

## Container rail volumes tick up in incrementally better month

High frequency indicators for the logistics industry remained subdued in Nov'19, but have improved incrementally vis-à-vis the past few months.

Container rail volume growth picked up to 7% YoY (vs. 2% in Oct'19) led by higher EXIM volumes (+9%), which bodes well for container rail operators (CCRI and GDPL). Contraction in major port cargo volumes eased to -0.3% YoY vs. -5% in Oct'19. Merchandise EXIM trade also declined at a slightly slower pace (-8.1% YoY vs. -10.6%).

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**Container rail volumes accelerate:** Container rail volumes grew 7% YoY in Nov'19 vs. 2% in Oct'19, aided by a benign base. EXIM volumes rose 9% YoY, the highest since May'19, whereas domestic volumes were flat YoY. Rail container growth outpaced container traffic at major ports (-5% YoY in tonnage terms), indicating market share gains for rail. NTKM growth, however, was lower at 1% YoY (+4%/-5% YoY for EXIM/domestic) as lead distance plunged (-6% YoY).

**Cargo volumes at major ports decline marginally:** Total cargo at major ports decelerated at a slower pace of 0.3% YoY in Nov'19, after a steep drop in Oct'19 (-5%). Kandla (+25% YoY), Vizag (+11%) and Mormugao (+5%) posted the highest growth in cargo volumes. Ennore (-15% YoY), Chennai (-13%) and New Mangalore (-10%) witnessed the steepest drops.

Container traffic at major ports was down 5% YoY in tonnage terms (-0.1% in Oct'19), but increased 8% in TEU terms. JNPT (+18% YoY as per IPA data), and Kolkata (+6% YoY) performed well. Chennai (-19%) continued to report steep volume slippage.

### Core exports resilient, imports sink further; Oct IIP declines again:

Merchandise EXIM trade declined 8% YoY in Nov'19 (US\$ terms). Non-oil, non-gold export growth accelerated to 4.1% YoY (0.6% in Oct'19), but core imports contracted 12% YoY. Oct'19 industrial output declined 3.8% YoY (-4.3% in Sep'19), with manufacturing IIP contracting 2% YoY.

**An incrementally better month:** While most high frequency indicators remain sluggish, Nov'19 has been incrementally better across most parameters versus the past few months. Sustainability of this recovery remains key going ahead. Improvement in container rail volumes augurs well for container rail operators such as Container Corp (CCRI) and Gateway Distriparks (GDPL).

### RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
AGLL IN	94	120	BUY
CCRI IN	573	655	ADD
FSCS IN	502	680	BUY
MAHLOG IN	371	460	BUY
TCIEXP IN	807	855	ADD
TRPC IN	269	365	BUY
VRLIN IN	270	330	BUY

Price & Target in Rupees



## Logistics demand barometers – Nov'19

### Major port volumes

#### Pace of decline eases to –0.3% YoY

**Overall cargo at major ports declined 0.3% YoY to 57.7mt**

- Cargo volumes at major ports continued to decline for the third successive month, though the pace of decline eased to 0.3% YoY as against the 5.4% drop seen in Oct'19. FY20 YTD/Q3 cargo volume growth stands at a paltry +0.3%/–2.9% YoY.
- Among major ports, Kandla (+25.4% YoY), Vizag (+11%), Mormugao (+4.8%), and Cochin (+2.1%) posted the highest uptick in cargo volumes. Ennore (–15.5% YoY), Chennai (–13.3%), New Mangalore (–10%) and Kolkata (–7.7%) witnessed the steepest drops.
- Among commodities, iron ore (+43.8% YoY), fertilisers (+21.7%) and POL (+7.4%) grew the most. Coking coal (–27.8% YoY), thermal coal (–18.8%) and containers (–5.4% in tonnage terms) saw declines.
- Though down in tonnage terms, container volumes at major ports grew in TEU terms by 8% YoY to 766k TEU, as per data shared by the Indian Port Association (IPA). Among notable container ports, volumes grew at JNPT (+18.5% YoY as per IPA data vs. –9% as per data published by JNPT due to discrepancy in Nov'18 figures between the two sources), Vizag (+8%), and Kolkata (+6%). Chennai (–19% YoY) continued to lose market share to other east coast ports.

