Container corporation India Ltd.

January 29, 2019

DALAL & BROACHA
STOCK BROKING PVT. LTD.

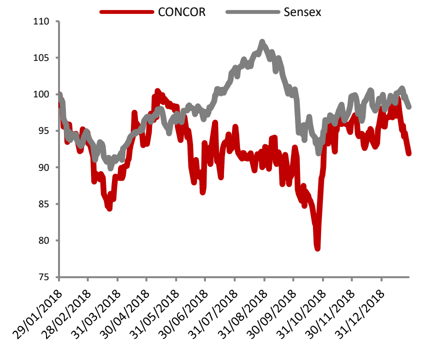
Analyst: Abhilasha Satale (022) 67141435
Associate: Nidhi Babaria (022) 67141450

Initiating Coverage @ Dalal & Broacha

BUY	
Current Price	630
52 Week Range	728/541
Target Price	832
Upside %	32

Key Share Data	
Market Cap (Rs.bn)	308.71
Market Cap (US$ mn)	4343.24
No of o/s shares (mn)	487.44
Face Value	5
Monthly Avg. vol (BSE+NSE) Nos (in '000)	808
BSE Code	531344
NSE Code	CONCOR
Bloomberg	CCRI IN

Price performance



% Shareholding	Dec-18	Sep-18
Promoters	54.80	54.80
Public	45.20	45.20
Total	**100.0**	**100.0**

Indian Railway's (IR) flagship project DFC is likely to improve rail coefficient for the trade and Concor is likely to be major beneficiary. We expect Concor's volume growth to improve from 5-6% posted in past five years to 12-15% in the near term. Rail coefficient is likely to increase substantially from current 20% mainly due to reduced transit time, increased mileage/hr, increase in double stacking and increase in time-tabled trains. We expect Concor's earnings to grow at a CAGR of 17% over FY18-21E. We initiate with 'BUY' rating on the Concor Ltd.

Improving cost efficiencies and speed: Concor posted 11% volume growth in 9MFY19 gaining market share from road segment. The gain is mainly on account of increase in diesel prices reducing competition from road sector. We expect growth momentum to continue with improving rail infrastructure through DFC. By March-Sep 19 Mundra and Pipavav ports are likely to get connected through DFC. However, we expect volume to improve sharply post JNPT getting connected in 2020-21 as JNPT contributes more than 50% of total container volumes.

Double stacking to improve margin: Double stacking contributes 10% of Concor's volume. Double stacking runs only on diesel fired route currently i.e. from Mundra and Pipavav port. Post DFC as electrified pole's height will increase to 7.1mtr, double stack trains will run from JNPT also. Double stacking volume to double over 3-4years which will result in improving margin for the company. As upper deck is charged 50% haulage charge by IR margin in double stack trains are better. We expect overall margin for the company to improve from 22.6% in FY18 to 24.3% in FY21E.

Increase in services income to reduce dependence on freight: Concor garners ~80% of revenue from freight while ~20% is earned through other services like CFS/ICD. The company is charging Rs1500/TEU for services offered like continuous cargo visibility etc. It has also started 45days free storage for containers and 90days for empty containers. Revenue from such services is likely to go up from 20% to 30% of revenue over medium term. This will be margin accretive for Concor and will reduce dependency on freight segment.

MMLP- Future growth driver: Concor has entered into distribution logistics business wherein the company is developing 15 logistics parks. Concor has been getting good response in Khatuwas and Pantnagar MMLPs. The company is incurring capex of Rs800-1000cr p.a. for development of these parks and other infrastructure.

Valuation: We expect Concor to post topline CAGR of ~14% and bottom-line CAGR of ~17% over FY18-21E. ROE & ROCE is likely to increase from 11% in FY18 to 14% and 15% respectively by FY21E. We have valued Concor on Discounted Cash Flow basis taking terminal growth rate of 4.5% WACC of 12.7%. We arrive at a target price of Rs. 832 showing upside of 32%. CONCOR is 21.6x FY20E and 19.2x FY21E. We recommend **"BUY"** on CONCOR to investors.

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	59,797.2	(4.8)	12,457.3	20.8	8,541.2	(11.6)	17.5	36.0	10	10
FY18	66,224.7	10.7	14,986.8	22.6	10,636.7	24.5	21.8	28.9	11	11
FY19E	75,068.4	13.4	18,216.3	24.3	12,149.3	14.2	24.9	25.3	12	13
FY20E	89,073.1	18.7	21,542.4	24.2	14,243.0	17.2	29.2	21.6	13	15
FY21E	99,408.1	32.4	24,116.7	24.3	16,028.9	12.5	32.9	19.2	14	15

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Investment Rationale

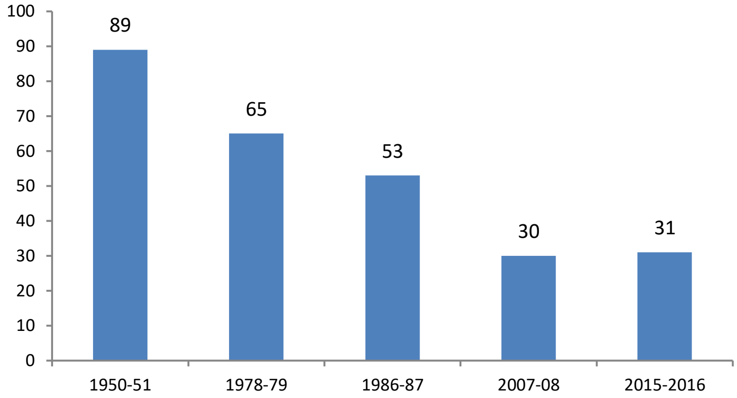
Dedicated Freight Corridor- Increase in rail coefficient to benefit Concor

The cargo movement by train is more cost competitive than movement by road, particularly for a distance of more than 500kms. However, in India, containers are moved by road even for distance of more than 1000kms due to poor rail infrastructure. With the development of DFC (Dedicated Freight Corridor), the growth rate in container trade could see structural shift in coming years.

Major earnings of the railways come from its freight operations, which cross subsidises its losses of running passenger trains. However, currently, passenger trains are given preference and cargo trains are made to wait due to shortage of tracks. As a result, average speed of goods trains is 25kms/hr, which makes trucks a better option for many customers.

Railways' market share in the goods movement of the country has come down to around 30% from 65% in 1987 while the road sector's sharehas gone up to 60% from 31% in the same period. DFC will provide non-discriminatory access to freight trains belonging to Indian railways andother qualified operator.

