

Volumes strengthen along with firm realisation...

Q3 ended on a strong note, with 6% volume growth and 8-9% jump in realisation (revenues grew 15% YoY). The realisation growth was mainly due to a one-off 15 days from Indian Railways for free movement of empties, along-with higher lead distance and cargo movement. While domestic revenues grew 28% YoY to ₹ 455 crore (volume growth of 12%), Exim revenue grew 11% YoY to ₹ 1299 crore (volume growth of 5%). Standalone EBITDA margins contracted 313 bps YoY to 21.2% but adjusting for higher expected liability of employees (actuarial valuation), margins came at 24.1%. Subsequently, absolute unadjusted EBITDA remained flat at ₹ 372 crore and PAT grew 36% YoY to ₹ 238 crore.

Resolution with railways, expected soon on LLF charges

As per the annual land licensing fee (LLF) norms for Concor, from April 1, Indian Railways (on which 27 Concor terminals operate of its total ~64 terminals), Ministry of Railways has demanded ₹ 1337 crore (annually) for 21 terminals (expect higher amount when accounted for 27 terminals), based on 6% of value of land. Concor, on the other hand, has estimated and accounted ₹ 450 crore for FY21 as LLF and is actively contesting the excess demand. The management believes the situation would be resolved in favour of Concor. As per media sources, the Union Cabinet is likely to take up new land licensing fee policy for Indian Railways, reducing the LLF calculations from 6% of value of land to less than 3% (and also increasing tenure of contract to 35 years). The policy would clear the major bottleneck in the privatisation of the company.

Pandemic presents snapshot of DFC

While the Western DFC is expected to start getting commissioned from H1FY22 onwards (Pipavav expected to be commissioned before Mundra), lower passenger rail traffic in FY21, largely led to better turnaround times and running of time-table bound freight trains. The situation has aided in higher rail freight margins for Concor (33.9% vs. 27.3% in Q3FY20). With a shift in traffic from road to rail and better pricing power, Concor is expected to further benefit from the railway infrastructure. Further, the company has also been focussing in higher lead distances (EXIM: 709 km vs. 680 km in Q3FY20), which drives higher realisation for the company.

Valuation & Outlook

In Q4, Concor is expected to run trials for bulk transportation for FCI (saves time, resources by eliminating the traditional bagging-Debagging process). Also, on the distribution logistics front, the management will utilise the existing major terminals and not embark on new facilities (currently started operations at Ennore). With the expected diversification of services, we expect Concor to retain pricing power over other plain vanilla players, by providing end to end logistics solution for the clients. Despite the challenges in the near to medium term, Concor stays a structural growth story that will play a pivotal role in the changing Indian logistics landscape (DFC, cargo containerisation). We maintain **BUY** with TP of ₹ 560 (earlier ₹ 450).

Key Financial Summary

₹ crore	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	6956.1	6539.4	6283.6	7966.6	9741.0
EBITDA	1790.7	1693.8	1250.4	1704.8	2104.0
PAT	1229.4	404.5	767.6	1096.9	1391.3
P/E (x)	23.5	71.6	37.7	26.4	20.8
P/B (x)	0.9	0.9	0.9	0.8	0.7
RoCE (%)	12.8	10.9	6.3	9.2	11.0
RoE (%)	11.4	12.1	6.9	9.3	10.8

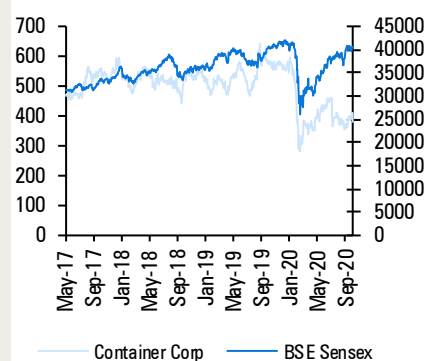
Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalisation (₹ cr)	28,941.8
Total Debt (FY20) (₹ cr)	63.6
Cash (FY20) (₹ cr)	2,191.6
EV (₹ Crore)	26,813.8
52 week H/L	666/263
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

