

## Mixed trends

Trade indicators exhibited mixed trends in Dec'19. A benign base aided growth revival in major port cargo to 6% YoY after three consecutive months of decline, but container traffic dipped 2% YoY led by fall in container traffic at JNPT and Chennai ports. Container rail volumes grew 3.8% YoY, though NTKM was flat YoY due to lower leads. Merchandise EXIM trade (in US dollar terms) remained tepid, declining 6% YoY. For Q3FY20, trade indicators have been largely muted, hinting at another dull quarter for our logistics universe.

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**Container rail – volumes up, NTKM flat:** Container rail volumes grew 3.8% YoY in Dec'19, slower than Nov'19 (+7.4% YoY). EXIM volumes increased 3.5% YoY - despite a healthy base (+10.4%/+12.7% in Dec'18/Dec'17) – faster than the container traffic growth at major ports (-1.2% in tonnage terms), which indicates possible market share gains for rail. Domestic volumes were up 5.3% YoY. NTKM, however, was flat (-0.3% YoY) as lower lead distance (-4% YoY) negated the benefit of higher volumes. In Q3FY20 as well, container rail volumes increased 4.3% YoY while lower leads (-5%) weighed on NTKM (-1.4%).

**Freight traffic growth at major ports improves:** After three months of YoY decline, cargo growth at major ports rebounded to 6% in Dec'19, aided by a low base (-4% in Dec'18). Cochin (+37% YoY), Kandla (+35%), and Paradip (+13.5%) grew the fastest, while Chennai (-14.4% YoY), Ennore (-14.3%), and Mormugao (-10.5%) witnessed steep volume declines.

**Container traffic declines at major ports:** Container traffic at major ports fell 2.2% YoY in TEU terms (-1.2% in tonnage), led by declines in the two largest container ports of JNPT (-6% YoY) and Chennai (-21%). In contrast, Cochin (+7.7% YoY) and Vizag (+15.8%) clocked healthy growth.

**Non-oil, non-gold imports slide again; Nov IIP resilient:** Merchandise EXIM trade declined 6% YoY in Dec'19 (US\$ terms). Non-oil, non-gold imports fell 12.2% YoY, the sharpest drop in 44 months. Core exports, too, dipped 0.5% YoY (+4% in Nov'19). Nov'19 IIP accelerated to 1.8% YoY vs. -4% in Oct'19, with manufacturing IIP up 2.7% YoY aided by a lower base (-0.7% in Nov'18).

**Insipid quarter ahead:** Soft domestic and global trade indicate yet another dull quarter for our logistics universe (see our [Logistics Quarterly Preview](#)). We expect median revenue growth of 8% for our coverage universe in Q3.

## RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
AGLL IN	106	120	BUY
CCRI IN	557	655	ADD
FSCS IN	448	680	BUY
MAHLOG IN	434	460	BUY
TCIEXP IN	735	855	ADD
TRPC IN	272	365	BUY
VROLL IN	273	330	BUY

Price & Target in Rupees



## Logistics demand barometers – Dec'19

### Major port volumes

#### Overall cargo growth improves but container volumes decline

#### Cargo at major ports grew 6% YoY to 61mn MT

- After declining for three consecutive months, overall cargo volumes at major ports grew 6% YoY, aided by the lower base of Dec'18 (-4% YoY). Total cargo growth was flat in Q3FY20, but up 1% YoY in FY20 YTD.
- Among major ports, Cochin (+37% YoY), Kandla (+35%), and Paradip (+13.5%) led the growth in cargo volumes. Chennai (-14.4% YoY), Ennore (-14.3%), and Mormugao (-10.5%) reported the steepest declines. JNPT also posted a volume decline of 5.4% YoY.
- Among commodities, iron ore (+44.4% YoY) posted strong growth for the second consecutive month, followed by POL (+11.6%), others (+10.9%) and fertilisers (+7.7%). Thermal coal (-11.1%), coking coal (-1.5%) and containers (-1.2% in tonnage terms) registered declines.
- Container volumes at major ports declined by 2.2% YoY in TEU terms, to 831k TEU. Among notable ports, Cochin (+7.7% YoY) and Vizag (+15.8%) posted healthy growth. However, the two largest container ports – JNPT (-6.3% YoY) and Chennai (-21.4% YoY) – reported volume declines.