Rail share in freight transportation (%)



Source: MOS

Dedicated Freight Corridor (DFC) project has been one of the most ambitious projects of Indian Railways but has been weighed down by indefinite delays in its commissioning. While the idea was originally conceived in 2005, with the enhanced focus of the government, the project looks now set for completion over the next 3-4 years.

WDFC Highlights- Project Status

Route	Distance	Date of completion
Ateli- Phulera	190km	Aug-15
Ateli- Rewari	114km	Dec-18
Madar- Marwar	128Km	Mar-18
Marwar- Palanpur	207Km	Spe-19
Rewari-Dadri	127Km	FY21
Balance WDFC	738Km	FY22

Souce: DFCCIL

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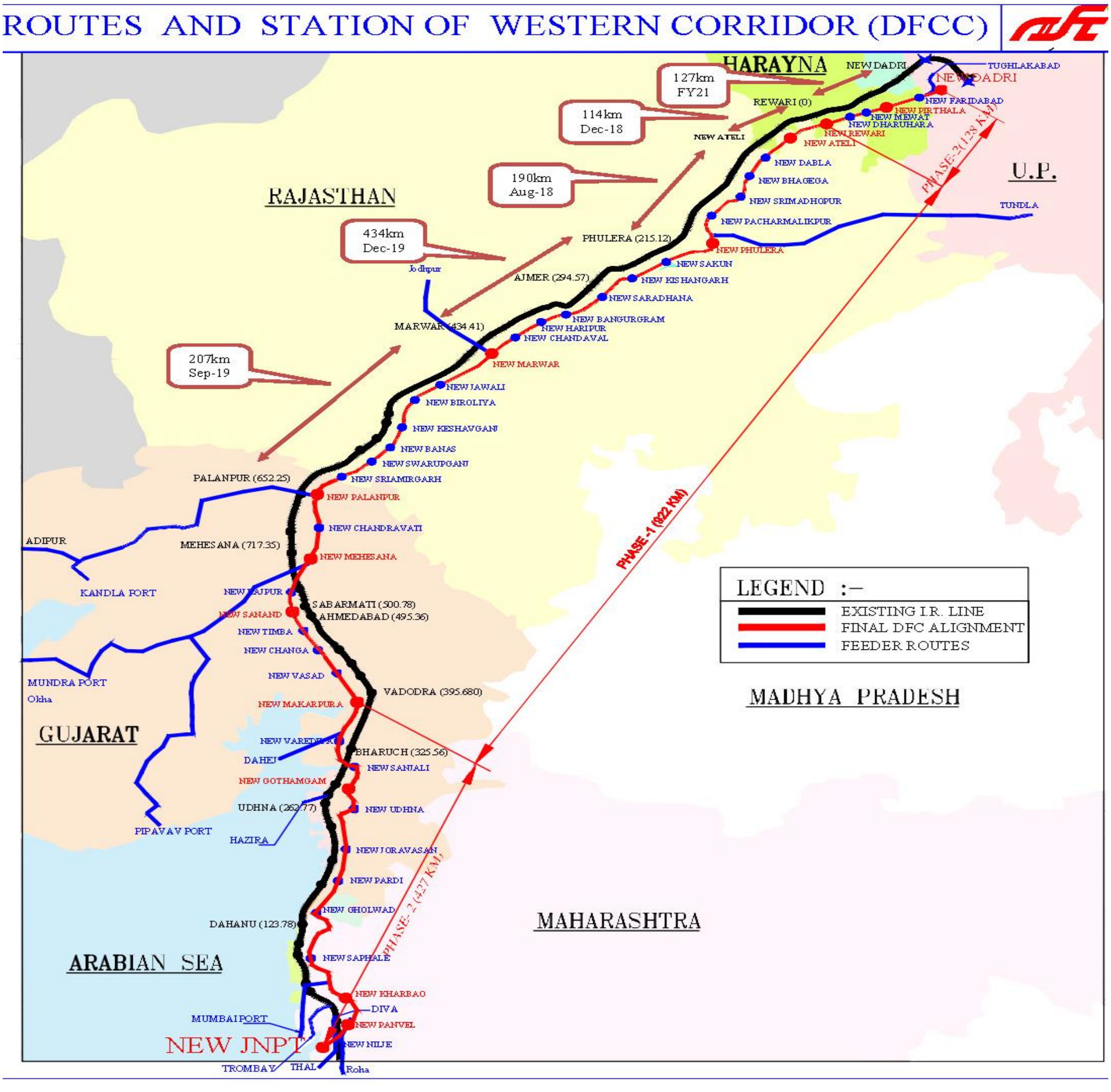

Source: DFCCIL

Salient features of DFC

New wagons to be procured on DFC will have capacity of 25t as compared to 22.9t currently. This will be eventually it will be increased to 32t. This will lead to increased capacity per wagon. IR plans to run 120 trains each way on DFC. Overall wagons requirement for DFC is likely to be 45000 wagons over next five years. On DFC long haul trains will be run with higher axle load norms.

For DFC, IR has decided to go for heavy-haul locomotives. It is estimated that IR would need 200 locomotives of 6,000 horsepower (HP) and 12,000 HP annually in addition to the existing yearly supply of 650 locos of 4,000-6,000 HP. Apart from this other features like increased station spacing from 10km to 40km and improved signaling and communication system to add to overall efficiency.

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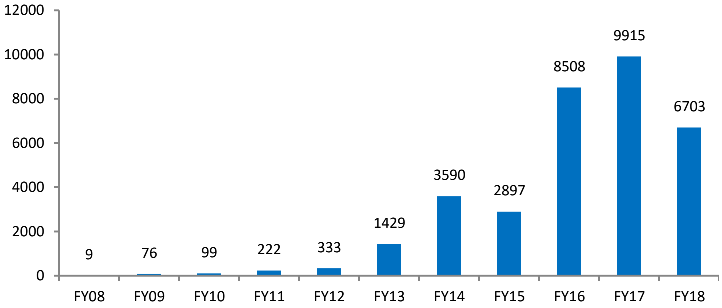
Project Funding and land acquisition

DFC project has taken a shape as highest priority is being given to Land acquisition of over 11535 hectares spread over 2793 kms for both the Corridors, as it is very essential for the success of the project. On the Eastern DFC, it is spread over an area of about 4295 hectare and on the Western DFC, it is spread over 7240 hectares. As per recent report from the authority for Western DFC 99.9% land acquisition is done and for EDFC 95% land is acquired. Majority of the capex for Western DFC (WDFC) is funded through the long-term loan from Japan International Cooperation Agency (JICA).

