

Reduce

Land license fee shadow looms. Move rating to Reduce.

- Q2 was an operationally good quarter for Concor with revenues in line and EBITDA and PAT better than estimates (Refer Exhibit 1). Q2 revenues were at Rs15Bn down 13% YoY / up 26% QoQ led -10%/-2% volume/realization decline. EXIM/Domestic Revenue mix stood at 90:10% vs 94:6% YoY/ 84:16% QoQ. EBITDA margin came at 20.8%, sequentially better than that reported in Q1. The company has also bettered its FY21 volume guidance from a 20% decline earlier to a 10% decline or better.
- However, the shadow of Land license fee looms. Indian Railways have raised a demand of Rs12.8bn for as the annual LLF for the year 2020-21 for 13 Terminals of Concor. (compared to Rs7.7bn demand for 2 terminals in Q1). In comparison, Concor has provided for LLF of Rs2.33bn in H1, in line with its own estimate of Rs4.5bn. It is very emphatic that its estimate of Rs4.5bn will prevail as compared to the demand raised by Indian Railways
- We change our estimate based on company estimate of LLF and revised volume guidance, as outlined in Exhibit 3. However, given the shadow of higher land licence fees loom (demands raised for only 13 of the 28 terminals), we move our rating to Reduce with a DCF based target price of Rs400.

Q2 was operationally good; Management ups FY21 guidance

Q2 was an operationally good quarter for Concor with revenues in line and EBITDA and PAT better than estimates (Refer Exhibit 1). Q2 revenues were at Rs15Bn down 13% YoY / up 26% QoQ led -10%/-2% volume/realization decline. EXIM/Domestic Revenue mix stood at 90:10% vs 94:6% YoY/ 84:16% QoQ. EBITDA margin came at 20.8%, sequentially better than that reported in Q1. The company has also bettered its FY21 volume guidance from a 20% decline earlier to a 10% decline or better.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	15,027	17,387	(13.6)	11,891	26.4
Total Expense	11,898	13,132	(9.4)	10,301	15.5
EBITDA	3,130	4,255	(26.5)	1,590	96.8
Depreciation	1,272	1,278	(0.5)	1,260	0.9
EBIT	1,858	2,977	(37.6)	330	462.9
Other Income	713	637	12.0	588	21.3
Interest	85	81	4.8	85	0.5
EBT	2,486	(5,078)	(149.0)	833	198.3
Tax	610	(1,858)	(132.8)	217	181.6
RPAT	1,876	(3,220)	(158.3)	617	204.2
APAT	1,876	5,390	(65.2)	617	204.2
			(bps)		(bps)
Gross Margin (%)	45.4	46.0	(55)	45.1	25
EBITDA Margin (%)	20.8	24.5	(365)	13.4	745
NPM (%)	12.5	(18.5)	3100	5.2	730
Tax Rate (%)	24.5	36.6	(1204)	26.0	(146)
EBIT Margin (%)	12.4	17.1	(476)	2.8	959

CMP	Rs 378
Target / Upside	Rs 400 / 6%
NIFTY	12,264

Scrip Details

Equity / FV	Rs 3,046mn / Rs 5
Market Cap	Rs 230bn
	USD 3bn
52-week High/Low	Rs 603/ 263
Avg. Volume (no)	2,707,800
Bloom Code	CCRI IN
Price Performance	1M 3M 12M
Absolute (%)	5 (18) (35)
Rel to NIFTY (%)	(1) (28) (38)

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	54.8	54.8	54.8
MF/Banks/FIs	13.7	14.4	15.8
FIIIs	26.8	26.7	24.5
Public / Others	4.7	4.2	4.9

Valuation (x)

	FY21E	FY22E	FY23E
P/E	29.7	20.5	16.6
EV/EBITDA	18.8	14.2	11.7
ROE (%)	7.4	9.9	11.2
RoACE (%)	7.4	9.9	11.2

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	62,878	76,510	87,718
EBITDA	10,716	14,098	16,692
PAT	7,748	11,242	13,842
EPS (Rs.)	12.7	18.5	22.7

