

Weak quarter; Land License Fee shocker. Move rating to Accumulate

- Q1FY21 report lower than estimated Sales, EBITDA, and PAT during the quarter. Revenue at Rs ~11.9Bn, down -27% YoY /-24% QoQ led -21%/-8% volume/realisation decline. Margins at 13.4%, a multi-year low. Expects improvement in H2FY21. Q2 will be better than Q1FY21.
- Ministry of Railways has demanded for Rs 7.77Bn as LLF for FY21 for the Okhla and Tughlakabad Terminals of CONCOR at Delhi. However, company believes that demand is not as per the Railway's extant policy. Rs 1.2Bn has been provided for the quarter.
- Factoring the weakness in volume growth, and building in railway demand towards LLF into our estimates, we lower our estimates EBITDA/PAT estimates by -40%/-52% for FY21E and -31%/-38% for FY22E which lowers our DCF based target price to Rs 440 and we move the stock to an Accumulate Rating, mainly for the potential opportunity that is expected arise from DFC.

Volume falls, multi-year low EBITDA margins; profitability takes a hit

Revenue at Rs ~11.9Bn, down 27% YoY /-24% QoQ led -21%/-8% volume/realization decline. EXIM realization declined by 11% YoY/-7% QoQ and while domestic realization grew by 5% YoY/+4% QoQ. Volume (732,711 TEUS in Q1FY21) declined by -21% YoY/19% QoQ led by -20%/-25% YoY decline in EXIM/Domestic. Q1 EBITDA was fell sharply 61% YoY at Rs 1.6Bn. Margin came at 13.4%. Overall there was 17% YoY decline in cost. Rail freight declined by 27% YoY/-20% QoQ. Other expenses saw a sharp jump of 14% YoY/34% QoQ on account of Rs 1.2Bn of land license fee (LLF). EXIM EBIT margins stood at 7.7% and EBIT/Teu at Rs 1,227. Domestic EBIT margins stood at 5.1% and EBIT/Teu at Rs 1,403.

Land License Fee (LLF) demand from railways is a shocker

The Railway Ministry has demanded for Rs 7.77Bn as LLF for FY21 for the Okhla and Tughlakabad Terminals of CONCOR at Delhi. However, company believes that demand is not as per the Railway's extant policy. Rs 1.2Bn has been provided for the quarter and expects this amount at Rs 4.5Bn for FY21. Further LLP rate post April-20 is changed at 7% from 6% earlier on lands leased to CONCOR. As Railway leased to CONCOR are prior to year 2006, CONCOR has asked Railway Ministry to continue to charge LLF on the basis of number of TEUs handled till it remains a PSU.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	11,891	16,389	(27.4)	15,686	(24.2)
Total Expense	10,301	12,357	(16.6)	10,942	(5.9)
EBITDA	1,590	4,033	(60.6)	4,745	(66.5)
Depreciation	1,260	1,253	0.6	1,336	(5.7)
EBIT	330	2,779	(88.1)	3,409	(90.3)
Other Income	588	583	0.9	952	(38.2)
Interest	85	112	(24.6)	108	(21.3)
EBT	833	3,250	(74.4)	4,047	(79.4)
Tax	217	971	(77.7)	1,164	(81.4)
RPAT	617	2,278	(72.9)	2,883	(78.6)
APAT	617	2,278	(72.9)	3,089	(80.0)
			(bps)		(bps)
Gross Margin (%)	45.1	45.4	(22)	48.2	(309)
EBITDA Margin (%)	13.4	24.6	(1123)	30.2	(1687)
NPM (%)	5.2	13.9	(872)	18.4	(1319)
Tax Rate (%)	26.0	29.9	(389)	28.8	(276)
EBIT Margin (%)	2.8	17.0	(1418)	21.7	(1896)

