

CMP: ₹ 580

Target: ₹ 680 (17%)

Target Period: 12 months

May 20, 2022

BUY

DFC bringing in greater avenues for CTOs to diversify

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

Q4FY22 Results: The performance was below I-direct estimates on all fronts.

- Revenues grew 5% YoY to ₹ 2043 crore, with flattish volume growth
- EBITDA margins expanded 1046 bps YoY to 20.2%, mainly due to lower payment of land license fees (LLF) charges. EBITDA doubled to ₹ 413 crore
- PAT was at ₹ 260 crore vs. ₹ 16 crore in Q4FY21

What should investors do? The management has guided for clocking 6.5-7 million TeUs volumes in next three to four years (currently at 4 million TeUs) and subsequently doubling revenues. Further, various newer initiatives (3PL, distribution logistics, cement & food grain transport, higher terminal utilisation etc) are expected to diversify Concor offerings to customers and thereby capture higher wallet share.

- 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 ₹ 680 i.e. 18x P/E on FY24E EPS

Key triggers for future price performance: Multiple triggers are in place for the stock like higher double stacking (46% jump in FY22 to 3757 trains), running rakes with higher axle loads, targeting 1 million TeUs container run rate at Khatuwas (MMLPs), DFC connectivity to Dadri, JNPT, diversification into other logistics verticals.

- Clarity on land policy by GoI is expected to facilitate Concor's privatisation
- Higher movement of bulk commodities to improve domestic volume share (has a dominant market share in India) in consolidated revenues

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 ₹ 100



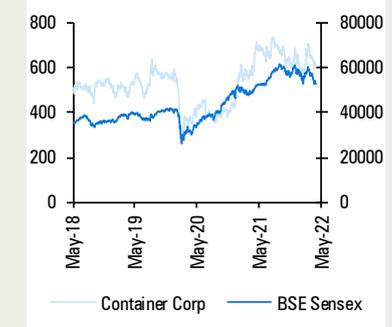
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	35,339.4
Total Debt (FY22) (₹ cr)	61.8
Cash (FY22) (₹ cr)	2,917.8
EV (₹ Crore)	32,483.4
52 week H/L	754/555
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
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

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Key Financial Summary

₹ crore	FY20	FY21	FY22P	5 Years CAGR (FY17-22)	FY23E	FY24E	2 Years CAGR
Net Sales	6539.4	6427.1	7652.7	5.1	9164.5	11369.7	21.9
EBITDA	1693.8	1046.8	1747.3	7.0	2254.5	2887.9	28.6
PAT	404.5	505.2	1055.1	4.2	1849.4	2244.2	45.8
P/E (x)	87.4	70.0	33.5		19.1	15.7	
P/B (x)	1.1	1.1	1.1		0.9	0.8	
RoCE (%)	10.9	4.5	10.2		12.2	14.3	
RoE (%)	12.1	5.4	9.6		14.8	15.6	

Source: Company, ICICI Direct Research

Key takeaways

Q4FY22 Results: Margins expected to remain range bound in near to medium term

- EBIT per TeU for the Exim segment was at ₹ 3576 per TeU while for the domestic segment it was at ₹ 1311 per TeU.
- The company has paid LLF charges to the tune of ₹ 465 crore in FY22 against expectation of ₹ 450 crore payable to IR as LLF

Q4FY22 Earnings Conference Call highlights

- Concor's rail coefficient at Mundra and Pipavav were at 27.5% and 68% in FY22 vs. 24.9% and 63%, respectively, in FY21. The management expects rail share improvement in Mundra and more double stacked train runs in the medium term
- Capex for FY23E is expected at ₹ 670 crore. However, the management expects to further incur a capex in the range of ₹ 8000-10000 crore in three to four years. The capex would be primarily utilised in developing infrastructure, purchasing containers, rolling stocks and electrical equipment's. The capex would be likely funded through internal accruals
- The management expects to add four to five terminals in FY23E
- 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)
- The company aims to reach the next pedestal in three years. This would be followed by taking domestic business to 25 MMT levels, volumes at 6.5-7 million TeUs, Khatuwas container run-rate at 1 million TeUs, entry in 3PL, distribution logistics
- Concor's revenue mix includes 40% from Mundra, 10% GPPL, 32 JNPT, 5.7% Chennai, 6% Vizag and 1.3% Kolkata

