

## Rail container volumes steady, major port cargo sluggish

Trade indicators exhibited mixed trends in Jan'20. Container rail volumes (+6% YoY) continued to grow in mid-single digits, but lower lead distances (-3% YoY) weighed on NTKM growth (+0.3%). Major port cargo grew at a meagre 2.5% YoY despite a lower base. Container traffic at major ports, however, expanded 2% YoY (in TEUs) vs. a 2% dip in Dec'19. Merchandise exports fell 1.7% while imports contracted at a slower 0.8% YoY. The domestic slowdown, global trade headwinds and coronavirus epidemic will continue to weigh on demand for logistics services.

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**Stable container rail volume growth:** Container rail volumes rose 6% YoY in Jan'20, led by uptick in both the EXIM (+6% YoY) and domestic (+7%) segments. Rail EXIM grew faster than the 3% YoY increase seen in container tonnage volumes at major ports, signaling possible market share gains for rail from road in container traffic for the fifth consecutive month. Industry sources also suggest that some manufacturers are shifting from road to rail (e.g. PV OEMs) in a quest for lower transport cost amid the demand slowdown. NTKM growth was a paltry 0.3% YoY as lead distances (-3% YoY) remained a drag.

**Insipid growth in major port cargo...:** Total cargo traffic at major ports decelerated to 2.5% YoY in Jan'20 (vs. 6% in Dec'19), underwhelming given the benign base (-2.3% in Jan'19). Among ports, Vizag (+32% YoY), Ennore (+10%), and Mumbai (+7%) led growth, while JNPT (-3%) and Chennai (-13.5%) remained weak. Among commodities, iron ore cargo (+121%) more than doubled. POL (-5%) and miscellaneous cargo (-14.5%) were the key laggards.

**...but container traffic rises:** Container traffic at major ports ticked up 2%/3% YoY in TEU/tonnage terms, from -2%/-1% in Dec'19. Kandla (+79%), Vizag (+18%) and Tuticorin (+8%) were leaders, while JNPT (-2%) and Chennai (-9%) dragged down overall growth. At JNPT, the share of direct port delivery in total laden containers rose marginally to 47.7% (46.5% in Dec'19).

**Exports slip, imports contract at slower pace:** EXIM merchandise trade (in US\$ terms) declined 1% YoY in Jan'20, vs. -6% in Dec'19. Exports dipped 1.7% YoY, but imports fell at a slower pace of 0.8% YoY in Jan'20. Non-oil, non-gold exports/imports contracted by 0.8%/4.7% YoY.

**Dec IIP contracts:** Dec'19 IIP contracted 0.3% YoY vs. 1.8% growth in Nov'19, with manufacturing IIP declining 1.2% YoY vs. 2.7% growth in the prior month.

### RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
AGLL IN	111	117	ADD
CCRI IN	560	630	ADD
FSCS IN	428	450	REDUCE
MAHLOG IN	398	460	BUY
TCIEXP IN	913	895	ADD
TRPC IN	260	355	BUY
VRLIN IN	253	325	BUY

