

# India Equity Analytics

Results Preview Q2FY20 - Logistics

# Narnolia®

**Analyst**

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**CMP** 106  
**Target** 111  
**Upside** 5%  
**Rating** NEUTRAL

	FY18	FY19	FY20E	FY21E
<b>Roe%</b>	9%	12%	12%	12%
<b>Roce%</b>	10%	12%	12%	12%
<b>EV/Ebdita</b>	9.73	6.25	6.16	5.36
<b>P/E</b>	20.8	10.5	9.6	8.6
<b>P/B</b>	1.8	1.3	1.2	1.0

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
MTO Volume Gr %	15%	17%	6%	8%	20%	6%	6%
Realization/ TEU	91,717	90,013	88,008	88,438	88,438	86,746	88,438
CFS Volume Gr %(Adj)	3%	12%	3%	5%	22%	3%	3%
Realization/ TEU	13,667	13,767	13,955	13,955	13,484	13,955	13,955
Revenue							
MTO	5,375	6,159	6,382	6,926	1,541	1,599	1,634
CFS	409	460	481	505	119	119	127
PE	314	338	445	468	94	117	115
EBIT M %							
MTO	4%	4%	4%	4%	4%	4%	4%
CFS	29%	30%	30%	30%	33%	31%	30%
PE	-16%	1%	6%	6%	-1%	7%	6%
Financials							
Sales	6,047	6,895	7,230	7,892	1,737	1,815	1,856
Sales Gr%	8%	14%	5%	9%	12%	12%	7%
Ebit	216	293	327	361	85	86	82
Ebit Gr%	4%	4%	5%	5%	5%	5%	4%
Net Profits	174	248	272	303	63	63	66
Profit Gr%	-27%	42%	10%	12%	-4%	16%	5%
Ebit Margin%	3.6%	4.2%	4.5%	4.6%	4.9%	4.7%	4.4%
Net Profit Margin%	2.9%	3.6%	3.8%	3.8%	3.6%	3.5%	3.6%

Conso/Fig in Rs Cr

- ❑ In 2QFY20, revenue is expected to grow by 7% YoY led by the recovery in P&E business and healthy volume growth in MTO business.
- ❑ MTO business is expected to post revenue growth of 6% YoY led by the 6% growth in volume numbers.
- ❑ CFS business volume growth is expected to grow by 3%.
- ❑ P&E is expected to grow by of 22% YoY led by the uptick in realization. Assets utilization is expected to be around 70-75% in 2QFY20.
- ❑ The on-going construction of Logistics Park is expected to complete by FY20 and likely to contribute in revenue by Q1FY21.
- ❑ EBIT Margin is expected to be down by 50 bps to 4.4% on account of higher depreciation. We expect P&E margin of 6% as against 1% negative margin in 2QFY19.
- ❑ PAT is expected to grow by 5% YoY to Rs 66 Cr and margin to remain stable at 3.6%.
- ❑ FY19 effective tax rate was 18.3 % and FY20 effective tax rate is expected to be 18.1%

## Key Trackable this Quarter

- ❑ Progress on construction of Warehouse facilities
- ❑ MTO EBIT Margin: - Cargo mix may impact the margin profile

**We value the stock at 9x FY21E EPS. NEUTRAL**

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**CMP**      **604**  
**Target**    **725**  
**Upside**    **20%**  
**Rating**    **BUY**

	FY18	FY19	FY20E	FY21E
<b>Roe%</b>	11%	12%	13%	14%
<b>Roce%</b>	12%	13%	13%	14%
<b>P/E</b>	28.8	24.9	25.9	22.5
<b>P/B</b>	3.2	2.9	3.3	3.0
<b>EV/Ebdita</b>	18.1	16.5	18.9	16.3

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Standalone Volume (in 000 TEUs)							
EXIM	3,002	3,245	3,343	3,677	849	786	874
Domestic	530	584	606	648	140	140	147
Standalone Segment Revenue							
EXIM	4,851	5,402	5,660	6,236	1,467	1,270	1,511
Domestic	1,319	1,480	1,608	1,790	355	369	386
Sales	6,167	6,882	7,268	8,027	1,822	1,639	1,897
Sales Gr%	10%	12%	6%	10%	27%	5%	4%
Ebdita	1,483	1,780	1,861	2,143	504	403	510
Ebdita Gr%	19%	20%	5%	15%	79%	3%	1%
Net Profits	1,049	1,215	1,420	1,637	336	228	356
Profit Gr%	22%	16%	17%	15%	51%	-10%	6%
Ebdita Margin%	24.0%	25.9%	25.6%	26.7%	27.7%	24.6%	26.9%
Net Profit Margin%	17.0%	17.7%	19.5%	20.4%	18.4%	13.9%	18.8%

Std/Fig in Rs Cr

- ❑ EXIM volume growth is likely to be around 3% YoY and we expect realization will be Rs 17288 per TEU. The revenue growth will be 3% YoY.
- ❑ Volume from domestic business will be up by 5% to 147149 TEUs with average realization of Rs 25354 per TEU. Revenue will be up by 8.7% YoY to Rs 386 Cr.
- ❑ EBITDA numbers will be up by 1.1% YoY and we expect margin of 27%.
- ❑ Bottom line will be up by 6% YoY to Rs 356 Cr compared to Rs 336 Cr.
- ❑ FY19 effective tax rate was 28% and FY20 effective tax rate is expected to be 25.17%.
- ❑ Capex for the FY20 will be Rs 1000 Cr. Company has planned to increase terminal network to 93 from current terminal of 83. Additionally, company is also establishing the costal shipping and distribution logistics business.
- ❑ CONCOR has started first distribution logistics centre in Chennai and plans to open another 4 centre in FY20.
- ❑ CONCOR has plan to book revenue of Rs 150 Cr from costal shipping in FY20. Costal shipping operation has successfully set up on the western cost and company is intends to start operation on the eastern coast of India.

