

## New Exim services lift volume but impact realisation...

**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

**Q2FY23 Results:** Domestic volumes witnessed DFC benefits.

- Revenues grew 8% YoY to ₹ 1971 crore aided by the strong performance of the domestic segment, which grew 23% YoY to ₹ 652 crore
- EBITDA margins expanded 192 bps to 25.3%. Absolute EBITDA grew 17% YoY to ₹ 499 crore and was better than I-direct estimate of ₹ 452 crore
- Consequently, PAT grew 15% YoY to ₹ 303 crore

**What should investors do?** The management has guided for clocking 6.5-7 million TeUs volumes in the 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 ₹ 890 i.e. 29x 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 mn TeUs container run rate at Khatuwas (MMLPs), DFC connectivity to Dadri, JNPT, diversification into other logistics verticals.

- Clarity on land policy by Gol 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 ₹ 85



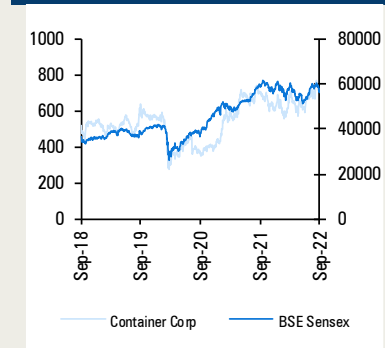
### Particulars

Particular	Amount
Market Capitalisation (₹ cr)	46,916.1
Total Debt (FY22) (₹ cr)	61.8
Cash (FY22) (₹ cr)	2,917.8
EV (₹ Crore)	44,060.1
52 week H/L	824/555
Equity Capital (₹ Crore)	304.7
Face Value (₹)	5.0

### Shareholding pattern

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

- Maintained guidance of 10-12% volume growth in FY23
- Key Risk:** (i) Slowdown in Exim trade (ii) Hike in haulage charges

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## Key Financial Summary

₹ crore	FY20	FY21	FY22	5 Years CAGR (FY17-22)	FY23E	FY24E	2 Years CAGR
Net Sales	6539.4	6427.1	7652.7	5.1	8211.7	9559.5	11.8
EBITDA	1693.8	1046.8	1747.3	7.0	2020.1	2428.1	17.9
PAT	404.5	505.2	1055.1	4.2	1675.0	1860.5	32.8
P/E (x)	116.0	92.9	44.5		28.0	25.2	
P/B (x)	1.5	1.5	1.4		1.2	1.1	
RoE (%)	12.1	5.4	9.6		13.6	13.4	
RoCE (%)	10.9	4.5	10.2		10.5	11.6	

Source: Company, ICICI Direct Research

## Key takeaways

### Q2FY23 Results: Volume/revenue guidance maintained at 10-12%

- EBIT per TeU for the Exim segment was at ₹ 3544 per TeU while for the domestic segment it was at ₹ 3029 per TeU
- The company has paid lower LLF charges to the tune of ₹ 96 crore in Q2FY23 while it has guided an annual LLF payment to the tune of ₹ 380-390 crore (excluding a provision of ₹70 crore)

