

Recovery rolls ahead

Most high frequency indicators maintained their upward trajectory in November. Container rail traffic grew at a robust 12.5% YoY and total rail freight grew 9% YoY. After falling for eight successive months, major port cargo rose 3% as well, with broad-based growth across commodities. Traction in these lead indicators augurs well for logistics companies in our universe. Nevertheless, sustained consumption demand following the festive season holds the key to a steady revival. VRL Logistics is our top pick in the sector.

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Container rail traffic gathering steam: Container freight carried by the Indian Railways (IR) grew at a strong 12.5% YoY in Nov'20 (9.3% in Oct'20), the highest growth in over two years. EXIM volumes accelerated by 10% YoY while domestic freight posted the fastest YoY growth since Jun'17 at 23%. After registering declines for each of the first five months of FY21, total rail container traffic has risen 10% YoY during Sep-Nov'20 – a strong revival which bodes well for container rail operators such as Container Corp. The MoM change in EXIM container rail volume (-2.5%) was in line with container traffic at major ports (-2.4% MoM on tonnage), indicating stable market share for rail.

Growth in rail freight volume eases but still healthy: Total freight carried by IR grew by 9% YoY, slower than the 15% rate in Oct'20. Growth was broad-based across commodities, with foodgrain (+67% YoY), cement (+26%) and steel (+20%) growing the fastest, while coal declined marginally (-0.7% YoY).

Major port cargo growth back in positive territory: After declining for eight consecutive months, cargo at major ports grew 3% YoY in Nov'20 vs. a 1% YoY dip in Oct'20. Kolkata (+24% YoY), Mormugao (+23% YoY), Paradip (+17%), Cochin (+17%) and JNPT (+9%) catalysed this growth, while Ennore (-23%), New Mangalore (-21%), Tuticorin (-20%) and Mumbai (-12%) posted YoY declines. Among commodities, coking coal (+44%), iron ore (+19%) and container (+11%/+9% YoY in tonnage/TEU) grew the fastest. POL (-12% YoY) continued its decline and fertiliser volumes also slipped (-5%).

Core import decline eases, e-way bill generation steady: Core EXIM (non-oil, non-gold merchandise trade) fell 1% YoY after a flat showing in Oct'20. Though the fall in core imports eased to 2% YoY (-5% in Oct'20), non-oil, non-gold exports fell by 0.4% vs. 6.5% growth in the previous month. Total e-way bills generated rose 8% YoY to 58mn in Nov'20.

RECOMMENDATION SNAPSHOT

Ticker	Rating
AGLL IN	ADD
CCRI IN	SELL
MAHLOG IN	BUY
TCIEXP IN	BUY
TRPC IN	BUY
VRL IN	BUY



Key exhibits

Major port volumes

FIG 1 – TOTAL CARGO AT MAJOR PORTS GREW FOR THE FIRST TIME SINCE FEB'20

('000 tonnes)	Nov-20	Nov-19	YoY (%)	Oct-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	3,415	3,552	(3.9)	4,005	(14.7)	25,800	32,140	(19.7)
Cochin	3,073	2,647	16.1	2,542	20.9	18,195	22,112	(17.7)
Ennore	1,936	2,518	(23.1)	1,754	10.4	14,466	20,562	(29.6)
JNPT	5,695	5,223	9.0	5,729	(0.6)	38,364	45,072	(14.9)
Kandla	10,934	11,115	(1.6)	9,554	14.4	73,860	82,208	(10.2)
Kolkata	5,958	4,813	23.8	5,610	6.2	37,129	41,091	(9.6)
Mormugao	2,033	1,647	23.4	1,624	25.2	12,209	10,384	17.6
Mumbai	4,647	5,287	(12.1)	4,173	11.4	33,278	40,918	(18.7)
New Mangalore	2,856	3,592	(20.5)	2,939	(2.8)	22,330	24,179	(7.6)
Paradip	10,277	8,786	17.0	9,884	4.0	72,244	73,253	(1.4)
Tuticorin	2,235	2,800	(20.2)	2,414	(7.4)	21,195	24,077	(12.0)
Vizag	6,427	5,873	9.4	6,040	6.4	45,234	47,058	(3.9)
Total major ports	59,486	57,853	2.8	56,268	5.7	4,14,304	4,63,054	(10.5)

