

CMP: ₹ 625

Target: ₹ 780 (25%)

Target Period: 12 months

BUY

January 22, 2022

## DFC leading to higher double stacking, assured transit times

**About the stock:** Concor is the dominant player in the CTO business (65% market share) with ~60 terminals.

- Revenue from rail transportation comprised 75% of total revenues (rest 4% by road, 13% via handling income, 2% warehousing and 4% others)
- Total volumes handled in FY21 were 3.6 million TeU, of which Exim volumes were at 83% of the mix with the rest contributed by domestic containers

**Q3FY22 Results:** In line performance on all fronts.

- Revenues grew 10% YoY to ₹ 1920 crore, led by volume growth of 7%
- EBITDA margins expanded 253 bps YoY to 23.7%, mainly due to lower payment of land license fees (LLF) charges. EBITDA grew 23% to ₹ 456 crore
- PAT grew 20% YoY to ₹ 287 crore

**What should investors do?** With timely price hikes, commissioning of CPFS Swaroopganj and expected launch of three new terminals, Concor is expected to capitalise on the increasing volumes, by strengthening its infra and improving its EBIT per TeU (currently at ~₹ 3400 per TeU)

- We remain positive on the long term growth prospects of the stock and maintain our BUY recommendation

**Target Price and Valuation:** We value the stock at ₹ 780 i.e. 21x P/E on FY24E EPS

**Key triggers for future price performance:** Concor expects to double its domestic volumes in medium term (via higher movement of bulk commodities). Also, higher double stacking with mixed trains along with assured transit times will help Concor efficiently utilise its rolling stocks

- Clarity on land policy by GoI is expected to facilitate Concor's privatisation
- Technology introduction like flexi bag, dwarf containers (can also be triple stacked) would help Concor create opportunities in high volume markets such as bulk transport
- Diversification of services to help Concor retain pricing power over other plain vanilla players

**Alternate Stock Idea:** Apart from Concor, we remain positive on GDL

- Gateway Distriparks (GDL) has a diversified presence in logistics verticals like container train operators (70% of revenues), cold chain logistics, container freight stations
- We have a BUY rating on the stock, with a target price of ₹ 350



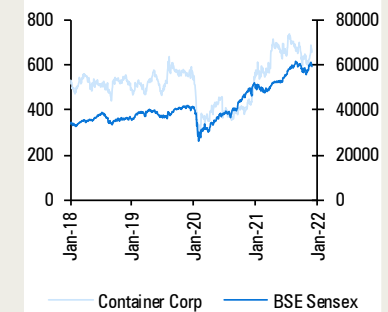
### Particulars

Particular	Amount
Market Capitalisation (₹ cr)	38,081.3
Total Debt (FY21) (₹ cr)	61.8
Cash (FY21) (₹ cr)	2,492.8
EV (₹ Crore)	35,650.2
52 week H/L	754/403
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

### Shareholding pattern

(in %)	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	54.8	54.8	54.8	54.8
Others	45.2	45.2	45.2	45.2

### Price Chart



### Recent event & key risks

- Approval of updated land licensing policy by GoI
- Key Risk:** (i) Slowdown in Exim trade (ii) Hike in haulage charges

### Research Analyst

Bharat Chhoda  
bharat.chhoda@icicisecurities.com

Harshal Mehta  
harshal.mehta@icicisecurities.com

### Key Financial Summary

₹ crore	FY20	FY21	5 Years CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Years CAGR
Net Sales	6539.4	6427.1	0.4	7591.3	9328.0	11397.2	21.0
EBITDA	1693.8	1046.8	-2.0	1814.3	2294.7	2894.9	40.4
PAT	404.5	505.2	-8.4	1281.1	1732.1	2210.2	63.6
P/E (x)	94.2	75.4		29.7	22.0	17.2	
P/B (x)	1.2	1.2		1.1	0.9	0.8	
RoCE (%)	10.9	4.5		9.9	12.1	14.1	
RoE (%)	12.1	5.4		11.0	13.1	14.5	

Source: Company, ICICI Direct Research

## Key takeaways

### Q3FY22 Results: Expect margins to stay strong going forward

- EBIT per TeU for the Exim segment was at ₹ 3739 per TeU while for the domestic segment it was at ₹ 2003 per TeU. The management expects both segments to report higher EBIT per TeU, going forward
- The company has paid LLF charges to the tune of ₹ 337 crore in 9MFY22 and expects the year to end with ₹ 450 crore payable to IR as LLF