Price Performance



Key risks to our call

- 1) Higher than expected LLF charges
- 2) Delay in commissioning of DFC

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Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	Comments
Revenue	1,753.8	1,631.4	1,527.6	14.8	1,502.7	16.7	Stronger realisation growth led to higher jump in revenues
Employee Expenses	132.7	86.5	89.8	47.9	84.2	57.7	Includes provision of ₹ 50 crore due to actuarial valuation led higher expected employee liability
Terminal & other Expenses	932.3	897.2	851.4	9.5	820.5	13.6	
Administrative Expenses	316.9	310.0	214.7	47.6	285.1	11.2	
Total Expense	1,381.9	1,293.7	1,155.9	19.6	1,189.8	16.2	
EBITDA	371.9	337.7	371.7	0.0	313.0	18.8	
EBITDA Margin (%)	21.2	20.7	24.3	-313 bps	20.8	38 bps	Margins adjusted for employee one-off, came at 24.1%
Depreciation	136.4	126.6	126.3	8.0	127.2	7.3	
Interest	8.4	8.5	6.0	NA	8.5	NA	
Other Income	82.2	65.1	62.6	31.2	71.3	15.2	
PBT	309.3	267.7	302.1	2.4	248.6	24.4	
Exceptional income/(expenses)	0.0	0.0	0.0	NA	0.0	NA	
Total Tax	71.4	67.5	126.6	-43.6	61.0	16.9	
PAT	237.9	200.2	175.5	35.6	187.6	26.8	
Key Metrics	Q3FY21	Q3FY20	YoY(%)	Q2FY21	QoQ (%)		
EXIM Volume (TEUs)	804,557.0	766,822.0	4.9	744,788.0	8.0		Strong rebound in volumes in spite of realisation hike
Domestic Volume (TEUs)	161,458.0	143,585.0	12.4	140,885.0	14.6		
Total Volume (TEUs)	966,015	910,407	6.1	885,673	9.1		
Adjusted EXIM Revenue (₹ crore)	1,298.6	1,171	10.9	1,130	14.9		Realisation higher by 5-6% due to price hikes at flagship terminal
Domestic Revenue (₹ crore)	455.3	356	27.8	373	22.1		

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21E				FY22E			FY23E	Comments
	FY20	Old	New	% Change	Old	New	% Change	New	
Revenue	6,539.4	5,804.2	6,283.6	8.3	7,137.8	7,966.6	11.6	9,741.0	Improved mainly on account of strong growth in the Exim and domestic segment
EBITDA	1,693.8	1,143.4	1,250.4	9.4	1,534.6	1,704.8	11.1	2,104.0	
EBITDA Margin (%)	25.9	19.7	19.9	20 bps	21.5	21.4	-10 bps	21.6	Margins remain rangebound
PAT	1,218.7	795.9	738.0	-7.3	1,066.0	1,062.7	-0.3	1,351.7	
EPS (₹)	6.6	13.5	12.6	-7.0	18.1	18.0	-0.3	22.8	