Source: Indian Ports Association, BOBCAPS Research

FIG 2 – COKING COAL, IRON ORE AND CONTAINERS WERE THE FASTEST GROWING COMMODITIES

('000 tonnes)	Nov-20	Nov-19	YoY (%)	Oct-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Coal - Coking	5,439	3,784	43.7	5,189	4.8	31,519	36,955	(14.7)
Coal - Thermal	6,943	6,971	(0.4)	6,692	3.8	48,160	58,177	(17.2)
Containers - Tonnage	12,321	11,079	11.2	12,627	(2.4)	86,364	97,927	(11.8)
Fertilisers - Finished & raw	1,667	1,746	(4.5)	2,317	(28.1)	12,214	11,062	10.4
Iron ore	6,097	5,136	18.7	5,384	13.2	44,487	33,958	31.0
POL	17,834	20,184	(11.6)	15,841	12.6	1,28,756	1,57,911	(18.5)
Others	9,185	8,953	2.6	8,218	11.8	62,804	67,064	(6.4)
Total major ports	59,486	57,853	2.8	56,268	5.7	4,14,304	4,63,054	(10.5)

Source: Indian Ports Association, BOBCAPS Research

FIG 3 – EX-KOLKATA, MOST PROMINENT CONTAINER PORTS WITNESSED VOLUME GROWTH

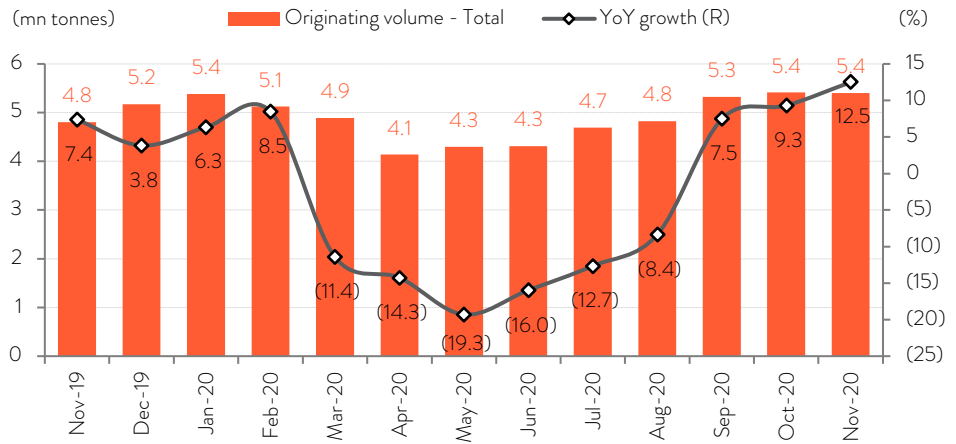
('000 teu)	Nov-20	Nov-19	YoY (%)	Oct-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	116	104	11.5	131	(11.5)	808	963	(16.1)
Cochin	66	46	43.5	61	8.2	412	410	0.5
Ennore	25	8	212.5	7	257.1	94	84	11.9
JNPT	414	385	7.5	423	(2.1)	2,762	3,360	(17.8)
Kandla	46	35	31.4	51	(9.8)	325	274	18.6
Kolkata	53	70	(24.3)	68	(22.1)	436	580	(24.8)
Mormugao	2	3	(33.3)	2	-	15	21	(28.6)
Mumbai	3	2	50.0	3	-	14	19	(26.3)
New Mangalore	11	12	(8.3)	14	(21.4)	95	101	(5.9)
Paradip	1	1	-	2	(50.0)	10	7	42.9
Tuticorin	59	58	1.7	58	1.7	470	544	(13.6)
Vizag	36	40	(10.0)	45	(20.0)	326	341	(4.4)
Total major ports	832	764	8.9	865	(3.8)	5,767	6,704	(14.0)

Source: Indian Ports Association, BOBCAPS Research

Container rail traffic

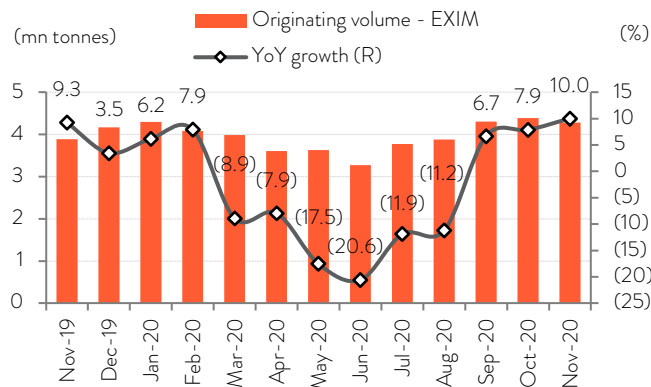
FIG 4 – CONTAINER RAIL TRAFFIC GATHERED STEAM

Container rail traffic rose 12.5% YoY to 5.4mn tonnes – highest growth in 25 months



