

April 20, 2011

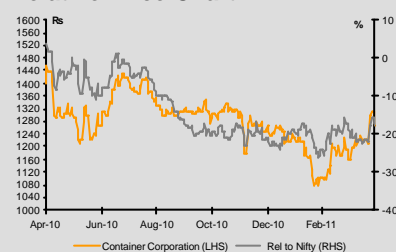
Reco	Previous Reco
Not Rated	NA
CMP	Target Price
Rs 1,263	Not Rated
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	5,741
Sensex	19,122

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	3	(2)	(6)
Rel. to Nifty	(1)	1	3	(15)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Logistics
Bloomberg	CCRI@IN
Equity Capital (Rs mn)	1300
Face Value(Rs)	10
No of shares o/s (mn)	130
52 Week H/L	1,500/1,051
Market Cap (Rs bn/USD mn)	164/3,683
Daily Avg Volume (No of sh)	42888
Daily Avg Turnover (US\$m)	1.1

Shareholding Pattern (%)

	Dec-10	Sep-10	Jun-10
Promoters	63.1	63.1	63.1
FII/NRI	27.1	26.0	24.4
Institutions	6.9	7.5	9.2
Private Corp	2.1	2.3	2.3
Public	0.9	1.2	1.1

Source: Capitaline

Tejas Sheth

tejas.sheth@emkayglobal.com
+91 22 6624 2482

Aanchal Jain

aanchal.jain@emkayglobal.com
+91 22 6612 1251

- Revenues of Rs 38.3bn for FY11, growth of 2.6% yoy with EXIM business contribution at 78% remains same as FY10
- Volume throughput for Exim business crossed 2mn TEUs mark with an increase of 7.2% yoy, while domestic volume grew merely by 0.9%
- PBIT Margins for domestic business drop to 10.8% for FY11, due to empty running costs (7.3% of revenue) and inability to pass freight rate hikes
- Capex for FY12E guided at Rs 7bn for Terminals, Rakes and land acquisition for Logistics Distriparks. Cash in the books at Rs 24bn, enough to fund capex

Concor reports PAT of Rs 8.3bn growth of 6.9% y-o-y but Domestic business margins are a concern

Concor reported revenues of Rs 38.3bn, growth of 2.6% y-o-y led by an increase in Exim business by 3.5% y-o-y to Rs 29.9bn and Domestic business by 2.9% y-o-y to Rs 8.3bn. EBITDA stood at Rs 10.2bn, increase of 6.6% y-o-y and EBITDA margins expanded by 100 bps to 26.7%. PBIT margins for the Exim Business expanded by 174 bps to 27.9% and Domestic business contracted by 534bps to 10.8%. We reason the cause of fall in margins in the domestic business is due to empty running costs and Concor not being able to pass on the freight rate hike to customers. PAT grew by 6.9% y-o-y to Rs 8.3bn

Indian Railway's freight rate hike policy affects Domestic business significantly

Q4FY11 saw a drop in domestic volume by 8.5% to 139,430 TEUs and also seen a contraction of 769 bps in PBIT margins to 8.4%. We believe that this is due to increase in freight rate charges for certain commodities which Concor has not been able to pass on to their customers and the discounts offered to customers have affected the margins notably. Management has asked the Indian railway's to review this policy. FY11 volumes for the Domestic business have seen a growth of 0.9% in FY11 with handling of 543,746 TEUs.

Capex guidance at Rs 7bn; Rs 4.2bn to add 20 rakes

Management has estimated FY12E Capex at Rs 7bn of which Rs 4.2bn to be used for ramping up 20 rakes to the present 240 rakes operational. Rs 1.6bn of the capex are towards Civil Works including 5 new terminals in pipeline in Orissa, Gujarat, Tamil Nadu, Rajasthan and Andhra Pradesh. And Rs 1bn towards land acquisition for their planned logistics distriparks. Company has cash of Rs 24bn to finance these projects.

Logistics Business to be partly operational in FY12

Company's 2 Multi Modal Logistics Park located at Khodiyar near Ahmedabad and Nagulapalli in Andhra Pradesh will be operational in FY12.