Source: Company, ICICI Direct Research

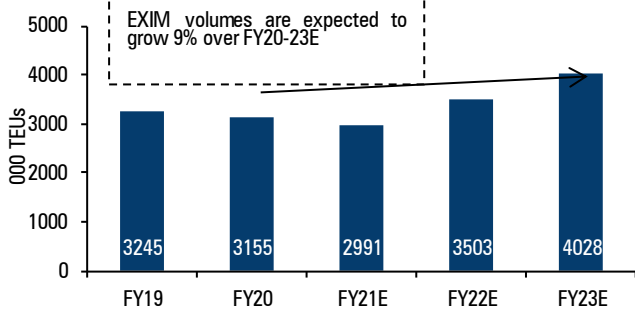
Exhibit 3: Assumptions

	Unit	Current			Earlier		Introduced		Comments
		FY20	FY21E	FY22E	FY21E	FY22E	FY23E		
Exim Volume	TEUs	31,54,596	29,91,335	35,02,826	30,07,702	34,08,502	40,28,250	Volumes largely maintained	
Domestic Volume	TEUs	5,93,162	5,81,398	6,72,783	5,79,001	6,54,426	7,73,701	Domestic volumes saw stronger traction	
Exim Realisation	₹/TEUs	15,628	15,522	16,889	15,412	16,904	17,918		
Domestic Realisation	₹/TEUs	26,024	27,654	29,521	26,649	28,090	31,319		

Source: ICICI Direct Research, Company

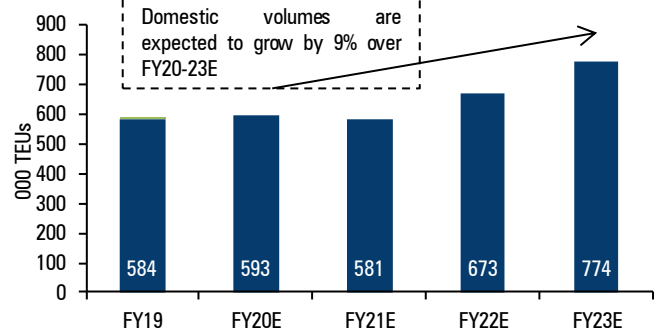
Key Metrics

Exhibit 4: Exim volumes



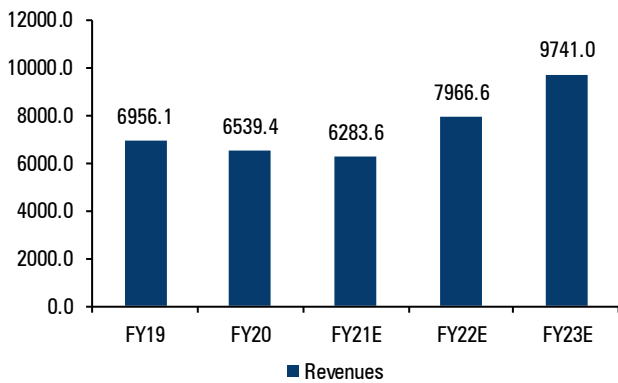
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



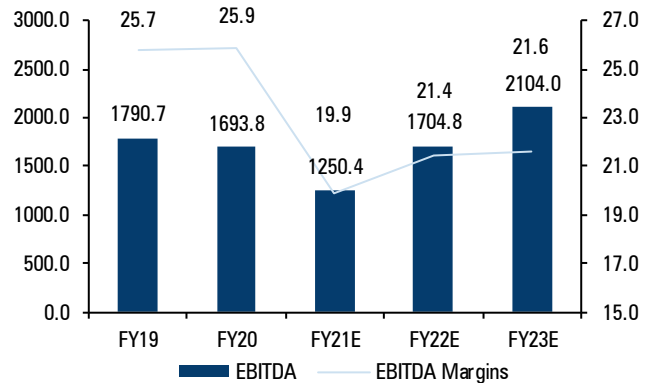
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 14% over FY20-23E



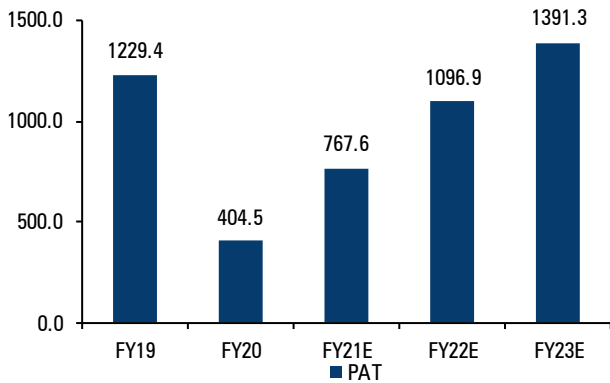
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 8% over FY20-23E



