

## Subdued June marks end of tepid Q1FY20

**Key trade growth indicators remained soft in Jun'19, led by sluggish industrial activity and weak underlying demand in the economy. Cargo traffic at major ports declined 0.5% YoY while container traffic grew a paltry 0.4% (in tonnes). Container rail appears to have gained market share, but growth has moderated to 3.4% YoY from 7.5% in May'19. Non-oil, non-gold EXIM trade plunged 7% YoY. Most of these industry parameters remained weak in Q1FY20 as well, indicating a muted quarter for logistics companies.**

Sayan Das Sharma

research@bobcaps.in

**Container traffic growth at major ports slows:** After a strong showing in May'19 when container traffic at major ports grew 14% YoY, growth decelerated to a meagre 1% YoY in Jun'19 (in TEU terms). Kandla (+90% YoY from a low base), Kolkata (+6%), and Vizag (+5%) registered growth, whereas Chennai continued to lose market share (-15%). JNPT grew at a tepid 2% YoY, the slowest in a year. Overall cargo volumes at major ports declined marginally by 0.5% YoY in June.

**Container rail volumes remain sedate:** Total container rail volumes grew at a paltry 3.4% YoY in Jun'19. EXIM volumes grew 5% YoY, faster than container traffic growth at major ports (+0.4% YoY in tonnage terms), which indicates possible market share gain for railways in EXIM container trade. Domestic volumes, however, fell 3% YoY. Q1FY20 volumes grew 5.2% YoY; driven by 7% growth in EXIM while domestic dipped 2% YoY. Container Corp (CCRI) reported a volume decline of 0.9% YoY in Q1FY20. Barring a substantial boost to India's EXIM trade, container rail volumes are likely to remain soft in Q2FY20 due to a high base of Q2FY19 (+16% YoY).

**EXIM trade plummets, IIP growth softens:** Merchandise EXIM trade nosedived 9.3% YoY in Jun'19 (US\$ terms) as exports/imports contracted 9.7%/9.1%. Non-oil, non-gold exports/imports tumbled 4.9%/9% YoY. May'19 IIP growth decelerated to 3.1% YoY from 4.3% in Apr'19, with manufacturing output growth slowing to 2.5% YoY (4% in April).

**Tepid quarter on the whole:** Most demand indicators were subdued through Q1FY20 – cargo traffic at major ports grew just 1.5% YoY, container rail volumes increased 5.2%, and non-oil, non-gold EXIM trade growth fell 1%. This points to a likely moderate quarter for our logistics coverage universe.

### KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
AGLL IN	100	130	BUY
CCRI IN	552	520	REDUCE
FSCS IN	594	780	BUY
MAHLOG IN	457	600	BUY
TCIEXP IN	623	880	BUY
TRPC IN	292	365	BUY

Price & Target in Rupees



## Logistics demand barometers – Jun'19

### Major port volumes

#### Cargo volumes down 0.5% YoY; container growth muted

**Total cargo volumes at major ports fell for the second consecutive month in June**

**Container traffic growth was also sedate at 0.4%/1% YoY in tonnage/TEU terms**

- Aggregate cargo volumes at major ports declined by 0.5% YoY (–2.7% MoM) to 57.6mn tonnes (mt) in Jun'19. This marks the second consecutive month of volume decline, after a fall of a similar magnitude in May. Q1FY20 volumes grew at a meagre 1.5% YoY.
- Among commodities, POL (–5% YoY) and thermal coal (–17%) were the key laggards, while iron ore (+24%), coking coal (+20%) and fertilisers (+13%) partially negated the impact. After a strong May'19, container volumes posted subdued growth of 0.4%/1% YoY in tonnage/TEU terms.
- Among major ports, Kolkata (+8.3% YoY) and Cochin (7.6% YoY) led the way, followed by Kandla (+6%), Paradip (+6%) and Vizag (+5%). Mormugao grew the fastest (+18%), albeit from a low base. New Mangalore posted the sharpest decline (–31% YoY), followed by Chennai (–16%), Ennore (–11%) and Mumbai (–3%). Total cargo volumes at JNPT declined by 0.7% YoY, the first decline in over three years.
- After double-digit growth in May, container traffic growth at major ports eased off to 1% YoY (–4% MoM) in Jun'19 in TEU terms. Kandla grew ~90% YoY, followed by Kolkata (+6%) and Vizag (+5%). JNPT posted a soft 2% YoY growth in container traffic. Chennai continues to lose market share with volumes dipping 15% YoY, while Cochin witnessed a 22% drop.