Price & Target in Rupees



## Logistics demand barometers – Jan'19

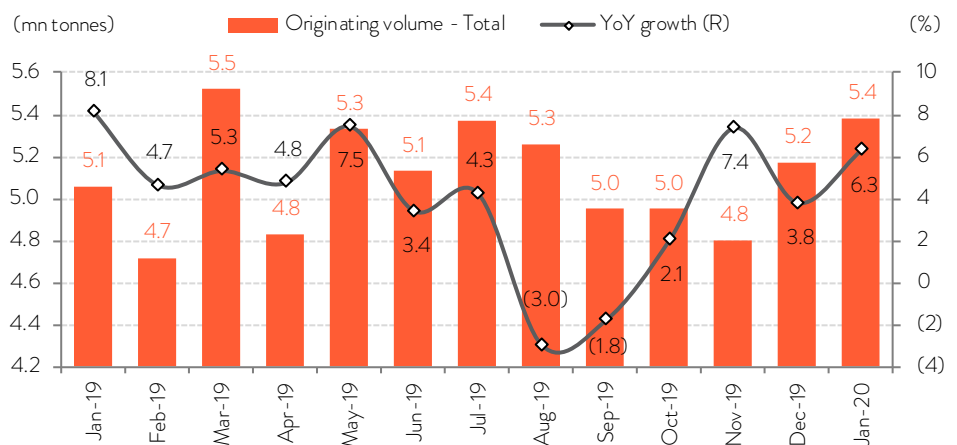
### Container rail traffic

#### Stable volumes, continued market share gain from roads

**Container rail volumes increased 6.3% YoY**

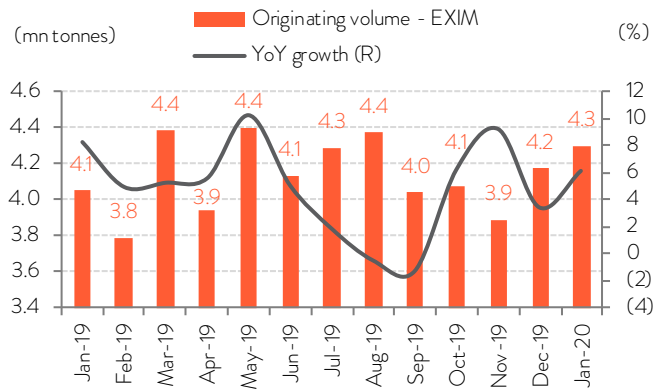
- As per data published by the Indian Railways (IR), growth in container rail traffic accelerated to 6.3% YoY in Jan'20 to 5.4mn tonnes (+3.4% YoY in FY20 YTD).
- EXIM container volumes ticked up to 6.2% YoY vs. 3.5% in Dec'19 (+4.5% YTD) and domestic volumes rose 6.9% YoY (-1% YTD) in Jan'20.
- EXIM rail container traffic grew faster than container volumes at major ports (+3.4% in tonnage terms in Jan'20), implying market share gains from roads for the fifth consecutive month.
- Our industry interactions suggest that some manufacturers are shifting to rail from road in a bid to lower transportation costs in a tough demand climate. For instance, Mahindra Logistics' management highlighted in its Q3FY20 earnings call that a few auto OEMs are increasingly using the rail mode for transporting finished products.
- Among publicly listed container rail operators, Gateway Distriparks has grown at a decent clip of 6% YoY (in TEU terms) in 9MFY20, but behemoth Container Corp printed a volume decline of 1.5% YoY owing to its decision not to pursue low-margin short-haul business opportunities.

**FIG 1 – CONTAINER RAIL VOLUMES INCREASED BY 6.3% YOY IN JAN'20**



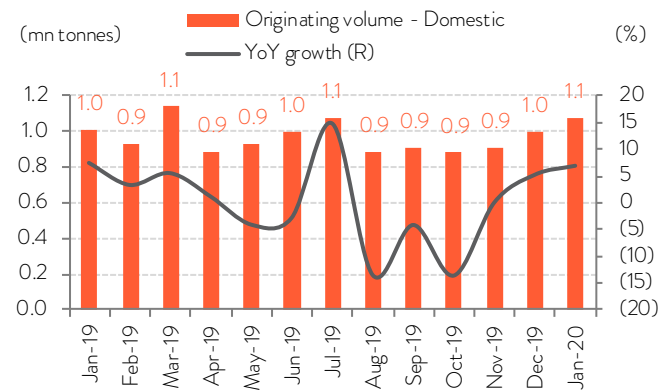
Source: Indian Railways, BOBCAPS Research

