

Another abysmal month but signs of recovery visible

After unprecedented declines in April, key trade indicators slumped yet again in May – major port traffic nosedived 23% YoY (–21% in Apr) and container rail volumes dropped 19% YoY (–14% in Apr). Some parameters did signal an uptick in logistics activity – e-way bill collection tripled MoM and trucking utilisation gained traction (30-35% vs. <10% in Apr). Easing of restrictions should lead to a spurt in transport activity as domestic supply chain gaps are filled, but full-fledged recovery is likely to remain elusive till the pandemic is reasonably contained.

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Major port volumes sink: After a record fall in April (–21% YoY), cargo traffic at major ports fell by a steeper 23% YoY in May as domestic and global trade remained weak. Traffic fell MoM as well, by 4% on a low base. All ports barring Mormugao (+35% YoY) and New Mangalore (+26%) reported steep volume drops – Ennore (–62% YoY), Chennai (–50%), Cochin (–46%), and Mumbai (–35%). Among commodities, only iron ore posted growth (+38% YoY). Container volumes shrank by 36% YoY (in TEU, –37% in Apr) as the major ports of JNPT (–39%) and Chennai (–50%) reported steep declines.

Container rail traffic plunges: Container cargo carried by rail fell by a sharp 19% YoY in May (–14% in Apr) as EXIM/domestic volumes crashed 18%/28% YoY. Lower volumes and an 11% drop in lead distance saw container NTKM decline 28% YoY (–23% in Apr). Indian Railways' overall freight volumes declined at a slower 21% YoY vs. a 35% fall in April.

EXIM share moderates sequentially: Though EXIM container rail volumes in tonnage terms declined at a slower pace YoY than container traffic at major ports (–18% YoY vs. –34% YoY in tonnage terms), sequentially growth was lower (+0.6% MoM vs. +2.3% MoM). This implies that rail may have conceded some of the market share gained in April to road in May. Rail's EXIM share may be further eroded in the coming months as truck supply gradually increases.

Some early signs of recovery: E-way bill collection rose to Rs 26mn in May vs. Rs 8.6mn in April, signaling a pick-up in transportation activity on the ground. Industry sources estimate that trucking activity has increased to 30-35% of pre-Covid levels in May and expect it to reach 65-70% in June. Merchandise non-oil, non-gold EXIM trade also fell by a slower 29% YoY vs. a 53% drop in April. We expect logistics activity to improve gradually in coming months, though normalcy will return only once the pandemic is reasonably contained.

RECOMMENDATION SNAPSHOT

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



Key exhibits

Major port volumes

FIG 1 – TOTAL CARGO VOLUMES AT MAJOR PORTS SLUMPED 23% YOY IN MAY'20

('000 tonnes)	May-20	May-19	YoY (%)	Apr-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	2,120	4,231	(49.9)	2,441	(13.2)	4,561	8,179	(44.2)
Cochin	1,537	2,870	(46.4)	1,874	(18.0)	3,411	5,698	(40.1)
Ennore	1,145	3,008	(61.9)	2,083	(45.0)	3,228	5,985	(46.1)
JNPT	4,072	6,014	(32.3)	3,956	2.9	8,028	12,005	(33.1)
Kandla	8,515	9,758	(12.7)	8,674	(1.8)	17,189	21,059	(18.4)
Kolkata	3,654	5,714	(36.1)	3,652	0.1	7,306	10,682	(31.6)
Mormugao	2,417	1,793	34.8	1,559	55.0	3,976	3,272	21.5
Mumbai	3,452	5,339	(35.3)	4,088	(15.6)	7,540	10,340	(27.1)
New Mangalore	3,596	2,850	26.2	3,225	11.5	6,821	6,117	11.5
Paradip	7,533	8,937	(15.7)	8,564	(12.0)	16,097	18,489	(12.9)
Tuticorin	2,420	2,950	(18.0)	2,297	5.4	4,717	6,034	(21.8)
Vizag	4,938	5,689	(13.2)	5,009	(1.4)	9,947	11,379	(12.6)
Total major ports	45,399	59,153	(23.3)	47,422	(4.3)	92,821	1,19,239	(22.2)