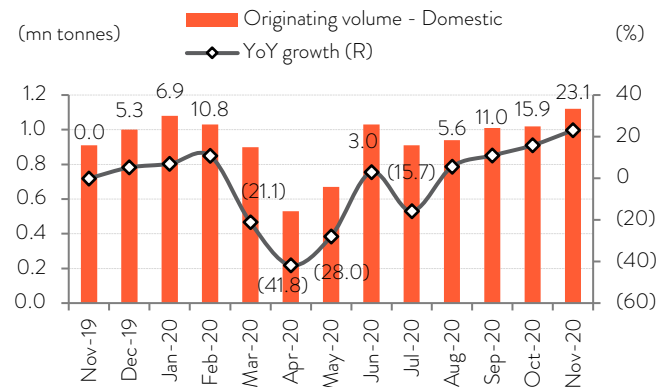
Source: Indian Railways, BOBCAPS Research

FIG 5 – EXIM CONTAINER VOLUME GROWTH TICKED UP TO 10% YOY VS. 8% IN OCT'20



Source: Indian Railways, BOBCAPS Research

FIG 6 – DOMESTIC VOLUME GROWTH OF 23% FASTEST IN OVER THREE YEARS



Source: Indian Railways, BOBCAPS Research

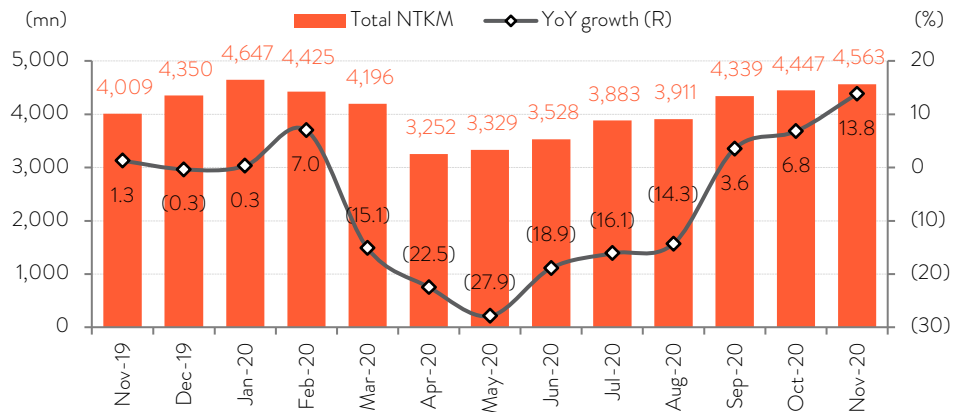
FIG 7 – DOMESTIC LEAD DISTANCE GROWS; EXIM ALSO TICKS UP SEQUENTIALLY

(km)	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Domestic lead distance	1,198	1,225	1,225	1,245	1,220	1,183	1,202	977	1,264	1,214	1,226	1,264	1,307
YoY growth (%)	(5.2)	(3.4)	(3.9)	(1.8)	(4.5)	0.5	(5.7)	(16.3)	20.2	(5.7)	4.9	2.7	9.1
EXIM lead distance	750	749	773	768	773	727	695	769	723	714	719	719	724
YoY growth (%)	(4.9)	(4.2)	(6.3)	(1.7)	(2.9)	(8.8)	(10.9)	(0.3)	(11.2)	(8.7)	(7.1)	(5.0)	(3.5)
Total lead distance	835	841	864	864	856	785	774	819	828	811	816	822	845
YoY growth (%)	(5.6)	(3.8)	(2.6)	(1.5)	(4.4)	(9.6)	(10.6)	(3.4)	(3.9)	(6.5)	(3.5)	(2.3)	1.2

Source: Indian Railways, BOBCAPS Research

Double-digit volume growth, coupled with higher leads catalysed best NTKM growth since Jun'17

FIG 8 – NTKM GREW AT A STRONG 13.8% YOY, FASTEST SINCE JUN'17

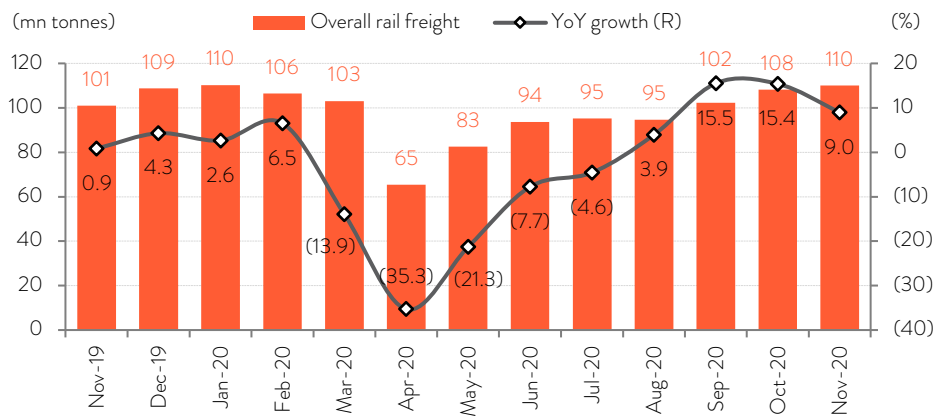


Source: Indian Railways, BOBCAPS Research

Rail freight (all commodities)