### Q2FY23 Earnings Conference Call highlights

- The company has maintained its guidance of 10-12% volume/revenue growth for FY23
- New schemes announced by the company during the quarter: a) BDS scheme b) round trip scheme for DPT containers c) empty container movement free with increased volumes by customers
- The company expects the land license fee (LLF) to be around ₹ 380-390 crore in FY23 vs. ₹ 450 crore in FY22, and excludes a provision of ₹ 70 crore
- As per the management, the new LLF policy has created a sticky situation, which includes a fixed 1.5% charge on market price of land and also variable traffic access charges (TAC) charge, which IR fixes and is uncertain
- Total double stacked trains have come up, while transit times have come down substantially and is helping to procure more volumes
- First mile, last mile logistics have been added to the Exim volumes (mainly via road) and have lower margins (but provide customer stickiness)
- Originating volumes have been impacted during the quarter due to global Exim congestion
- Concor has started a train called Retail Express (with Maersk) from Dadri to Mundra via Khatuwas, is an initiative to gain market share over road
- The management endeavours to increase volumes while maintaining current margins
- Concor is expected to cross a milestone of 4000 double stacked trains in FY23
- In bulk movement, Concor is in touch with ICC and FCI for more foodgrain orders. In the south, near Vijayawada, the company has conducted trials to load bulk cement in normal containers (KCP cement). It is currently taking mere 35 mins to destock the containers (remarkable innovation)
- Handling: Originating volumes ratio in Exim were at two (from 1.5 earlier (due to addition of newer services) and the management
- Concor's revenue mix includes 36% from Mundra, 11% Pipavav, 36% JNPT, 5% Chennai, 4% Vizag and 2% Tuticorin and 3% from Cochin
- Capex was at ~₹ 140 crore in H1FY23 and is expected to increase in H2

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	Comments
Revenue	1,970.7	1,998.1	1,823.9	8.0	1,978.3	-0.4	YoY revenue jump largely due to higher growth in new Exim services
Employee Expenses	92.3	103.9	99.7	-7.5	103.4	-10.7	Higher digitisation leading to lower employee costs
Terminal & other Expenses	1,067.9	1,099.0	983.8	8.6	1,087.5	-1.8	
Administrative Expenses	311.9	343.7	314.0	-0.7	315.1	-1.0	Includes LLF charges of ~₹ 96 crore
Total Expense	1,472.0	1,546.5	1,397.5	5.3	1,506.0	-2.3	
EBITDA	498.7	451.6	426.5	16.9	472.3	5.6	
EBITDA Margin (%)	25.3	22.6	23.4	192 bps	23.9	143 bps	YoY margin maintained owing to lower LLF charges
Depreciation	134.1	131.1	136.2	-1.5	131.2	2.2	
Interest	14.3	14.0	13.5	NA	13.9	NA	
Other Income	52.0	66.1	75.0	-30.7	62.9	-17.4	
PBT	402.2	372.7	351.8	14.3	390.1	3.1	
Exceptional income/(expenses)	-0.1	0.0	-0.1	NA	0.0	NA	
Total Tax	99.4	93.9	87.6	13.4	98.8	0.6	
PAT	302.7	278.8	264.1	14.6	291.3	3.9	
Key Metrics	Q2FY23	Q2FY22	YoY(%)	Q1FY23	QoQ (%)		
EXIM Volume (TEUs)	936,950.0	792,425.0	18.2	784,857.0	19.4		Core originating volumes remained subdued, with growth mainly due to newer services
Domestic Volume (TEUs)	206,945.0	188,332.0	9.9	228,191.0	-9.3		High capacity rakes and new business initiatives are giving higher volumes. Empty running came down
Total Volume (TEUs)	1,143,895	980,757	16.6	1,013,048	12.9		
Adjusted EXIM Revenue (₹ crore)	1,318.6	1,292.6	2.0	1,300.0	1.4		
Domestic Revenue (₹ crore)	652.1	531.4	22.7	678.0	-3.8		

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	9,235.1	8,211.7	-11.1	11,456.8	9,559.5	-16.6	Revenues impacted due to stronger growth in services with lower realisation	
EBITDA	1,747.3	2,271.8	2,020.1	-11.1	2,910.0	2,428.1	-16.6		
EBITDA Margin (%)	22.8	24.6	24.6	0 bps	25.4	25.4	0 bps	Operating leverage, higher double stacking offset unfavourable product mix	
PAT	1,028.4	1,832.0	1,644.6	-10.2	2,229.0	1,825.8	-18.1		
EPS (₹)	17.3	30.6	27.5	-10.2	37.2	30.5	-17.9		