CMP	Rs 386
Target / Upside	Rs 440 / 14%
BSE Sensex	38,206
NSE Nifty	11,270

Scrip Details

Equity / FV	Rs 3,046mn / Rs 5
Market Cap	Rs 235bn
	US\$ 3bn
52-week High/Low	Rs 666/Rs 263
Avg. Volume (no)	2,468,800
NSE Symbol	CONCOR
Bloomberg Code	CCRI IN

Shareholding Pattern Jun'20(%)

Promoters	54.8
MF/Banks/FIs	13.0
FIIIs	26.7
Public / Others	5.2

Valuation (x)

	FY20A	FY21E	FY22E
P/E	23.0	64.0	37.9
EV/EBITDA	13.2	25.4	18.1
ROE (%)	10.0	3.5	5.6
RoACE (%)	10.0	3.5	5.6

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	64,738	54,276	66,043
EBITDA	16,183	8,135	11,313
PAT	10,232	3,676	6,207
EPS (Rs.)	16.8	6.0	10.2

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Exhibit 1: Actual V/s DART estimates

(Rs mn)	Actual	Estimated	Variance %	Consensus	Variance %	Remarks
Net sales	11,891	13,021	(8.7)	12832	(7.3)	21% decline in volumes along with lower than estimated realization fall drove sales below estimate
EBITDA	1,590	3,060	(48.0)	2662	(40.3)	Rs 1.2Bn LLF drove EBITDA lower
EBITDA margin (%)	13.4	23.5	(1013bps)	20.7	(737bps)	
Adj net income	617	1901	(67.6)	1599	(61.4)	Lower operating profit and other income led PAT below estimates
FDEPS (Rs)	1.0	3.1	(67.6)	2.6	(61.4)	

Source: Company, DART

Factoring higher LLF; Move rating to Accumulate.

On a conservative basis, we build in the railway demand of LLF of Rs7.8bn in our estimates. While IR has given a 5% discount on haulage charges, intense competition may not help the company get any major benefit of haulage discount. We build this impact into our model and thus lower our FY21E/22E estimates of EBITDA/PAT by -40%/-52% and -31%/-38% respectively. As a result, our DCF-based target price reduced to Rs 440, on a WACC of 7.8%. We change our rating to Accumulate. The potential volume opportunity that can arise post the completion of the Dedicated Freight Corridor(DFC) is the main reason for us to still keep it at Accumulate.

Exhibit 2: Change in estimates

Key parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	54,145	54,276	0.2	65,884	66,043	0.2
EBITDA (Rs mn)	13,508	8,135	(39.8)	16,405	11,313	(31.0)
EBITDA margin (%)	24.9	15.0	-996bps	24.9	17.1	-777bps
Net profit (Rs mn)	7,693	3,676	(52.2)	10,014	6,207	(38.0)
EPS (Rs)	12.6	6.0	(52.2)	16.4	10.2	(38.0)

Source: Company, DART Note: Taken Rs 7.7Bn impact

Exhibit 3: Key Assumptions in our estimates

Key assumptions	FY18	FY19	FY20	FY21E	FY22E
Revenue (Rs mn)	61,572	65,427	64,738	54,276	66,043
YoY %	9.8	6.3	(1.1)	(16.2)	21.7
Volumes (mn Teus)	3.5	3.8	3.7	3.1	3.6
YoY %	13.9	8.4	(2.1)	(18.3)	17.0
Realisation (Rs/teu)	17,433	17,085	17,274	17,734	18,444
YoY %	(3.6)	(2.0)	1.1	2.7	4.0

Source: Company, DART

If the demand of Rs 7.7Bn by the Indian Railways is not into consideration than the EBITDA/PAT stand at marginally lower at -4%/-5% for FY21E and -1%/-1% for FY22E.