Financials

(Rs Mn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY08	33,635	8,763	26.1	7,345	113.0	4.3	25.3	11.2	7.5	2.6
FY09	34,523	9,268	26.8	7,788	59.9	(47.0)	22.6	21.1	15.7	4.4
FY10	37,306	9,595	25.7	7,767	59.8	(0.3)	19.3	21.1	14.9	3.8
FY11P	38,266	10,226	26.7	8,300	63.9	6.9	17.8	19.8	13.5	3.2

Volume Handling and Realization

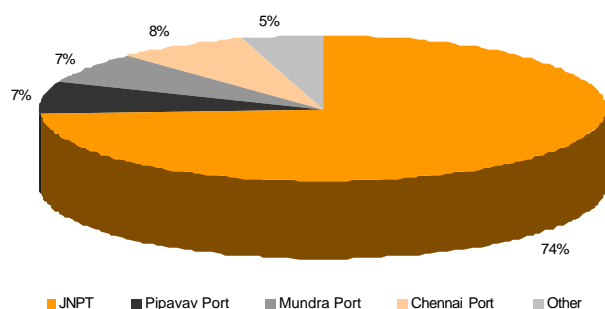
	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Volume (TEUs)								
Exim	454329	484644	452623	490681	489629	493287	517461	518174
Growth %	-5.4	-7.1	1.9	19.6	7.8	1.8	14.3	5.6
Domestic	120213	123421	142902	152434	127384	131548	145384	139430
Growth %	10.4	18.8	31.3	15.8	6.0	6.6	1.7	-8.5
Realisation per TEU (Rs)								
Exim	15943	15961	14843	14789	14709	14866	14718	15076
Growth %	15.2	12.1	-3.3	-4.8	-7.7	-6.9	-0.8	1.9
Domestic	15227	15101	14879	14752.1	15361	16030	14413	15361
Growth %	4.7	-2.4	-1.4	-5.0	0.9	6.2	-3.1	4.1

Source: Company, Emkay Research

Shift in traffic from JNPT to Gujarat-based ports could be revenue detrimental

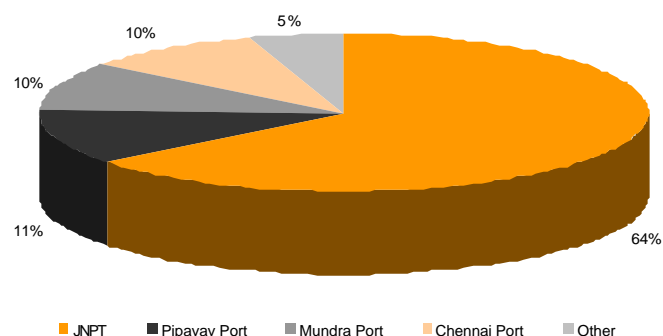
Capacity constraints, better facilities and proximity to the hinterland are the reason for shift in EXIM traffic from JNPT to Gujarat-based ports. This shift can be a concern for Concor as it reduces the lead distance for rail transport services which would eventually affect the topline. JNPT's share in total EXIM services decreased to 64% for FY11 from 74% in previous year, while share of Pipavav port and Mundra port increased by 4.1% and 2.7% to 11.4% and 9.6% respectively over the same period.

Concor's port wise EXIM Traffic – FY10



Source: Company, Emkay Research

Concor's port wise EXIM Traffic – FY11



Source: Company, Emkay Research

Market share maintained at 75% for EXIM and Domestic rail transport services

Concor has maintained its market share (in tonnage) at 75% vis-à-vis 76% in the rail transport business. Although the volume share has been maintained the pressure is building on company's pricing and costs coming from higher freight costs and competitions. We believe, with domestic rail transport segment under pressure due to rail policy, many players are shifting their focus to EXIM segment. Although Concor will be able to maintain its market share in volume terms, its margins in EXIM segment are due to be under pressure. In Q4 FY11, company saw margins fall not only in domestic segment, but also saw its EXIM margins falling from 31% to 25%, sequentially.

