

## On an arduous path to recovery

**Key industry indicators fell at a slower pace in June vs. April/May, implying that the worst of the pandemic may be behind us. Even so, most indicators remain well below normal. Major port cargo fell 15% YoY vs. 23% in May, rail container volumes declined 16% YoY vs. 19%, and EXIM fell 26% YoY vs. 30%. E-way bill generation has reached ~80% of pre-Covid levels, but the weekly figure has plateaued for the past five weeks. Full-fledged recovery may take a few months yet, till economic activity revives fully. TCIEXP is our top pick.**

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**Major port volumes fall at a slower pace:** After sharp declines in April/May (-21%/-23% YoY), cargo traffic at major ports fell by a slower 15% YoY in June and rose 8% MoM. Mormugao (+23% YoY) remains the bright spot, while Tuticorin was the only other port to post a volume uptick (+1% YoY). Chennai (-31% YoY), JNPT (-28%), Ennore (-24%) and Kandla (-22%) reported the steepest falls. Container volumes shrank by 24% YoY (in TEU, -36% in May), led by declines across the three largest ports - JNPT (-30%), Chennai (-36%), and Kolkata (-42%).

**Decline in container rail traffic also slows:** Container cargo carried by rail fell by a slower 16% YoY in June vs. a 19% decline in May. Domestic volumes grew by 3% YoY, a positive surprise (-28% in May). EXIM volumes, on the other hand, declined by a sharper 21% YoY vs. an 18% fall the prior month, possibly as truckers regained lost market share on resumption of operations. NTKM dropped 19% YoY (vs. -28% in May) as lead distances fell 3%. Indian Railways' overall freight volumes declined at a much slower 7% YoY vs. a 21% fall in May.

**EXIM rail share contracts sequentially:** EXIM container rail volumes in tonnage terms declined 21% YoY, slightly slower than the 22% fall in container traffic at major ports. However, MoM growth was much lower (-10% MoM vs. +12% MoM) which implies that rail conceded some market share gained from road in April, as expected.

**Arduous recovery path:** Though out of the troughs seen in April, the path to full recovery for the logistics industry is an arduous one. E-way bill generation at 43mn in June scaled beyond 40mn in March, but has plateaued at 10-11mn per week since the past five weeks. With easing of lockdown restrictions, the pace of contraction in major port and container rail traffic has slowed, but remains modest in absolute terms. TCI Express (TCIEXP) remains our top sectoral pick.

### RECOMMENDATION SNAPSHOT

Ticker	Rating
AGLL IN	ADD
CCRI IN	REDUCE
MAHLOG IN	BUY
TCIEXP IN	BUY
TRPC IN	BUY
VRLL IN	BUY



## Key exhibits

### Major port volumes

**FIG 1 – CARGO VOLUMES AT MAJOR PORTS FELL 15% YOY IN JUN'20**

('000 tonnes)	Jun-20	Jun-19	YoY (%)	May-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	2,721	3,939	(30.9)	2,120	28.3	7,282	12,118	(39.9)
Cochin	2,224	2,811	(20.9)	1,537	44.7	5,635	8,509	(33.8)
Ennore	1,941	2,546	(23.8)	1,145	69.5	5,169	8,531	(39.4)
JNPT	4,071	5,626	(27.6)	4,072	(0.0)	12,099	17,631	(31.4)
Kandla	7,860	10,061	(21.9)	8,515	(7.7)	25,049	31,120	(19.5)
Kolkata	4,415	5,431	(18.7)	3,654	20.8	11,721	16,113	(27.3)
Mormugao	1,479	1,204	22.8	2,417	(38.8)	5,455	4,476	21.9
Mumbai	3,921	4,587	(14.5)	3,452	13.6	11,461	14,927	(23.2)
New Mangalore	2,478	2,823	(12.2)	3,596	(31.1)	9,299	8,940	4.0
Paradip	9,637	9,716	(0.8)	7,533	27.9	25,734	28,205	(8.8)
Tuticorin	2,849	2,809	1.4	2,420	17.7	7,566	8,843	(14.4)
Vizag	5,507	5,907	(6.8)	4,938	11.5	15,454	17,286	(10.6)
<b>Total major ports</b>	<b>49,103</b>	<b>57,460</b>	<b>(14.5)</b>	<b>45,399</b>	<b>8.2</b>	<b>1,41,924</b>	<b>1,76,699</b>	<b>(19.7)</b>

