



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst/Associate: Abhilasha Satale / Nidhi Babaria
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Result Update @ Dalal & Broacha

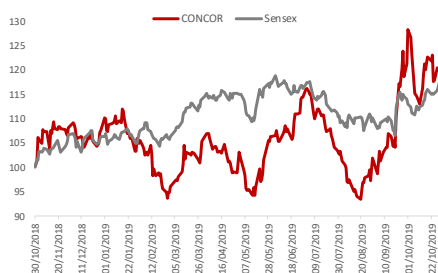
HOLD

Current Price	590
52 Week Range	665/460
Target Price	610
Upside %	3%

Key Share Data

Market Cap (Rs.bn)	358
Market Cap (US\$ mn)	5,057
No of o/s shares (mn)	609.3
Face Value	5
Monthly Avg. vol (BSE+NSE) Nos (in '000)	1,211
BSE Code	531344
NSE Code	CONCOR
Bloomberg	CCRI IN

Price performance



% Shareholding	Sept-19	June-19
Promoters	54.80	54.80
Public	45.20	45.20
Total	100.0	100.0

Result below expectations due to weak volume:

Revenue down 4.4% yoy at Rs17.5bn (Exp: Rs18.5bn). In Q2FY19 Concor reported Rs996mn SEIS income, adjusting for the same revenue has increased 1%. **Overall volume** down 1.98% yoy to 9.69lac TEUs.

EBITDA down 14.6% yoy to Rs4.3bn (Exp: Rs4.5bn). **Margin** at 24.6% (Exp: 23.9%). Other expenses include an amount of Rs. 91.5mn provided for as estimated discount on the eligible amount of Rs. 1.83bn.

Other income is down 26% yoy at Rs448mn.

Interest cost increased from Rs14mn to Rs108mn. Concor has provided for Rs8.6bn for ineligible SEIS benefit during the quarter.

Reported loss of Rs3.4bn during the quarter. Adjusting for exceptional items PAT is down 16.5% yoy at Rs2.67bn (Exp: 2.98bn).

Segmental Performance:

EXIM (77% of revenue/93% of EBIT): EXIM revenue (adjusting for SEIS in Q2FY19) down 0.7%yoy at Rs13.6bn, volume down 2.66% yoy at 8.26lac TEUs and realization up 2% yoy at Rs16439/TEU led by price increases, increase in lead distance. EBIT margin at 23% adjusting for SEIS. EBIT/TEU has increased by 6% yoy at Rs3839/TEU in EXIM market adjusting for SEIS benefit.

Domestic (23% of revenue/7% of EBIT): Domestic revenue up 7.4% yoy at Rs3.97bn. Volume up 2% yoy at 1.4lac TEUs and realization up 5% yoy. EBIT margin down 170bps to 6.4%.

Other Highlights

Reduced volume guidance for FY20E: Management has reduced volume guidance for the year to flat as against earlier estimated 10-12%. Concor has lost market share by 600bps to 67.4% during H1FY20. As company is not participating in negative margin short lead distance cargo and is maintaining its pricing it has lost market share to other operators. During FY19 Concor achieved 3.83mn TEUs volume and during H1FY20 Concor has done 1.89mn TEUs. Concor is expected to post 1.7% volume growth in H2FY20 to achieve flat volume for FY20E.

Land license fees linked to PAT growth: Out of 83 terminals around 40-45% terminals are on IR land and handle 40-45% of volumes. Concor is paying Rs.1175/TEU land license fees to railways i.e. around Rs1.8bn annually. However, profit share from these terminals is high. Land license fees is linked to PAT growth so if PAT growth is negative it is likely to decline. Over a period, IR's land contribution to total volumes has reduced and is expected to reduce further.

Outlook: We reduce Concor's volume growth to flat for FY20E. We feel loss of market share is negative and in current weak economic conditions it will be difficult for Concor to gain market share maintaining pricing. We expect Concor to post EPS (Without exceptional item) of Rs17.7 and Rs22.5 over FY20E and FY21E. At CMP stock is trading at 33x FY20E and 26x FY21E earnings. We recommend 'HOLD' with target price of Rs610.