Exhibit 1: Variance Analysis

	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	2,043.0	2,188.8	1,939.3	5.3	1,920.0	6.4	YoY revenue jump largely due to higher domestic container growth
Employee Expenses	121.2	111.6	128.6	-5.7	96.2	26.1	
Terminal & other Expenses	1,113.8	1,203.8	1,050.1	6.1	1,043.1	6.8	
Administrative Expenses	395.2	376.5	571.6	-30.9	325.1	21.6	Includes LLF charges of ~₹ 128 crore
Total Expense	1,630.3	1,692.0	1,750.3	-6.9	1,464.4	11.3	
EBITDA	412.8	496.9	189.0	118.4	455.6	-9.4	
EBITDA Margin (%)	20.2	22.7	9.7	1046 bps	23.7	-353 bps	YoY margin expansion due to lower LLF charges and higher operating leverage
Depreciation	130.9	134.3	132.4	-1.1	132.4	-1.1	
Interest	14.0	13.3	8.6	NA	13.2	NA	
Other Income	69.4	69.1	73.2	-5.2	63.2	9.7	
PBT	337.2	418.3	121.3	178.1	373.3	-9.7	
Exceptional income/(expenses)	0.0	0.0	-83.4	NA	0.0	NA	
Total Tax	80.4	105.4	21.7	270.0	86.7	-7.3	
PAT	256.9	312.9	16.2	1,487.5	286.5	-10.4	In sync with better operational performance and exceptional expense in the base quarter
Key Metrics	Q4FY22	Q4FY21	YoY(%)	Q3FY22	QoQ (%)		
EXIM Volume (TEUs)	832,863.0	858,544.0	-3.0	828,661.0	0.5		Volume growth remains subdued due to lower imports
Domestic Volume (TEUs)	235,858.0	200,387.0	17.7	203,040.0	16.2		Strong volume growth due to incremental volumes from industrial chemicals, tiles, cement, etc
Total Volume (TEUs)	1,068,721	1,058,931	0.9	1,031,701	3.6		
Adjusted EXIM Revenue (₹ crore)	1,359.9	1,383.8	-1.7	1,329.5	2.3		
Domestic Revenue (₹ crore)	683.2	555.5	23.0	590.5	15.7		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E				FY24E				Comments
	FY22	Old	New	% Change	Old	New	% Change		
Revenue	7,652.7	9,583.3	9,164.5	-4.4	11,708.6	11,369.7	-2.9	Revenue estimate impacted due to continued weakness in Exim supply chain	
EBITDA	1,747.3	2,357.5	2,254.5	-4.4	2,974.0	2,887.9	-2.9		
EBITDA Margin (%)	22.8	24.6	24.6	0 bps	25.4	25.4	0 bps	Margins kept largely unchanged	
PAT	1,028.4	1,741.1	1,819.0	4.5	2,237.5	2,209.5	-1.3		
EPS (₹)	17.3	29.3	30.4	3.5	37.6	36.8	-2.0		

Source: ICICI Direct Research

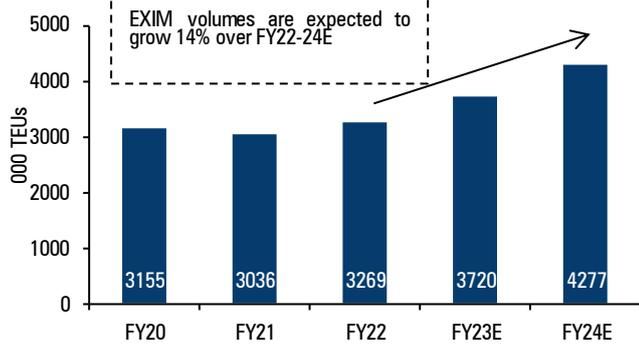
Exhibit 3: Assumptions

	Unit	Current			Earlier		Comments
		FY22	FY23E	FY24E	FY23E	FY24E	
Exim Volume	TEUs	3,269,026	3,719,515	4,277,443	3,801,845	4,372,122	
Domestic Volume	TEUs	803,899	964,679	1,157,615	918,259	1,055,998	Domestic volumes saw stronger traction
Exim Realisation	₹/TEUs	16,178	16,546	17,593	17,630	18,704	
Domestic Realisation	₹/TEUs	28,683	30,322	32,169	30,443	32,297	