Source: Indian Ports Association, BOBCAPS Research

**FIG 2 – BARRING IRON ORE AND FERTILISER, ALL MAJOR COMMODITIES RECORDED DECLINES IN JUNE**

('000 tonnes)	Jun-20	Jun-19	YoY (%)	May-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Coal - Coking	3,218	5,111	(37.0)	3,202	0.5	10,695	14,955	(28.5)
Coal - Thermal	5,420	7,936	(31.7)	4,456	21.6	17,719	27,134	(34.7)
Containers - Tonnage	9,546	12,272	(22.2)	8,495	12.4	26,347	37,699	(30.1)
Fertilisers - Finished & raw	1,435	1,429	0.4	1,144	25.4	3,463	3,427	1.1
Iron ore	6,296	5,000	25.9	5,769	9.1	15,441	12,994	18.8
POL	15,879	18,610	(14.7)	16,000	(0.8)	48,200	56,524	(14.7)
Others	7,309	7,102	2.9	6,333	15.4	20,059	23,966	(16.3)
<b>Total major ports</b>	<b>49,103</b>	<b>57,460</b>	<b>(14.5)</b>	<b>45,399</b>	<b>8.2</b>	<b>1,41,924</b>	<b>1,76,699</b>	<b>(19.7)</b>

Source: Indian Ports Association, BOBCAPS Research

**FIG 3 – VOLUMES AT TOP TWO CONTAINER PORTS – JNPT/CHENNAI – DROPPED 36%/30% YOY**

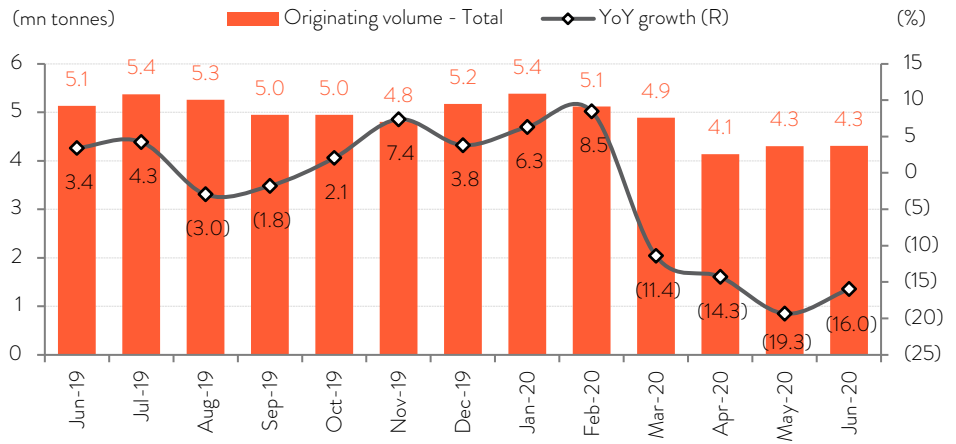
('000 teu)	Jun-20	Jun-19	YoY (%)	May-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	78	122	(36.1)	64	21.9	213	372	(42.7)
Cochin	45	54	(16.7)	42	7.1	113	152	(25.7)
Ennore	11	13	(15.4)	9	22.2	37	39	(5.1)
JNPT	289	410	(29.5)	275	5.1	848	1,307	(35.1)
Kandla	46	40	15.0	31	48.4	96	117	(17.9)
Kolkata	43	74	(41.9)	44	(2.3)	131	208	(37.0)
Mormugao	3	2	50.0	1	200.0	5	8	(37.5)
Mumbai	-	3	(100.0)	0	NM	2	8	(75.0)
New Mangalore	12	13	(7.7)	12	-	28	34	(17.6)
Paradip	2	1	100.0	0	NM	3	2	50.0
Tuticorin	63	66	(4.5)	52	21.2	153	200	(23.5)
Vizag	47	42	11.9	32	46.9	114	127	(10.2)
<b>Total major ports</b>	<b>639</b>	<b>840</b>	<b>(23.9)</b>	<b>562</b>	<b>13.7</b>	<b>1,743</b>	<b>2,574</b>	<b>(32.3)</b>