**FIG 1 – CARGO VOLUMES AT MAJOR PORTS**

('000 tonnes)	Nov-19	Nov-18	YoY (%)	Oct-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Chennai	3,552	4,095	(13.3)	3,848	(7.7)	32,140	35,527	(9.5)
Cochin	2,646	2,591	2.1	2,821	(6.2)	22,112	21,179	4.4
Ennore	2,518	2,979	(15.5)	2,282	10.3	20,562	22,465	(8.5)
JNPT	5,090	5,858	(13.1)	5,438	(6.4)	44,938	46,405	(3.2)
Kandla	11,115	8,862	25.4	10,046	10.6	82,208	77,333	6.3
Kolkata	4,815	5,214	(7.7)	4,796	0.4	41,285	40,451	2.1
Mormugao	1,646	1,570	4.8	1,103	49.2	10,381	12,226	(15.1)
Mumbai	5,250	5,194	1.1	5,527	(5.0)	40,880	40,362	1.3
New Mangalore	3,592	3,989	(10.0)	2,723	31.9	24,179	28,249	(14.4)
Paradip	8,785	9,259	(5.1)	8,916	(1.5)	73,253	71,298	2.7
Tuticorin	2,800	2,979	(6.0)	3,011	(7.0)	24,077	22,964	4.8
Vizag	5,873	5,290	11.0	6,435	(8.7)	47,058	43,026	9.4
<b>Total major ports</b>	<b>57,682</b>	<b>57,880</b>	<b>(0.3)</b>	<b>56,946</b>	<b>1.3</b>	<b>4,63,073</b>	<b>4,61,485</b>	<b>0.3</b>

Source: Indian Ports Association, BOBCAPS Research

**FIG 2 – COMMODITY-WISE VOLUMES AT MAJOR PORTS**

('000 tonnes)	Nov-19	Nov-18	YoY (%)	Oct-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Coal - Coking	3,734	5,173	(27.8)	4,147	(10.0)	37,171	36,459	2.0
Coal - Thermal	7,077	8,711	(18.8)	6,227	13.7	58,177	70,794	(17.8)
Containers - Tonnage	10,975	11,596	(5.4)	11,863	(7.5)	97,842	95,516	2.4
Fertilisers - Finished & raw	1,708	1,404	21.7	1,902	(10.2)	10,977	9,803	12.0
Iron ore	5,136	3,571	43.8	4,062	26.4	33,958	26,074	30.2
POL	20,131	18,736	7.4	20,623	(2.4)	1,57,873	1,54,171	2.4
Others	8,921	8,689	2.7	8,122	9.8	67,075	68,668	(2.3)
<b>Total major ports</b>	<b>57,682</b>	<b>57,880</b>	<b>(0.3)</b>	<b>56,946</b>	<b>1.3</b>	<b>4,63,073</b>	<b>4,61,485</b>	<b>0.3</b>

Source: Indian Ports Association, BOBCAPS Research

**FIG 3 – CONTAINER TRAFFIC AT MAJOR PORTS**

('000 teu)	Nov-19	Nov-18	YoY (%)	Oct-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Chennai	104	128	(18.8)	107	(2.8)	963	1,102	(12.6)
Cochin	46	46	-	51	(9.8)	410	375	9.3
Ennore	8	9	(11.1)	9	(11.1)	84	10	NM
JNPT	385	325	18.5	400	(3.8)	3,360	3,365	(0.1)
Kandla	38	22	72.7	20	90.0	277	140	97.9
Kolkata	69	65	6.2	74	(6.8)	579	561	3.2
Mormugao	3	4	(25.0)	2	50.0	21	26	(19.2)
Mumbai	2	2	-	3	(33.3)	19	19	-
New Mangalore	12	9	33.3	14	(14.3)	101	90	12.2
Paradip	1	4	(75.0)	2	(50.0)	7	9	(22.2)
Tuticorin	58	58	-	72	(19.4)	544	488	11.5
Vizag	40	37	8.1	43	(7.0)	341	303	12.5
<b>Total major ports</b>	<b>766</b>	<b>709</b>	<b>8.0</b>	<b>797</b>	<b>(3.9)</b>	<b>6,706</b>	<b>6,488</b>	<b>3.4</b>