Rail freight growth was driven by foodgrain, cement and steel

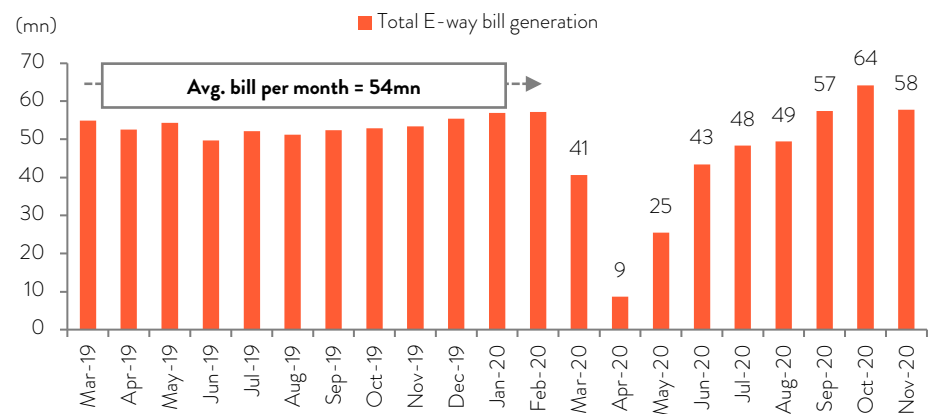
FIG 9 – TOTAL RAIL FREIGHT GROWTH EASED TO 9%



Source: Indian Railways, BOBCAPS Research

E-way bill collection

FIG 10 – E-WAY BILLS GENERATED IN NOV'20 GREW 8% YOY



Source: Company, BOBCAPS Research

EXIM trade

FIG 11 – CORE EXIM TRADE DECLINED 1%; DECLINE IN IMPORTS EASED OVER OCT'20

(US\$ bn)	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Total EXIM trade	64.3	66.0	67.1	65.2	52.6	27.5	41.3	43.0	52.1	52.2	57.9	58.5	56.9
YoY growth (%)	(7.8)	(6.0)	(1.1)	2.7	(31.2)	(59.3)	(45.2)	(38.9)	(21.2)	(20.8)	(9.1)	(8.9)	(11.5)
Total exports	25.8	27.4	26.0	27.7	21.4	10.4	19.1	21.9	23.6	22.7	27.6	24.9	23.5
YoY growth (%)	(1.2)	(1.8)	(1.7)	2.9	(34.6)	(60.3)	(36.5)	(12.4)	(10.2)	(12.7)	6.0	(5.1)	(8.7)
Non-oil, non-gold exports	19.4	21.1	19.8	21.2	16.9	9.1	16.4	18.5	20.4	19.0	21.3	20.3	19.3
YoY growth (%)	4.4	(0.5)	(0.8)	6.2	(34.2)	(53.5)	(23.6)	(3.5)	3.4	(3.2)	11.9	6.5	(0.4)
Total imports	38.5	38.6	41.1	37.5	31.2	17.1	22.2	21.1	28.5	29.5	30.3	33.6	33.4
YoY growth (%)	(11.8)	(8.8)	(0.8)	2.5	(28.7)	(58.6)	(51.0)	(53.5)	(28.4)	(26.0)	(19.6)	(11.5)	(13.3)
Non-oil, non-gold imports	24.5	25.5	26.6	24.4	19.9	12.5	18.6	15.6	20.2	19.4	23.9	25.1	24.1
YoY growth (%)	(12.0)	(12.2)	(4.7)	0.3	(30.5)	(52.2)	(34.2)	(41.4)	(29.2)	(29.6)	(12.6)	(4.9)	(1.7)
Non-oil, non-gold EXIM	43.9	46.5	46.4	45.6	36.8	21.5	35.0	34.1	40.5	38.3	45.2	45.4	43.4
YoY growth (%)	(5.4)	(7.3)	(3.0)	3.0	(32.2)	(52.8)	(29.6)	(25.5)	(15.8)	(18.6)	(2.5)	(0.1)	(1.1)

Source: Ministry of Commerce and Industry, 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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