Source: ICICI Direct Research

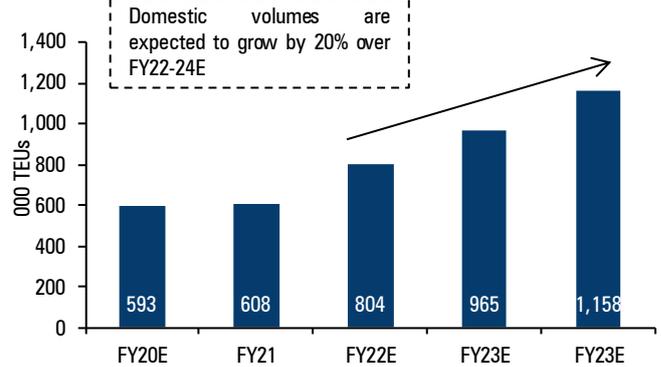
Key Metrics

Exhibit 4: Exim volumes



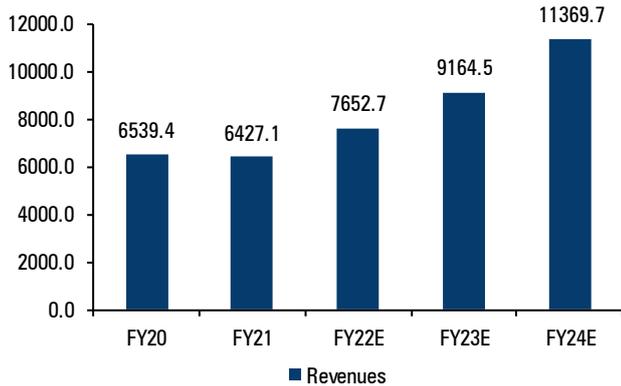
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



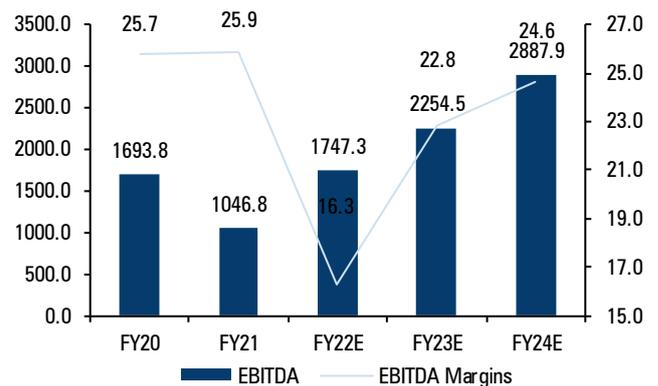
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 14% over FY21-24E



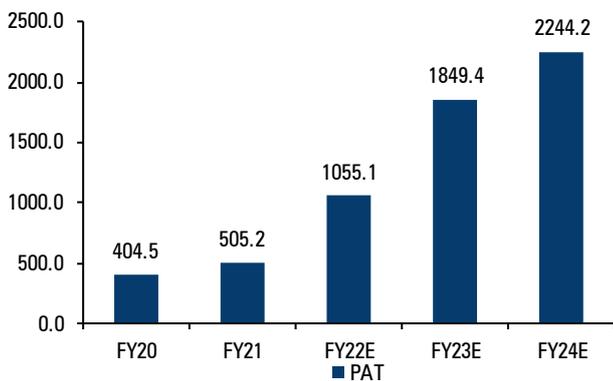
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 18% over FY21-24E



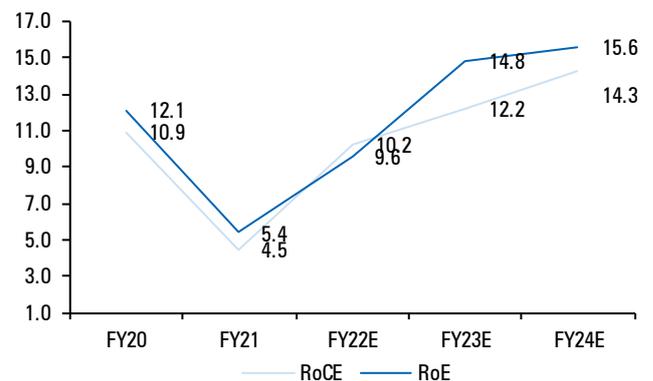
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 29% CAGR in FY22-24E