Source: Indian Ports Association, BOBCAPS Research

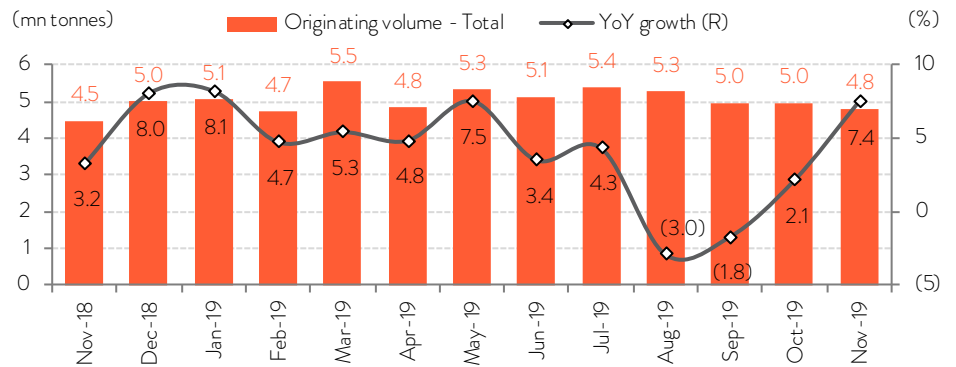
## Container rail traffic

### Rail gains market share from road

#### EXIM container rail volumes increased at a healthy 9% YoY off a benign base

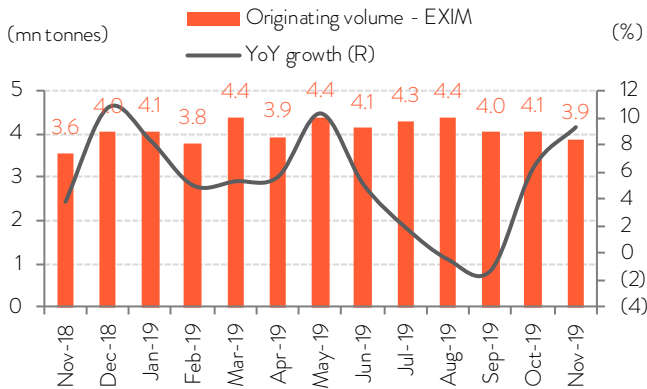
- As per data published by the Indian Railways (IR), growth in container rail traffic accelerated to 7.4% YoY at 4.8mn tonnes in Nov'19, vs. 2.1% YoY in Oct'19.
- As anticipated, EXIM container volumes grew at a robust 9% YoY, the highest since May'19, aided by a favourable base (+3.8% in Nov'18). Domestic volumes were flat YoY.
- Overall container growth in FY20 YTD/Q3 stands at +3%/+5% YoY.
- While EXIM traffic grew 9%, container traffic at major ports dropped 5.4% YoY in tonnage terms, indicating possible market share gains from road.
- Accelerating EXIM volume growth augurs well for container rail operators such as CCRI and GDPL.

**FIG 4 – CONTAINER RAIL VOLUMES INCREASED BY 7% YOY IN NOV'19**



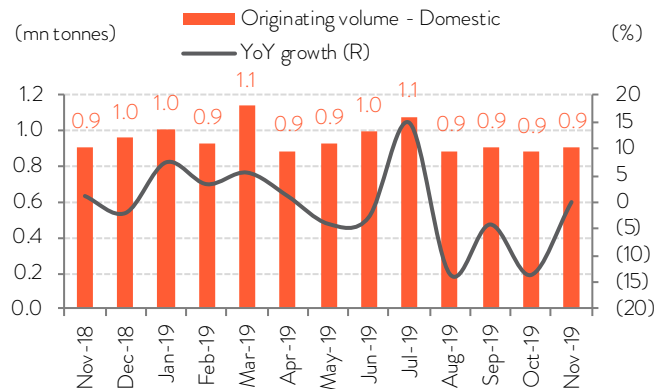
Source: Indian Railways, BOBCAPS Research