Exhibit 4: Change in estimates if the railway demand is reversed

Key parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	54,145	54,276	0.2	65,884	66,043	0.2
EBITDA (Rs mn)	13,508	13,135	(2.8)	16,405	16,313	(0.6)
EBITDA margin (%)	24.9	24.2	-75bps	24.9	24.7	-20bps
Net profit (Rs mn)	7,693	7,418	(3.6)	10,014	9,949	(0.6)
EPS (Rs)	12.6	12.2	(3.6)	16.4	16.3	(0.6)

Source: Company, DART

Margins at multi-year lows; profitability dampens

Revenue stood at Rs ~11.9Bn (Est: Rs 13Bn), down 27% YoY /-24% QoQ led -21%/-8% volume/realisation decline. Realisation decline was on account of higher empty repositioning. Empty cost for the quarter stood at Rs 380mn of which Rs 210mn was from EXIM and Rs 165mn from Domestic. EXIM/Domestic revenue mix stood at 84:16% vs 94:6% YoY/ 90:10% QoQ. Exim revenue decline of 29% YoY/-20% QoQ while domestic revenue fell 22% YoY/-34% QoQ. EXIM realization declined by 11% YoY/-7% QoQ and while domestic realization grew by 5% YoY/+4% QoQ. Concor reported 732,711 TEUS in Q1FY21 of which 627,905 teus were of EXIM and 104,806 teus were of Domestic. Overall volume declined by -21% YoY/19% QoQ. This was led by -20% YoY decline in EXIM and -25% de-growth in Domestic. Sequentially EXIM fell by 19% while Domestic reported -37%. The company has informed that the discounts have been increasing to gain volumes, may follow the suit. Price hike of 3-5% can happen from October onwards. Double stacking dropped 55% to 338 rakes from 758 rakes on the back of 27% decline in imports.

Q1 EBITDA fell sharply by 61% YoY to Rs 1.6Bn (est.: Rs 3Bn). Q1 EBITDA margin came multi-year lows at 13.4% vs 30.2% QoQ /24.6% YoY. Overall there was 17% YoY decline in cost. Employee expense remained stable YoY but grew 32% QoQ. Rail freight declined by 27% YoY/-20% QoQ. However, Other operating expenses saw a sharp jump of 14% YoY/34% QoQ on account of Rs 1.2Bn of land license fee (LLF). EXIM EBIT margins dropped sharply to 7.7% vs. 24.4% QoQ/23% YoY. Rail freight margin stood at 48.7% vs 28.2% YoY.

EXIM EBIT/Teu at Rs 1,227 vs. Rs 4,417 QoQ/ Rs 3,720 YoY. Domestic EBIT margins declined to 5.1% versus 9.1% QoQ/5.1% YoY. Domestic EBIT/Teu at Rs 1403 vs. Rs 2395 QoQ/ Rs 1342 YoY. EXIM/Domestic EBIT mix stood at 84:16% vs 94:6% YoY, 90:10% QoQ

Exhibit 5: Result Snapshot

(Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ(%)
Net sales	16,389	17,387	15,276	15,686	11,891	(27.4)	(24.2)
Expenditure	12,357	13,132	11,559	10,942	10,301	(16.6)	(5.9)
Staff cost	806	829	898	602	796	(1.2)	32.2
Rail freight	8,953	9,397	8,514	8,120	6,523	(27.1)	(19.7)
Other Operating exp	2,598	2,905	2,147	2,220	2,983	14.8	34.4
Operating profit	4,033	4,255	3,717	4,745	1,590	(60.6)	(66.5)
Other income	583	637	626	952	588	0.9	(38.2)
Interest	112	81	60	108	85	(24.6)	(21.3)
Depreciation	1,253	1,278	1,263	1,336	1,260	0.6	(5.7)
PBT	3,250	(5,078)	3,021	4,047	833	(74.4)	(79.4)
Tax	971	725	1,266	1,164	217	(77.7)	(81.4)
PAT	2,278	2,807	1,755	3,089	617	(72.9)	(80.0)
EPS (INR)	3.7	4.6	2.9	5.1	1.0	(72.9)	(80.0)