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Land License Fee (LLF) shadow looms though management is confident

Indian railways have raised a demand of Rs12.8bn for as the annual LLF for the year 2020-21 for 13 Terminals of Concor. This is compared to the Rs7.7bn demand raised by Indian Railways for 2 terminals in Q1. In comparison, Concor has provided for LLF of Rs2.33bn in H1, implying at annualized number of Rs4.6bn, in line with its own estimate of Rs4.5bn. It asserts that Rs12.8bn is just a demand raised by railways and its calculations are per current rules. As Railway land leased to Concor are prior to year 2006, Concor is confident of its own calculations of Rs4.5bn.

Move rating to Reduce

We had earlier built in the railway demand of LLF of Rs7.8bn raised in Q1 in our estimates. However, given that management is extremely confident of its own estimate of LLF, we go with their estimate. This coupled with a better guidance from a 20% decline earlier to a 10% decline or better - we build a 5% decline, leads change our estimate as shown in Exhibit 2. However, given the shadow of LLFs, and the fact that demands have been raised so far for only 13 of the 28 terminals, we move our rating to Reduce with a DCF based target price of Rs400.

Exhibit 1: Actual V/s DART estimates

(Rs mn)	Actual	Estimated	Variance %	Consensus	Variance %	Remarks
Net sales	15,027	14,882	1.0	13,922	7.9	Sales came in line with estimates
EBITDA	3,130	2,679	16.8	2,321	34.8	EBITDA was higher due to lower opex
EBITDA margin (%)	20.8	18.0	283bps	16.7	415bps	
Adj net income	1,876	1,430	31.2	1,208	55.3	PAT came in higher with better margins
FDEPS (Rs)	3.1	2.3	31.2	2.0	55.3	

Source: Company, DART

Exhibit 2: Change in estimates

Key parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	54,276	62,878	15.8	66,043	76,510	15.8
EBITDA (Rs mn)	8,135	10,716	31.7	11,313	14,098	24.6
EBITDA margin (%)	15.0	17.0	204bps	17.1	18.4	133bps
Net profit (Rs mn)	3,631	7,748	113.4	6,163	11,242	82.4
EPS (Rs)	6.0	12.7	111.9	10.1	18.5	82.7

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

Exhibit 3: Key Assumptions in our estimates

Key assumptions	FY19	FY20E	FY21E	FY22E	FY23E
Revenue (Rs mn)	65,427	64,738	62,878	76,510	87,718
YoY %	6.3	(1.1)	(2.9)	21.7	14.6
Volumes (mn Teus)	3.8	3.7	3.6	4.2	4.6
YoY %	8.4	(2.1)	(5.0)	17.0	10.2
Realisation (Rs/teu)	17,085	17,274	17,660	18,367	19,116
YoY %	(2.0)	1.1	2.2	4.0	4.1

Source: Company, DART

Exhibit 4: How estimates would look if Concor complies with Railway demand

Key parameters	FY21E	FY22E	FY23E
Revenue (Rs mn)	62,878	76,510	87,718
EBITDA (Rs mn)	(287)	2,336	39,40
EBITDA margin (%)	(0.5)	2.9	4.5
Net profit (Rs mn)	(3,255)	(620)	1,091
EPS (Rs)	(5.3)	(1.0)	1.8