Source: ICICI Direct Research

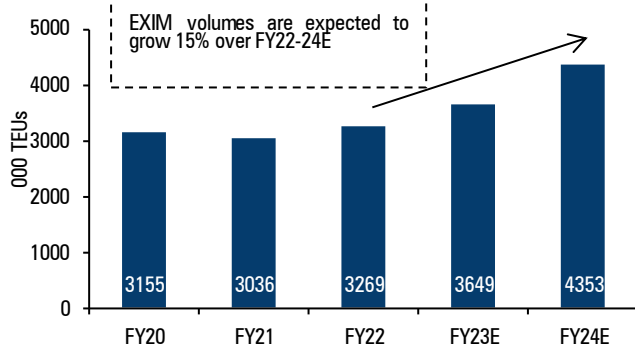
Exhibit 3: Assumptions

	Unit	Current			Earlier		Comments
		FY22	FY23E	FY24E	FY23E	FY24E	
Exim Volume	TEUs	3,269,026	3,649,217	4,352,876	3,719,515	4,277,443	Volumes marginally revised
Domestic Volume	TEUs	803,899	917,924	1,055,612	964,679	1,157,615	
Exim Realisation	₹/TEUs	16,178	14,497	14,003	16,546	17,593	
Domestic Realisation	₹/TEUs	28,683	30,898	31,674	30,322	32,169	

Source: ICICI Direct Research

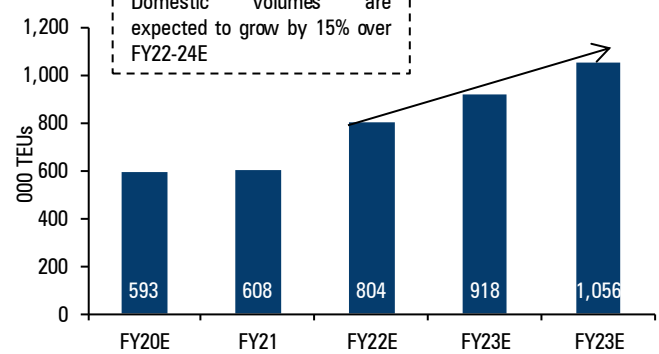
## Key Metrics

Exhibit 4: Exim volumes



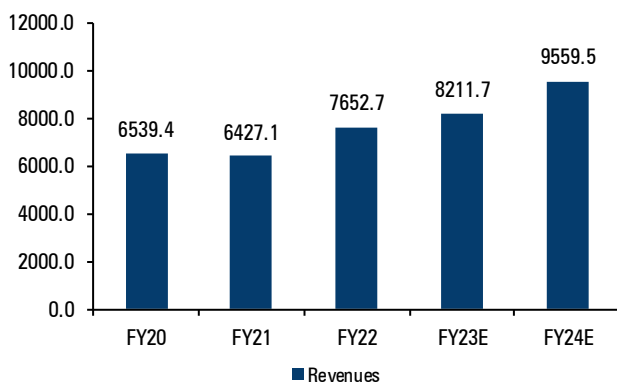
Source: ICICI Direct Research, Company

Exhibit 5: Domestic volumes



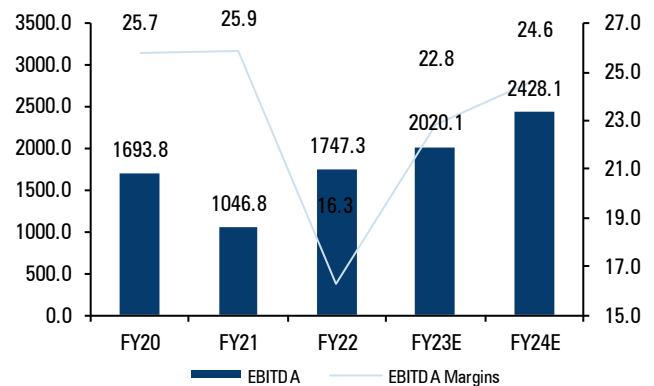
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 12% over FY21-24E