Yearly capex incurred on DFC (Rs Cr)



Source: DFCCIL

Traffic projections post DFC

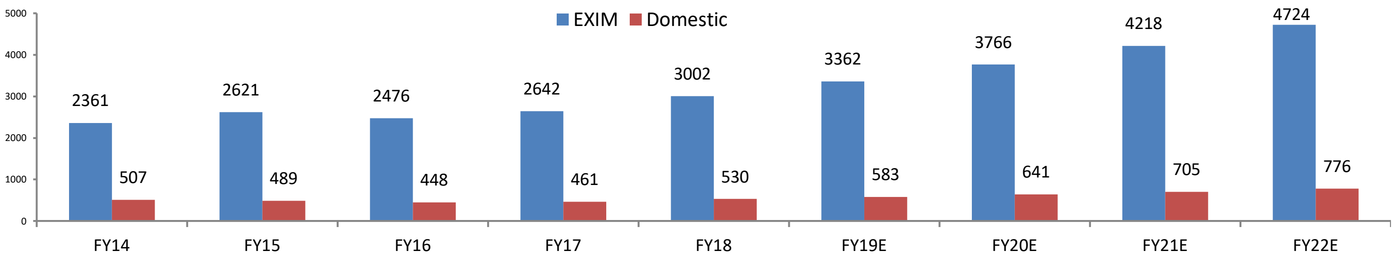
Overall, container traffic on WDFC is likely to increase from current 55mnt to 100mnt by 2023-24E. DFC will benefit rail cargo by increasing overall average speed of trains from current 25km/t/hr to 65km/hr/t therefore reducing turnaround time. Post DFC IR will run time-tabled train as currently there are very few time-tabled trains thus, providing guarantee about transit time of consignment. Therefore, railways will gain market share over road. IR plans to introduce 120trains on WDFC. The trains will be run two ways it will carry around 158MTPA additional cargo on WDFC. World Bank has projected traffic to increase by 450MTPA on WDFC by 2030 including 270MTPA diverted traffic from IR and 180MTPA incremental traffic.

Concor-Major beneficiary of improved traffic on DFC

Container handling in India is predominantly West Coast dominated, with ~70% of the volumes handled at JNPT/Mundra/Pipavav port. Over past decade, growth in the container throughput has been driven by non-major ports, while the infrastructure hurdles and connectivity have impacted the growth at major ports. With regards to Rail, most of India's container traffic is concentrated along exim routes, while the penetration on domestic routes is quite dismal, contributing ~20% to India's overall container rail traffic. The rollout of Western DFC, which will largely cater to container movement, will promote efficient haulage of containerized cargo by rail and should also enhance extent of container movement. Post DFC rail coefficient for containerized cargo is expected to double.

As Concor has 74.5% of containerized cargo share it will be major beneficiary of increased container traffic post DFC. **We expect Concor's volumes to increase at a CAGR of 15% over FY18-24E from 3.5mn TEU in FY18 to 7mn TEUs by FY24E.**

Concor Volume growth (In 000 TEU)



Source: D&B Research, Company

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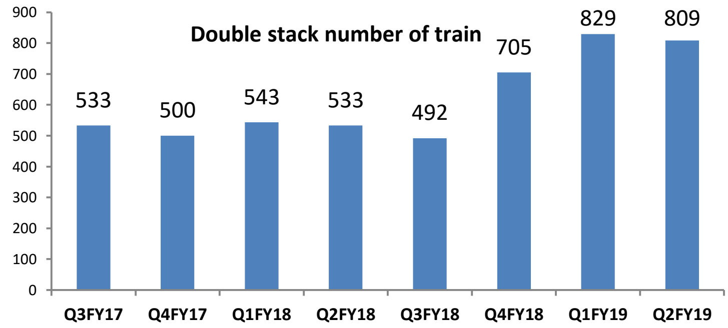
Double stack trains to improve margin

In the current railway system double stack trains are run only from Mundra and Pipavav ports. The trains running on these tracks are diesel hauled. As JNPT route is electrified and height of the pole is 4.2mn double stack running is not possible from JNPT route. DFC will be electrified route and the average height for the same will be 7.1mt. Therefore, double stack running is expected to improve substantially post JNPT port gets connected through DFC. Currently double stack trains account for 10% of Concor's total volume. By FY23-24E the proportion of double stack trains is likely to double with DFC commencement.

The loading gauge on the Western DFC will allow higher movement of double-stack containers and would improve competitiveness of rail (versus road) for lower weight cargos as the upper deck would bear lower haulage cost at 50% of lower deck which could drive lower average realization for container movement. With the improvement in Rail haulage infrastructure especially the rollout of the Western DFC, CTOs would benefit from improved asset utilization, and cost savings, driving improvement in profitability. Concor targets to double its double stack volume post DFC implementation. This will improve margin for the company.



Source: Company

Increase in time tabled train to improve volume

Railways have lost market share to roads also due to lack of time tabled trains as passenger trains are given preference. IR commenced its time tabled train service in 2017 for few routes. This service was started for both Domestic (Chennai, Bengaluru & Hyderabad) and Exim (for Kathuwas from TKD – Dadri). Running of Time Tabled Trains which has been started from Chennai, Bengaluru & Hyderabad for Domestic operations and for Kathuwas from TKD – Dadri will be further increased post commissioning of DFC. The movement of container traffic would get a significant boost as Western DFC gets rolled out with dedicated freight routes and timetable.

Recent price hikes to absorb haulage charge increase has resulted in increasing margin

Concor took price increase of Rs1000/TEU in May 18 for EXIM as well as domestic segment. Inspite of the price hike Concor's volume increased by 10% YoY for 9MFY19. As realization increased without commensurate increase in cost it has improved margin for Concor during Q2FY19. Concor's margin increased by 600bp yoy during Q2FY19 to 27.1%. However, the margin is likely to go down marginally from Q3FY19 as IR has taken haulage charge increase of 5% in November 18. Previous price increase by IR was taken before 2.5years. Concor management has indicated that the company is likely to absorb haulage price increase to maintain cost competitiveness against road operators. We expect Concor's margin to improve from 22.7% in FY18 to 24% in FY19E.