Source: Company, DART

Exhibit 5: Result Snapshot

(Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ(%)	H1FY21	H1FY20	YoY (%)
Net sales	17,387	15,276	15,686	11,891	15,027	(13.6)	26.4	26,919	33,776	(20.3)
Expenditure	13,132	11,559	10,942	10,301	11,898	(9.4)	15.5	22,199	25,488	(12.9)
Staff cost	829	898	602	796	842	1.5	5.8	1,638	1,635	0.2
Rail freight	9,397	8,514	8,120	6,523	8,205	(12.7)	25.8	14,727	18,350	(19.7)
Other Operating exp	2,905	2,147	2,220	2,983	2,851	(1.9)	(4.4)	5,834	5,503	6.0
Operating profit	4,255	3,717	4,745	1,590	3,130	(26.5)	96.8	4,720	8,288	(43.1)
Other income	637	626	952	588	713	12.0	21.3	1,301	1,219	6.7
Interest	81	60	108	85	85	4.8	0.5	170	194	NM
Depreciation	1,278	1,263	1,336	1,260	1,272	(0.5)	0.9	2,532	2,532	0.0
PBT	(5,078)	3,021	4,047	833	2,486	NM	198.3	3,319	(1,829)	NM
Tax	(1,858)	1,266	1,164	217	610	NM	181.6	827	(887)	NM
PAT	5,390	1,755	3,089	617	1,876	(65.2)	204.2	2,493	7,669	(67.5)
EPS (INR)	8.8	2.9	5.1	1.0	3.1	(65.2)	204.2	4.1	12.6	(67.5)

% of Sales	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ(%)	H1FY21	H1FY20	YoY (%)
Total Cost (%)	75.5	75.7	69.8	86.6	79.2	365bps	-745bps	82.5	75.5	700bps
Staff Cost	4.8	5.9	3.8	6.7	5.6	83bps	-109bps	6.1	4.8	124bps
Rail Freight expenses	54.0	55.7	51.8	54.9	54.6	55bps	-25bps	54.7	54.3	38bps
Other Expenses	16.7	14.1	14.1	25.1	19.0	226bps	-611bps	21.7	16.3	538bps
EBITDA Margin (%)	24.5	24.3	30.2	13.4	20.8	-365bps	745bps	17.5	24.5	-700bps
Net Profit Margin (%)	31.0	11.5	19.7	5.2	12.5	-1852bps	730bps	9.3	22.7	-1345bps

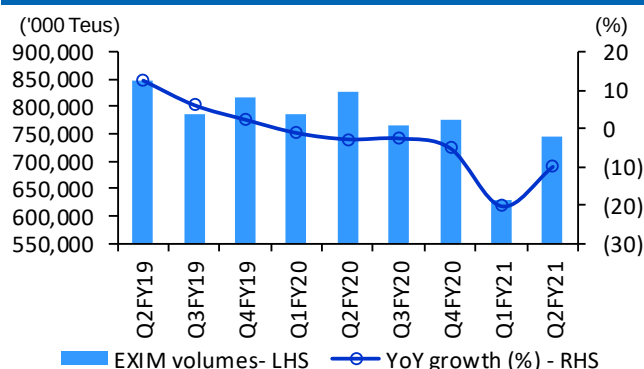
Source: Company, DART

Exhibit 6: Segment Snapshot

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ(%)	H1FY21	H1FY20	YoY (%)
Sales	17,387	15,276	15,686	11,891	15,027	(13.6)	26.4	33,776	26,919	25.5
Exim	13,577	11,713	11,307	9,007	11,300	(16.8)	25.5	26,281	20,307	29.4
Domestic	3,810	3,562	4,380	2,885	3,727	(2.2)	29.2	7,495	6,612	13.4
Volumes	969,158	910,407	941,270	732,711	885,673	(8.6)	20.9	1,896,081	1,618,384	17.2
Exim	826,013	766,822	775,319	627,905	744,788	(9.8)	18.6	1,612,455	1,372,693	17.5
Domestic	143,145	143,585	165,951	104,806	140,885	(1.6)	34.4	283,626	245,691	15.4
Realisation	17,940	16,779	16,665	16,229	16,967	(5.4)	4.5	35,621	33,196	7.3
Exim	16,437	15,275	14,583	14,344	15,172	(7.7)	5.8	32,591	29,516	10.4
Domestic	26,614	24,810	26,390	27,524	26,456	(0.6)	(3.9)	52,846	53,980	(2.1)
EBIT	3,337	2,830	3,822	917	2,099	(37.1)	128.8	6,451	3,016	113.9
Exim	3,139	2,805	3,425	770	1,883	(40.0)	144.5	6,065	2,653	128.6
Domestic	198	25	397	147	215	8.7	46.5	387	362	6.7
EBIT/Tue	3,443	3,108	4,060	1,252	2,369	(31.2)	89.3	3,402	1,863	82.6
Exim	3,800	3,658	4,417	1,227	2,529	(33.5)	106.1	3,761	1,933	94.6
Domestic	1,383	171	2,395	1,403	1,528	10.5	9.0	1,363	1,475	(7.6)
EBIT Margin (%)	19.2	18.5	24.4	7.7	14.0	-523bps	625bps	24.0	8.9	1504bps
Exim	23.1	23.9	30.3	8.6	16.7	-645bps	811bps	23.1	13.1	1001bps
Domestic	5.2	0.7	9.1	5.1	5.8	58bps	68bps	5.2	5.5	-32bps