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

('000 tonnes)	Jun-19	Jun-18	YoY (%)	May-19	MoM (%)
Chennai	3,939	4,678	(15.8)	4,231	(6.9)
Cochin	2,811	2,612	7.6	2,870	(2.1)
Ennore	2,546	2,862	(11.0)	3,008	(15.4)
JNPT	5,627	5,667	(0.7)	6,012	(6.4)
Kandla	10,061	9,473	6.2	9,758	3.1
Kolkata	5,542	5,116	8.3	5,727	(3.2)
Mormugao	1,204	1,017	18.4	1,790	(32.7)
Mumbai	4,568	4,718	(3.2)	5,358	(14.7)
New Mangalore	2,823	4,081	(30.8)	2,850	(0.9)
Paradip	9,716	9,204	5.6	8,937	8.7
Tuticorin	2,809	2,794	0.5	2,950	(4.8)
Vizag	5,907	5,603	5.4	5,689	3.8
<b>Total major ports</b>	<b>57,553</b>	<b>57,825</b>	<b>(0.5)</b>	<b>59,180</b>	<b>(2.7)</b>

Source: Indian Ports Association, BOBCAPS Research

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

('000 tonnes)	Jun-19	Jun-18	YoY (%)	May-19	MoM (%)
Coal - Coking	5,156	4,303	19.8	4,451	15.8
Coal - Thermal	7,529	9,073	(17.0)	8,618	(12.6)
Containers - Tonnage	12,272	12,228	0.4	12,884	(4.8)
Fertilisers – Finished & raw	1,471	1,298	13.3	1,250	17.7
Fertilisers - Raw	502	730	(31.2)	377	33.2
Iron ore	4,422	3,558	24.3	4,757	(7.0)
POL	18,588	19,488	(4.6)	18,934	(1.8)
Others	8,115	7,877	3.0	8,286	(2.1)
<b>Total major ports</b>	<b>57,553</b>	<b>57,825</b>	<b>(0.5)</b>	<b>59,180</b>	<b>(2.7)</b>

Source: Indian Ports Association, BOBCAPS Research

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

('000 TEU)	Jun-19	Jun-18	YoY (%)	May-19	MoM (%)
Chennai	122	144	(15.3)	127	(3.9)
Cochin	54	69	(21.7)	48	12.5
Ennore	13	-	NM	14	(7.1)
JNPT	410	402	2.0	449	(8.7)
Kandla	40	21	90.5	40	-
Kolkata	74	70	5.7	68	8.8
Mormugao	2	2	0.0	3	(33.3)
Mumbai	3	3	0.0	2	50.0
New Mangalore	13	12	8.3	10	30.0
Paradip	1	1	0.0	0	-
Tuticorin	65	67	(3.0)	68	(4.4)
Vizag	42	40	5.0	44	(4.5)
<b>Total major ports</b>	<b>839</b>	<b>831</b>	<b>1.0</b>	<b>873</b>	<b>(3.9)</b>