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	87.4	5.4	12.1	10.9
FY21	6427.1	-1.7	8.3	24.9	70.0	8.5	5.4	4.5
FY22E	7652.7	19.1	17.3	108.9	33.5	4.8	9.6	10.2
FY23E	9164.5	19.8	30.4	75.3	19.1	3.8	14.8	12.2
FY24E	11369.7	24.1	36.8	21.3	15.7	3.0	15.6	14.3

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	7,652.7	9,164.5	11,369.7
Growth (%)	-1.7	19.1	19.8	24.1
Terminal/Other Service ch	4,674.7	5,252.1	6,140.2	7,560.9
Employee Cost	428.7	419.2	439.9	523.0
Administrative & other exp	277.0	234.3	329.9	397.9
Op. Expenditure	5,380.3	5,905.5	6,910.0	8,481.8
EBITDA	1,046.8	1,747.3	2,254.5	2,887.9
Growth (%)	-38.2	66.9	29.0	28.1
Depreciation	553.4	561.4	672.7	777.7
EBIT	493.4	1,185.9	1,581.8	2,110.2
Interest	42.9	62.4	26.3	21.8
Other Income	270.4	247.1	875.4	864.3
PBT	720.9	1,370.6	2,430.8	2,952.7
Growth (%)	-46.9	90.1	77.4	21.5
Tax	173.0	342.2	611.8	743.2
Reported PAT	548.0	1,028.4	1,819.0	2,209.5
Growth (%)	-55.0	87.7	76.9	21.5
Exceptional gain/loss	-78.7	0.0	0.0	0.0
Share of profit from JV	31.3	23.9	27.5	31.6
Minority Interest	4.5	2.9	3.0	3.1
Adjusted PAT	505.2	1,055.1	1,849.4	2,244.2
EPS	8.3	17.3	30.4	36.8

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	505.2	1,055.1	1,849.4	2,244.2
Add: Depreciation	553.4	561.4	672.7	777.7
Add: Interest	42.9	62.4	26.3	21.8
Cash Profit	1,101.4	1,678.9	2,548.5	3,043.8
Increase/(Decrease) in CL	152.5	(22.5)	(160.7)	26.5
(Increase)/Decrease in CA	9.4	(0.8)	(154.3)	(103.4)
Others	6.9	41.7	-	-
CF from Operating Activities	1,270.3	1,697.3	2,233.4	2,966.9
Purchase of Fixed Assets	(474.5)	(765.3)	(700.0)	(1,500.0)
(Inc)/Dec in Investments	(11.3)	4.1	(1,000.0)	(1,000.0)
Others	227.4	(2.6)	(204.9)	(179.8)
CF from Investing Activities	(258.4)	(763.8)	(1,904.9)	(2,679.8)
Inc/(Dec) in Loan Funds	(1.8)	0.0	(10.0)	(10.0)
Inc/(Dec) in Sh. Cap. & Res	-	-	-	-
Interest paid	(42.9)	(62.4)	(26.3)	(21.8)
Dividend paid and taxes	(184.6)	(329.0)	(329.0)	(329.0)
Others	(481.4)	(117.1)	-	-
CF from financing activities	(710.8)	(508.5)	(365.4)	(360.9)
Change in cash Eq.	301.2	425.0	(36.9)	(73.8)
Op. Cash and cash Eq.	2,191.6	2,492.8	2,917.8	2,881.0
Cl. Cash and cash Eq.	2,492.8	2,917.8	2,881.0	2,807.2