Source: Indian Ports Association, BOBCAPS Research

### Container rail traffic

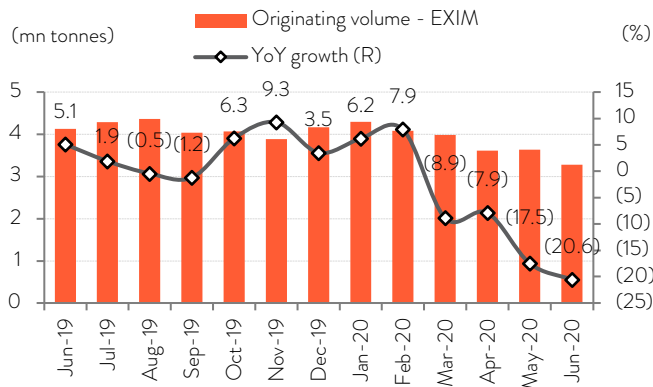
**FIG 4 – CONTAINER RAIL VOLUMES DECLINED 16% YOY IN JUN'20**

**Container rail traffic fell 16% YoY to 4.3mn tonnes vs. a 19% decline in May**



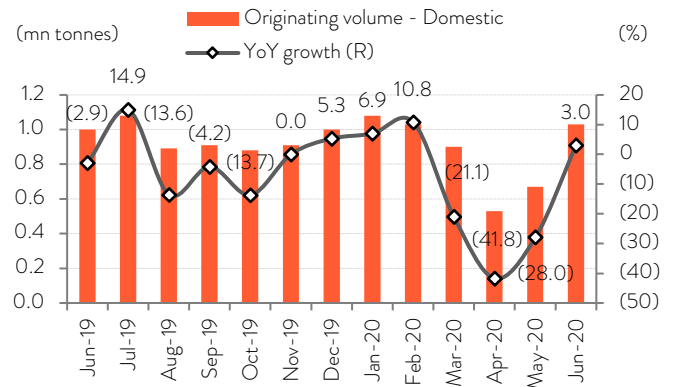
Source: Indian Railways, BOBCAPS Research