Source: Indian Ports Association, BOBCAPS Research

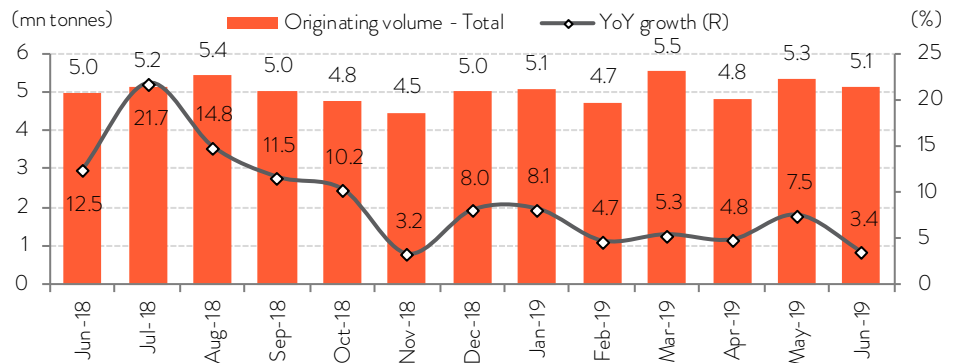
## Container rail traffic

### EXIM container growth tapers; domestic volumes continue to slide

**EXIM container volume growth moderated to 5.1% YoY; domestic volumes declined 3%**

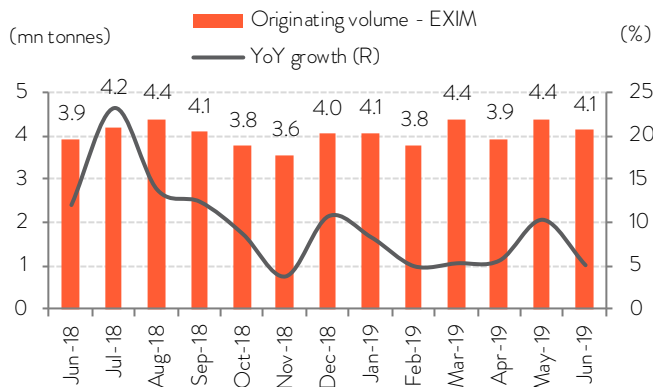
- As per data published by the Indian Railways (IR), total container rail volume growth decelerated to 3.4% YoY in June to 5.1mt (7.5% YoY in May'19), the slowest growth since Nov'18.
- After rising 10% YoY in May'19, EXIM container traffic growth eased off to 5.1%, following a similar trend at major ports. Domestic container volumes declined by 3%, the second consecutive month of decline.
- Despite slowing growth momentum, IR's container traffic has grown substantially faster than that at major ports in Jun'19 (0.4% YoY in tonnage terms). This indicates possible market share gain for the railways.
- IR's container traffic growth in Q1FY20 stood at 5.2% YoY, with EXIM volumes growing 7% YoY. Domestic volumes declined 2% YoY for the quarter.

**FIG 4 – CONTAINER RAIL VOLUMES GREW 3.4% YOY IN JUN'19**



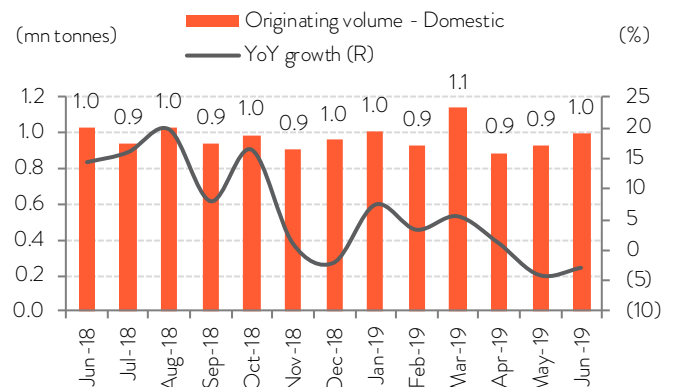
Source: Indian Railways, BOBCAPS Research

**FIG 5 – EXIM VOLUME GROWTH EASED TO 5.1% YOY**



Source: Indian Railways, BOBCAPS Research

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



Source: Indian Railways, BOBCAPS Research

### Lead distances plunge

**Total lead distance stood at 848km in Jun'19, -2% MoM and -4% YoY**

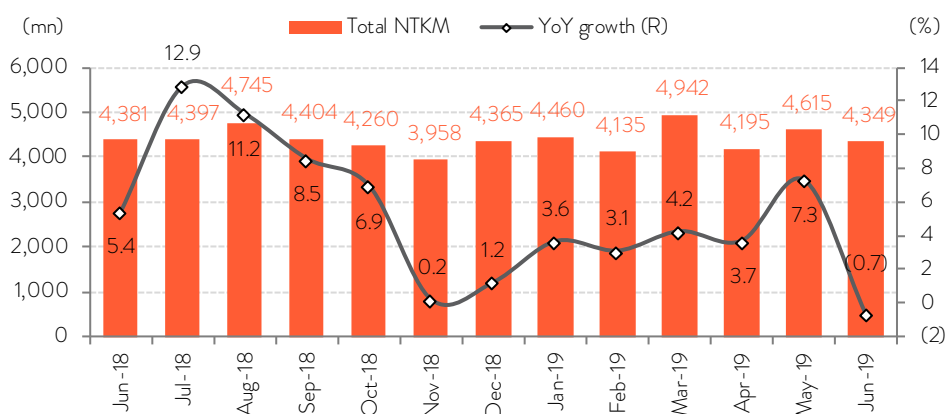
- After remaining relatively stable for few months, overall lead distances fell 4% YoY to 848km, the steepest fall since Dec'18. EXIM lead distance dipped 2% to 771km, while the domestic segment fell by a much steeper 7% to 1,166km.
- Total lead distance in Q1 fell 2% YoY, with EXIM/domestic falling 1.5%/0.1%.
- Net tonne kilometres (NTKM) declined by 0.7% YoY in Jun'19. EXIM NTKM increased 3% YoY, which was offset by a 9% plunge in domestic NTKM.