% of Sales	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ(%)
Total Cost (%)	75.4	75.5	75.7	69.8	86.6	1123bps	1687bps
Rail Freight expenses	4.9	4.8	5.9	3.8	6.7	178bps	285bps
Staff Cost	54.6	54.0	55.7	51.8	54.9	22bps	309bps
Other Expenses	15.8	16.7	14.1	14.1	25.1	923bps	1093bps
EBITDA Margin (%)	24.6	24.5	24.3	30.2	13.4	1123bps	-1687bps
Net Profit Margin (%)	13.9	16.1	11.5	19.7	5.2	-872bps	-1451bps

Source: Company, DART

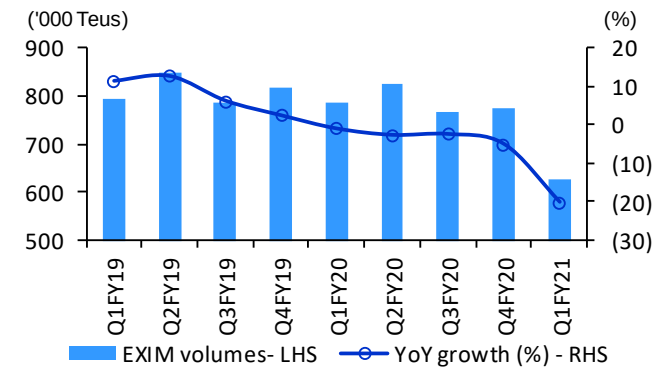
Exhibit 6: Segment Snapshot

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ(%)
Sales	16,389	17,387	15,276	15,686	11,891	(27.4)	(24.2)
Exim	12,704	13,577	11,713	11,307	9,007	(29.1)	(20.3)
Domestic	3,685	3,810	3,562	4,380	2,885	(21.7)	(34.1)
Volumes	9,26,923	9,69,158	9,10,407	9,41,270	7,32,711	(21.0)	(22.2)
Exim	7,86,442	8,26,013	7,66,822	7,75,319	6,27,905	(20.2)	(19.0)
Domestic	1,40,481	1,43,145	1,43,585	1,65,951	1,04,806	(25.4)	(36.8)
Realisation	17,681	17,940	16,779	16,665	16,229	(8.2)	(2.6)
Exim	16,154	16,437	15,275	14,583	14,344	(11.2)	(1.6)
Domestic	26,232	26,614	24,810	26,390	27,524	4.9	4.3
EBIT	3,114	3,337	2,830	3,822	917	(70.5)	(76.0)
Exim	2,926	3,139	2,805	3,425	770	(73.7)	(77.5)
Domestic	189	198	25	397	147	(22.0)	(63.0)
EBIT/Tue	3,360	3,443	3,108	4,060	1,252	(62.7)	(69.2)
Exim	3,720	3,800	3,658	4,417	1,227	(67.0)	(72.2)
Domestic	1,342	1,383	171	2,395	1,403	4.5	(41.4)
EBIT Margin (%)	19.0	19.2	18.5	24.4	7.7	-1129bps	-1665bps
Exim	23.0	23.1	23.9	30.3	8.6	-1448bps	-2174bps
Domestic	5.1	5.2	0.7	9.1	5.1	-2bps	-398bps

