



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale / Nidhi Babaria

Management Meet @ Dalal & Broacha

Jawaharlal Nehru Port Terminals (JNPT) Meeting Highlights:

We met JNPT port to understand the impact of DFC (Dedicated Freight Corridor) on railway traffic at JNPT. JNPT contributes around 53% of containerized cargo of major ports and Concor has 83% market share at JNPT. Following are key takeaways of the meeting.

Rail co-efficient at JNPT to double post DFC: Currently rail-coefficient at JNPT is only 16%. This is due to higher transit time for rail increasing cost to customer, all tracks are single stack and rake capacity is 45 wagons. However, with commencement of DFC rail-coefficient is likely to double as rake capacity will increase four times with increase in wagon carrying capacity from currently 45 wagons per rake to 90 wagons per rake and double stacking containers. JNPT's Head-Operations expects this to reduce cost by 25% and transit time to 24hrs from JNPT to Delhi. Therefore, doubling rail-coefficient at JNPT to 30%. Concor is likely to be major beneficiary of this as Concor has 83% market share at JNPT port. We expect Concor's volume growth to improve from current 10-12% CAGR to 15-17% CAGR post DFC.

Increased capacity to increase volumes at JNPT: JNPT port has been facing capacity constraint since last few years. Therefore, it has increased its capacity from 5.5mn TEUs to 7.7mn TEUs in March 2018. This has benefited JNPT to increase its volumes by 7% yoy for 9MFY19. Management expects volume growth to be maintained which will enable JNPT to utilize full capacity over 3-4 years. Further, port is expected to increase capacity to 10mn TEUs by 2022E. JNPT has 53% market share in container handling amongst major ports. Management expects containerization to improve going forward as more commodities are containerized which earlier were sent by open wagons. Agri-commodities like rice etc. are now containerized. Increase in capacity to strengthen JNPT's position.

Work commenced for connectivity of DFC: During our port visit we witnessed that JNPT port is fully gearing for its connectivity to DFC stations. Railway sliding work has commenced at port and four new track laying work is in progress. Port authorities expect work to get completed by 2020E i.e. before commencement of DFC. Also overhead bridge height will be increased at port to allow double stack movement of trains. JNPT authorities are very positive regarding the development and are confident about well-in-advance preparation towards DFC connectivity.

Concor to remain dominant player at DFC due to strong terminal network: Concor's nationwide strong terminal network of 90 terminals gives it additional advantage to cater to its customers. Concor is increasing its terminal network to 100 terminals by FY20E. This is likely to maintain Concor's dominant position in CTOs. Concor has started charging Rs1500/TEU since Q2FY19.

Overall we are positive about development at JNPT port and commencement of DFC by 2021E. We expect Concor to be major beneficiary of the same. 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. 667 with CMP 473 showing upside of 40%. Concor is trading at 20.2x FY20E and 18.2x FY21E. We recommend "BUY" on Concor.**



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Work in progress of DFC line at JNPT Port:



JNPT Port:





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