**FIG 2 – EXIM VOLUMES GREW 6.2% YOY**



Source: Indian Railways, BOBCAPS Research

**FIG 3 – DOMESTIC VOLUMES GREW 6.9% YOY**



Source: Indian Railways, BOBCAPS Research

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

**3% decline in lead distance capped NTKM growth at 0.3%**

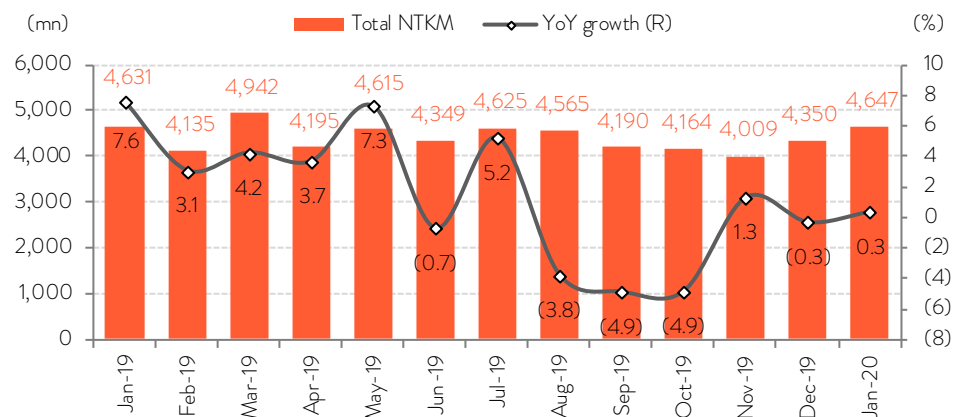
- Total lead distance fell 2.6% YoY to 864km in Jan'20 vs. 887km in Jan'19 – the sixth consecutive month of decline. Domestic/EXIM lead distances fell 3.9%/6.3% YoY.
- Consequent to lower leads, NTKM was flattish (+0.3% YoY) at 4.6bn. EXIM NTKM fell 0.6%, while domestic NTKM rose 2.7% YoY.
- NTKM growth for FY20 YTD stands at +0.2% YoY.

**FIG 4 – LEAD DISTANCES FOR IR CONTAINER TRAFFIC**

(km)	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
<b>Domestic lead distance</b>	1,275	1,267	1,277	1,204	1,275	1,166	1,050	1,287	1,169	1,232	1,198	1,225	1,225
YoY growth (%)	(2.1)	(1.4)	(1.3)	(0.5)	4.1	(6.6)	(15.9)	0.8	(4.8)	(3.4)	(5.2)	(3.4)	(3.9)
<b>EXIM lead distance</b>	825	791	796	793	779	771	814	782	774	757	750	749	773
YoY growth (%)	0.2	-	(1.0)	(0.9)	(0.1)	(2.2)	6.4	0.1	(2.3)	(5.7)	(4.9)	(4.2)	(6.3)
<b>Total lead distance</b>	887	876	895	868	866	848	861	868	846	841	835	841	864
YoY growth (%)	(3.6)	(1.6)	(1.1)	(1.1)	(0.1)	(4.0)	0.8	(0.8)	(3.2)	(6.9)	(5.6)	(3.8)	(2.6)

Source: Indian Railways, BOBCAPS Research

**FIG 5 – NTKM WAS FLAT YOY AT 4.6BN**



Source: Indian Railways, BOBCAPS Research

## Major port volumes

### Cargo volume growth decelerates; containers tick up

#### Cargo at major ports grew 2.5% YoY to 61.7mn MT

- Overall cargo traffic growth at major ports remained positive in Jan'20, but the 2.5% YoY growth was underwhelming given the benign base of Jan'19 (-2.3% YoY). Cargo volumes are up 1% YoY in FY20 YTD.
- Among major ports, Vizag (+32% YoY), Ennore (+10%), Mumbai (+6.8%) and Cochin (+5.5%) led the growth in total cargo. Mormugao also grew 13% YoY from a low base. Chennai (-13.5%), New Mangalore (-8%), Kolkata (-6%) and JNPT (-3%) ports reported YoY declines.
- Among commodities, iron ore (+121% YoY) posted strong growth for the third consecutive month in Jan'20, followed by thermal coal (+5.5%), fertilisers (+4%) and containers (+3% in tonnage terms). POL (-5% YoY), coking coal (-2.5%) and others commodities (-14.5% including other liquids) registered volume declines.
- After slipping in Dec'19, container volumes at major ports rose 2% in Jan'19, in TEU terms, to 8.6mn TEU. Among notable container ports, volumes increased in Kandla (+79% YoY), Vizag (+19%), Kolkata (+9%) and Tuticorin (+8%). However, the two largest container ports – JNPT (-2% YoY) and Chennai (-9%) – continued to report declines.