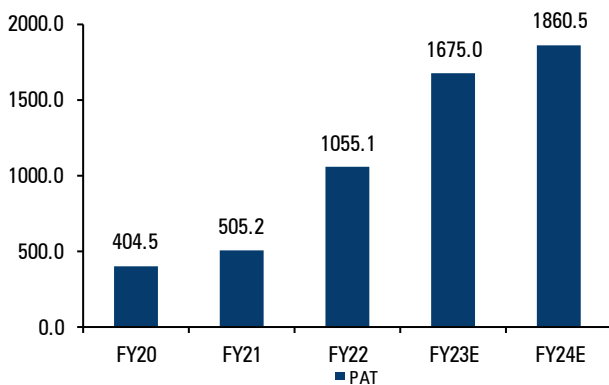
Source: ICICI Direct Research, Company

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



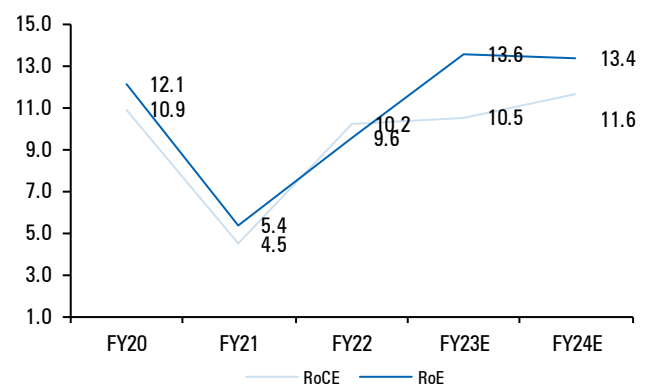
Source: ICICI Direct Research, Company

Exhibit 8: PAT to grow at 33% 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	116.0	7.6	12.1	10.9
FY21	6427.1	-1.7	8.3	24.9	92.9	12.0	5.4	4.5
FY22	7652.7	19.1	17.3	108.9	44.5	7.0	9.6	10.2
FY23E	8211.7	7.3	27.5	58.8	28.0	6.1	13.6	10.5
FY24E	9559.5	16.4	30.5	11.1	25.2	5.3	13.4	11.6

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 11: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	6,427.1	7,652.7	8,211.7	9,559.5
Growth (%)	-1.7	19.1	7.3	16.4
Terminal/Other Service ch	4,674.7	5,252.1	5,501.8	6,357.0
Employee Cost	428.7	419.2	394.2	439.7
Administrative & other exp	277.0	234.3	295.6	334.6
Op. Expenditure	5,380.3	5,905.5	6,191.6	7,131.4
EBITDA	1,046.8	1,747.3	2,020.1	2,428.1
Growth (%)	-38.2	66.9	15.6	20.2
Depreciation	553.4	561.4	671.4	776.4
EBIT	493.4	1,185.9	1,348.7	1,651.7
Interest	42.9	62.4	26.3	21.8
Other Income	270.4	247.1	875.4	810.0
PBT	720.9	1,370.6	2,197.7	2,439.9
Growth (%)	-46.9	90.1	60.4	11.0
Tax	173.0	342.2	553.2	614.1
Reported PAT	548.0	1,028.4	1,644.6	1,825.8
Growth (%)	-55.0	87.7	59.9	11.0
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	1,675.0	1,860.5
EPS	8.3	17.3	27.5	30.5

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	505.2	1,055.1	1,675.0	1,860.5
Add: Depreciation	553.4	561.4	671.4	776.4
Add: Interest	42.9	62.4	26.3	21.8
Cash Profit	1,101.4	1,678.9	2,372.7	2,658.7
Increase/(Decrease) in CL	152.5	(22.5)	(203.8)	(12.3)
(Increase)/Decrease in CA	9.4	(0.8)	(116.6)	(69.4)
Others	6.9	41.7	-	-
CF from Operating Activities	1,270.3	1,697.3	2,052.4	2,577.0
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	(217.9)	(463.7)
Op. Cash and cash Eq.	2,191.6	2,492.8	2,917.8	2,699.9
Cl. Cash and cash Eq.	2,492.8	2,917.8	2,699.9	2,236.2

