

Unprecedented slowdown in extraordinary times

Trade barometers registered unprecedented declines in Apr'20 as manufacturing activity came to a standstill amid the national lockdown. Major port cargo plunged 21% YoY, with container tonnage plummeting 34% YoY. Market share gains from road transport stemmed the fall in container rail cargo (-14% YoY). EXIM trade also fell by a record 59% YoY. With some relaxation in shutdown restrictions, the month of May is likely to be incrementally better. But trade, and hence logistics demand, could remain subdued till the outbreak is reasonably contained.

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Container rail traffic declines...: Container rail volumes plunged by a sharp 14% YoY in Apr'20 as manufacturing operations across India remained in limbo amidst the national lockdown. Domestic volumes crashed 42% YoY, whereas EXIM rail container volumes fell by a lower 8%. NTKM declined 23% YoY following lower volumes and a drop in lead distances (-10% YoY).

...but EXIM share gains stand out: The single-digit fall in rail EXIM container traffic was a decent showing given the weak trade backdrop. In comparison, container volumes at major ports saw a far steeper 34% YoY drop in tonnage, implying market share gains for rail in port container evacuation. With road transporters reeling under obstacles (driver shortage and movement disruptions), rail emerged as a more reliable mode of transport, triggering substantial gains. This may mitigate the impact of the pandemic on volumes for container train operators – Container Corp and Gateway Distriparks – at least in the short run.

Major port volumes plummet: Cargo traffic at major ports nosedived by an unprecedented 21% YoY. All ports barring Mormugao (+5% YoY) posted steep volume declines, led by Chennai (-38%), JNPT (-34%), and Cochin (-34%). Among commodities, only fertilisers witnessed an uptick (+18% YoY) in volumes. Container volume shrank by a steep 37% YoY (in TEU terms) as major ports – JNPT (-37%) and Chennai (-42%) – reported a slump in traffic.

Sharp contraction in EXIM trade: Global and domestic supply chain disruptions and lower demand translated into a 59% YoY decline in merchandise EXIM trade. Core exports/imports (non-oil, non-gold) plunged 54%/52% YoY.

May to be a better month: Easing of restrictions in India and many countries globally would aid trade in May. Truck utilisation is also improving. We could see a broad-based recovery in Q4FY21 if the pandemic is reasonably contained.

RECOMMENDATION SNAPSHOT

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



Logistics demand barometers – Apr’19

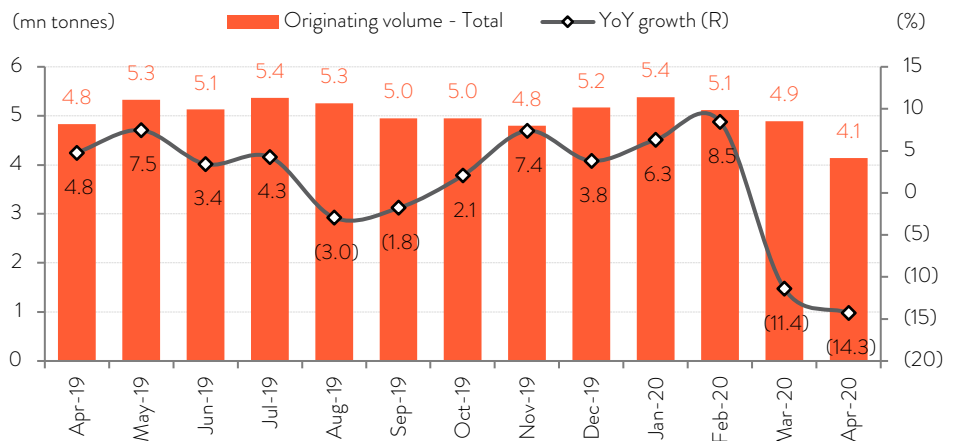
Container rail traffic

Market share gains from road may soften pandemic impact

EXIM rail container volumes slowed far less than major port container tonnage, implying sharp market share gains

