6,539.4	7,342.7	6,062.4	-17.4	8,348.5	7,459.8	-10.6	Lowered mainly on account of weak sentiments in the export import segment (COVID-19 related)
EBITDA	1,790.7	1,693.8	1,813.6	1,327.7	-26.8	2,078.8	1,753.0	-15.7	
EBITDA Margin (%)	25.7	25.9	24.7	21.9	-280 bps	24.9	23.5	-140 bps	Margins remain rangebound due to better operational efficiency
PAT	1,174.5	1,218.7	1,497.0	931.5	-37.8	1,754.3	1,279.9	-27.0	
EPS (₹)	20.2	6.6	25.5	15.8	-38.1	29.7	21.6	-27.5	

Source: Company, ICICI Direct Research

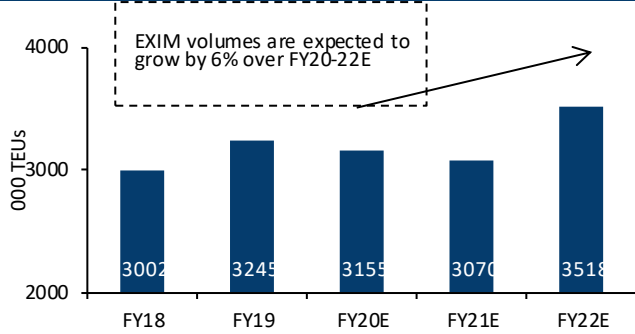
Exhibit 3: Assumptions

Unit	Current			Earlier		Comments	
	FY 20	FY 21E	FY 22E	FY 21E	FY 22E		
Exim Volume	TEUs	3,154,596	2,989,279	3,386,227	3,579,154	4,008,652	Volumes lowered due to weak market sentiments and non-committal in picking up lower margin business
Domestic Volume	TEUs	593,162	581,550	658,087	660,514	739,776	
Exim Realisation	₹TEUs	15,628	14,988	16,251	15,950	16,109	
Domestic Realisation	₹TEUs	26,024	27,147	29,420	25,451	26,485	

Source: ICICI Direct Research, Company

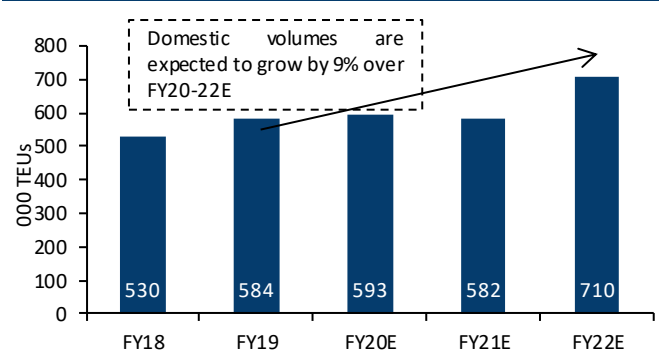
Key Metrics

Exhibit 4: Exim volumes trend



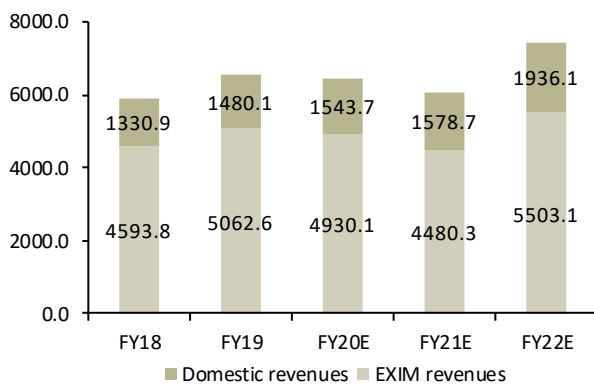
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes trend