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	10,450.9	11,971.3	13,886.5
Shareholder's Fund	10,187.1	10,755.6	12,276.0	14,191.2
Minority Interest	104.0	101.1	103.1	105.2
Loan Funds	61.8	61.8	51.8	41.8
Deferred Tax Liability	0.0	0.0	0.0	0.0
Provisions	727.8	775.9	638.0	527.8
Source of Funds	11,080.6	11,694.4	13,069.0	14,866.0
Application of Funds				
Gross Block	8,286.7	8,909.9	9,609.9	11,109.9
Less: Acc. Depreciation	2,632.3	3,193.7	3,866.4	4,644.1
Net Block	5,654.4	5,716.2	5,743.5	6,465.8
Capital WIP	922.6	744.7	781.9	821.0
Total Fixed Assets	6,576.9	6,460.9	6,525.5	7,286.9
Other Intangibles	8.3	17.2	17.2	17.2
Investments	1,289.3	1,254.0	2,258.7	3,263.8
Other Non-Current Assets	1,318.7	1,595.3	1,627.2	1,659.7
Inventories	24.0	30.7	37.7	46.7
Debtor	160.8	181.7	125.5	155.7
Cash & Bank balances	2,492.8	2,917.8	2,881.0	2,807.2
Loan & Advance, Other CA	539.4	543.8	742.6	801.6
Total Current assets	3,216.9	3,674.1	3,786.8	3,811.2
Current Liabilities	269.3	422.3	376.6	467.2
Other Current Liabilities	1,027.9	813.4	732.1	658.9
Provisions	32.4	71.4	37.7	46.7
Total CL and Provisions	1,329.6	1,307.1	1,146.3	1,172.8
Net Working Capital	1,887.4	2,367.0	2,640.5	2,638.4
Application of Funds	11,080.6	11,694.4	13,069.0	14,866.0

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Book Value	522.5	551.7	629.6	727.9
Cash per share	81.8	95.8	94.6	92.1
EPS	8.3	17.3	30.4	36.8
Cash EPS	34.7	53.1	82.8	99.2
DPS	5.0	9.0	9.0	9.0
Profitability & Operating Ratios				
EBITDA Margin (%)	16.3	22.8	24.6	25.4
PAT Margin (%)	7.9	13.8	20.2	19.7
Fixed Asset Turnover (x)	1.0	1.2	1.4	1.6
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	20.1	15.0	15.0
Return Ratios (%)				
RoE	5.4	9.6	14.8	15.6
RoCE	4.5	10.2	12.2	14.3
RoIC	7.5	17.7	21.8	25.7
Valuation Ratios (x)				
P/E	70.0	33.5	19.1	15.7
Price to Book Value	1.1	1.1	0.9	0.8
EV/EBITDA	8.5	4.8	3.8	3.0
EV/Sales	1.4	1.1	0.9	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	2.8	3.3	3.2
Quick ratio	2.4	2.8	3.3	3.2
Working Cap days	-4.8	-13.6	-8.5	-8.5
Asset Turnover	0.8	0.9	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E		
APSEZ	766	900	BUY	1,55,632	23.1	37.2	46.1	31.2	30.6	20.6	21.1	18.2	14.0	12.7	11.4	14.2	16.3	11.8	16.6		
Container Corporation	580	680	BUY	33,146	17.3	30.4	36.8	70.0	33.5	19.1	8.5	4.8	3.8	4.5	10.2	12.2	5.4	9.6	14.8		
Transport Corp. of India	723	860	BUY	5,274	32.0	40.1	49.3	38.2	22.6	18.0	20.9	14.5	11.6	13.3	17.9	19.2	12.9	18.0	18.7		
TCI Express	1,560	2,300	BUY	5,971	26.2	34.0	45.8	67.0	59.6	45.9	49.1	44.5	34.0	36.3	31.9	33.1	29.5	26.1	26.8		
Mahindra Logistics	510	600	BUY	3,657	5.2	10.2	17.6	98.5	50.1	29.0	17.4	13.3	9.8	12.2	29.3	35.5	6.3	11.3	16.7		
BlueDart Express	7,210	6,300	BUY	17,131	135.3	173.9	NA	53.3	41.5	NA	17.3	14.6	NA	69.7	64.7	NA	38.0	33.8	NA		
Gateway Distriparks	75	100	BUY	3,747	4.5	3.7	4.7	39.7	16.7	20.2	13.4	11.0	9.2	11.7	15.4	16.9	6.4	13.7	10.7		

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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