Increase in services income to reduce margin volatility

Concor earns 80% of its revenue from freight while 20% is earned through services offered like ICD (Inland Container Depot)/CFS (Container Freight Station). Over the past decade, the CFS capacities have grown at a faster pace than growth in container volumes. For instance, there are more than 30 CFS operators around JNPT with total annual capacity of ~3 mn TEU operating at ~50-60% utilization on average. Growth at the dry port is primarily driven by growth in the container volumes at the ports and custom clearances activities. Around ~40% of the terminals across India are owned by Concor and CWC (Central Warehousing Corporation), while the remaining are owned by private sector players. Concor has 82 freight stations currently of which 14 are EXIM, 22 are domestic and 36 stations are combined. Concor is expanding its network to 90 stations by FY19E.

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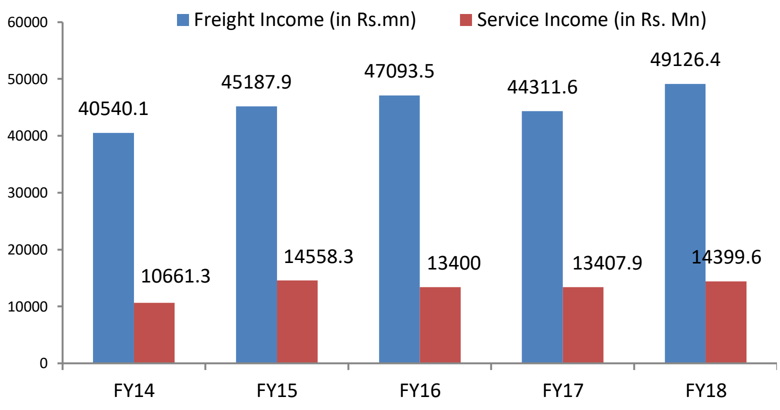
Notably, a number of terminal operators are coming up (or have set up) with their respective Rail linked logistics parks/PFTs/ICDs in the vicinity of DFC targeting to benefit from the industrial activity in that region. Concor is developing 15 Multi-Modal Logistics Parks (MMLPs) along the DFC and with better rail haulage, these logistic hubs would benefit from the rollout of DFC. Further, the coming up of the industrial zone around DFC i.e. the Delhi-Mumbai Industrial corridor (DMIC) would likely boost the volumes for these terminal operators. The DMIC corridor is expected to have the feeder rail and road connectivity originating from the DFC route and also going till the select ports along the western coast.

Concor has started charging for these services at Rs1500/TEU which customers have accepted happily. To compensate for same Concor has introduced free storage days at 45days for loaded containers and 90days for empty containers. We expect these charges to generate additional turnover of Rs6.5bn in FY20E which will more than compensate warehousing income of Rs3bn. Over a period management targets to improve services income to 30% of topline from current 20%. Margin incurred for these services is better than freight segment margin. Also, freight segment profitability depends on rail haulage charge and competitiveness against road sector. Therefore, margins for freight segment are volatile. Increase in service income will lead to reducing volatility in margin and improving margin.



Source: Company

Cut of 25% in empty running haulage charge will be beneficial

Empty container movement is charged at 65% and empty container wagon at 60% of the loaded container. On the return, operators do not always get cargo, resulting in lesser margins. Reefer containers (for refrigerated goods) generally come empty on the return due to lesser possibility of finding similar cargo. The capacity by weight of an FEU is just about 1.2 times that of a TEU. The haulage charged by IR for an FEU is 1.8 times that for TEU. The FEU hence is viable only for low-density cargo. IR has cut empty running haulage charge by 25%. This will benefit Concor. Concor incurred cost of Rs120cr on empty running haulage during H1FY19. On a full year basis the company is likely to save Rs50-60cr on empty running haulage cost. However, Concor is likely pass on this benefit to customers to remain competitive with road logistics players.

MMLP (Multi Modal Logistic Parks): Long term driver

Non-availability of the ample goods warehousing space and storage facility near the rail terminals has been a major shortcoming for the freight movement on the rail routes. The Indian Railway sheds are in poor state resulting in lot of pilferage and contamination. If logistic parks are developed alongside these DFC rail terminals, goods post unloading can be kept at these warehouses and could henceforth be delivered as and when required by the customer. Further, terminal operator can facilitate value added services including packaging, retailing, labeling, pelletizing, transportation etc. at these warehousing locations.

40 Junction stations are planned on DFC. Each station will have 4 connections improving connectivity to 160 places. Concor is planning to set up its MMLPs around these stations to take advantage of improved traffic movement. These parks are proposed to be developed on Public Private Partnership mode by creating a sub-SPV for the same. DFCCIL proposes to provide rail connectivity to such parks and private players would be asked to develop and provide state of the art infrastructure as a common user facility.

Further, the coming up of the industrial zone around DFC i.e. the Delhi-Mumbai Industrial corridor (DMIC) would likely boost the volumes for these terminal operators. The DMIC corridor is expected to have the feeder rail and road connectivity originating from the DFC route and also going till the select ports along the western coast.

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Concor is leader in Multi-modal Logistics in India with the largest available network of "state-of-the-art" intermodal terminals across the country providing an unparalleled reach and penetration, combined with a strong presence at almost all container handling ports. Concor has adopted PPP model for the development of MMLPs. Being subsidiary of IR, Concor is eligible for owning land of IR. Therefore, cost of land is much lesser for Concor as compared to other private players. Then Concor issues a tender for development wherein lowest bidder is given contract. Thus, the model picks up on revenue sharing basis where execution and maintenance is done by JV partner. Concor has incurred cumulative capex of Rs60bn on MMLPs in past 5-6 years and is likely to put similar amount of money over next five years. The investment will be funded through internal accruals. Concor generates cash profit of Rs12-13bn annually.

Major MMLPs planned:

No.	Place	State	Area (acres)
1	Kathuwas	Rajasthan	283
2	Pantnagar	Uttarakhand	38
3	Ahmedgarh-DFC feeder	Punjab	150
4	Jharsuguda	Odisha	30
5	Naya Raipur	Chhattisgarh	100
6	Vernama	Gujarat	130
7	Barhi	Haryana	50
8	Duburi near Kalinganagar	Odisha	55
9	Parjang near Angul	Odisha	55
10	Rasayani	Maharashtra	60
11	Krishnapatnam	Andhra Pradesh	130
12	Vallarpadam	Kerala	20
13	Bodhjungnagar	Tripura	6
14	Mihan, Nagpur	Maharashtra	107
15	Tihi-Indore	Madhya Pradesh	106

Source: Company, D&B Research

Khatuwas MMLP – improved connectivity in hinterlands

Company has commissioned Khatuwas (Rajasthan) ICD, a giant 283acre facility, strategically located to garner the cargo share from nearby manufacturing hubs and primarily serves the Container Port Terminals of JNPT, Mundra, Pipavav and Hazira. The terminal has allowed double stack movement and improved volume on the route.