**FIG 5 – EXIM LOGGED ROBUST 9% YOY GROWTH**



Source: Indian Railways, BOBCAPS Research

**FIG 6 – DOMESTIC VOLUMES WERE FLAT YOY**



Source: Indian Railways, BOBCAPS Research

**Lower leads drag down NTKM growth**

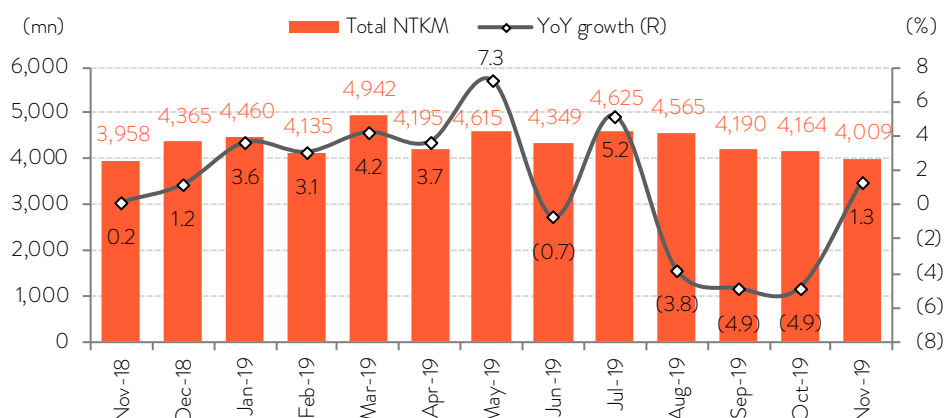
**7% decline in lead distance induced 5% drop in NTKM**

- Total lead distance fell 5.6% YoY to 835km in Nov'19 vs. 885km in Nov'18. Domestic/EXIM lead distances fell 5.2%/4.9% YoY – the fourth consecutive month of decline.
- Lower leads dragged NTKM growth down to 1.3% YoY, despite volumes rising 7%. EXIM NTKM grew at a healthy 4% YoY but domestic NTKM plunged 5%.
- Total NTKM growth for FY20 YTD/Q3 now stands at +0.3%/–1.9% YoY.

**FIG 7 – LEAD DISTANCES FOR IR CONTAINER TRAFFIC**

(km)	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
<b>Domestic lead distance</b>	<b>1,264</b>	<b>1,264</b>	<b>1,241</b>	<b>1,267</b>	<b>1,277</b>	<b>1,204</b>	<b>1,275</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>
YoY growth (%)	(3.4)	(6.3)	(4.8)	(1.4)	(1.3)	(0.5)	4.1	(6.6)	(15.9)	0.8	(4.8)	(3.4)	(5.2)
<b>EXIM lead distance</b>	<b>788</b>	<b>780</b>	<b>792</b>	<b>791</b>	<b>796</b>	<b>793</b>	<b>779</b>	<b>771</b>	<b>814</b>	<b>782</b>	<b>774</b>	<b>757</b>	<b>750</b>
YoY growth (%)	(2.6)	(4.9)	(3.8)	-	(1.0)	(0.9)	(0.1)	(2.2)	6.4	0.1	(2.3)	(5.7)	(4.9)
<b>Total lead distance</b>	<b>885</b>	<b>873</b>	<b>886</b>	<b>876</b>	<b>895</b>	<b>868</b>	<b>866</b>	<b>848</b>	<b>861</b>	<b>868</b>	<b>846</b>	<b>841</b>	<b>835</b>
YoY growth (%)	(3.1)	(6.3)	(3.7)	(1.6)	(1.1)	(1.1)	(0.1)	(4.0)	0.8	(0.8)	(3.2)	(6.9)	(5.6)

Source: Indian Railways, BOBCAPS Research

**FIG 8 – NTKM INCREASED AT A MEAGRE 1% YOY TO 4BN**

Source: Indian Railways, BOBCAPS Research

## EXIM trade

### Non-oil, non-gold exports accelerate, imports sink further

**Exports declined 0.3% YoY;  
imports slid 12.7%**

- EXIM merchandise trade (in US dollar terms) declined for the sixth consecutive month in Nov'19, falling 8% YoY to US\$ 64.1bn.
- Exports contracted at a slower rate of 0.3% YoY vs. a 1.1% decline in Oct'19. Growth in core exports (non-oil, non-gold) accelerated to 4.1% YoY (0.6% in Oct'19) led by pharma (+20.6% vs. +12.6% in Oct'19), engineering goods (+6.3% vs. +1.2%), and chemicals (+2.5% vs 0.9%).
- Imports continued to decline in double digits, falling 12.7% YoY in Nov'19 after a 16.3% drop in Oct'19. Non-oil, non-gold imports contracted 12% YoY, the sharpest fall in 43 months, owing to subdued domestic demand.