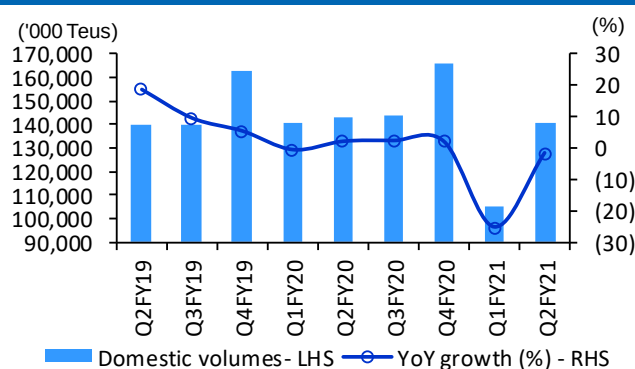
Source: Company, DART

Exhibit 7: EXIM Volume and growth trend



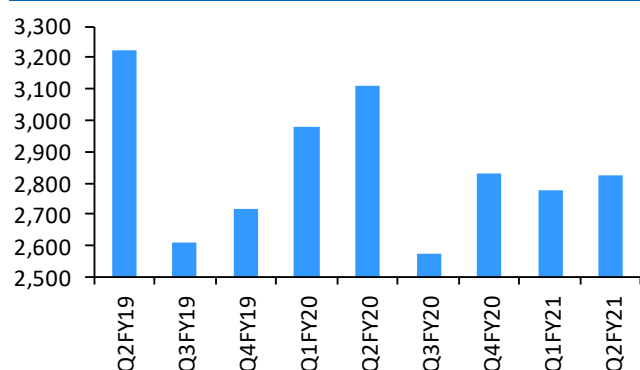
Source: Company, DART

Exhibit 8: Domestic Volume and growth trend



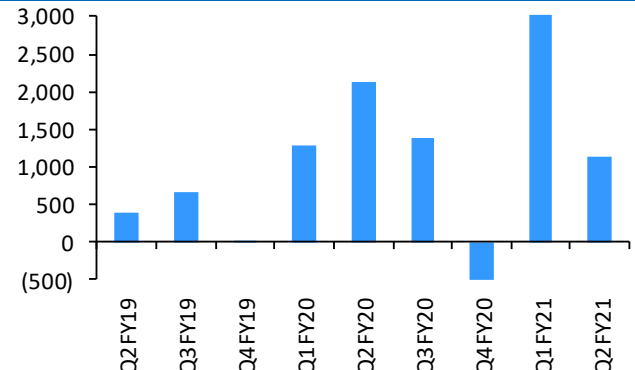
Source: Company, DART

Exhibit 9: EXIM EBIT/teu trend

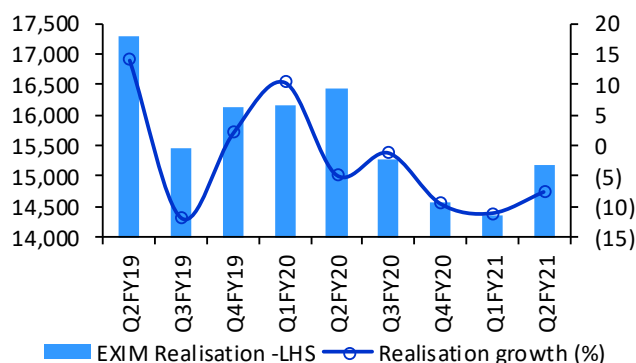


Source: Company, DART

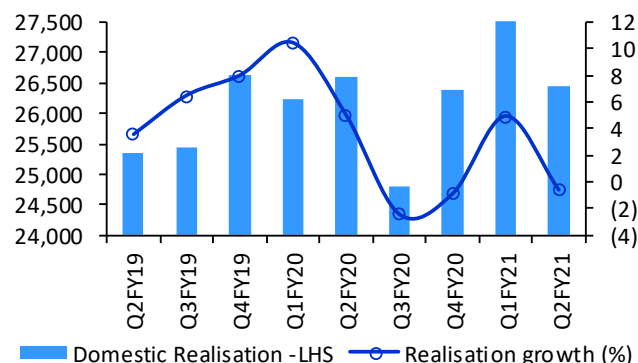
Exhibit 10: Domestic EBIT/teu trend



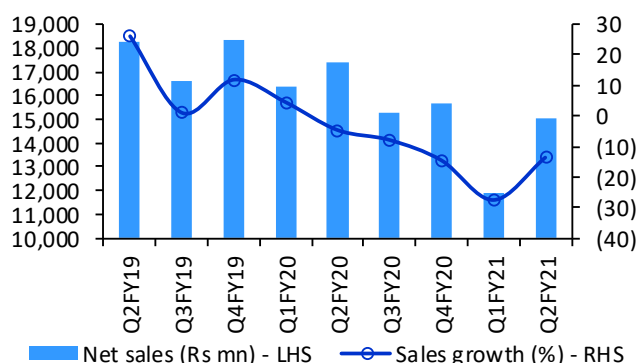
Source: Company, DART

Exhibit 11: EXIM realization and growth trend


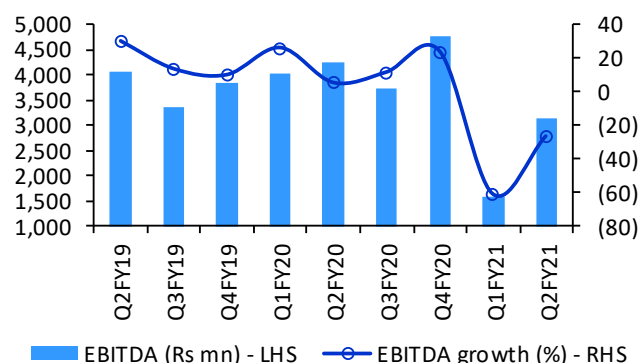
Source: Company, DART

Exhibit 12: Domestic realization and growth trend


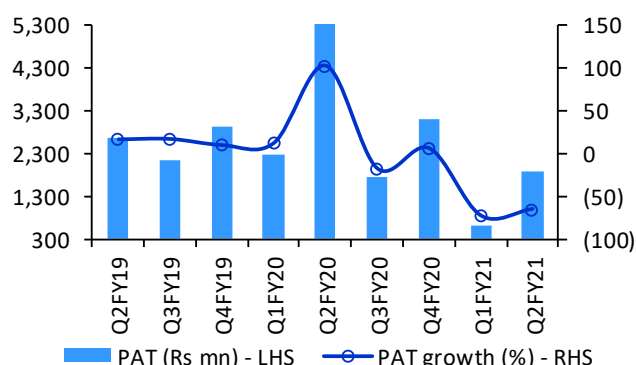
Source: Company, DART

Exhibit 13: Revenue and Revenue growth trend


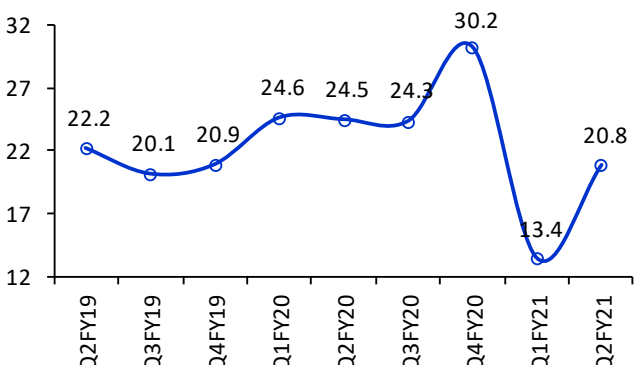
Source: Company, DART