### Q3FY22 Earnings Conference Call highlights

- Rail share at JNPT, Mundra and Pipavav were at 19%, 27.5% and 70%, while Concor's share at these ports was at 61%, 46% and 52%. The management expects rail share improvement in Mundra and more double stacked train runs in the medium term
- Shortage of containers continues to impact volumes of the Exim business. The current share of Exim revenues was at ~70% while domestic revenues contributed ~30% in Q3FY22. The management indicated that the profitability of the domestic business is similar to the Exim business and even with increased proportion of domestic business the company would be able to maintain the current margin profile
- The company has commissioned CPFS Swaroopganj in Q3 and achieved 100 double stacked train run in a short span. Between Swaroopganj and Khatuwas, the company is running mixed trains (carry both Exim and domestic containers)
- Capex for FY22E is expected at ₹ 700 crore (previous estimate of ₹ 500 crore)
- The management expects to add three MMLPs in FY22E (Dahej, Baroda and Paradip), while six more are expected to be commissioned in FY23E
- The company is providing transit assurance on 30-40% of its rakes and expects to reach 80-90% in six months
- On the bulk side, the management expects to double its domestic volumes to 22 MMT from current 10-12 MMT. Incremental volumes are mainly expected from the cement sector (owing to usage of its flexi bag technology, which will lower the bagging-debagging logistics dependence of cement companies)
- Concor has reached a milestone of running 1000+ double stacked trains in Q3FY22
- Total 16 new rakes have been added in 9MFY22 with 80 ton payload capacity (expect another 20 to be added in the near term). All the 61 ton payload capacity rakes will be upgraded to 68 ton in FY23

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	1,920.0	1,978.6	1,753.8	9.5	1,823.9	5.3	YoY revenue jump largely due to higher domestic container growth
Employee Expenses	96.2	106.8	132.7	-27.6	99.7	-3.6	
Terminal & other Expenses	1,043.1	1,068.5	932.3	11.9	983.8	6.0	
Administrative Expenses	325.1	336.4	316.9	2.6	314.0	3.6	Includes LLF charges of ~₹ 110 crore
Total Expense	1,464.4	1,511.7	1,381.9	6.0	1,397.5	4.8	
EBITDA	455.6	467.0	371.9	22.5	426.5	6.8	
EBITDA Margin (%)	23.7	23.6	21.2	253 bps	23.4	35 bps	Margin expansion due to lower LLF charges and higher operating leverage
Depreciation	132.4	133.2	136.4	-2.9	136.2	-2.7	
Interest	13.2	13.7	8.4	NA	13.5	NA	
Other Income	63.2	65.3	82.2	-23.1	75.0	-15.7	
PBT	373.3	385.3	309.3	20.7	351.8	6.1	
Exceptional income/(expenses)	0.0	0.0	0.0	NA	-0.1	NA	
Total Tax	86.7	97.1	71.4	21.5	87.6	-1.0	
PAT	286.5	288.2	237.9	20.4	264.1	8.5	In sync with better operational performance
<b>Key Metrics</b>	<b>Q3FY22</b>	<b>Q3FY21</b>	<b>YoY(%)</b>	<b>Q2FY22</b>	<b>QoQ (%)</b>		
EXIM Volume (TEUs)	828,661.0	804,557.0	3.0	792,425.0	4.6		Volume growth remains subdued due to lower imports
Domestic Volume (TEUs)	203,040.0	161,458.0	25.8	188,332.0	7.8		Strong volume growth due to incremental volumes from industrial chemicals, tiles, cement, etc
Total Volume (TEUs)	1,031,701	966,015	6.8	980,757	5.2		
Adjusted EXIM Revenue (₹ crore)	1,329.5	1,298.6	2.4	1,293	2.9		
Domestic Revenue (₹ crore)	590.5	455.3	29.7	531	11.1		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21	FY22E			FY23E			FY24E		Comments
		Old	New	% Change	Old	New	% Change	Introduced		
Revenue	6,427.1	8,019.7	7,591.3	-5.3	9,859.7	9,328.0	-5.4	11,397.2	Revenue estimate impacted due to continued weakness in Exim supply chain	
EBITDA	1,046.8	1,916.7	1,814.3	-5.3	2,425.5	2,294.7	-5.4	2,894.9		
EBITDA Margin (%)	16.3	23.9	23.9	0 bps	24.6	24.6	0 bps	25.4	Margins kept largely unchanged	
PAT	548.0	1,327.4	1,240.3	-6.6	1,855.9	1,685.7	-9.2	2,157.4		
EPS (₹)	8.3	22.5	21.0	-6.6	31.2	28.4	-8.9	36.3		