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

('000 tonnes)	Dec-19	Dec-18	YoY (%)	Nov-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Chennai	3,695	4,319	(14.4)	3,552	4.0	35,835	39,846	(10.1)
Cochin	2,893	2,112	37.0	2,646	9.3	25,005	23,291	7.4
Ennore	2,862	3,338	(14.3)	2,518	13.7	23,424	25,803	(9.2)
JNPT	5,789	6,121	(5.4)	5,090	13.7	50,727	52,526	(3.4)
Kandla	10,205	7,581	34.6	11,115	(8.2)	92,413	84,914	8.8
Kolkata	5,809	5,676	2.3	4,815	20.6	47,094	46,127	2.1
Mormugao	1,329	1,485	(10.5)	1,646	(19.3)	11,710	13,711	(14.6)
Mumbai	5,280	5,024	5.1	5,250	0.6	46,160	45,386	1.7
New Mangalore	3,422	3,663	(6.6)	3,592	(4.7)	27,601	31,912	(13.5)
Paradip	10,364	9,130	13.5	8,785	18.0	83,617	80,428	4.0
Tuticorin	2,826	2,748	2.8	2,800	0.9	26,903	25,712	4.6
Vizag	6,481	6,256	3.6	5,873	10.4	53,539	49,282	8.6
<b>Total major ports</b>	<b>60,955</b>	<b>57,453</b>	<b>6.1</b>	<b>57,682</b>	<b>5.7</b>	<b>5,24,028</b>	<b>5,18,938</b>	<b>1.0</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	5,224	5,304	(1.5)	3,734	39.9	42,395	41,763	1.5
Coal - Thermal	7,794	8,764	(11.1)	7,077	10.1	65,971	79,558	(17.1)
Containers - Tonnage	12,244	12,394	(1.2)	10,975	11.6	1,10,086	1,07,910	2.0
Fertilisers - Finished & raw	1,605	1,490	7.7	1,708	(6.0)	12,582	11,293	11.4
Iron ore	5,408	3,746	44.4	5,136	5.3	39,366	29,820	32.0
POL	20,156	18,068	11.6	20,131	0.1	1,78,029	1,72,239	3.4
Others	8,524	7,687	10.9	8,921	(4.5)	75,599	76,355	(1.0)
<b>Total major ports</b>	<b>60,955</b>	<b>57,453</b>	<b>6.1</b>	<b>57,682</b>	<b>5.7</b>	<b>5,24,028</b>	<b>5,18,938</b>	<b>1.0</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	103	131	(21.4)	104	(1.0)	1,066	1,233	(13.5)
Cochin	56	52	7.7	46	21.7	466	427	9.1
Ennore	12	11	9.1	8	50.0	96	21	NM
JNPT	418	446	(6.3)	385	8.6	3,778	3,811	(0.9)
Kandla	51	21	142.9	38	34.2	328	161	103.7
Kolkata	71	71	-	69	2.9	650	632	2.8
Mormugao	3	3	-	3	-	24	29	(17.2)
Mumbai	2	2	-	2	-	21	21	-
New Mangalore	11	10	10.0	12	(8.3)	112	100	12.0
Paradip	1	1	-	1	-	8	10	(20.0)
Tuticorin	59	64	(7.8)	58	1.7	603	552	9.2
Vizag	44	38	15.8	40	10.0	385	341	12.9
<b>Total major ports</b>	<b>831</b>	<b>850</b>	<b>(2.2)</b>	<b>766</b>	<b>8.5</b>	<b>7,537</b>	<b>7,338</b>	<b>2.7</b>