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	58,897.1	(6.2)	12,108.3	20.6	8,192.2	(15.2)	13.4	37.9	9	10
FY18	66,125.2	12.3	14,917.0	22.6	10,601.5	29.4	17.4	33.8	11	11
FY19	69,560.6	5.2	17,907.9	25.7	12,247.0	15.5	20.1	29.3	12	12
FY20E	69,813.5	0.4	17,240.7	24.7	10,783.0	(12.0)	17.7	33.2	10	11
FY21E	79,952.7	14.9	20,056.9	25.1	13,696.0	27.0	22.5	26.2	12	12



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Concall Highlights:

Adjusting SEIS margin has improved: Concor has not accounted for SEIS income during the quarter. It had accounted Rs996mn SEIS income in Q2FY19 and Rs1.7bn SEIS income in H1FY19. Adjusting the same topline for the quarter EBITDA margin has improved by around 250bps yoy at 24.6% for the quarter. Margin improvement is on the back of 4% price adjustments taken in Q4FY19, increased lead distance and reduction in empty running cost.

Hopeful to receive SEIS benefits: Post DGFT's letter for ineligibility of SEIS benefit of Rs8.61bn Concor has provided for the same during the quarter. However, management is hopeful of getting these incentives as some of their competitors have been getting incentives for similar services. The Company is in the process of filing appeal in the above matter.

Originating volume down 2.5% yoy at 6.1lac TEUs. Volume carried is 20.86mnt vs 22.02mnt yoy. EXIM originating down 2.8%, Domestic originating is flat yoy. Aggregate lead distance increased 1.7% yoy at 786kms. Empty running cost for the quarter is at Rs525mn vs Rs640mn.

Port-wise market share- JNPT- 68% vs 80.5% yoy, Mundra- 45.4% vs 52.5% yoy, Pipavav- 50.86% vs 53.8%

Distribution logistics- Out of 15 MMLPs planned 12 MMLPs have been commissioned and the company plans to add 3-4 during the year. These will be asset-light model where Concor will develop these centers on PPP basis. During the quarter Concor has current terminal network of 84 terminals. It plans to add 7 centers during the year. Amongst these terminals 41 terminals are on railways land.

Wagon Procurement: During H1FY20 Concor has incurred capex of Rs1.24bn towards wagon procurement. The company has procured 25t axle load wagon which will give them competitive advantage. Management has maintained capex guidance at Rs8-10bn for the year.

Other current assets: Other current assets have reduced from Rs42.79bn to Rs14.92bn. The adjustment is Rs8.61bn towards SEIS income and Rs18.9bn towards advance freight payment. Concor is likely to pay around Rs15bn towards advance freight charges in H2FY20E.

More commodities will be added to containers: Concor has done food grain trials and are likely to go for marketing to customers. Also, company is trying to bring bulk commodities like cement under containerization. This will boost their volumes in long term.

Rs443mn infusion in FHEL: Concor board had approved a re-engineering plan for its wholly owned subsidiary M/s. Fresh & Healthy Enterprises Limited (FHEL) to be funded through equity infusion of Rs.443.1mn. An amount of Rs.134.5 mn has already been infused as equity in FHEL. Further, loans granted to FHEL along with interest thereon totalling to Rs.558.9mn have also been converted into equity share capital of FHEL.