Source: ICICI Direct Research

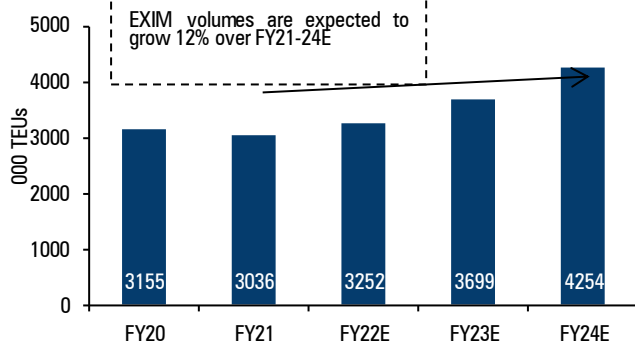
Exhibit 3: Assumptions

	Unit	Current			Earlier		Introduced		Comments
		FY21	FY22E	FY23E	FY22E	FY23E	FY24E		
Exim Volume	TEUs	3,035,794	3,251,780	3,698,820	3,470,175	3,990,701	4,253,643		
Domestic Volume	TEUs	607,536	778,447	895,214	769,157	884,530	1,029,497	Domestic volumes saw stronger traction	
Exim Realisation	₹/TEUs	15,525	16,307	17,623	16,596	17,754	18,697		
Domestic Realisation	₹/TEUs	27,521	28,705	30,432	28,689	30,404	32,286		

Source: ICICI Direct Research

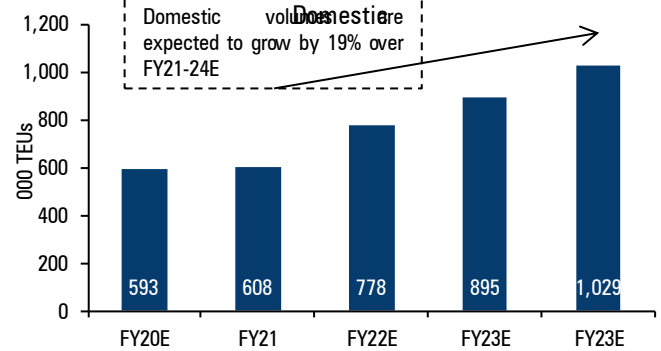
## Key Metrics

Exhibit 4: Exim volumes



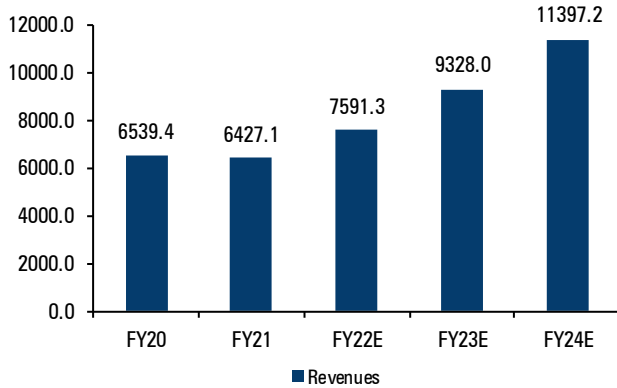
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



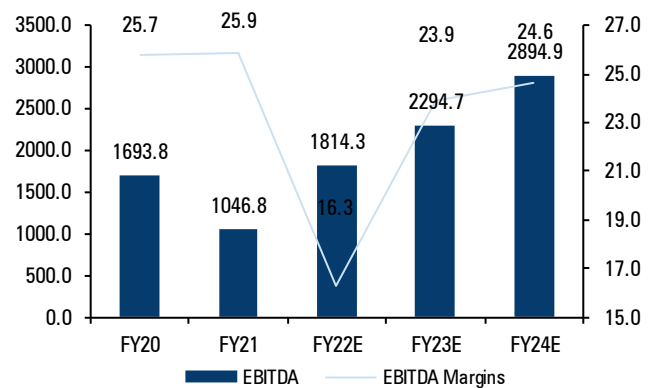
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 21% over FY21-23E