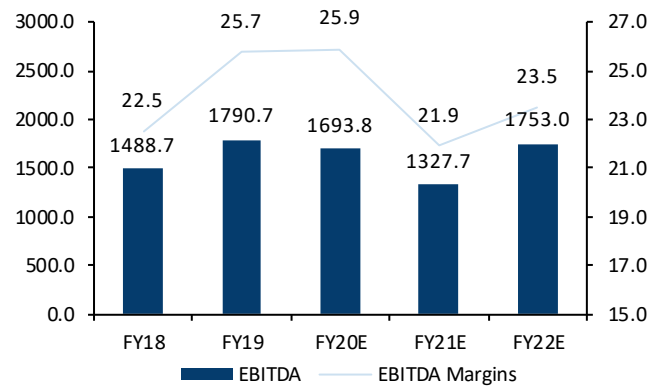
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 7% over FY20-22E



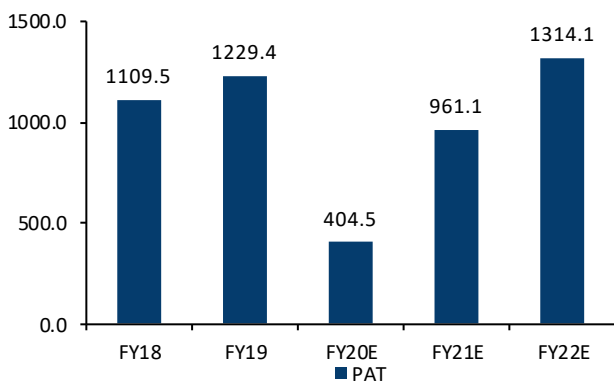
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 2% over FY20-22



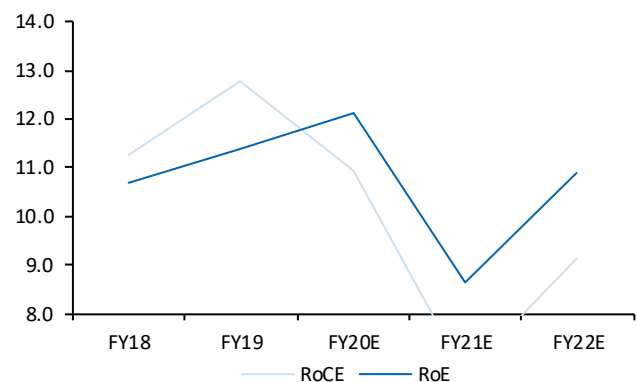
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 80% 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	23.9	4.4	10.7	11.3
FY 19	6956.1	5.2	20.2	10.8	21.6	5.1	11.4	12.8
FY 20P	6539.4	-6.0	6.6	-67.1	65.5	3.8	12.1	10.9
FY 21E	6062.4	-7.3	15.8	137.6	27.6	4.3	8.6	6.7
FY 22E	7459.8	23.0	21.6	36.7	20.2	3.0	10.9	9.1

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	6,062.4	7,459.8
Growth (%)	5.2	-6.0	-7.3	23.0
Terminal/Other Service	4,561.0	4,277.5	4,001.2	4,848.9
Employee Cost	340.6	317.0	321.3	335.7
Administrative & other	263.7	251.2	412.2	522.2
Op. Expenditure	5,165.3	4,845.6	4,734.8	5,706.7
EBITDA	1,790.7	1,693.8	1,327.7	1,753.0
Growth (%)	20.3	-5.4	-21.6	32.0
Depreciation	452.3	544.4	580.5	653.5
EBIT	1,338.5	1,149.4	747.1	1,099.5
Interest	6.5	46.1	6.4	0.0
Other Income	317.0	253.4	504.1	610.9
PBT	1,648.9	1,356.8	1,244.8	1,710.4
Growth (%)	22.1	-17.7	-8.3	37.4
Tax	474.4	138.1	313.3	430.5
Reported PAT	1,174.5	1,218.7	931.5	1,279.9
Growth (%)	17.6	3.8	-23.6	37.4
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	961.1	1,314.1
EPS	20.2	6.6	15.8	21.6