Source: Indian Ports Association, BOBCAPS Research

FIG 2 – BARRING IRON ORE, ALL OTHER COMMODITIES RECORDED DECLINES IN MAY

('000 tonnes)	May-20	May-19	YoY (%)	Apr-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Coal - Coking	3,202	4,689	(31.7)	4,275	(25.1)	7,477	9,844	(24.0)
Coal - Thermal	4,456	7,919	(43.7)	7,843	(43.2)	12,299	19,198	(35.9)
Containers - Tonnage	8,495	12,882	(34.1)	8,306	2.3	16,801	25,427	(33.9)
Fertilisers - Finished & raw	1,144	1,252	(8.6)	884	29.4	2,028	1,998	1.5
Iron ore	5,769	4,186	37.8	3,376	70.9	9,145	7,994	14.4
POL	16,000	18,912	(15.4)	16,321	(2.0)	32,321	37,914	(14.8)
Others	6,333	9,313	(32.0)	6,417	(1.3)	12,750	16,864	(24.4)
Total major ports	45,399	59,153	(23.3)	47,422	(4.3)	92,821	1,19,239	(22.2)

Source: Indian Ports Association, BOBCAPS Research

FIG 3 – VOLUMES AT TOP TWO CONTAINER PORTS – JNPT/CHENNAI – DROPPED 39%/50% YOY

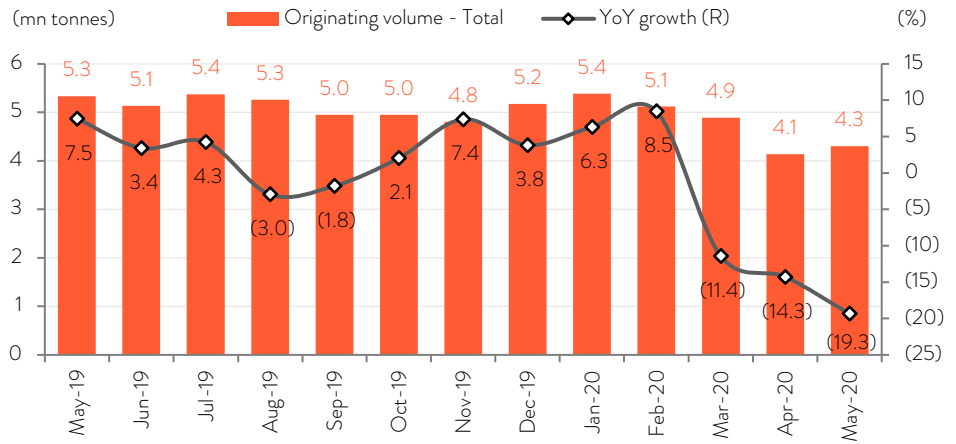
('000 teu)	May-20	May-19	YoY (%)	Apr-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	64	127	(49.6)	71	(9.9)	135	250	(46.0)
Cochin	42	48	(12.5)	26	61.5	68	98	(30.6)
Ennore	9	15	(40.0)	17	(47.1)	26	26	-
JNPT	275	449	(38.8)	284	(3.2)	559	897	(37.7)
Kandla	31	40	(22.5)	19	63.2	50	77	(35.1)
Kolkata	44	68	(35.3)	44	-	88	134	(34.3)
Mormugao	1	3	(66.7)	1	-	2	6	(66.7)
Mumbai	-	2	(100.0)	2	(100.0)	2	5	(60.0)
New Mangalore	12	10	20.0	4	200.0	16	21	(23.8)
Paradip	-	-	NM	1	(100.0)	1	1	-
Tuticorin	52	68	(23.5)	38	36.8	90	134	(32.8)
Vizag	32	44	(27.3)	35	(8.6)	67	85	(21.2)
Total major ports	562	874	(35.7)	542	3.7	1,104	1,734	(36.3)

Source: Indian Ports Association, BOBCAPS Research

Container rail traffic

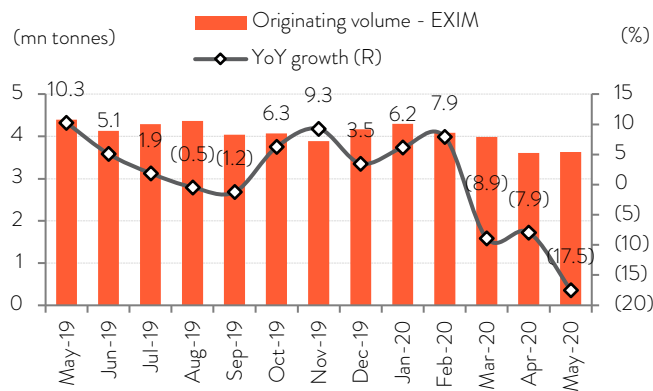
FIG 4 – CONTAINER RAIL VOLUMES DECLINED 19% YOY IN MAY'20