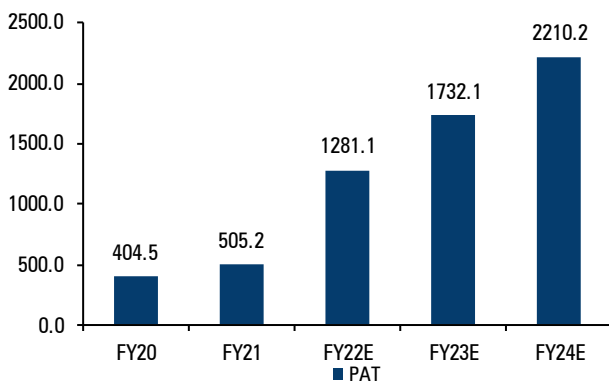
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 40% over FY21-23E



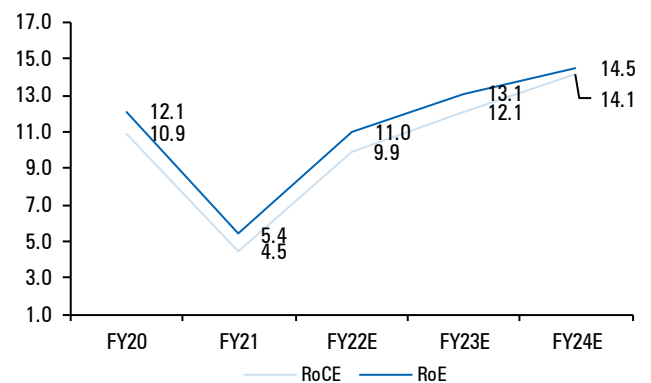
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 64% CAGR in FY21-23 (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/EBITD (x)	RoNW (%)	RoCE (%)
FY20	6539.4	-6.0	6.6	-67.1	94.2	5.9	12.1	10.9
FY21	6427.1	-1.7	8.3	24.9	75.4	9.3	5.4	4.5
FY22E	7591.3	18.1	21.0	153.6	29.7	5.5	11.0	9.9
FY23E	9328.0	22.9	28.4	35.2	22.0	4.3	13.1	12.1
FY24E	11397.2	22.2	36.3	27.6	17.2	3.1	14.5	14.1

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	6,427.1	7,591.3	9,328.0	11,397.2
Growth (%)	-1.7	18.1	22.9	22.2
Terminal/Other Service ch	4,674.7	5,124.1	6,249.8	7,579.1
Employee Cost	428.7	364.4	447.7	524.3
Administrative & other exp	277.0	288.5	335.8	398.9
Op. Expenditure	5,380.3	5,777.0	7,033.3	8,502.3
EBITDA	1,046.8	1,814.3	2,294.7	2,894.9
Growth (%)	-38.2	73.3	26.5	26.2
Depreciation	553.4	629.1	678.1	727.1
EBIT	493.4	1,185.3	1,616.6	2,167.8
Interest	42.9	26.3	21.8	17.3
Other Income	270.4	498.6	657.9	732.6
PBT	720.9	1,657.5	2,252.7	2,883.0
Growth (%)	-46.9	129.9	35.9	28.0
Tax	173.0	417.2	567.0	725.7
Reported PAT	548.0	1,240.3	1,685.7	2,157.4
Growth (%)	-55.0	126.3	35.9	28.0
Exceptional gain/loss	-78.7	0.0	0.0	0.0
Share of profit from JV	31.3	36.0	41.4	47.6
Minority Interest	4.5	4.8	5.0	5.2
Adjusted PAT	505.2	1,281.1	1,732.1	2,210.2
EPS	8.3	21.0	28.4	36.3