Exhibit 14: EBITDA and EBITDA growth trend


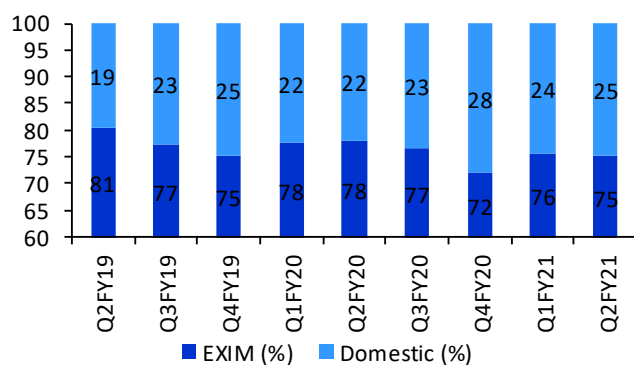
Source: Company, DART

Exhibit 15: PAT and PAT growth trend


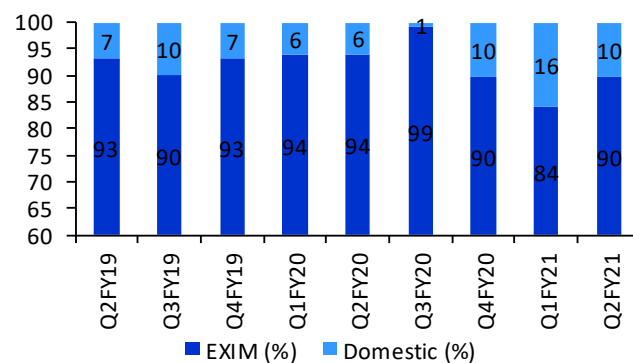
Source: Company, DART

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)	FY20A	FY21E	FY22E	FY23E
Revenue	64,738	62,878	76,510	87,718
Total Expense	48,555	52,161	62,412	71,026
COGS	42,468	45,999	55,296	63,044
Employees Cost	3,135	3,521	3,902	4,298
Other expenses	2,952	2,641	3,213	3,684
EBIDTA	16,183	10,716	14,098	16,692
Depreciation	4,541	5,264	5,649	6,051
EBIT	11,642	5,453	8,449	10,641
Interest	81	0	0	0
Other Income	2,797	2,295	2,793	3,202
Exc. / E.O. items	(8,405)	0	0	0
EBT	5,954	7,748	11,242	13,842
Tax	4,127	0	0	0
RPAT	1,827	7,748	11,242	13,842
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	10,232	7,748	11,242	13,842

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	3,046	3,046	3,046	3,046
Minority Interest	0	0	0	0
Reserves & Surplus	97,601	106,814	115,245	125,627
Net Worth	100,647	109,861	118,292	128,674
Total Debt	0	0	0	0
Net Deferred Tax Liability	0	0	0	0
Total Capital Employed	100,647	109,861	118,292	128,674

Applications of Funds

Net Block	49,694	49,430	49,281	48,978
CWIP	9,375	9,469	9,564	9,659
Investments	14,441	14,441	16,441	19,441
Current Assets, Loans & Advances	42,158	57,243	63,525	72,001
Inventories	261	357	427	486
Receivables	1,591	1,895	2,306	2,644
Cash and Bank Balances	21,686	28,552	30,014	35,791
Loans and Advances	18,620	26,438	30,778	33,081
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	15,020	20,722	20,519	21,405
Payables	0	0	0	0
Other Current Liabilities	15,020	20,722	20,519	21,405
<i>sub total</i>				
Net Current Assets	27,138	36,521	43,006	50,596
Total Assets	100,647	109,861	118,292	128,674