Container rail traffic fell 19% YoY to 4.3mn tonnes vs. 14% decline in April



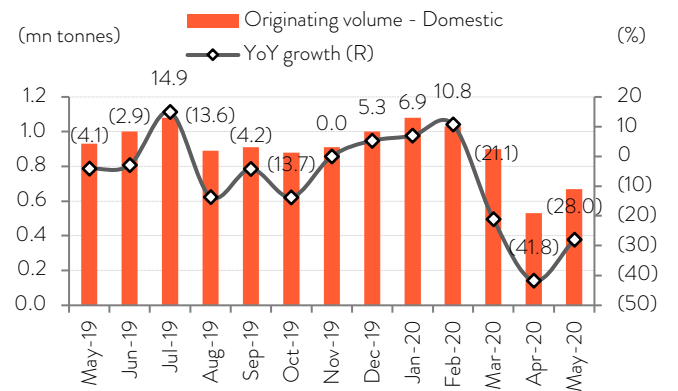
Source: Indian Railways, BOBCAPS Research

FIG 5 – EXIM VOLUMES CONTRACTED 17.5% YOY



Source: Indian Railways, BOBCAPS Research

FIG 6 – DOMESTIC VOLUMES FELL 28% YOY



Source: Indian Railways, BOBCAPS Research

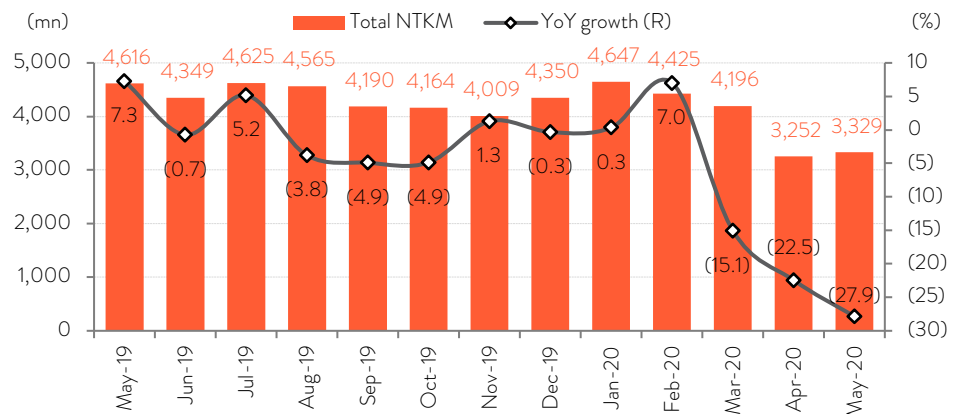
FIG 7 – LEAD DISTANCES FOR IR CONTAINER TRAFFIC DECLINED BOTH YOY AND MOM

(km)	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Domestic lead distance	1,275	1,166	1,050	1,287	1,169	1,232	1,198	1,225	1,225	1,245	1,220	1,183	1,202
YoY growth (%)	4.1	(6.6)	(15.9)	0.8	(4.8)	(3.4)	(5.2)	(3.4)	(3.9)	(1.8)	(4.5)	0.5	(5.7)
EXIM lead distance	779	771	814	782	774	757	750	749	773	768	773	727	695
YoY growth (%)	(0.1)	(2.2)	6.4	0.1	(2.3)	(5.7)	(4.9)	(4.2)	(6.3)	(1.7)	(2.9)	(8.8)	(10.9)
Total lead distance	866	848	861	868	846	841	835	841	864	864	856	785	774
YoY growth (%)	(0.1)	(4.0)	0.8	(0.8)	(3.2)	(6.9)	(5.6)	(3.8)	(2.6)	(1.5)	(4.4)	(9.6)	(10.6)