Source: Indian Ports Association, BOBCAPS Research

## Container rail traffic

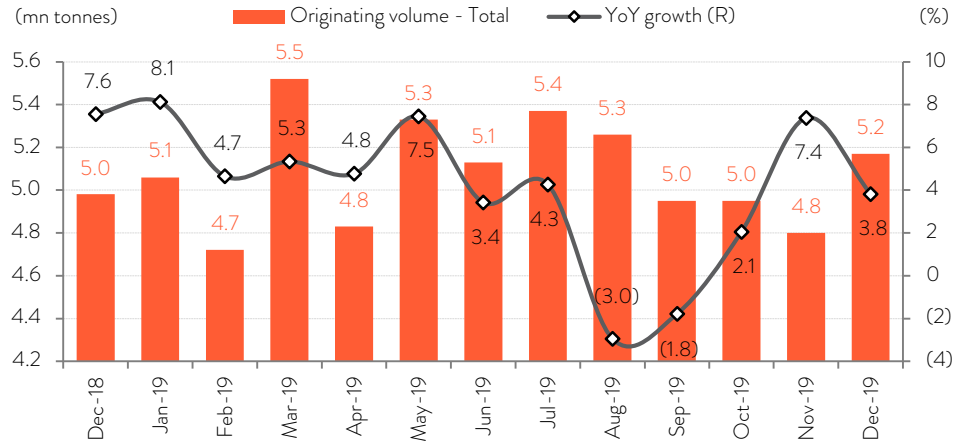
### Growth in both EXIM and domestic volumes

#### EXIM container rail volumes increased at 3.5% YoY in Dec'19

- As per data published by the Indian Railways (IR), growth in container rail traffic decelerated to 3.8% YoY at 5.2mn tonnes in Dec'19, vs. 7.4% YoY in Nov'19.
- Although EXIM growth moderated to 3.5% YoY in Dec'19 vs. 9.3% in Nov'19, we believe this growth is decent given the healthy base (+10.4%/+12.7% in Dec'18/Dec'17). Domestic volume growth improved to 5.3% YoY (flat in Nov'19).
- Overall container traffic growth in FY20 YTD/Q3 stands at 3%/4.3% YoY.
- EXIM container traffic has grown faster than that at major ports (-1.2% in tonnage terms in Dec'19), which indicates possible market share gain in container traffic for rail from road.

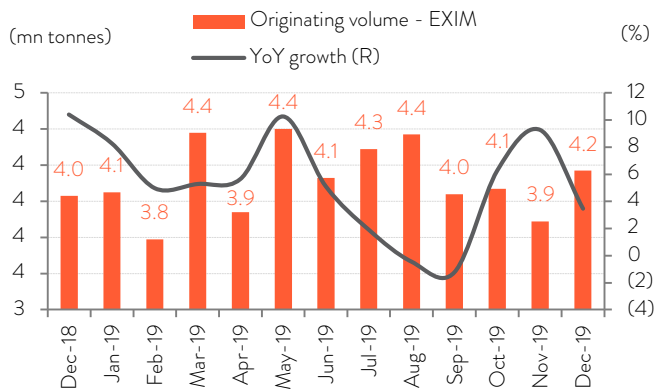
- Despite container rail growth accelerating to 4.3% YoY in Q3FY20 vs. -0.2% YoY in Q2FY20, Container Corp has reported a 1.7% decline in its Q3 provisional volumes – likely due to its conscious decision not to pursue short-haul freight business.

**FIG 4 – CONTAINER RAIL VOLUMES INCREASED BY 3.8% YOY IN DEC'19**



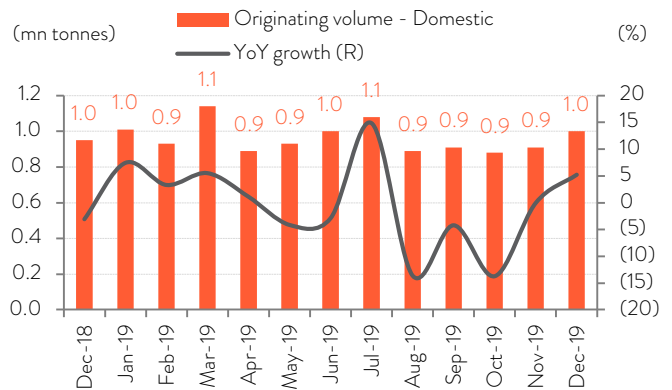
Source: Indian Railways, BOBCAPS Research