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	34.4	26.8	27.7	28.1
EBIDTA Margin	25.0	17.0	18.4	19.0
EBIT Margin	18.0	8.7	11.0	12.1
Tax rate	69.3	0.0	0.0	0.0
Net Profit Margin	2.8	12.3	14.7	15.8
(B) As Percentage of Net Sales (%)				
COGS	65.6	73.2	72.3	71.9
Employee	4.8	5.6	5.1	4.9
Other	4.6	4.2	4.2	4.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	144.3			
Inventory days	1	2	2	2
Debtors days	9	11	11	11
Average Cost of Debt	87.5			
Payable days	0	0	0	0
Working Capital days	153	212	205	211
FA T/O	1.3	1.3	1.6	1.8
(D) Measures of Investment				
AEPS (Rs)	16.8	12.7	18.5	22.7
CEPS (Rs)	24.2	21.4	27.7	32.6
DPS (Rs)	3.6	6.0	4.6	5.7
Dividend Payout (%)	21.4	47.2	25.0	25.0
BVPS (Rs)	165.2	180.3	194.1	211.2
RoANW (%)	10.0	7.4	9.9	11.2
RoACE (%)	10.0	7.4	9.9	11.2
RoAIC (%)	12.7	6.8	10.0	11.7
(E) Valuation Ratios				
CMP (Rs)	378	378	378	378
P/E	22.5	29.7	20.5	16.6
Mcap (Rs Mn)	230,315	230,315	230,315	230,315
MCap/ Sales	3.6	3.7	3.0	2.6
EV	208,629	201,762	200,301	194,524
EV/Sales	3.2	3.2	2.6	2.2
EV/EBITDA	12.9	18.8	14.2	11.7
P/BV	2.3	2.1	1.9	1.8
Dividend Yield (%)	1.0	1.6	1.2	1.5
(F) Growth Rate (%)				
Revenue	(1.1)	(2.9)	21.7	14.6
EBITDA	12.3	(33.8)	31.6	18.4
EBIT	14.6	(53.2)	55.0	25.9
PBT	(55.9)	30.1	45.1	23.1
APAT	5.4	(24.3)	45.1	23.1
EPS	5.4	(24.3)	45.1	23.1

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	17,313	10,716	14,098	16,692
CFI	(8,240)	(2,799)	(4,802)	(5,641)
CFF	(14,467)	1,466	(2,810)	(3,461)
FCFF	32,188	3,106	3,479	9,036
Opening Cash	1,704	21,686	28,553	30,014
Closing Cash	21,686	28,553	30,014	35,791

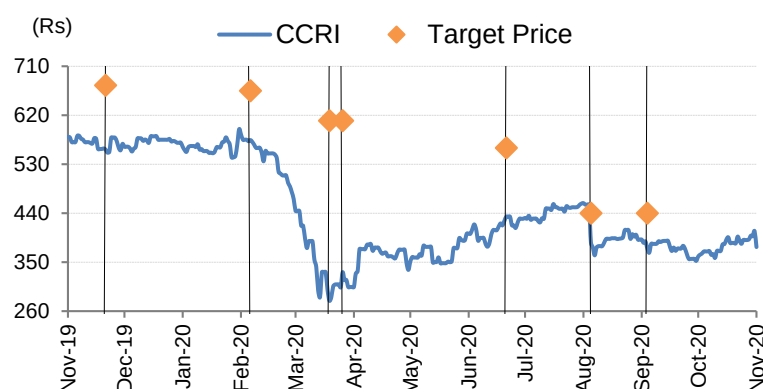
E – Estimates

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.)
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
Aug-20	Accumulate	440	386
Sep-20	Accumulate	440	375

*Price as on recommendation date

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