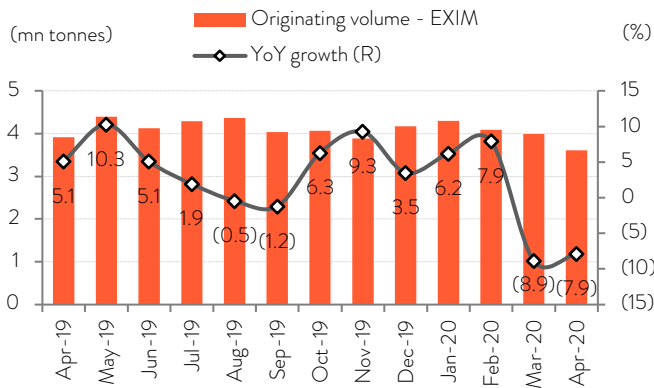
- As per data published by the Indian Railways (IR), container rail volumes declined by 14.3% YoY to 4.1mn tonnes in Apr’20 vs. a decline of 11.4% YoY in Mar’20.
- EXIM rail container traffic declined by 7.9% YoY. Given the weak economic backdrop and plunging EXIM trade, this single-digit drop comes as a positive surprise. It was also much lower than the 34% YoY fall in container cargo at major ports (tonnage terms), indicating substantial market share gains for rail. Our industry interactions show that rail emerged as a more viable alternative for most exporters and importers, as road transporters faced obstacles during the nationwide shutdown.
- This is the seventh consecutive month where EXIM rail container traffic has outpaced container cargo movement at major ports, indicating a sustained shift from road to rail transport amidst first the economic slowdown and then the lockdown.
- Domestic rail container volumes plummeted 41.8% YoY (-21% in Mar’20) as most economic activity ground to a halt for the entire month of April under the nationwide lockdown.
- We believe market share gains from road could aid the volumes of container rail operators – Container Corp and Gateway Distriparks – and cushion the impact of Covid-19.

FIG 1 – CONTAINER RAIL VOLUMES DECLINED 14.3% YOY IN APR’20



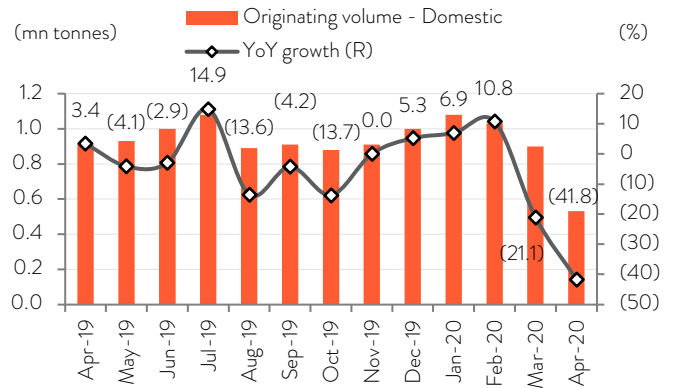
Source: Indian Railways, BOBCAPS Research

FIG 2 – EXIM VOLUMES CONTRACTED 7.9% YOY



Source: Indian Railways, BOBCAPS Research

FIG 3 – DOMESTIC VOLUMES NOSEDIVED 41.8% YOY



Source: Indian Railways, BOBCAPS Research

Plunge in volumes, lead distance catalysed sharp drop in NTKM

Lead distances plunged 9.6% YoY, dragging NTKMs down 23%

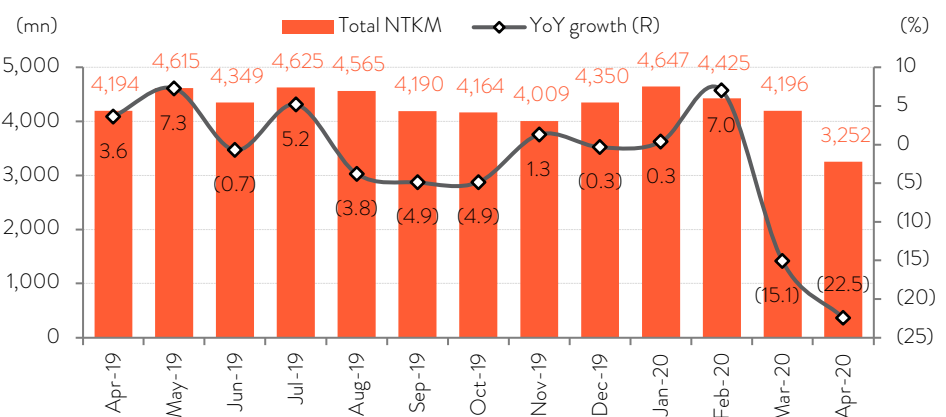
- Lead distance nosedived 9.6% YoY, the steepest fall in many months, to 785km. Domestic lead inched up marginally by 0.5% YoY, but EXIM lead distance contracted 8.8% YoY to 727km as it replaced road even for short-haul cargo.
- A sharp contraction in both volumes and lead distances dragged NTKM down by 22.5% YoY. Domestic/EXIM NTKM declined 42%/16% YoY.