The MMLP is equipped to handle 0.5m TEUs initially and has two EXIM warehouses of 3,500 sq mtrs each and one domestic warehouse of 3,500 sq. mtr. We believe the Khatuwas terminal would enhance the overall ICD capacity of Concor in the northern hinterland. Tughlakabad terminal has long been operating at full utilization and deeply congested, but has been the top terminal for the company in the northern hinterland because of its location, size and a well-established ecosystem.

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The Khatuwas MMLP targets to serve a catchment area of approximately 150-200 Kms radius, which includes South West Haryana specially, Gurgaon, Manesar, Rewari and the northern Rajasthan with focus on Bhiwadi & Alwar. The new terminals have given very good contribution into it Pali and Jakhwada it has a good number of Conocr's stacks and in Jaipur also we increased our double stack. Although volumes have increased from Khatuwas its contribution to topline is minimal and there is lot of capacity to be utilized.

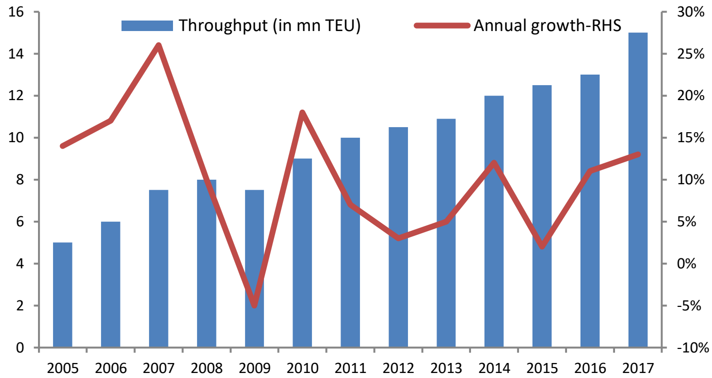
Industry Dynamics

A higher level of containerization - Boost from recovery in Exim trade, rollout of DFC

Containerization has gained momentum due to its inherent advantages of allowing intermodal transport, cost effectiveness, safety from pilferages and faster speed of transportation. Further, it has benefitted from high propensity for containerization in major industries like capital and engineering goods, electronic consumer goods, pharmaceutical, garments, food/ agricultural products, automobile and auto ancillary units, tyres/tubes etc. Despite the uptrend, containerization levels in India for the port traffic, excluding cargo that cannot be transported via containers (like POL, coal, fertilizer and iron ore), would stand at ~45-55%, lower than global standards of 70-80%.India's present container handling capacity is around 18.5mn teus and new Container terminal projects are expected to add capacity of 14mn teus by 2022. Four key segments of container Industry include: Hinterland, Transshipment, Coastal shipping and Land Transport.

Government estimates suggest traffic at Indian Ports has potential to touch 30-35mn TEUs by 2030 versus 10-11mn TEUs now. We expect container penetration to rise further in medium to long term led by 1) increasing container capacities at ports, 2) rollout of DFC which is expected to drive the demand for container logistics infrastructure, 3) increasing containerization level for break-bulk commodities. Freeing up of the rail haulage capacity post the rollout of the DFC, coupled with increase in port-handling capacity and ICD handling capacity along the DFC/DMIC corridor would support higher containerization. Historically, container traffic has been growing at double the pace of cargo traffic. The DFC will augment the haulage capacity as it will allow movement of 360 containers per train in around 24 hours from JNPT to NCR versus 90 containers in around 40-50 hours, at present.

India containerisation



Source: Drewry Market Research

DMICDC (Delhi Mumbai Industrial Development. Corporation) to create global manufacturing and trading hub

The Ministry of Commerce and Industries, GOI, is developing an industrial corridor along the western DFC to create an economic base with a globally-competitive environment and modern infrastructure. (DMICDC) is an SPV that is based on public-private partnership (with 49% equity held by GOI and the remaining 51% by financial institutions, including 26% by Japanese institutions and 25% combined by HUDCO, IFCL and LIC.

DMICDC, India's most ambitious Infrastructure programme, is developing new industrial cities as "Smart Cities" implementing next generation technologies across infrastructure sectors. CONCOR to be a significant player in all newly planned industrial satellites likely to emerge across the highly potential corridors like DMIC (Delhi-Mumbai Industrial Corridor) & AKIC (Amritsar-Kolkata Industrial Corridor), likely to be developed alongside Eastern & Western Dedicated Freight Corridors (W & EDFC), emerging as the final game changer in logistics in India.

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Company Background

Container Corporation of India Ltd. (CONCOR), a multimodal Logistics Company was established in March 1988, is the only Navratna PSU under Ministry of Railways. CONCOR is market leader having the largest network of 81 ICDs/CFSs in India (73 terminals and 8 strategic tie-ups). The company was formed with objective to have a separate organization for promoting and managing the growth of containerization in India as well as developing multimodal (surface, rail, water and air) transport logistics and infrastructure to support India's growing inland as well as international trade.

Opening of CTO (Containerized Train Operator) space to private sector: On January 5, 2006, MoR announced its new container train policy wherein it allowed private operators to obtain licenses for operating container trains on Indian Railways (IR) network. The policy was conceived with a view to attract a greater share of container traffic for railways and introduce competition in rail freight services. The entire network of IR was classified and grouped into four categories based on existing and anticipated traffic volumes of ports. A one-time registration fee of Rs500mn (about US$10mn) (for category I license) or Rs100mn (about US$2mn) (for category II, III, and IV license) was payable to MoR. The initial response to the policy was good. In the first round of registration (January 16- February 15, 2006), 14 operators, including the incumbent Concor, signed an agreement with IR. Post privatization of CTO space Concor lost its market share to private operators but still its market share stands at 74.5% in India.

Concor's core business mainly consists of i) Container carrier, ii) Terminal operator and iii) Warehouse operator. In addition to providing inland transport by rail for containers, it has also expanded to cover management of Ports, air cargo complexes and establishing cold-chain. The company developed multimodal logistics support for India's International and Domestic containerization and trade.

Area of Business: Concor's core business is characterized by three distinct activities, that of a carrier, a terminal operator, and a warehouse operator.