**FIG 5 – EXIM VOLUMES CONTRACTED 21% YOY**



Source: Indian Railways, BOBCAPS Research

**FIG 6 – DOMESTIC VOLUMES GREW 3% YOY**



Source: Indian Railways, BOBCAPS Research

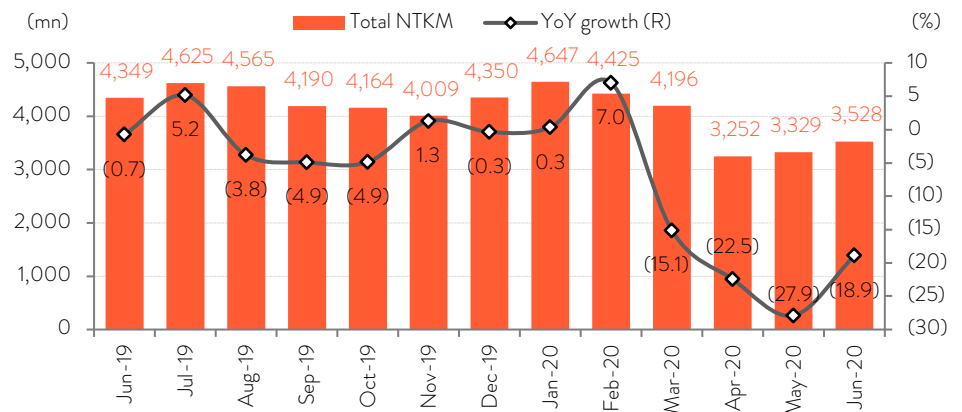
**FIG 7 – DOMESTIC LEAD DISTANCE PLUNGED 16% BUT EXIM WAS FLAT YOY**

(km)	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	May-20
<b>Domestic lead distance</b>	<b>1,166</b>	<b>1,050</b>	<b>1,287</b>	<b>1,169</b>	<b>1,232</b>	<b>1,198</b>	<b>1,225</b>	<b>1,225</b>	<b>1,245</b>	<b>1,220</b>	<b>1,183</b>	<b>1,202</b>	<b>977</b>
YoY growth (%)	(6.6)	(15.9)	0.8	(4.8)	(3.4)	(5.2)	(3.4)	(3.9)	(1.8)	(4.5)	0.5	(5.7)	(16.3)
<b>EXIM lead distance</b>	<b>771</b>	<b>814</b>	<b>782</b>	<b>774</b>	<b>757</b>	<b>750</b>	<b>749</b>	<b>773</b>	<b>768</b>	<b>773</b>	<b>727</b>	<b>695</b>	<b>769</b>
YoY growth (%)	(2.2)	6.4	0.1	(2.3)	(5.7)	(4.9)	(4.2)	(6.3)	(1.7)	(2.9)	(8.8)	(10.9)	(0.3)
<b>Total lead distance</b>	<b>848</b>	<b>861</b>	<b>868</b>	<b>846</b>	<b>841</b>	<b>835</b>	<b>841</b>	<b>864</b>	<b>864</b>	<b>856</b>	<b>785</b>	<b>774</b>	<b>819</b>
YoY growth (%)	(4.0)	0.8	(0.8)	(3.2)	(6.9)	(5.6)	(3.8)	(2.6)	(1.5)	(4.4)	(9.6)	(10.6)	(3.4)

Source: Indian Railways, BOBCAPS Research

**NTKM decline of 19% was slower than 28% fall in May**

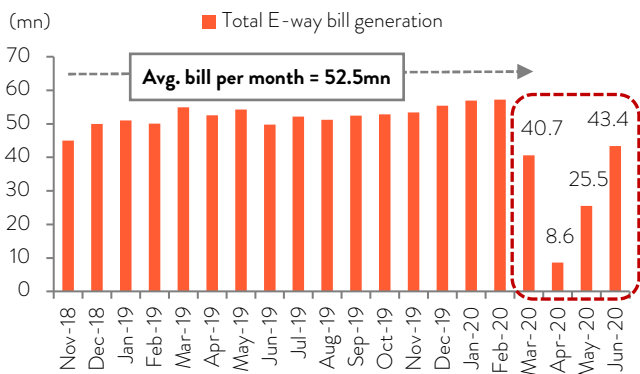
**FIG 8 – NTKM DECLINE WAS LOWER AT 19% YOY IN JUNE**