Outlook & Valuations

Concor's management has guided growth of 10% in topline and bottomline for FY12E. The growth is expected on the back of better domestic business, operations commencement of cold storages and two logistics parks. Company is currently trading at a P/E of 19.8x and P/BV of 3.2x.

Key Financials – Quarterly

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	FY11P	FY10	YoY (%)
Revenue	9,505	9,159	9,442	9,711	9,954	4.7%	2.5%	38,266	37,306	2.6%
Expenditure	7,304	6,689	6,823	6,905	7,623	4.4%	10.4%	28,040	27,711	1.2%
as % of sales	76.8%	73.0%	72.3%	71.1%	76.6%			73.3%	74.3%	
Employee Expenses	190	202	194	209	229	20.4%	9.5%	834	854	-2.2%
as % of sales	2.0%	2.2%	2.1%	2.2%	2.3%			2.2%	2.3%	
Rail Freight Expenses	5,571	5,274	5,353	5,371	5,811	4.3%	8.2%	21,809	25,412	-14.2%
as % of sales	58.6%	57.6%	56.7%	55.3%	58.4%			57.0%	68.1%	
Other expenditure	1,543	1,213	1,276	1,325	1,582	2.5%	19.4%	5,397	1,446	273.3%
as % of sales	16.2%	13.2%	13.5%	13.6%	15.9%			14.1%	3.9%	
EBITDA	2,201	2,470	2,619	2,807	2,331	5.9%	-16.9%	10,226	9,595	6.6%
Depreciation	365	352	365	335	385	5.7%	15.1%	1,437	1,388	3.5%
EBIT	1,836	2,118	2,254	2,472	1,946	6.0%	-21.3%	8,789	8,207	7.1%
Other Income	383	359	381	479	516	34.9%	7.9%	1,734	1,807	-4.0%
Interest	0	0	0	0	0			0	38	
PBT	2,219	2,476	2,635	2,950	2,462	11.0%	-16.6%	10,524	9,976	5.5%
Total Tax	487	541	567	666	449			2,224	2,199	
Adjusted PAT	1,732	1,935	2,067	2,285	2,013	16.2%	-11.9%	8,300	7,777	6.7%
Prior period adjustments								0	0	
APAT after MI	1,732	1,935	2,067	2,285	2,013	16.2%	-11.9%	8,300	7,777	6.7%
Extra ordinary items	0	0	0	0	1					
Reported PAT	1,732	1,935	2,067	2,285	2,014	16.3%	-11.9%	8,300	7,777	6.7%
Reported EPS	13.3	14.9	15.9	17.6	15.5			63.9	59.8	

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	23.2	27.0	27.7	28.9	23.4	26	-548	26.7	25.7	100
EBIT	19.3	23.1	23.9	25.5	19.5	23	-591	23.0	22.0	97
EBT	23.3	27.0	27.9	30.4	24.7	139	-565	27.5	26.7	76
PAT	18.2	21.1	21.9	23.5	20.2	200	-331	21.7	20.8	84
Effective Tax rate	22.0	21.9	21.5	22.6	18.3	-370	-431	21.1	22.0	-91

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY08	FY09	FY10	FY11P
Net Sales	33635	34523	37306	38266
Growth (%)	9.8	2.6	8.1	2.6
Expenditure	24872	25255	27711	28040
Rail Freight Expenses	23200	22861	25412	21809
Employee Cost	561	827	854	834
Other Exp	1112	1566	1446	5397
EBITDA	8763	9268	9595	10226
Growth (%)	(1.6)	5.8	3.5	6.6
EBITDA margin (%)	26.1	26.8	25.7	26.7
Depreciation	1085	1195	1388	1437
EBIT	7678	8073	8207	8789
EBIT margin (%)	22.8	23.4	22.0	23.0
Other Income	1652	2113	1807	1734
Interest expenses	26	42	38	0
PBT	9304	10143	9976	10524
Tax	1959	2355	2209	2224
Effective tax rate (%)	21.1	23.2	22.1	21.1
Adjusted PAT	7345	7788	7767	8300
Growth (%)	4.4	6.0	(0.3)	6.9
Net Margin (%)	21.8	22.6	20.8	21.7
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adj. PAT After JVs/Ass/MI	7345	7788	7767	8300
E/O items	0	0	0	0
Reported PAT	7345	7788	7767	8300
Growth (%)	4.4	6.0	(0.3)	6.9