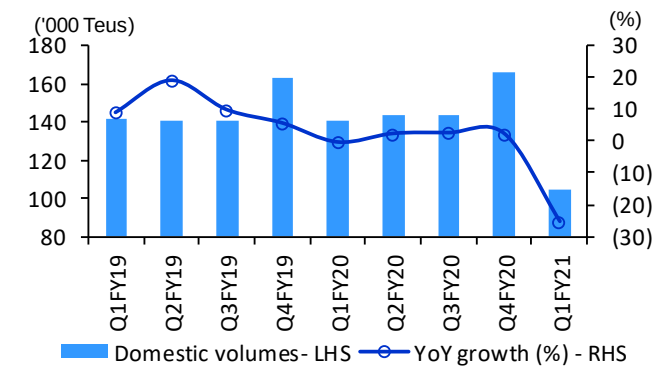
Source: Company, DART

Other highlights from the management conference call

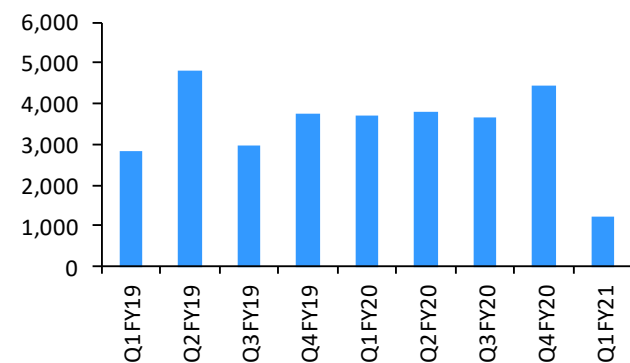
- **Recent Announcements:** (1) Paid Rs 1.2Bn as Land License fee (2) CONCOR has decided to re-organise its administrative setup from two-layers (i.e. Regions and Corporate Office) to single layer organisation (i.e. Corporate Office) with four operational areas managing its 63 operating terminals for better operational efficiency and faster decision making (3) Ministry of Railways has decided to give 5% discount on haulage charges per teu of the movement of loaded containers for private operators starting from 1st August 2020 till 30th April 2021. May not be able to pass-on the benefits (4) Surrendered 15 terminals which do not have material impact on financials.
- Improvement seen in exports, no major improvement in imports and domestic.
- **Terminals:** Tughlakabad Terminal remains in the top 5 terminal. The new terminal in vicinity is not possible due to high land cost.
- **Originating volumes:** Exim at 413,587 Teus, Domestic at 51,146 Teus totaling to 464,733
- **Rail based coefficient at Ports:** JNPT: 25%, Mundra: 25.5%
- **DFCC:** Expects to start Palanpur route by December which will connect Mundra and Pipavav.