Source: Indian Railways, BOBCAPS Research

NTKM decline of 28% was steeper than 23% fall in April

FIG 8 – NTKM NOSEDIVED 28% YOY IN MAY'20

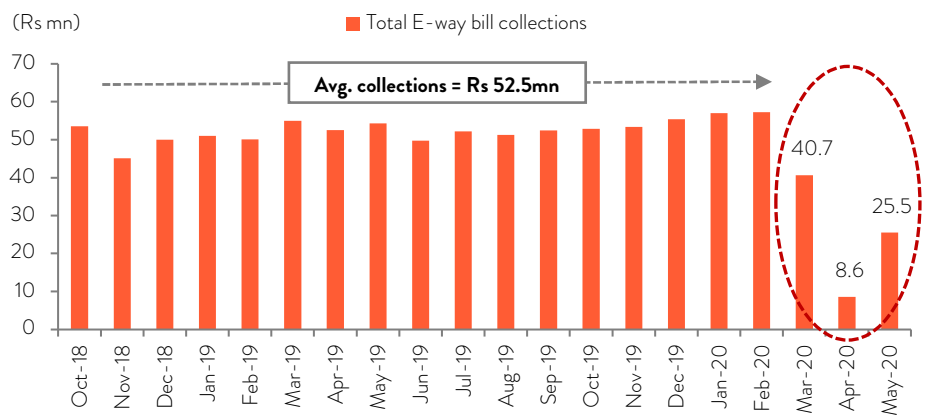


Source: Indian Railways, BOBCAPS Research

E-way bill collection statistics

E-way bill collection, a barometer of transport activity, has gradually increased in past few weeks

FIG 9 – E-WAY BILL COLLECTION JUMPED ~3X MOM IN MAY BUT RUN-RATE REMAINS BELOW NORMAL



Source: Goods and Services Tax Network, BOBCAPS Research

EXIM trade

FIG 10 – MERCHANDISE EXIM TRADE DECLINED 45% YOY IN MAY, SLOWER THAN 59% IN APRIL

(US\$ bn)	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-19	Mar-19	Apr-20	May-20
Total EXIM trade	75.3	65.3	66.1	65.7	62.9	63.8	64.1	66.0	67.1	65.2	52.6	27.5	41.3
YoY growth (%)	4.1	(9.3)	(5.8)	(10.6)	(11.0)	(10.6)	(8.1)	(6.0)	(1.1)	2.7	(31.2)	(59.3)	(45.2)
Total exports	30.0	25.0	26.3	26.1	26.0	26.4	26.0	27.4	26.0	27.7	21.4	10.4	19.1
YoY growth (%)	3.9	(9.7)	2.2	(6.0)	(6.6)	(1.1)	(0.3)	(1.8)	(1.7)	2.9	(34.2)	(60.3)	(36.5)
Non-oil, non-gold exports	21.4	19.2	19.7	19.6	19.0	19.0	19.3	21.1	19.8	21.2	16.9	9.1	16.4
YoY growth (%)	7.4	(4.9)	5.2	(5.6)	(4.2)	0.6	4.1	(0.5)	(0.8)	6.2	(34.2)	(53.5)	(23.6)
Total imports	45.4	40.3	39.8	39.6	36.9	37.4	38.1	38.6	41.1	37.5	31.2	17.1	22.2
YoY growth (%)	4.3	(9.1)	(10.4)	(13.4)	(13.8)	(16.3)	(12.7)	(8.8)	(0.8)	2.5	(28.7)	(58.6)	(51.0)
Non-oil, non-gold imports	28.3	26.6	28.5	27.3	26.6	25.9	24.1	25.5	26.6	24.3	19.9	12.5	18.6
YoY growth (%)	(0.7)	(9.0)	(2.2)	(8.2)	(8.9)	(10.1)	(12.0)	(12.2)	(4.7)	0.3	(30.5)	(52.2)	(33.7)
Non-oil, non-gold EXIM	49.7	45.8	48.2	46.9	45.6	44.9	43.4	46.6	46.4	45.5	36.8	21.6	35.0
YoY growth (%)	2.3	(7.3)	0.7	(7.1)	(7.0)	(5.8)	(5.5)	(7.3)	(3.0)	3.0	(32.2)	(52.8)	(29.4)

Source: Ministry of Commerce and Industry, BOBCAPS Research

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BUY – Expected return >+15%

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

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Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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