Source: Indian Railways, BOBCAPS Research

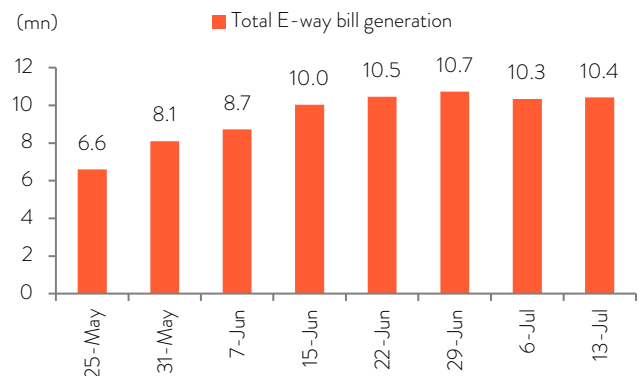
### E-way bill collection

**FIG 9 – E-WAY BILL GENERATION HAS BOUNCED BACK TO ~80% OF PRE-COVID LEVELS...**



Source: Company, BOBCAPS Research

**FIG 10 – ...BUT HAS PLATEAUED OVER THE PAST FIVE WEEKS**



Source: Company, BOBCAPS Research

### EXIM trade

**FIG 11 – MERCHANDISE EXIM TRADE DECLINED 39% YOY IN JUN, SLIGHTLY SLOWER THAN 45% IN MAY**

(US\$ bn)	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
<b>Total EXIM trade</b>	<b>65.3</b>	<b>66.1</b>	<b>65.7</b>	<b>62.9</b>	<b>63.8</b>	<b>64.1</b>	<b>66.0</b>	<b>67.1</b>	<b>65.2</b>	<b>52.6</b>	<b>27.5</b>	<b>41.3</b>	<b>43.0</b>
YoY growth (%)	(9.3)	(5.8)	(10.6)	(11.0)	(10.6)	(8.1)	(6.0)	(1.1)	2.7	(31.2)	(59.3)	(45.2)	(38.9)
<b>Total exports</b>	<b>25.0</b>	<b>26.3</b>	<b>26.1</b>	<b>26.0</b>	<b>26.4</b>	<b>26.0</b>	<b>27.4</b>	<b>26.0</b>	<b>27.7</b>	<b>21.4</b>	<b>10.4</b>	<b>19.1</b>	<b>21.9</b>
YoY growth (%)	(9.7)	2.2	(6.0)	(6.6)	(1.1)	(0.3)	(1.8)	(1.7)	2.9	(34.2)	(60.3)	(36.5)	(12.4)
<b>Non-oil, non-gold exports</b>	<b>19.2</b>	<b>19.7</b>	<b>19.6</b>	<b>19.0</b>	<b>19.0</b>	<b>19.3</b>	<b>21.1</b>	<b>19.8</b>	<b>21.2</b>	<b>16.9</b>	<b>9.1</b>	<b>16.4</b>	<b>18.5</b>
YoY growth (%)	(4.9)	5.2	(5.6)	(4.2)	0.6	4.1	(0.5)	(0.8)	6.2	(34.2)	(53.5)	(23.6)	(3.5)
<b>Total imports</b>	<b>40.3</b>	<b>39.8</b>	<b>39.6</b>	<b>36.9</b>	<b>37.4</b>	<b>38.1</b>	<b>38.6</b>	<b>41.1</b>	<b>37.5</b>	<b>31.2</b>	<b>17.1</b>	<b>22.2</b>	<b>21.1</b>
YoY growth (%)	(9.1)	(10.4)	(13.4)	(13.8)	(16.3)	(12.7)	(8.8)	(0.8)	2.5	(28.7)	(58.6)	(51.0)	(53.5)
<b>Non-oil, non-gold imports</b>	<b>26.6</b>	<b>28.5</b>	<b>27.3</b>	<b>26.6</b>	<b>25.9</b>	<b>24.1</b>	<b>25.5</b>	<b>26.6</b>	<b>24.3</b>	<b>19.9</b>	<b>12.5</b>	<b>18.6</b>	<b>15.6</b>
YoY growth (%)	(9.0)	(2.2)	(8.2)	(8.9)	(10.1)	(12.0)	(12.2)	(4.7)	0.3	(30.5)	(52.2)	(33.7)	(41.4)
<b>Non-oil, non-gold EXIM</b>	<b>45.8</b>	<b>48.2</b>	<b>46.9</b>	<b>45.6</b>	<b>44.9</b>	<b>43.4</b>	<b>46.6</b>	<b>46.4</b>	<b>45.5</b>	<b>36.8</b>	<b>21.6</b>	<b>35.0</b>	<b>5.5</b>
YoY growth (%)	(7.3)	0.7	(7.1)	(7.0)	(5.8)	(5.5)	(7.3)	(3.0)	3.0	(32.2)	(52.8)	(29.4)	(70.5)

Source: Ministry of Commerce and Industry, BOBCAPS Research

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**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

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