**FIG 5 – EXIM VOLUMES GREW BY 3.5% YOY**



Source: Indian Railways, BOBCAPS Research

**FIG 6 – DOMESTIC VOLUMES GREW 5.3% YOY**



Source: Indian Railways, BOBCAPS Research

**Decline in lead distance led to flat NTKM**

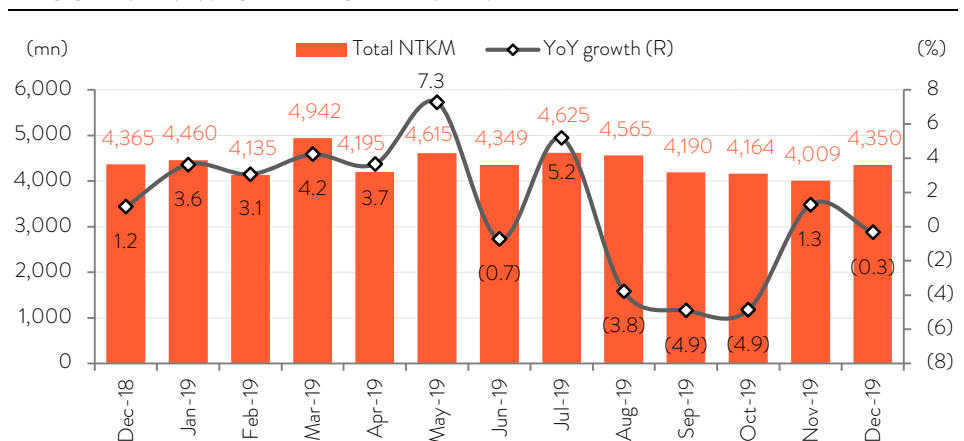
**4% decline in lead distance induced 0.3% decline in NTKM**

- Total lead distance fell 3.8% YoY to 841km in Dec'19 vs. 874km in Dec'18 – the fifth consecutive month of decline. Domestic/EXIM lead distances fell 3.4%/4.2% YoY.
- Consequent to lower leads, NTKM was flat (-0.3% YoY) at 4.4bn. EXIM NTKM fell 0.8% YoY, while domestic NTKM inched up 0.9% YoY.
- Total NTKM growth for FY20 YTD/Q3 now stands at +0.2%/-1.4% YoY.

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

(km)	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>Domestic lead distance</b>	<b>1,268</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>	<b>1,225</b>
YoY growth (%)	(6.0)	(4.8)	(1.4)	(1.3)	(0.5)	4.1	(6.6)	(15.9)	0.8	(4.8)	(3.4)	(5.2)	(3.4)
<b>EXIM lead distance</b>	<b>782</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>	<b>749</b>
YoY growth (%)	(4.6)	(3.8)	-	(1.0)	(0.9)	(0.1)	(2.2)	6.4	0.1	(2.3)	(5.7)	(4.9)	(4.2)
<b>Total lead distance</b>	<b>874</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>	<b>841</b>
YoY growth (%)	(6.2)	(3.7)	(1.6)	(1.1)	(1.1)	(0.1)	(4.0)	0.8	(0.8)	(3.2)	(6.9)	(5.6)	(3.8)