**FIG 6 – CARGO VOLUMES AT MAJOR PORTS**

('000 tonnes)	Jan-20	Dec-19	YoY (%)	Jan-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Chennai	3,969	4,589	(13.5)	3,695	7.4	39,804	44,435	(10.4)
Cochin	3,015	2,857	5.5	2,893	4.2	28,020	26,148	7.2
Ennore	3,130	2,846	10.0	2,862	9.4	26,554	28,649	(7.3)
JNPT	5,913	6,078	(2.7)	5,789	2.1	56,640	58,604	(3.4)
Kandla	9,552	9,631	(0.8)	10,205	(6.4)	1,01,965	94,545	7.8
Kolkata	5,913	6,286	(5.9)	5,809	1.8	53,007	52,413	1.1
Mormugao	1,705	1,508	13.1	1,329	28.3	13,415	15,219	(11.9)
Mumbai	5,186	4,854	6.8	5,280	(1.8)	51,346	50,240	2.2
New Mangalore	3,314	3,607	(8.1)	3,422	(3.2)	30,915	35,519	(13.0)
Paradip	9,770	9,554	2.3	10,364	(5.7)	93,387	89,982	3.8
Tuticorin	3,030	2,911	4.1	2,826	7.2	29,933	28,623	4.6
Vizag	7,200	5,447	32.2	6,481	11.1	60,739	54,729	11.0
<b>Total major ports</b>	<b>61,697</b>	<b>60,168</b>	<b>2.5</b>	<b>60,955</b>	<b>1.2</b>	<b>5,85,725</b>	<b>5,79,106</b>	<b>1.1</b>

Source: Indian Ports Association, BOBCAPS Research

**FIG 7 – COMMODITY-WISE VOLUMES AT MAJOR PORTS**

('000 tonnes)	Jan-20	Dec-19	YoY (%)	Jan-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Coal - Coking	4,692	4,810	(2.5)	5,224	(10.2)	47,087	46,573	1.1
Coal - Thermal	8,632	8,185	5.5	7,794	10.8	74,603	87,743	(15.0)
Containers - Tonnage	12,914	12,487	3.4	12,244	5.5	1,23,000	1,20,397	2.2
Fertilisers - Finished & raw	1,656	1,595	3.8	1,605	3.2	14,238	12,888	10.5
Iron ore	5,639	2,552	121.0	5,408	4.3	45,005	32,372	39.0
POL	19,789	20,747	(4.6)	20,156	(1.8)	1,97,818	1,92,986	2.5
Others	8,375	9,792	(14.5)	8,524	(1.7)	83,974	86,147	(2.5)
<b>Total major ports</b>	<b>61,697</b>	<b>60,168</b>	<b>2.5</b>	<b>60,955</b>	<b>1.2</b>	<b>5,85,725</b>	<b>5,79,106</b>	<b>1.1</b>

Source: Indian Ports Association, BOBCAPS Research

**FIG 8 – CONTAINER TRAFFIC AT MAJOR PORTS**

('000 teu)	Jan-20	Dec-19	YoY (%)	Jan-19	MoM (%)	YTD FY20	YTD FY19	YoY (%)
Chennai	119	131	(9.2)	103	15.5	1,185	1,364	(13.1)
Cochin	53	56	(5.4)	56	(5.4)	519	483	7.5
Ennore	13	14	(7.1)	12	8.3	109	35	NM
JNPT	427	437	(2.3)	418	2.2	4,205	4,248	(1.0)
Kandla	43	24	79.2	51	(15.7)	371	185	100.5
Kolkata	73	67	9.0	71	2.8	723	699	3.4
Mormugao	3	3	-	3	-	27	32	(15.6)
Mumbai	3	3	-	2	50.0	24	24	-
New Mangalore	13	8	62.5	11	18.2	125	108	15.7
Paradip	2	-	NM	1	NM	10	10	-
Tuticorin	67	62	8.1	59	13.6	670	614	9.1
Vizag	44	37	18.9	44	-	429	378	13.5
<b>Total major ports</b>	<b>860</b>	<b>842</b>	<b>2.1</b>	<b>831</b>	<b>3.5</b>	<b>8,397</b>	<b>8,180</b>	<b>2.7</b>