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

(km)	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
<b>Domestic lead distance</b>	<b>1,248</b>	<b>1,249</b>	<b>1,277</b>	<b>1,240</b>	<b>1,287</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>
YoY growth (%)	(9.2)	(7.1)	(3.8)	(5.8)	(6.6)	(3.4)	(6.3)	(4.8)	(1.4)	(1.3)	(0.5)	4.1	(6.6)
<b>EXIM lead distance</b>	<b>788</b>	<b>765</b>	<b>781</b>	<b>792</b>	<b>794</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>
YoY growth (%)	(5.3)	(6.7)	(3.6)	(1.0)	(2.3)	(2.6)	(4.9)	(3.8)	-	(1.0)	(0.9)	(0.1)	(2.2)
<b>Total lead distance</b>	<b>883</b>	<b>854</b>	<b>875</b>	<b>875</b>	<b>897</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>
YoY growth (%)	(6.3)	(7.3)	(3.2)	(2.8)	(3.0)	(3.1)	(6.3)	(3.7)	(1.6)	(1.1)	(1.1)	(0.1)	(4.0)

Source: Indian Railways, BOBCAPS Research

**FIG 8 – NTKM GREW ONLY 0.7% YOY IN JUN'19**



Source: Indian Railways, BOBCAPS Research

## EXIM trade

### Exports, imports record sharpest fall in three years

**Non-oil, non-gold exports/imports tumbled 4.9%/9% YoY in Jun'19**

- EXIM trade (merchandise trade in US dollar terms) plunged 9.3% YoY in Jun'19 to US\$ 65bn, down from 4.1% YoY growth in May'19.
- Exports plummeted 9.7% YoY, sharpest fall since Jan'16, following three successive months of positive growth. Non-oil, non-gold exports, a more relevant indicator for logistics, declined 4.9% YoY compared with an increase of 7.4% in May'19.
- Imports fell 9.1% YoY vs. 4.3% growth in May'19. The ongoing domestic consumption slowdown led to a 9% YoY decline in non-oil, non-gold imports, representing the eighth consecutive month of contraction and steepest decline in past 35 months.

**FIG 9 – EXIM TRADE TREND**

(US\$ bn)	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
<b>Total EXIM trade</b>	<b>72.0</b>	<b>69.6</b>	<b>73.1</b>	<b>69.9</b>	<b>71.1</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>
YoY growth (%)	19.7	23.0	23.0	5.0	17.7	2.9	(1.3)	1.4	(2.2)	5.3	2.9	4.1	(9.3)
<b>Total exports</b>	<b>27.7</b>	<b>25.8</b>	<b>27.8</b>	<b>28.0</b>	<b>27.0</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>
YoY growth (%)	17.1	14.3	19.2	(2.2)	17.9	0.8	0.4	3.7	2.5	11.0	0.6	3.9	(9.7)
<b>Non-oil, non-gold exports</b>	<b>20.1</b>	<b>18.7</b>	<b>20.7</b>	<b>19.8</b>	<b>18.9</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>
YoY growth (%)	15.2	10.0	16.4	(2.5)	14.5	(3.9)	1.1	8.2	5.1	13.4	(1.3)	7.4	(4.9)
<b>Total imports</b>	<b>44.3</b>	<b>43.8</b>	<b>45.2</b>	<b>41.9</b>	<b>44.1</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>
YoY growth (%)	21.3	28.8	25.4	10.5	17.6	4.3	(2.4)	0.0	(5.4)	1.4	4.5	4.3	(9.1)
<b>Non-oil, non-gold imports</b>	<b>29.2</b>	<b>28.5</b>	<b>29.8</b>	<b>28.4</b>	<b>28.2</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>
YoY growth (%)	12.5	18.4	12.8	1.2	11.8	(5.8)	(1.9)	(0.8)	(3.7)	(2.7)	(2.2)	(0.7)	(9.0)

Source: Ministry of Commerce and Industry, BOBCAPS Research

## May'19 IIP data

### Manufacturing output moderates yet again

- Industry output growth softened to 3.1% in May'19 from 4.3% in Apr'19, owing to moderation in manufacturing output (+2.5% YoY in May vs. +4% in Apr) and mining (+3.2% vs. +5.1% in Apr).
- Within manufacturing, consumer durables declined by 0.1% YoY while capital goods reported meagre 0.8% YoY growth. FMCG production accelerated to 7.7% from 5.9% in Apr'19.

## BOBCAPS logistics universe: Valuation summary

FIG 10 – VALUATION SUMMARY

Company	Rating	Target (Rs)	Upside (%)	EPS (Rs)			P/E (x)			ROE (%)		
				FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
AGLL	BUY	135	35	10.1	10.4	11.9	9.9	9.6	8.4	12.5	12.3	12.9
CCRI	REDUCE	520	(6)	19.9	21.2	20.5	27.6	26.0	26.9	12.3	11.9	10.6
FSCS	BUY	780	31	24.0	30.0	31.0	24.7	19.8	19.1	17.0	18.3	16.1
MAHLOG	BUY	600	31	12.0	15.6	19.9	38.1	29.3	23.0	18.7	20.7	22.7
TCIEXP	BUY	880	41	19.0	23.0	28.9	32.7	27.1	21.5	30.7	29.0	28.8
TRPC	BUY	365	25	19.0	22.7	26.7	15.4	12.9	11.0	17.7	17.9	18.0

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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