Exhibit 7: EXIM Volume and growth trend


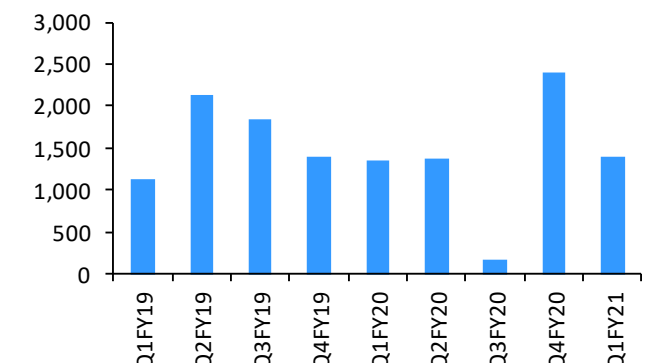
Source: Company, DART

Exhibit 8: Domestic Volume and growth trend


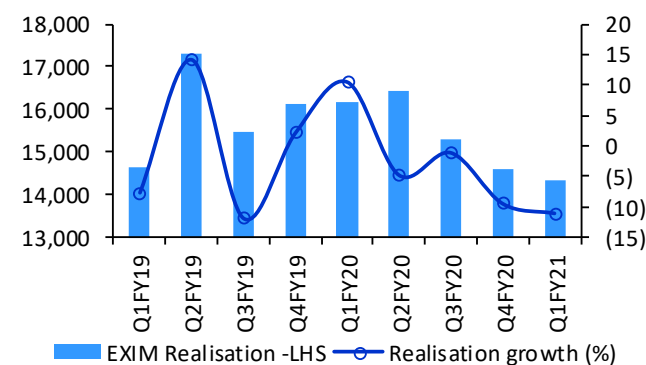
Source: Company, DART

Exhibit 9: EXIM EBIT/teu trend


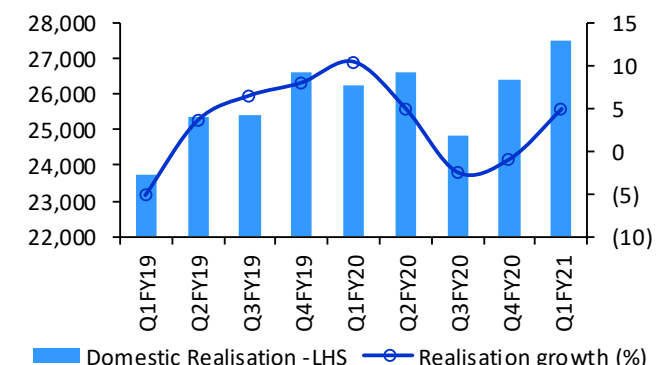
Source: Company, DART

Exhibit 10: Domestic EBIT/teu trend


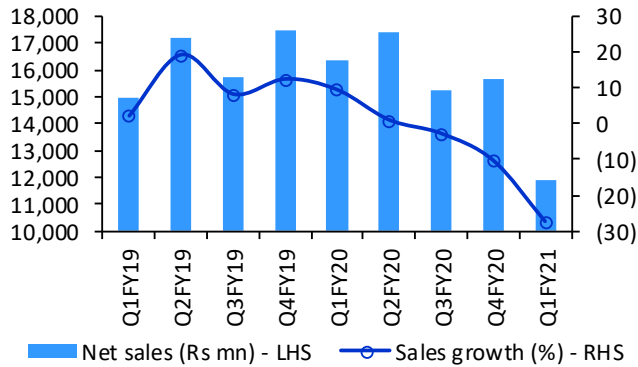
Source: Company, DART

Exhibit 11: EXIM realization and growth trend


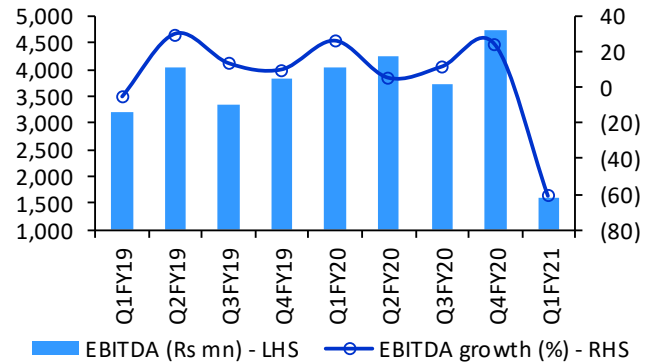
Source: Company, DART

Exhibit 12: Domestic realization and growth trend


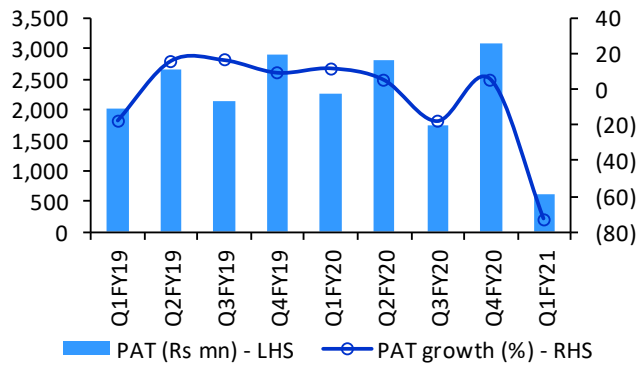
Source: Company, DART

Exhibit 13: Revenue and Revenue growth trend


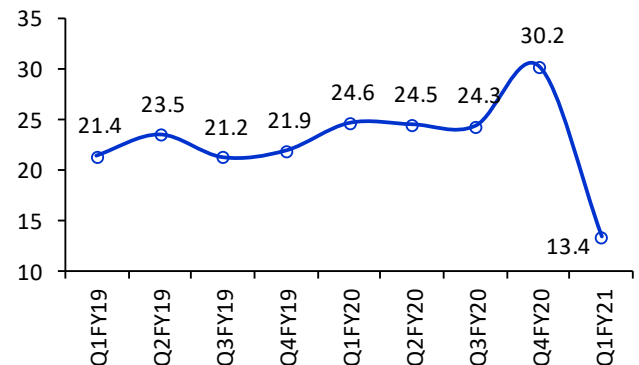
Source: Company, DART

Exhibit 14: EBITDA and EBITDA growth trend


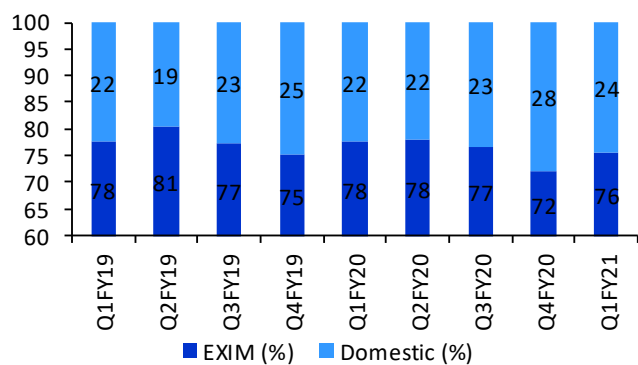
Source: Company, DART

Exhibit 15: PAT and PAT growth trend


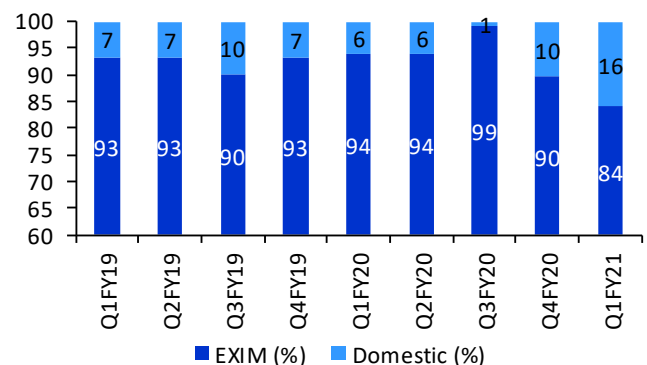
Source: Company, DART

Exhibit 16: EBITDA margin trend


Source: Company, DART

Exhibit 17: Revenue mix trend


Source: Company, DART

Exhibit 18: EBIT mix trend


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	65,427	64,738	54,276	66,043