- **Container Carrier:** Most of companies terminals are rail linked and container movement through rail is major business operation for the company. Most of its inland transport is carried through the Indian Railway network where railway provide engine, track service and signaling systems. Though rail is its mainstay transportation, some of its terminals are exclusively road-fed. However, road services are mostly in the form of a supplement — to offer the door-to-door linkages.
- **Terminal operator:** Its ICDs are dry ports and bring all port facilities (including customs clearance) to its customers' doorstep. Its terminals provide a spectrum of facilities in terms of warehousing, container parking, repair facilities, and even office complexes. In November 1989 with 7 Inland Container Depots (ICDs) currently extended the network to a total of 81 terminals, of which 14 are export-import container depots, 8 strategic tie-ups and 23 exclusive domestic container depots and as many as 36 terminals perform the combined role of domestic as well as international terminals.
- **Warehouse operator:** As a container freight station (CFS) operator, Concor offers value-added services such as transit warehousing for import and export cargo, bonded warehousing that enables importers to store cargo and take partial deliveries thereby deferring duty payment, less than- container-load consolidation services and reworking of this LCL cargo at nominated hubs, and air-cargo clearance using bonded trucking.

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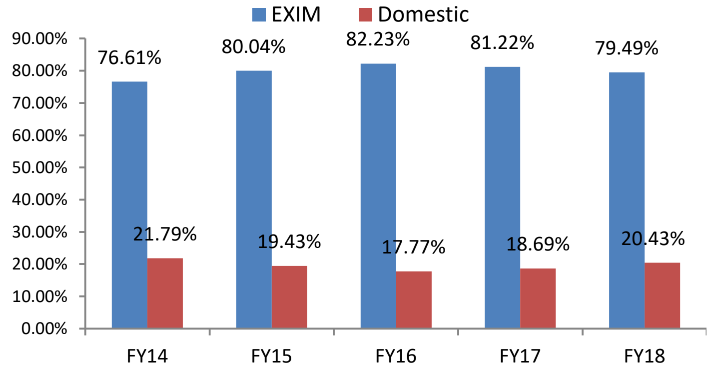
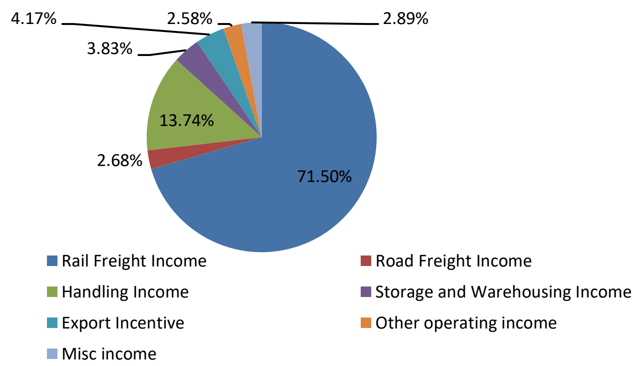
Segment Revenue over FY14-FY18



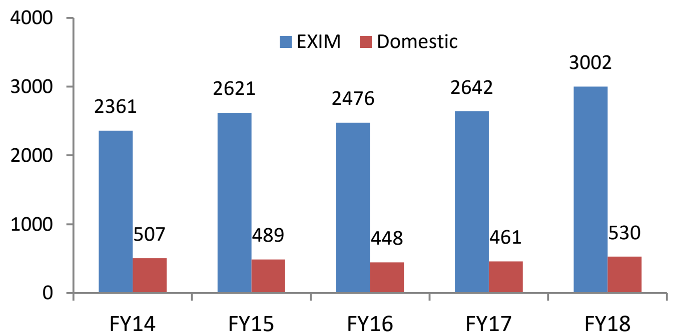
Source: Company

Segment Revenue for FY18:



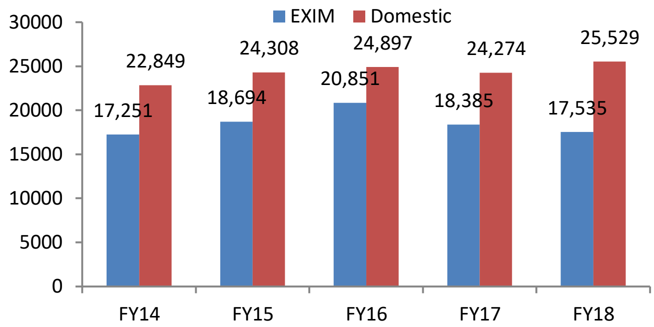
Source: Company

Handling Volumes at terminals- TEU ('000)



Source: Company

Realization (INR/TEU)



Source: Company

Analyst: Abhilasha Satale (022) 67141435
Associate: Nidhi Babaria (022) 67141450

Financials:

Concor's revenues have been growing at a CAGR of ~7% over FY09 to FY18 to Rs 66224.70mn. FY18 being an adaption year for the industry for GST, E-Waybill, plan to open 15 Multimodal park, Infra-Status and specially DFC are big drivers for Concor. We expect going forward overall volumes to grow at a CAGR of ~12% between FY18 to FY21. This would be aided by 12% CAGR growth in EXIM business and 10% in Domestic business.

Margins: EBITDA has been growing at ~5.09% over FY09-FY18. Concor's posted margin of 22.6% in FY18. As Concor has taken price increase of Rs1000/TEU and started charging for services at Rs1500/TEU the margin of the company are likely to increase to 24.3% in FY19E. Further post DFC commissioning improved volume and double stack train movement will improve margin further. We expect Concor's margin to improve from 22.6% to 24.3% in FY21E.

PAT: PAT has been growing at ~3.18% over FY14-FY18 at Rs. 10,636.7mn marred by lacklustre volume growth. However, we expect growth to revive driven by improved volume growth and recent price hikes taken by the company. We expect Concor's bottom-line to grow at a CAGR of 17% over FY18-21E.

CAPEX: Concor will continue with its plans of CAPEX for further developing new Terminals especially along the upcoming Western & Eastern DFC, including in partnership with Ports both existing as well as upcoming and plans to invest in its infrastructure maintaining annual capex of Rs. 800-1000 crore over the next three to five years. 80% of the planned capex will be spent towards development of MMLPs and rest will be incurred towards improving infrastructure.

Strong Free Cash Flows: Concor generated Rs8bn Free Cash Flows for FY18 and going forward we expect Concor to grow its free cash generation to Rs12bn by FY21E. Concor's ROE and ROCE for FY18 stood at 11.4% and 11.5% respectively, further these ratios to improve to 14% and 16% respectively.