**FIG 9 – EXIM TRADE TREND**

(US\$ bn)	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
<b>Total EXIM trade</b>	<b>69.7</b>	<b>68.9</b>	<b>67.5</b>	<b>62.9</b>	<b>76.0</b>	<b>67.5</b>	<b>75.3</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>
YoY growth (%)	2.9	(1.3)	1.4	(2.2)	5.3	2.9	4.1	(9.3)	(5.8)	(10.6)	(11.0)	(10.6)	(8.1)
<b>Total exports</b>	<b>26.5</b>	<b>27.9</b>	<b>26.4</b>	<b>26.7</b>	<b>32.6</b>	<b>26.1</b>	<b>30.0</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>
YoY growth (%)	0.8	0.4	3.7	2.5	11.0	0.6	3.9	(9.7)	2.2	(6.0)	(6.6)	(1.1)	(0.3)
<b>Non-oil, non-gold exports</b>	<b>18.6</b>	<b>21.1</b>	<b>19.9</b>	<b>19.9</b>	<b>25.6</b>	<b>19.5</b>	<b>21.4</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>
YoY growth (%)	(3.9)	1.1	8.2	5.1	13.4	(1.3)	7.4	(4.9)	5.2	(5.6)	(4.2)	0.6	4.1
<b>Total imports</b>	<b>43.2</b>	<b>41.0</b>	<b>41.1</b>	<b>36.3</b>	<b>43.4</b>	<b>41.4</b>	<b>45.4</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>
YoY growth (%)	4.3	(2.4)	0.0	(5.4)	1.4	4.5	4.3	(9.1)	(10.4)	(13.4)	(13.8)	(16.3)	(12.7)
<b>Non-oil, non-gold imports</b>	<b>26.9</b>	<b>27.8</b>	<b>27.5</b>	<b>24.3</b>	<b>28.4</b>	<b>26.1</b>	<b>28.3</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>
YoY growth (%)	(5.8)	(1.9)	(0.8)	(3.7)	(2.7)	(2.2)	(0.7)	(9.0)	(2.2)	(8.2)	(8.9)	(10.1)	(12.0)

Source: Ministry of Commerce and Industry, BOBCAPS Research

## Oct'19 IIP data

### Industrial output continues to plunge

- Industrial output contracted for the third consecutive month, declining 3.8% YoY in Oct'19 (-4.3% YoY in Sep'19).
- Manufacturing output fell 2.1% YoY in Oct'19 (-4.3% YoY in the previous month). Intermediate goods output increased, but all other categories decreased. Within manufacturing, capital goods (-21.9% YoY), consumer durables (-18%) and FMCG (-1.1%) posted declines. Intermediate goods output was up 22% in Oct'19.

## BOBCAPS logistics universe

**FIG 10 – BOBCAPS LOGISTICS UNIVERSE – VALUATION SUMMARY**

Company	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EPS (Rs)			P/E (x)			ROE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
AGLL	BUY	94	120	28	10.3	11.6	13.0	9.2	8.1	7.2	12.1	12.5	12.9
CCRI	ADD	573	655	14	17.5	21.0	25.8	32.8	27.2	22.2	10.2	11.9	13.4
FSCSL	BUY	502	680	35	12.9	20.9	30.8	39.1	24.0	16.3	8.2	12.1	15.7
MLL	BUY	371	460	24	10.5	14.3	18.4	35.5	26.0	20.2	14.2	17.1	19.7
TCIEXP	ADD	807	855	6	24.6	30.2	37.2	32.8	26.8	21.7	30.7	29.1	28.3
TRPC	BUY	269	365	36	21.5	24.8	30.3	12.5	10.9	8.9	17.1	17.0	17.9
VRLL	BUY	270	330	22	10.2	12.2	13.2	26.5	22.1	20.5	16.5	16.5	17.3

Source: Company, BOBCAPS Research

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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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