Source: Indian Railways, BOBCAPS Research

**FIG 8 – NTKM WAS FLAT YOY AT 4.4BN**

Source: Indian Railways, BOBCAPS Research

## EXIM trade

### Non-oil, non-gold imports slide further, exports down too

**Exports down 1.8% YoY,  
imports 8.8%**

- EXIM merchandise trade (in US dollar terms) declined for the seventh consecutive month in Dec'19, falling 6% YoY to US\$ 66bn.
- Exports contracted by 1.8% YoY in Dec'19 vs. a 0.3% decline in Nov'19. After being resilient for two months, core exports (non-oil, non-gold) decreased by 0.5% YoY (+4.1% in Nov'19). This was driven by lower exports of organic chemicals (-5.1% YoY in Dec'19 vs. +2.5% in Nov'19), agricultural products (-3.4% vs. +1.5%), and engineering goods (-1.2% vs. +6.3%).
- Total imports fell 8.8% YoY, marking the seventh consecutive month of decline. Core imports (non-oil, non-gold) decreased 12.2%, the sharpest contraction in over 44 months. Transport equipment (-30.1% YoY), pearls and precious stones (-12.0%), and electronic goods (-1.4%) were some commodities that registered steep declines.

**FIG 9 – EXIM TRADE TREND**

(US\$ bn)	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
<b>Total EXIM trade</b>	<b>70.2</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>	<b>66.0</b>
YoY growth (%)	0.5	1.4	(2.2)	5.3	2.9	4.1	(9.3)	(5.8)	(10.6)	(11.0)	(10.6)	(8.1)	(6.0)
<b>Total exports</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>	<b>27.4</b>
YoY growth (%)	0.1	3.7	2.5	11.0	0.6	3.9	(9.7)	2.2	(6.0)	(6.6)	(1.1)	(0.3)	(1.8)
<b>Non-oil, non-gold exports</b>	<b>21.2</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>	<b>21.1</b>
YoY growth (%)	1.3	8.2	5.1	13.4	(1.3)	7.4	(4.9)	5.2	(5.6)	(4.2)	0.6	4.1	(0.5)
<b>Total imports</b>	<b>42.4</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>	<b>38.6</b>
YoY growth (%)	0.8	0.0	(5.4)	1.4	4.5	4.3	(9.1)	(10.4)	(13.4)	(13.8)	(16.3)	(12.7)	(8.8)
<b>Non-oil, non-gold imports</b>	<b>29.0</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>	<b>25.5</b>
YoY growth (%)	(1.9)	(0.8)	(3.7)	(2.7)	(2.2)	(0.7)	(9.0)	(2.2)	(8.2)	(8.9)	(10.1)	(12.0)	(12.2)

Source: Ministry of Commerce and Industry, BOBCAPS Research

## Nov'19 IIP data

### Industrial output turns positive on benign base

- After three successive months of contraction, industrial output expanded 1.8% in Nov'19 (vs. -4% in Oct'19). A benign base – general IIP grew 0.2% YoY in Nov'18 – aided this revival.
- Manufacturing output accelerated to 2.7% YoY in Nov'19 vs. -2.3% in Oct'19. Intermediate goods increased 17.1% YoY, followed by consumer non-durables (+2% YoY). Capital goods fell by a slower -8.6% YoY in Nov'19 vs. -22% in Oct'19. Consumer durables production also declined at a slower pace of -1.5% YoY in Nov'19 vs. -18.8% 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	106	120	13	10.3	11.6	13.0	10.4	9.2	8.1	12.1	12.5	12.9
CCRI	ADD	557	655	18	17.5	21.0	25.8	31.9	26.5	21.6	10.2	11.9	13.4
FSCSL	BUY	448	680	52	12.9	20.9	30.8	34.9	21.4	14.5	8.2	12.1	15.7
MLL	BUY	434	460	6	10.4	14.4	18.5	41.7	30.1	23.4	14.1	17.3	19.8
TCIEXP	ADD	735	855	16	24.6	30.2	37.2	29.9	24.4	19.8	30.7	29.1	28.3
TRPC	BUY	272	365	34	21.5	24.8	30.3	12.7	11.0	9.0	17.1	17.0	17.9
VRL	BUY	273	330	21	12.2	13.2	15.0	22.3	20.7	18.2	16.5	16.5	17.3

Source: Company, BOBCAPS Research

## Disclaimer

### 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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