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Particulars (Rs in MN)	Q2FY19	Q2FY20	H1FY19	H1FY20
Revenue from Operations	18373	17556	34344	34104
<i>Growth (yoy %)</i>		-4.4%		-0.7%
EXPENDITURE :				
Rail and Freight Expenses	9714	9397	18437	18350
Other Operating Expenses	2156	2319	4204	4507
TOTAL COGS	11870	11716	22641	22857
<i>Growth</i>		-1.3%		1.0%
% to sales	64.6%	66.7%	65.9%	67.0%
Gross Margins	6503	5840	11703	11247
<i>Growth</i>		-10%		-4%
% to sales	35.4%	33.3%	34.1%	33.0%
Employee Cost	808	837	1525	1650
<i>Growth</i>		3.6%		8.2%
% to sales	4.4%	4.8%	4.4%	4.8%
Other Expenses	636	683	1182	1232
<i>Growth</i>		7.4%		4.2%
% to sales	3.5%	3.9%	3.4%	3.6%
Total Expenditure	13314	13235	25348	25738
<i>Growth</i>		-0.6%		1.5%
% to sales	72.5%	75.4%	73.8%	75.5%
EBIDTA	5059	4321	8997	8365
<i>Growth</i>		-14.6%		-7.0%
EBIDTA Margins	27.5%	24.6%	26.2%	24.5%
Depreciation	1115	1354	2205	2690
<i>Growth</i>		21.5%		22.0%
% to sales	6.1%	7.7%		7.9%
EBIT	3944	2967	6792	5676
<i>Growth</i>		-24.8%		-16.4%
% to sales	21.5%	16.9%	19.8%	16.6%
Interest	15	108	29	244
Other Income	607	448	1212	1129
<i>Growth</i>		-26.1%		-6.8%
exceptional items		8611		8611
Profit Before Tax and exceptional item	4536	3307	7974	6560
<i>Growth</i>		-27.1%		-17.7%
Extraordinary items				
PBT	4536	-5304	7974	-2050
Current Tax	1575	628	2718	1725
Tax relating to prior years			0	0
Deferred Tax	-246	-2488	-411	-2590
total tax	1329	-1860	2308	-865
Tax Rate	29%	35%	29%	42%
Reported Net Profit	3207	-3444	5667	-1185
<i>Growth</i>		-207.4%		-120.9%
% to sales	16.9%	-19.1%	15.9%	-3.4%
Adj. Net Profit (exc. SEIS impact)	3207	2679	5667	4835
<i>Growth</i>		-16.5%		-14.7%
Equity	3047	3047	3047	3047
Fv	5	5	5	5
EPS	5	-6	9	-2