### Key Trackable this Quarter

- ❑ Growth in Double Stacking operation
- ❑ Progress on newly set up business (Costal Shipping and 3PL)
- ❑ EXIM & Domestic Realizations

**We value the stock 27x FY21E EPS. BUY**

**CMP** 359  
**Target** 433  
**Upside** 21%  
**Rating** BUY

	FY18	FY19	FY20E	FY21E
<b>Roe%</b>	15%	17%	17%	18%
<b>Roce%</b>	23%	26%	19%	20%
<b>P/E</b>	53.7	43.9	25.6	20.7
<b>P/B</b>	8.2	7.5	4.4	3.7
<b>EV/Ebdita</b>	28.0	24.1	18.4	14.9

	FY18	FY19	FY20E	FY21E	2QFY19	1QFY20	2QFY20E
Segment Revenue							
SCM	3,076	3,466	3,392	3,630	829	801	768
PTS	340	385	417	450	98	98	106
Sales	3,416	3,851	3,809	4,080	927	899	874
Sales Gr%	28%	13%	-1%	7%	11%	-3%	-6%
Ebdita	120	151	134	164	34	40	33
Ebdita Gr%	57%	26%	-12%	23%	31%	-1%	-1%
Net Profits	64	86	100	124	19	19	29
Profit Gr%	40%	34%	17%	24%	37%	-22%	53%
Ebdita Margin%	3.5%	3.9%	3.5%	4.0%	3.7%	4.5%	3.8%
Net Profit Margin%	1.9%	2.2%	2.6%	3.0%	2.0%	2.1%	3.3%

Conso/Fig in Rs Cr

- ❑ Slowdown in auto sales will continue to impact the revenue growth as the 70% sales is linked with auto sector. We have estimated 6% de growth in revenue numbers.
- ❑ Large customer in non Mahindra transportation business has ended the contract in last quarter. Which is continues to impact the revenue in Q2FY20.
- ❑ Revenue from the warehouse business continues to grow 15% plus backed by client addition. PTS business will continue to report revenue growth at 7-8% YoY.
- ❑ Operating margin will be improved by 10 bps on account of higher contribution by warehousing business.
- ❑ PAT is expected to grow by 53% YoY to Rs 29 Cr, margin will improve by 130 bps.
- ❑ On account of reduced corporate taxes, we have factored Rs 4.1 Cr of excess PAT in Q2FY20 and Rs 11.7 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is 31.1% yoy for 2QFY20 and 3% for FY20.
- ❑ Currently company is managing 15.7 mn sq ft warehousing space and plan to add 1-1.5 mn sq ft warehouse space every year considering the more and more companies now going for the 3PL route for the inventory management.

### Key Trackable this Quarter

- ❑ Impact of slowdown in Auto sales on SCM business
- ❑ Share of warehousing revenue
- ❑ EBITDA margins trend

**We value the stock 25x FY21E EPS. BUY**

**CMP**      **722**  
**Target**    **787**  
**Upside**    **9%**  
**Rating**    **HOLD**

	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
<b>Roe%</b>	32%	30%	31%	28%
<b>Roce%</b>	39%	43%	40%	36%
<b>P/E</b>	31.2	39.7	28.9	24.8
<b>P/B</b>	8.8	10.7	7.9	6.2
<b>EV/Ebdita</b>	20.3	23.9	20.7	17.6

	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>2QFY19</b>	<b>1QFY20</b>	<b>2QFY20E</b>
Sales	885	1,024	1,095	1,226	247	256	258
<i>Sales Gr%</i>	18%	16%	7%	12%	21%	3%	4%
Ebdita	91	119	134	156	27	30	30
<i>Ebdita Gr%</i>	46%	31%	12%	17%	38%	10%	11%
Net Profits	58	73	96	112	16	18	22
<i>Profit Gr%</i>	56%	25%	31%	17%	25%	14%	37%
Ebdita Margin%	10.2%	11.6%	12.2%	12.8%	11.0%	11.6%	11.8%
Net Profit Margin%	6.6%	7.1%	8.7%	9.1%	6.6%	7.2%	8.7%

Std/Fig in Rs Cr

❑ Revenue growth is likely to remain subdued to 4% YoY due to general slowdown in economy.

❑ Company will continue to invest in sorting centre and currently construction at Pune and Gurgaon is underway and expected to complete by the year end.

❑ Management's cost rationalisation efforts and investment in automation will result into margin expansion of 80 bps in Q2FY20. Operating profit will be up by 11% YoY.

❑ PAT is expected to grow by 37% YoY to Rs 22 Cr mainly on account of tax rate cut and improvement in operating margin. PAT margin will be expanding by 210 bps.

❑ On account of reduced corporate taxes, we have factored Rs 3 Cr of excess PAT in Q2FY20 and Rs 10.5 Cr in FY20. Adjusted PAT growth excluding excess tax benefit is 18.7% yoy for 2QFY20 and 17% for FY20.

❑ Company has lower down its capex plan of Rs 80 Cr in FY20 to Rs 60 Cr as some of the approvals will take time. Management maintain long term capex plan of Rs 400 Cr over next 5 years.

❑ Management has planned to do double the revenue and triple the profit over next 4-5 years. Management has reiterate expansion in EBITDA margin and expect 100 bps improvements in each year until the margin reached at 15%.

### Key Trackable this Quarter

- ❑ Volume Growth
- ❑ EBITDA margin

**We value the stock 27x FY21E EPS. HOLD**

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