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow Statement				
	₹ crore			
(Year-end March)	FY19	FY20E	FY21E	FY22E
Profit after Tax	1,229.4	404.5	961.1	1,314.1
Add: Depreciation	452.3	544.4	580.5	653.5
Add: Interest	6.5	46.1	6.4	0.0
Cash Profit	1,688.2	994.9	1,548.0	1,967.7
Increase/(Decrease) in	276.8	(163.5)	71.3	(6.8)
(Increase)/Decrease in	(3,367.8)	3,795.3	(29.0)	(68.7)
Others	(538.6)	(340.9)	-	-
CF from Operating Acti	(1,941.4)	4,285.8	1,590.3	1,892.1
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 Fund	708.7	(707.0)	(63.6)	-
Inc/(Dec) in Sh. Cap. &	(247.7)	(687.4)	-	-
Interest paid	(6.5)	(46.1)	(6.4)	(0.0)
Dividend paid and tax	(221.6)	(132.9)	(233.0)	(315.4)
Others	521.5	40.4	-	-
CF from financing activ	754.4	(1,532.9)	(303.0)	(315.4)
Change in cash Eq.	(1,826.6)	1,985.9	585.3	383.1
Op. Cash and cash Eq.	2,032.4	205.7	2,191.6	2,776.9
Cl. Cash and cash Eq.	205.7	2,191.6	2,776.9	3,160.0

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	10,025.3	9,742.3	10,470.4	11,469.1
Shareholder's Fund	10,329.9	10,047.0	10,775.0	11,773.8
Minority Interest	106.3	108.5	110.7	112.9
Loan Funds	70.0	63.6	0.0	0.0
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	11,208.0	12,152.1
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	2,689.9	3,343.5
Net Block	4,556.2	5,343.1	5,262.5	5,609.0
Capital WIP	626.3	943.1	990.2	1,039.7
Total Fixed Assets	5,182.5	6,286.1	6,252.8	6,648.7
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	24.9	30.7
Debtor	95.5	164.6	58.1	71.5
Cash & Bank balances	205.7	2,191.6	2,776.9	3,160.0
Loan & Advance, Othe	4,427.4	545.4	674.7	716.0
Total Current assets	4,752.3	2,927.9	3,534.7	3,978.2
Current Liabilities	353.1	155.4	332.2	408.8
Other Current Liabilities	1,670.0	990.3	891.3	802.1
Provisions	18.1	31.4	24.9	30.7
Total CL and Provisions	2,041.2	1,177.0	1,248.4	1,241.6
Net Working Capital	2,711.1	1,750.9	2,286.3	2,736.7
Application of Funds	10,759.2	10,612.5	11,208.0	12,152.0

Source: Company, ICICI Direct Research

Exhibit 14: Key Ratios				
(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
Book Value	529.8	515.3	552.7	603.9
Cash per share	6.8	71.9	91.2	103.7
EPS	20.2	6.6	15.8	21.6
Cash EPS	55.2	31.1	50.6	64.6
DPS	6.0	3.6	6.3	8.6
Profitability & Operating Ratios				
EBITDA Margin (%)	25.7	25.9	21.9	23.5
PAT Margin (%)	17.7	6.2	15.9	17.6
Fixed Asset Turnover (1.3	1.0	1.0	1.1
Inventory Turnover (Da	1.5	1.5	1.5	1.5
Debtor (Days)	3.5	3.5	3.5	3.5
Current Liabilities (Days	18.5	8.7	20.0	20.0
Return Ratios (%)				
RoE	11.4	12.1	8.6	10.9
RoCE	12.8	10.9	6.7	9.1
RoIC	14.8	17.1	11.1	15.1
Valuation Ratios (x)				
P/E	21.6	65.5	27.6	20.2
Price to Book Value	0.8	0.8	0.8	0.7
EV/EBITDA	5.1	3.8	4.3	3.0
EV/Sales	1.3	1.0	0.9	0.7
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	2.8	3.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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