FIG 4 – LEAD DISTANCES FOR IR CONTAINER TRAFFIC

(km)	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Domestic lead distance	1,177	1,275	1,166	1,050	1,287	1,169	1,232	1,198	1,225	1,225	1,245	1,220	1,183
YoY growth (%)	(2.7)	4.1	(6.6)	(15.9)	0.8	(4.8)	(3.4)	(5.2)	(3.4)	(3.9)	(1.8)	(4.5)	0.5
EXIM lead distance	797	779	771	814	782	774	757	750	749	773	768	773	727
YoY growth (%)	(0.4)	(0.1)	(2.2)	6.4	0.1	(2.3)	(5.7)	(4.9)	(4.2)	(6.3)	(1.7)	(2.9)	(8.8)
Total lead distance	868	866	848	861	868	846	841	835	841	864	864	856	785
YoY growth (%)	(1.1)	(0.1)	(4.0)	0.8	(0.8)	(3.2)	(6.9)	(5.6)	(3.8)	(2.6)	(1.5)	(4.4)	(9.6)

Source: Indian Railways, BOBCAPS Research

FIG 5 – NTKM DECLINED SHARPLY BY 22.5% YOY



Source: Indian Railways, BOBCAPS Research

Major port volumes

Cargo volumes plunge on domestic lockdown, global trade disruptions

Cargo at major ports nosedived 21% YoY in Apr'20

- Overall cargo traffic at major ports plunged 21% YoY in Apr'20 to 47.4mn tonnes, after a 5% YoY drop in Mar'20.
- All major ports barring Mormugao (+5.4% YoY) reported volume declines. Chennai witnessed the sharpest plunge (-38.2% YoY), followed by JNPT (-34%), Cochin (-33.7%), and Ennore (-30%).
- Among commodities, only fertilisers (finished and raw) remained in positive territory with 18.5% YoY growth. Thermal coal (-30.5% YoY), coking coal (-17.1%), POL (-14.1%), iron ore (-11.3%), and others (-15%) all reported volume declines.
- Container volumes at major ports crashed 37% YoY to 5.4mn TEUs. All notable container ports registered sharp decreases, led by Kandla (-48.6% YoY), Cochin (-48.0%) and Tuticorin (-42.4%). The two largest container ports JNPT (-36.6%) and Chennai (-42.3%) both reported steep volume contraction. Ennore was the only port to record an increase in container volumes handled (+54% YoY), albeit from a lower base.
- With some relaxation in lockdown stipulations from early May (possibly more from 18 May), manufacturing activity has gained some traction. This may lead to higher import volumes. Gradual opening up of other economies could also give a leg-up to exports – industry sources highlight potential for sequential improvement in export volumes for May after an abysmal April. Hence, major port volumes are also expected to be a bit better in May.

FIG 6 – CARGO VOLUMES AT MAJOR PORTS

('000 tonnes)	Apr-20	Apr-19	YoY (%)	Mar-20	MoM (%)
Chennai	2,441	3,948	(38.2)	3,584	(31.9)
Cochin	1,874	2,828	(33.7)	3,162	(40.7)
Ennore	2,083	2,977	(30.0)	2,758	(24.5)
JNPT	3,956	5,991	(34.0)	6,068	(34.8)
Kandla	8,674	11,301	(23.2)	11,136	-22.1
Kolkata	3,652	4,968	(26.5)	5,428	(32.7)
Mormugao	1,559	1,479	5.4	1,289	20.9
Mumbai	4,088	5,001	(18.3)	4,317	(5.3)
New Mangalore	3,225	3,267	(1.3)	4,847	(33.5)
Paradip	8,564	9,552	(10.3)	10,062	(14.9)
Tuticorin	2,297	3,084	(25.5)	3,230	(28.9)
Vizag	5,009	5,690	(12.0)	5,986	(16.3)
Total major ports	47,422	60,086	(21.1)	61,867	(23.3)

Source: Indian Ports Association, BOBCAPS Research

FIG 7 – COMMODITY-WISE VOLUMES AT MAJOR PORTS

('000 tonnes)	Apr-20	Apr-19	YoY (%)	Mar-20	MoM (%)
Coal - Coking	4,275	5,155	(17.1)	5,054	(15.4)
Coal - Thermal	7,843	11,279	(30.5)	9,934	(21.0)
Containers - Tonnage	8,306	12,545	(33.8)	12,184	(31.8)
Fertilisers - Finished & raw	884	746	18.5	635	39.2
Iron ore	3,376	3,808	(11.3)	5,008	(32.6)
POL	16,321	19,002	(14.1)	20,288	(19.6)
Others	6,417	7,551	(15.0)	8,764	(26.8)
Total major ports	47,422	60,086	(21.1)	61,867	(23.3)