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Source of Funds				
Equity Capital	304.7	304.7	304.7	304.7
Reserves & Surplus	9,882.5	10,450.9	11,796.9	13,328.4
Shareholder's Fund	10,187.1	10,755.6	12,101.6	13,633.1
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	12,894.6	14,307.9
Application of Funds				
Gross Block	8,286.7	8,890.8	9,590.8	11,090.8
Less: Acc. Depreciation	2,632.3	3,174.6	3,845.9	4,622.3
Net Block	5,654.4	5,716.2	5,744.9	6,468.5
Capital WIP	922.6	744.7	781.9	821.0
Total Fixed Assets	6,576.9	6,460.9	6,526.8	7,289.6
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	33.7	39.3
Debtor	160.8	181.7	112.5	131.0
Cash & Bank balances	2,492.8	2,917.8	2,699.9	2,236.2
Loan & Advance, Other CA	539.4	543.8	721.9	762.1
Total Current assets	3,216.9	3,674.1	3,568.0	3,168.6
Current Liabilities	269.3	422.3	337.5	392.9
Other Current Liabilities	1,027.9	813.4	732.1	658.9
Provisions	32.4	71.4	33.7	39.3
Total CL and Provisions	1,329.6	1,307.1	1,103.3	1,091.0
Net Working Capital	1,887.4	2,367.0	2,464.8	2,077.6
Application of Funds	11,080.6	11,694.4	12,894.6	14,307.9

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Book Value	522.5	551.7	620.7	699.2
Cash per share	81.8	95.8	88.6	73.4
EPS	8.3	17.3	27.5	30.5
Cash EPS	34.7	53.1	77.0	86.6
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	20.4	19.5
Fixed Asset Turnover (x)	1.0	1.2	1.3	1.3
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	13.6	13.4
RoCE	4.5	10.2	10.5	11.6
RoIC	7.5	17.7	18.6	20.1
Valuation Ratios (x)				
P/E	92.9	44.5	28.0	25.2
Price to Book Value	1.5	1.4	1.2	1.1
EV/EBITDA	12.0	7.0	6.1	5.3
EV/Sales	2.0	1.6	1.5	1.3
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	3.2	2.9

Source: Company, ICICI Direct Research

Exhibit 15: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
APSEZ	830	1,000	BUY	1,68,635	21.9	28.7	43.2	33.8	34.7	29.0	22.5	21.2	18.4	12.7	9.5	11.5	16.3	10.7	12.5
Container Corporation	770	890	BUY	43,382	17.3	27.5	30.5	92.9	44.5	28.0	12.0	7.0	6.1	4.5	10.2	10.5	5.4	9.6	13.6
Transport Corp. of India	670	810	BUY	4,888	37.3	41.6	49.8	35.4	18.0	16.1	19.5	11.9	10.8	13.3	20.3	19.9	12.9	20.5	18.8
Gujarat Pipavav	86	110	BUY	4,158	4.1	5.6	6.7	21.1	15.4	12.9	8.0	6.7	5.7	12.1	15.7	18.6	8.6	11.7	13.8
TCI Express	1,880	2,195	BUY	7,196	26.2	33.5	40.0	80.8	71.9	56.2	59.2	53.6	41.3	36.3	31.9	33.4	29.5	26.1	26.6
Mahindra Logistics	520	610	BUY	3,729	5.2	9.5	16.9	100.6	54.8	30.8	17.8	13.1	9.6	12.2	33.7	40.0	6.3	10.6	16.2
BlueDart Express	7,420	8,000	HOLD	21,075	135.3	211.0	275.7	199.9	65.6	42.0	30.2	21.4	16.5	50.5	69.7	68.8	13.5	38.0	38.2
Gateway Distriparks	71	85	BUY	3,547	4.5	3.5	4.4	37.6	15.9	20.2	12.8	10.5	9.0	11.7	15.4	16.2	6.4	13.7	10.2

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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