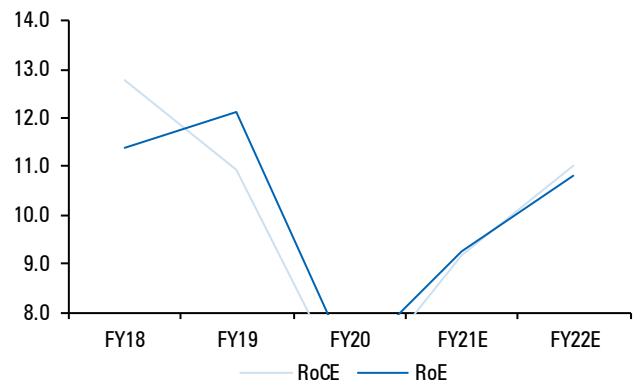
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 51% CAGR in FY20-23 (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 (%)
FY19	6956.1	5.2	20.2	10.8	23.5	5.5	11.4	12.8
FY20	6539.4	-6.0	6.6	-67.1	71.6	4.2	12.1	10.9
FY21E	6283.6	-3.9	12.6	89.8	37.7	6.3	6.9	6.3
FY22E	7966.6	26.8	18.0	42.9	26.4	5.0	9.3	9.2
FY23E	9741.0	22.3	22.8	26.8	20.8	3.8	10.8	11.0

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit & Loss Statement ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	6,539.4	6,283.6	7,966.6	9,741.0
Growth (%)	-6.0	-3.9	26.8	22.3
Terminal/Other Service chg	4,277.5	4,398.5	5,576.6	6,818.7
Employee Cost	317.0	389.6	382.4	467.6
Administrative & other exp	251.2	245.1	302.7	350.7
Op. Expenditure	4,845.6	5,033.2	6,261.7	7,636.9
EBITDA	1,693.8	1,250.4	1,704.8	2,104.0
Growth (%)	-5.4	-26.2	36.3	23.4
Depreciation	544.4	556.7	626.7	696.7
EBIT	1,149.4	693.8	1,078.2	1,407.4
Interest	46.1	36.2	22.7	18.2
Other Income	253.4	328.7	364.6	417.1
PBT	1,356.8	986.3	1,420.1	1,806.3
Growth (%)	-17.7	-27.3	44.0	27.2
Tax	138.1	248.2	357.4	454.7
Reported PAT	1,218.7	738.0	1,062.7	1,351.7
Growth (%)	3.8	-39.4	44.0	27.2
Exceptional gain/loss	-851.8	0.0	0.0	0.0
Share of profit from JV	39.8	31.8	36.6	42.1
Minority Interest	-2.2	-2.3	-2.4	-2.5
Adjusted PAT	404.5	767.6	1,096.9	1,391.3
EPS	6.6	12.6	18.0	22.8

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow Statement ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	404.5	767.6	1,096.9	1,391.3
Add: Depreciation	544.4	556.7	626.7	696.7
Add: Interest	46.1	36.2	22.7	18.2
Cash Profit	994.9	1,360.5	1,746.2	2,106.1
Increase/(Decrease) in CL	(163.5)	(87.8)	73.0	0.0
(Increase)/Decrease in CA	3,795.3	(131.5)	(16.9)	(90.5)
Others	(340.9)	-	-	-
CF from Operating Activities	4,285.8	1,141.1	1,802.3	2,015.6
Purchase of Fixed Assets	(752.1)	(500.0)	(1,000.0)	(1,000.0)
(Inc)/Dec in Investments	(28.6)	(1,000.0)	(1,000.0)	(160.0)
Others	13.8	(142.0)	(130.6)	(122.2)
CF from Investing Activities	(767.0)	(1,642.0)	(2,130.6)	(1,282.2)
Inc/(Dec) in Loan Funds	(707.0)	(10.0)	(10.0)	(10.0)
Inc/(Dec) in Sh. Cap. & Res	(687.4)	-	-	-
Interest paid	(46.1)	(36.2)	(22.7)	(18.2)
Dividend paid and taxes	(132.9)	(186.1)	(263.3)	(333.9)
Others	40.4	-	-	-
CF from financing activities	(1,532.9)	(232.3)	(295.9)	(362.1)
Change in cash Eq.	1,985.9	(733.2)	(624.2)	371.4
Op. Cash and cash Eq.	205.7	2,191.6	1,458.5	834.3
Cl. Cash and cash Eq.	2,191.6	1,458.5	834.3	1,205.6