Total Expense	51,019	48,555	46,141	54,730
COGS	45,175	42,468	40,822	48,588
Employees Cost	3,368	3,135	3,039	3,368
Other expenses	2,477	2,952	2,280	2,774
EBIDTA	14,407	16,183	8,135	11,313
Depreciation	4,246	4,541	5,203	5,428
EBIT	10,162	11,642	2,932	5,884
Interest	7	81	0	0
Other Income	3,342	2,797	1,981	2,411
Exc. / E.O. items	0	(8,611)	0	0
EBT	13,497	5,748	4,913	8,295
Tax	3,785	4,127	1,237	2,088
RPAT	9,712	1,621	3,676	6,207
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	9,712	10,232	3,676	6,207

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	106,101	110,756
Net Worth	103,679	100,647	109,147	113,802
Total Debt	185	0	0	0
Net Deferred Tax Liability	1,616	0	0	0
Total Capital Employed	105,479	100,647	109,147	113,802

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	54,077	59,729
Inventories	233	261	316	300
Receivables	884	1,591	1,636	1,990
Cash and Bank Balances	1,704	21,686	28,738	31,198
Loans and Advances	61,025	18,620	23,386	26,240
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	20,589	15,020	18,330	17,993
Payables	0	0	0	0
Other Current Liabilities	20,589	15,020	18,330	17,993
<i>sub total</i>				
Net Current Assets	43,256	27,138	35,747	41,735
Total Assets	105,479	100,647	109,147	113,802