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	505.2	1,281.1	1,732.1	2,210.2
Add: Depreciation	553.4	629.1	678.1	727.1
Add: Interest	42.9	26.3	21.8	17.3
Cash Profit	1,101.4	1,936.5	2,432.0	2,954.6
Increase/(Decrease) in CL	152.5	(61.3)	(14.0)	10.3
(Increase)/Decrease in CA	9.4	(67.3)	(87.0)	(101.3)
Others	6.9	0.1	-	-
CF from Operating Activities	1,270.3	1,807.9	2,331.0	2,863.7
Purchase of Fixed Assets	(474.5)	(700.0)	(700.0)	(700.0)
(Inc)/Dec in Investments	(11.3)	(1,000.0)	(1,000.0)	(1,000.0)
Others	227.4	(188.4)	(167.6)	(151.7)
CF from Investing Activities	(258.4)	(1,888.4)	(1,867.6)	(1,851.7)
Inc/(Dec) in Loan Funds	(1.8)	(10.0)	(10.0)	(10.0)
Inc/(Dec) in Sh. Cap. & Res	-	-	-	-
Interest paid	(42.9)	(26.3)	(21.8)	(17.3)
Dividend paid and taxes	(184.6)	(182.8)	(182.8)	(182.8)
Others	(481.4)	-	-	-
CF from financing activities	(710.8)	(219.1)	(214.6)	(210.1)
Change in cash Eq.	301.2	(299.7)	248.7	801.9
Op. Cash and cash Eq.	2,191.6	2,492.8	2,193.1	2,441.8
Cl. Cash and cash Eq.	2,492.8	2,193.1	2,441.8	3,243.7

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	9,882.5	10,980.7	12,530.1	14,557.5
Shareholder's Fund	10,187.1	11,285.4	12,834.7	14,862.2
Minority Interest	104.0	106.1	108.2	110.4
Loan Funds	61.8	51.8	41.8	31.8
Deferred Tax Liability	0.0	0.0	0.0	0.0
Provisions	727.8	609.7	515.3	439.8
Source of Funds	11,080.6	12,053.0	13,500.0	15,444.1
Application of Funds				
Gross Block	8,286.7	8,986.7	9,686.7	10,386.7
Less: Acc. Depreciation	2,632.3	3,261.4	3,939.4	4,666.5
Net Block	5,654.4	5,725.3	5,747.2	5,720.2
Capital WIP	922.6	968.7	1,017.1	1,068.0
Total Fixed Assets	6,576.9	6,694.0	6,764.4	6,788.1
Other Intangibles	8.3	8.3	8.3	8.3
Investments	1,289.3	2,297.1	3,305.7	4,315.2
Other Non-Current Assets	1,318.7	1,345.1	1,372.0	1,399.4
Inventories	24.0	31.2	38.3	46.8
Debtor	160.8	104.0	127.8	156.1
Cash & Bank balances	2,492.8	2,193.1	2,441.8	3,243.7
Loan & Advance, Other CA	539.4	648.4	696.0	750.9
Total Current assets	3,216.9	2,976.8	3,303.9	4,197.6
Current Liabilities	269.3	312.0	383.3	468.4
Other Current Liabilities	1,027.9	925.1	832.6	749.3
Provisions	32.4	31.2	38.3	46.8
Total CL and Provisions	1,329.6	1,268.3	1,254.3	1,264.5
Net Working Capital	1,887.4	1,708.5	2,049.7	2,933.1
Application of Funds	11,080.6	12,053.0	13,500.0	15,444.1

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Book Value	522.5	578.8	658.3	762.3
Cash per share	81.8	72.0	80.2	106.5
EPS	8.3	21.0	28.4	36.3
Cash EPS	34.7	62.7	79.1	96.4
DPS	5.0	5.0	5.0	5.0
Profitability & Operating Ratios				
EBITDA Margin (%)	16.3	23.9	24.6	25.4
PAT Margin (%)	7.9	16.9	18.6	19.4
Fixed Asset Turnover (x)	1.0	1.1	1.4	1.7
Inventory Turnover (Days)	1.5	1.5	1.5	1.5
Debtor (Days)	9.0	5.0	5.0	5.0
Current Liabilities (Days)	15.3	15.0	15.0	15.0
Return Ratios (%)				
RoE	5.4	11.0	13.1	14.5
RoCE	4.5	9.9	12.1	14.1
RoIC	7.5	17.1	22.4	29.1
Valuation Ratios (x)				
P/E	75.4	29.7	22.0	17.2
Price to Book Value	1.2	1.1	0.9	0.8
EV/EBITDA	9.3	5.5	4.3	3.1
EV/Sales	1.5	1.3	1.0	0.8
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)	0.1	0.0	0.0	0.0
Current Ratio	2.4	2.3	2.6	3.3
Quick ratio	2.4	2.3	2.6	3.3
Working Cap days	-4.8	-8.5	-8.5	-8.5
Asset Turnover	0.8	0.8	1.0	1.1

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

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