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet ₹ crore

(Year-end March)	FY20	FY21E	FY22E	FY23E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	9,742.3	10,323.8	11,157.4	12,214.8
Shareholder's Fund	10,047.0	10,628.5	11,462.1	12,519.4
Minority Interest	108.5	110.7	112.9	115.2
Loan Funds	63.6	53.6	43.6	33.6
Deferred Tax Liability	0.0	0.0	0.0	0.0
Provisions	393.4	322.3	265.4	219.9
Source of Funds	10,612.5	11,115.1	11,884.1	12,888.2
Application of Funds				
Gross Block	7,452.5	7,952.5	8,952.5	9,952.5
Less: Acc. Depreciation	2,109.4	2,666.1	3,292.7	3,989.4
Net Block	5,343.1	5,286.4	5,659.7	5,963.0
Capital WIP	943.1	990.2	1,039.7	1,091.7
Total Fixed Assets	6,286.1	6,276.6	6,699.5	7,054.8
Other Intangibles	4.8	4.8	4.8	4.8
Investments	1,275.2	2,282.8	3,291.1	3,460.2
Other Non-Current Assets	1,295.5	1,321.4	1,347.8	1,374.8
Inventories	26.3	25.8	32.7	40.0
Debtor	164.6	154.9	109.1	133.4
Cash & Bank balances	2,191.6	1,458.5	834.3	1,205.6
Loan & Advance, Other CA	545.4	679.5	727.1	776.8
Total Current assets	2,927.9	2,318.8	1,703.2	2,155.9
Current Liabilities	155.4	172.2	327.4	400.3
Other Current Liabilities	990.3	891.3	802.1	721.9
Provisions	31.4	25.8	32.7	40.0
Total CL and Provisions	1,177.0	1,089.2	1,162.3	1,162.3
Net Working Capital	1,750.9	1,229.5	540.9	993.7
Application of Funds	10,612.5	11,115.1	11,884.0	12,888.1

Source: Company, ICICI Direct Research

Exhibit 14: Key Ratios

(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Book Value	515.3	545.1	587.9	642.1
Cash per share	71.9	47.9	27.4	39.6
EPS	6.6	12.6	18.0	22.8
Cash EPS	31.1	43.5	56.6	68.5
DPS	3.6	5.0	7.2	9.1
Profitability & Operating Ratios				
EBITDA Margin (%)	25.9	19.9	21.4	21.6
PAT Margin (%)	6.2	12.2	13.8	14.3
Fixed Asset Turnover (x)	1.0	1.0	1.2	1.4
Inventory Turnover (Days)	1.5	1.5	1.5	1.5
Debtor (Days)	9.2	9.0	5.0	5.0
Current Liabilities (Days)	8.7	10.0	15.0	15.0
Return Ratios (%)				
RoE	12.1	6.9	9.3	10.8
RoCE	10.9	6.3	9.2	11.0
RoIC	17.1	9.9	14.4	17.6
Valuation Ratios (x)				
P/E	71.6	37.7	26.4	20.8
Price to Book Value	0.9	0.9	0.8	0.7
EV/EBITDA	4.2	6.3	5.0	3.8
EV/Sales	1.1	1.3	1.1	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)	0.0	0.0	0.0	0.0
Current Ratio	2.5	2.1	1.5	1.9

Source: Company, ICICI Direct Research

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