H1FY19:
H1FY19 revenues grew by 17% YoY to Rs 33,905mn supported by adjustments in charges and improvement in quality services. EBIDTA increased by 40% YoY to Rs 8943.6mn and EBIDTA margins stood at 26.4% as against 22% last year. Margin improvement is on account of price increase and improved volume during the quarter. CONCOR recorded Net Profit of Rs 5884.2Mn (excluding non-controlling interest) registering a growth of 25% YoY.

H1FY19 Segment wise: EXIM business grew by 19% to Rs 26,997.5mn and volumes increased by ~12% YoY at 16, 42,990 TEU and 16,432 realizations. Domestic business stood at Rs 6908mn registering 11% YoY growth and volumes grew by ~12% Y-o-Y at 2, 81,393 TEU and 24,549 realization.

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Valuation

We believe Concor would be the major beneficiary of DFC commissioning and volume growth to improve with the progress of DFC. During 9MFY19 Concor posted volume growth of 10.5% yoy and management has guided that growth momentum is likely to be maintained. We expect Concor to post volume growth of 12% over FY18-21E. Post DFC we expect volume growth to improve to 15%. As Concor has taken price increase to Rs1000/TEU in Mary 18 and started charging Rs1500/TEU for services offered we expect realization/TEU to go up by 6% in FY20E. We expect Concor's topline to grow at a CAGR of 14% over FY18-21E and bottom-line to grow at a CAGR of 17% over the same period.

At CMP the company is trading at 21.6xFY20E and 19.2x FY21E earnings at Rs. 29.2 & Rs. 32.9 respectively. We value Concor on Discounted Cash Flow basis taking 4.5% terminal growth rate and 12.7% WACC. We arrive at target price of Rs832 which is 32% higher than CMP. We recommend **"BUY"** on CONCOR to investors.

Particulars	FY15	FY17	FY18	FY19e	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e
EBIT	13,379	11,637	13,655	16,294	19,666	22,099	24,950	28,441	34,128	41,347	49,974	60,241	69,999	81,099
EBIT (I-T)	8964	7797	9149	10917	13176	14807	16717	19055	22865	27703	33483	40362	46899	54336
Dep	4109	3671	4200	4937	5674	6411	7148	7803	8459	8950	9360	9769	10179	10588
NOPAT	13073	11467	13348	15854	18850	21218	23865	26859	31324	36653	42842	50131	57078	64924
Capex	-913	-10109	-8565	-7080	-9000	-9000	-9000	-8000	-6002	-6000	-5000	-5000	-5000	-5000
Change in WC	-2474	10102	1746	2132	503	-257	-280	-307	-381	-426	-477	-535	-531	-1266
FCFF	9,685	11,460	6,530	10,906	10,353	11,961	14,585	18,552	24,941	30,227	37,365	44,596	51,547	58,659
FCFF Growth Rate		-179%	-43%	67%	-5%	16%	22%	27%	34%	21%	24%	19%	16%	14%
Weights		0	0	0	1	2	3	4	5	6	7	8	9	10
Cost of Capital %	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
	1	1	1	1.00	0.89	0.79	0.70	0.62	0.55	0.49	0.43	0.38	0.34	0.30
PV FCFF	9,685	11,460	6,530	10,906	9,187	9,419	10,191	11,504	13,724	14,759	16,190	17,147	17,588	17,761

Fair Value calculation	
Sum of PV of FCF	148377.3
Calculation of Terminal Value	
Terminal Growth Rate	4.50%
Terminal Year Free Cash Flow	61298.3
Terminal Value	747904.6
PV of Terminal Value	226339.9
Enterprise Value	374717.3
Add: Cash & Investments	31576.4
Less: Debt	(620.0)
Market Capitalisation	405673.7
No. of shares	487.4
Value per share	**832**
CMP	**630.0**
% upside	**32**

WACC for explicit forecast Growth	
Expected Market Return (Rm)	14.0%
Risk Free Rate (Rf)	7.5%
Market Risk Premium	6.5%
Beta	0.8
Cost of Equity	12.7%
Cost of Debt	10.0%
Tax rate	33.0%
Post Tax Cost of Debt	6.7%
Long term debt to capital ratio	0.0%
WACC	**12.69%**
Debt	620
Equity	307087
Total	307707

WACC for terminal growth	
Expected Market Return (Rm)	14.0%
Risk Free Rate (Rf)	7.5%
Market Risk Premium	6.5%
Beta	0.8
Cost of Equity	12.7%
Cost of Debt	10.0%
Tax rate	33.0%
Post Tax Cost of Debt	6.7%
Long term debt to capital ratio	0.0%
WACC	**12.7%**

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P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	62,782.0	59,797.2	66,224.7	75,068.4	89,073.1	99,408.1
Freight Expenses	(45,038.3)	(42,681.2)	(45,418.7)	(50,358.3)	(60,146.1)	(67,108.3)
Employee Cost	(1,586.7)	(1,886.7)	(2,793.8)	(3,073.2)	(3,380.5)	(3,718.5)
Other Expenses	(2,734.0)	(2,772.0)	(3,025.4)	(3,420.6)	(4,004.2)	(4,464.5)
Operating Profit	**13,423.0**	**12,457.3**	**14,986.8**	**18,216.3**	**21,542.4**	**24,116.7**
Depreciation	(3,549.0)	(3,670.7)	(4,199.7)	(4,936.8)	(5,674.0)	(6,411.1)
PBIT	9,874.0	8,786.6	10,787.1	13,279.5	15,868.4	17,705.6
Other income	3,132.8	2,850.4	2,867.7	3,015.0	3,797.6	4,393.8
Interest	(1.5)	(36.6)	(55.5)	(55.5)	(55.5)	(55.5)
PBT	13,005.3	11,600.4	13,599.3	16,239.0	19,610.5	22,043.8
Profit before tax (post exceptional)	13,005.3	11,600.4	13,599.3	16,239.0	19,610.5	22,043.8
Provision for tax	(3,679.9)	(3,294.4)	(3,510.1)	(4,724.7)	(6,104.2)	(6,869.5)
Reported PAT	**9,325.4**	**8,306.0**	**10,089.2**	**11,514.2**	**13,506.3**	**15,174.3**
Share profit from JV	340.7	235.2	547.5	635.1	736.7	854.6
Net Profit	9,666.1	8,541.2	10,636.7	12,149.3	14,243.0	16,028.9
Adjusted Profit (excl Exceptionals)	**9,666.1**	**8,541.2**	**10,636.7**	**12,149.3**	**14,243.0**	**16,028.9**

Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Profit	9,666.1	8,541.2	10,636.7	12,149.3	14,243.0	16,028.9
Add: Dep. & Amort.	3,549.0	3,670.7	4,199.7	4,936.8	5,674.0	6,411.1
Cash profits	**13,215.1**	**12,211.9**	**14,836.4**	**17,086.2**	**19,917.0**	**22,440.0**
(Inc)/Dec in						
-Sundry debtors	63.6	(36.6)	(277.7)	(121.4)	(192.3)	(141.9)
-Inventories	299.5	(48.4)	(46.9)	(37.2)	(58.9)	(43.4)
-Loans/advances	(40.3)	(1,264.2)	2.6	-	-	-
-Other Current Assets	(20,782.8)	10,399.1	40.8	1,797.8	(382.0)	(891.0)
-Current Liab and Provisions	773.4	402.2	1,861.1	192.9	541.6	396.7
Sundry Creditors	(111.9)	649.7	166.5	300.2	594.7	423.0
Change in working capital	(19,798.5)	10,101.8	1,746.4	2,132.3	503.2	(256.6)
CF from Oper. activities	**(6,583.4)**	**22,313.7**	**16,582.8**	**19,218.5**	**20,420.2**	**22,183.4**
CF from Inv. activities	**(9,152.3)**	**(9,838.8)**	**(9,018.2)**	**(7,080.0)**	**(9,000.0)**	**(9,000.0)**
CF from Fin. activities	**(2,590.7)**	**(3,925.8)**	**(4,703.1)**	**(5,467.2)**	**(6,409.4)**	**(7,213.0)**
Cash generated/(utilised)	**(18,326.4)**	**8,549.1**	**2,861.5**	**6,671.3**	**5,010.8**	**5,970.4**
Cash at start of the year	27,239.6	8,913.2	17,462.3	20,323.8	26,995.1	32,005.9
Cash at end of the year	8,913.2	17,462.3	20,323.8	26,995.1	32,005.9	37,976.3
	-	-	-	-	-	-

Balance Sheet	FY16	FY17	FY18	FY19E	FY20E	FY21E
Equity capital	1,949.7	1,949.7	2,437.2	2,437.2	2,437.2	2,437.2
CCPS	-	-	-	-	-	-
Reserves	81,123.6	85,761.8	91,044.3	97,726.4	105,560.1	114,376.0
Net worth	**83,073.3**	**87,711.5**	**93,481.5**	**100,163.6**	**107,997.3**	**116,813.2**
MI	972.0	1,075.0	1,133.7	1,133.7	1,133.7	1,133.7
Non Current Liabilites	4,320.8	4,000.8	3,352.4	3,331.8	3,313.2	3,296.5
Current Liabilites	7,442.9	8,482.8	10,637.4	11,151.2	12,306.0	13,142.4
TOTAL LIABILITIES	**95,809.0**	**101,270.1**	**108,605.0**	**115,780.3**	**124,750.3**	**134,385.9**
Non Current Assets	82,010.5	74,447.4	76,404.6	78,547.8	81,873.8	84,462.7
Fixed Assets	36,307.2	42,745.3	47,110.6	49,253.8	52,579.8	55,168.7
Goodwill	-	-	-	-	-	-
Non Current Investments	11,006.2	10,799.4	11,252.6	11,252.6	11,252.6	11,252.6
Deferred Tax Asset	18.5	16.0	20.2	20.2	20.2	20.2
Long Term Loans and Advances	-	-	-	-	-	-
Other Non Current Assets	34,678.6	20,886.7	18,021.2	18,021.2	18,021.2	18,021.2
Current Assets	13,798.5	26,822.7	32,200.4	37,232.5	42,876.5	49,923.2
Current investments	-	-	-	-	-	-
Inventories	183.0	231.4	278.3	315.5	374.3	417.7
Trade Receivables	595.1	631.7	909.4	1,030.8	1,223.2	1,365.1
Cash and Bank Balances	8,913.2	17,462.3	20,323.8	26,995.1	32,005.9	37,976.3
Short Term Loans and Advances	101.0	1,365.2	1,362.6	1,362.6	1,362.6	1,362.6
Other Current Assets	4,006.2	7,132.1	9,326.3	7,528.5	7,910.5	8,801.5
TOTAL ASSETS	**95,809.0**	**101,270.1**	**108,605.0**	**115,780.3**	**124,750.3**	**134,385.9**

Ratios	FY16	FY17	FY18	FY19E	FY20E	FY21E
OPM	21.4	20.8	22.6	24.3	24.2	24.3
NPM	14.66	13.63	15.39	15.56	15.34	15.44
Tax rate	(28.3)	(28.4)	(25.8)	(29.1)	(31.1)	(31.2)
Growth Ratios (%)						
Net Sales	3	(4.8)	10.7	13.4	18.7	11.6
Operating Profit	(37.1)	(7.2)	20.3	21.5	18.3	11.9
PBIT	(42.7)	(11.0)	22.8	23.1	19.5	11.6
PAT	(8.3)	(11.6)	24.5	14.2	17.2	12.5
Per Share (Rs.)						
Net Earnings (EPS)	19.83	17.52	21.82	24.92	29.22	32.88
Cash Earnings (CPS)	27.1	25.1	30.4	35.1	40.9	46.0
Dividend	2.8	6.0	8.5	9.3	10.9	12.3
Book Value	170.4	179.9	191.8	205.5	221.6	239.6
Free Cash Flow	(28.5)	24.6	15.4	23.7	22.0	25.4
Valuation Ratios						
P/E(x)	**31.8**	**36.0**	**28.9**	**25.3**	**21.6**	**19.2**
P/B(x)	3.7	3.5	3.3	3.1	2.8	2.6
EV/EBIDTA(x)	21.4	22.4	18.4	14.8	12.3	10.7
Div. Yield(%)	0.4	1.0	1.4	1.5	1.7	1.9
FCF Yield(%)	**(4.5)**	**3.9**	**2.5**	**3.8**	**3.5**	**4.0**
Return Ratios (%)						
ROE	12%	10%	11%	12%	13%	14%
ROCE	12%	10%	11%	13%	15%	15%

Equity adjusted post-split for calculation of EPS in the year FY16 & FY17

Analyst: Abhilasha Satale (022) 67141435
Associate: Nidhi Babaria (022) 67141450

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Associate: Nidhi Babaria (022) 67141450

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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms. CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141135	Senior Analyst
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141439	BFSI
Mrs. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021. Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com