Cash Flow

Y/E, Mar (Rs. mn)	FY08	FY09	FY10	FY11P
PBT (Ex-Other income)	7652	8030	8169	8789
Depreciation	1085	1195	1388	1437
Interest Provided	26	42	38	0
Other Non-Cash items	0			
Chg in working cap	219	796	(1442)	(906)
Tax paid	(1963)	(2351)	(2199)	(2224)
Operating Cashflow	7018	7713	5954	7096
Capital expenditure	2176	4721	3035	3429
Free Cash Flow	4843	2993	2920	3668
Other income	1652	2113	1807	1734
Investments	(237)	(477)	(241)	(527)
Investing Cashflow	1415	1635	1566	1208
Equity Capital Raised	0	650	0	0
Loans Taken / (Repaid)	198	(16)	(63)	(424)
Interest Paid	(26)	(42)	(38)	0
Dividend paid (incl tax)	(1690)	(2129)	(2125)	0
Income from investments				
Others	(291)	(650)	(1)	(740)
Financing Cashflow	(1808)	(2187)	(2227)	(1164)
Net chg in cash	4450	2441	2259	3711
Opening cash position	10776	15226	17667	19925
Closing cash position	15226	17667	19925	23636

Balance Sheet

Y/E, Mar (Rs. mn)	FY08	FY09	FY10	FY11P
Equity share capital	650	1,300	1,300	1,300
Reserves & surplus	31,006	36,019	41,670	49,229
Net worth	31,656	37,318	42,970	50,528
Minority Interest	0	0	0	0
Loan Funds	503	487	424	0
Net deferred tax liability	1,737	1,938	2,109	2,266
Total Liabilities	33,896	39,743	45,503	52,794
Gross Block	23,269	27,223	30,703	26,341
Less: Depreciation	5,813	6,977	8,344	0
Net block	17,456	20,245	22,359	26,341
Capital work in progress	1,721	2,457	1,991	0
Investment	1,204	1,681	1,922	2,448
Current Assets	19,000	21,587	25,534	28,850
Inventories	164	182	158	29
Sundry debtors	168	204	197	153
Cash & bank balance	15,226	17,667	19,925	23,636
Loans & advances	2,824	2,763	4,470	4,238
Other current assets	619	772	785	795
Current lia & Prov	5,486	6,228	6,303	4,845
Current liabilities	4,257	4,830	4,850	4,564
Provisions	1,229	1,398	1,453	281
Net current assets	13,514	15,359	19,231	24,005
Misc. exp	1.1	0.6	0.9	-
Total Assets	33,896	39,743	45,503	52,794

Key Ratios

Y/E, Mar	FY08	FY09	FY10	FY11P
Profitability (%)				
EBITDA Margin	26.1	26.8	25.7	26.7
Net Margin	21.8	22.6	20.8	21.7
ROCE	25.0	22.2	19.5	18.0
ROE	25.3	22.6	19.3	17.8
Per Share Data (Rs)				
EPS	113.0	59.9	59.8	63.9
CEPS	129.7	69.1	70.4	74.9
BVPS	487.1	287.1	330.6	388.7
DPS	26.0	14.0	14.0	-
Valuations (x)				
PER	11.2	21.1	21.1	19.8
P/CEPS	9.7	18.3	17.9	16.9
P/BV	2.6	4.4	3.8	3.2
EV / Sales	2.0	4.2	3.8	3.6
EV / EBITDA	7.5	15.7	14.9	13.5
Dividend Yield (%)	2.1	1.1	1.1	-
Gearing Ratio (x)				
Net Debt/ Equity	(0.5)	(0.5)	(0.5)	(0.5)
Net Debt/EBITDA	(1.8)	(2.0)	(2.2)	(2.6)

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

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