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	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20E	FY21E
Net Sales	66,125.2	69,560.6	69,813.5	79,952.7	Net Profit	10,601.5	12,247.0	10,783.0	13,696.0
Freight Expenses	(45,389.1)	(45,609.7)	(45,992.9)	(52,599.1)	Add: Dep. & Amort.	4,199.7	4,522.6	4,710.8	5,322.8
Employee Cost	(2,793.8)	(3,370.0)	(3,639.6)	(4,003.6)	Cash profits	14,801.2	16,769.6	15,493.8	19,018.8
Other Expenses	(3,025.3)	(2,673.0)	(2,940.3)	(3,293.1)	(Inc)/Dec in				
Operating Profit	14,917.0	17,907.9	17,240.7	20,056.9	-Sundry debtors	(277.7)	(45.4)	(5.3)	(139.4)
Depreciation	(4,199.7)	(4,522.6)	(4,710.8)	(5,322.8)	-Inventories	(46.9)	41.9	(57.4)	(42.7)
PBIT	10,717.3	13,385.3	12,530.0	14,734.1	-Loans/advances	(482.0)	874.6	604.4	-
Other income	2,867.7	3,170.9	2,563.5	2,760.7	-Other Current Assets	(169.7)	(31,964.7)	(106.2)	(116.9)
					-Current Liab and				
Interest	(55.6)	(65.4)	(135.9)	(123.6)	Provisions	2,860.9	1,046.2	(738.5)	389.3
Exceptional item			(8,610.5)		Sundry Creditors	166.5	771.9	(735.1)	401.6
					Change in working				
PBT	13,529.4	16,490.8	14,957.6	17,371.2	capital	2,051.1	(29,275.5)	(1,038.2)	491.9
Profit before tax (post					CF from Oper.				
exceptional)	13,529.4	16,490.8	6,347.1	17,371.2	activities	16,852.3	(12,505.9)	14,455.6	19,510.7
Provision for tax	(3,485.9)	(4,744.0)	(1,106.6)	(4,325.1)	CF from Inv. activities	(9,059.0)	(9,787.0)	(8,029.2)	(9,000.0)
Reported PAT	10,043.5	11,746.8	5,240.5	13,046.2	CF from Fin. activities	(5,076.7)	4,171.4	(4,852.4)	(6,863.2)
Share profit from JV	558.0	500.2	580.2	649.9					
Net Profit	10,601.5	12,247.0	4,660.2	13,696.0	Cash				
Adjusted Profit (excl					generated/(utilised)	2,716.6	(18,121.5)	1,574.0	3,647.5
Exceptionals)	10,601.5	12,247.0	10,783.0	13,696.0	Cash at start of the				
					year	17,462.3	20,178.9	2,057.4	3,631.4
					Cash at end of the year	20,178.9	2,057.4	3,631.4	7,278.9
						-	(0.0)	-	0.0
					Ratios	FY18	FY19	FY20E	FY21E
Balance Sheet	FY18	FY19	FY20E	FY21E	OPM	22.6	25.7	24.7	25.1
Equity capital	2,437.2	3,046.5	3,046.5	3,046.5	NPM	15.37	16.84	14.90	16.56
CCPS	-	-	-	-	Tax rate	(25.8)	(28.8)	(17.4)	(24.9)
Reserves	90,780.5	100,252.5	106,183.2	113,716.0	Growth Ratios (%)				
Net worth	93,217.7	103,299.0	109,229.7	116,762.5	Net Sales	12.3	5.2	0.4	14.5
MI	1,133.7	1,063.4	1,063.4	1,063.4	Operating Profit	23.2	20.1	(3.7)	16.3
Non Current Liabilities	3,207.4	3,229.3	3,211.2	2,494.9	PBIT	27.0	24.9	(6.4)	17.6
Current Liabilities	11,637.2	20,411.5	18,956.0	19,763.2	PAT	29.4	15.5	(12.0)	27.0
TOTAL LIABILITIES	109,196.0	128,003.2	132,460.2	140,084.0	Per Share (Rs.)				
Non Current Assets	76,559.7	80,480.3	83,194.3	86,871.6	Net Earnings (EPS)	17.40	20.10	17.70	22.48
Fixed Assets	47,110.6	51,904.0	55,222.4	58,899.7	Cash Earnings (CPS)	30.4	27.5	25.4	31.2
Goodwill	-	-	-	-	Dividend	6.8	7.5	6.6	8.4
Non Current Investments	11,262.8	11,711.6	11,711.6	11,711.6	Book Value	191.2	169.5	179.3	191.6
Deferred Tax Asset	20.2	28.2	28.2	28.2	Free Cash Flow	16.0	(36.5)	15.8	16.4
Long Term Loans and					Valuation Ratios				
Advances	515.2	604.4	-	-	P/E(x)	33.8	29.3	33.2	26.2
Other Non Current Assets	17,650.9	16,232.1	16,232.1	16,232.1	P/B(x)	3.1	3.5	3.3	3.1
Current Assets	32,636.3	47,522.9	49,265.9	53,212.4	EV/EBIDTA(x)	17.1	19.7	19.9	17.3
Current investments	-	-	-	-	Div. Yield(%)	1.2	1.3	1.1	1.4
Inventories	278.3	236.4	293.8	336.5	FCF Yield(%)	2.7	(6.2)	2.7	2.8
Trade Receivables	909.4	954.8	960.1	1,099.6	Return Ratios (%)				
Cash and Bank Balances	20,178.9	2,057.4	3,631.4	7,278.9	ROE	11%	12%	10%	12%
Short Term Loans and					ROCE	11%	12%	11%	12%
Advances	1,332.0	368.2	368.2	368.2		-	-	-	-
Other Current Assets	9,937.7	43,906.1	44,012.3	44,129.2					
TOTAL ASSETS	109,196.0	128,003.2	132,460.2	140,084.0					



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