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	31.0	34.4	24.8	26.4
EBIDTA Margin	22.0	25.0	15.0	17.1
EBIT Margin	15.5	18.0	5.4	8.9
Tax rate	28.0	71.8	25.2	25.2
Net Profit Margin	14.8	2.5	6.8	9.4
(B) As Percentage of Net Sales (%)				
COGS	69.0	65.6	75.2	73.6
Employee	5.1	4.8	5.6	5.1
Other	3.8	4.6	4.2	4.2
(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	240	231
FA T/O	1.6	1.3	1.1	1.3
(D) Measures of Investment				
AEPS (Rs)	15.9	16.8	6.0	10.2
CEPS (Rs)	22.9	24.2	14.6	19.1
DPS (Rs)	6.8	3.6	1.5	2.5
Dividend Payout (%)	42.9	21.4	25.0	25.0
BVPS (Rs)	170.2	165.2	179.1	186.8
RoANW (%)	9.8	10.0	3.5	5.6
RoACE (%)	9.6	10.0	3.5	5.6
RoAIC (%)	11.3	12.7	3.7	7.2
(E) Valuation Ratios				
CMP (Rs)	386	386	386	386
P/E	24.2	23.0	64.0	37.9
Mcap (Rs Mn)	235,433	235,433	235,433	235,433
MCap/ Sales	3.6	3.6	4.3	3.6
EV	233,913	213,747	206,695	204,235
EV/Sales	3.6	3.3	3.8	3.1
EV/EBITDA	16.2	13.2	25.4	18.1
P/BV	2.3	2.3	2.2	2.1
Dividend Yield (%)	1.8	0.9	0.4	0.7
(F) Growth Rate (%)				
Revenue	6.3	(1.1)	(16.2)	21.7
EBITDA	(2.4)	12.3	(49.7)	39.1
EBIT	(6.2)	14.6	(74.8)	100.7
PBT	(2.6)	(57.4)	(14.5)	68.8
APAT	(6.8)	5.4	(64.1)	68.8
EPS	(6.8)	5.4	(64.1)	68.8

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	18,269	17,313	8,135	11,313
CFI	(2,397)	(8,240)	(3,113)	(1,684)
CFF	4,805	(14,467)	4,823	(1,552)
FCFF	(27,601)	32,188	248	101
Opening Cash	19,817	1,704	21,686	28,738
Closing Cash	1,704	21,686	28,738	31,198

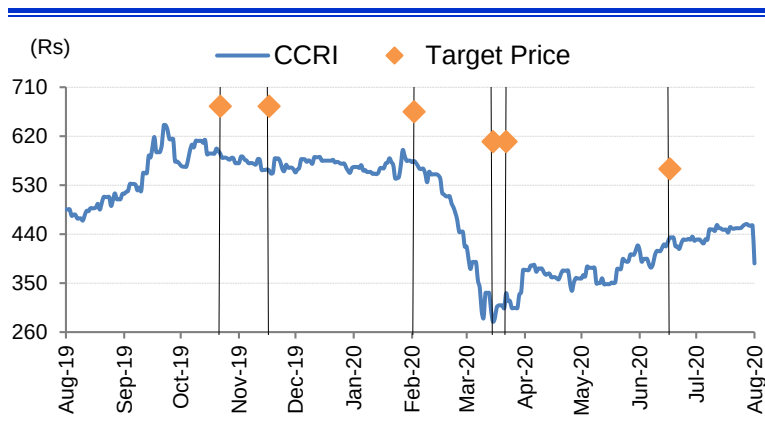
E – Estimates

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.)
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
Jun-20	Buy	560	434

*Price as on recommendation date

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