Source: Indian Ports Association, BOBCAPS Research

FIG 8 – CONTAINER TRAFFIC AT MAJOR PORTS

('000 teu)	Apr-20	Apr-19	YoY (%)	Mar-20	MoM (%)
Chennai	71	123	(42.3)	98	(27.6)
Cochin	26	50	(48.0)	52	(50.0)
Ennore	17	11	54.5	11	54.5
JNPT	284	448	(36.6)	410	(30.7)
Kandla	19	37	(48.6)	40	(52.5)
Kolkata	44	66	(33.3)	55	(20.0)
Mormugao	1	3	(66.7)	3	(66.7)
Mumbai	2	3	(33.3)	1	100.0
New Mangalore	4	11	(63.6)	16	(75.0)
Paradip	1	1	-	2	(50.0)
Tuticorin	38	66	(42.4)	68	(44.1)
Vizag	35	41	(14.6)	38	(7.9)
Total major ports	542	860	(37.0)	794	(31.7)

Source: Indian Ports Association, BOBCAPS Research

EXIM trade

Abysmal April – Worst month on record

Core exports/imports shrank 54%/52% YoY in Apr'20

- After a sharp fall in Mar'20 (–31% YoY), EXIM merchandise trade hit new lows, declining 59% YoY in US dollar terms due to the double whammy of lower global demand and domestic manufacturing disruptions amid Covid-19.
- Exports plummeted 60% YoY in Apr'20 after a 34% drop in Mar'20. This sharp decline is attributed to supply chain and demand shocks across the globe due to the pandemic, translating into cancellation of orders. Core exports (non-oil, non-gold) decreased 54% YoY. Barring iron ore (+17.5% YoY) and pharma (+0.3%), all commodities reported steep declines, led by leather products (–93.3%), handicrafts (–91.9%), carpet (–91.7%) and readymade garments (–91%).

- Total imports fell 59% YoY to US\$ 17.1bn while core imports were down 52% YoY. Electronic goods (–63% YoY) and machinery (–54% YoY) reported the sharpest drop.

FIG 9 – EXIM TRADE TREND

(US\$ bn)	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-19	Mar-19	Apr-20
Total EXIM trade	67.5	75.3	65.3	66.1	65.7	62.9	63.8	64.1	66.0	67.1	65/2	52.6	27.5
YoY growth (%)	2.9	4.1	(9.3)	(5.8)	(10.6)	(11.0)	(10.6)	(8.1)	(6.0)	(1.1)	2.7	(31.2)	(59.3)
Total exports	26.1	30.0	25.0	26.3	26.1	26.0	26.4	26.0	27.4	26.0	27.7	21.4	10.4
YoY growth (%)	0.6	3.9	(9.7)	2.2	(6.0)	(6.6)	(1.1)	(0.3)	(1.8)	(1.7)	2.9	(34.2)	(60.3)
Non-oil, non-gold exports	19.5	21.4	19.2	19.7	19.6	19.0	19.0	19.3	21.1	19.8	21.2	16.9	9.1
YoY growth (%)	(1.3)	7.4	(4.9)	5.2	(5.6)	(4.2)	0.6	4.1	(0.5)	(0.8)	6.2	(34.2)	(53.5)
Total imports	41.4	45.4	40.3	39.8	39.6	36.9	37.4	38.1	38.6	41.1	37.5	31.2	17.1
YoY growth (%)	4.5	4.3	(9.1)	(10.4)	(13.4)	(13.8)	(16.3)	(12.7)	(8.8)	(0.8)	2.5	(28.7)	(58.6)
Non-oil, non-gold imports	26.1	28.3	26.6	28.5	27.3	26.6	25.9	24.1	25.5	26.6	24.3	19.9	12.5
YoY growth (%)	(2.2)	(0.7)	(9.0)	(2.2)	(8.2)	(8.9)	(10.1)	(12.0)	(12.2)	(4.7)	0.3	(30.5)	(52.2)

Source: Ministry of Commerce and Industry, BOBCAPS Research

Mar'20 IIP data

Industrial output shrinks by record 17% YoY

- Industry output declined by a record 16.7% YoY in Mar'20 vis-à-vis 4.6% expansion in Feb'20.
- Manufacturing output contracted 20.6% YoY in Mar'20 (+3.1% in Feb'20) as most manufacturing facilities remained shut due to the lockdown. Within manufacturing, capital goods (–35.6% YoY), consumer goods (–33.1%) and infrastructure/construction goods (–23.8%) witnessed the steepest declines.

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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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

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

SELL – Expected return <-5%

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

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