Source: Indian Ports Association, BOBCAPS Research

## Direct-port-delivery volumes at JNPT

### DPD share in laden containers inched up

**Share of DPD in total import-laden containers at JNPT rose slightly to 47.7%**

- Share of direct-port-delivery (DPD) in total laden container volumes at JNPT increased slightly MoM to 47.7% in Jan'20 vs. 46.5% in Dec'19.
- Total DPD volumes grew a robust 35% YoY to 76k TEU. Non-DPD container volumes declined 9% YoY to 83k TEU.
- DPD-DPD cargo (where delivery is taken directly by importers) continued to plummet (-15% YoY), with its share in total DPD volumes declining to 14.6% in Jan'20 (15.3% in Dec'19 and 23% in Jan'19). Speedy CFS moved 2.5% of total DPD containers.
- DPD cargo moved by CFSs increased 55% YoY to 62.8k TEU, translating to an 83% share of total direct deliveries.

FIG 9 – DPD CARGO AT JNPT

('000 teu)	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
<b>DPD-DPD (direct delivery taken by importers)</b>	<b>12.9</b>	<b>11.5</b>	<b>10.4</b>	<b>9.9</b>	<b>9.6</b>	<b>10.3</b>	<b>11.2</b>	<b>11.2</b>	<b>9.5</b>	<b>8.3</b>	<b>8.2</b>	<b>10.6</b>	<b>11.0</b>
Share in total DPD (%)	23.0	17.8	14.0	12.1	12.1	14.8	15.2	15.2	14.8	13.5	14.3	15.3	14.6
<b>Speedy CFS</b>	<b>2.6</b>	<b>2.6</b>	<b>3.6</b>	<b>4.1</b>	<b>3.7</b>	<b>2.6</b>	<b>3.1</b>	<b>2.6</b>	<b>2.4</b>	<b>2.0</b>	<b>1.5</b>	<b>1.3</b>	<b>1.9</b>
Share in total DPD (%)	4.6	4.0	4.8	5.1	4.7	3.8	4.2	3.6	3.7	3.3	2.6	1.9	2.5
<b>DPD-CFS</b>	<b>40.6</b>	<b>50.2</b>	<b>60.6</b>	<b>67.7</b>	<b>65.8</b>	<b>56.8</b>	<b>59.6</b>	<b>59.9</b>	<b>52.0</b>	<b>51.5</b>	<b>47.6</b>	<b>57.3</b>	<b>62.8</b>
Share in total DPD (%)	72.3	78.1	81.2	82.9	83.2	81.4	80.6	81.3	81.5	83.2	83.1	82.7	83.0
<b>Total DPD containers</b>	<b>56.1</b>	<b>64.3</b>	<b>74.6</b>	<b>81.7</b>	<b>79.1</b>	<b>69.7</b>	<b>73.9</b>	<b>73.7</b>	<b>63.8</b>	<b>61.9</b>	<b>57.3</b>	<b>69.2</b>	<b>75.7</b>
YoY growth (%)	2.0	25.8	32.4	43.5	35.6	29.0	21.9	21.0	3.4	(2.0)	(6.4)	21.9	34.8
Share in total laden containers (%)	38.1	44.9	44.7	47.4	47.5	46.6	45.9	44.9	43.5	43.2	44.5	46.5	47.7
<b>Total CFS (non-DPD) containers</b>	<b>91.3</b>	<b>78.9</b>	<b>92.3</b>	<b>90.7</b>	<b>87.3</b>	<b>79.9</b>	<b>87.1</b>	<b>90.3</b>	<b>82.9</b>	<b>81.2</b>	<b>71.4</b>	<b>79.5</b>	<b>83.0</b>
YoY growth (%)	(1.5)	(10.0)	3.9	4.3	(6.8)	(14.0)	(8.6)	0.5	(6.0)	(10.2)	(18.1)	(6.7)	(9.1)
Share in total laden containers (%)	61.9	55.1	55.3	52.6	52.5	53.4	54.1	55.1	56.5	56.8	55.5	53.5	52.3

Source: JNPT, Jawaharlal Nehru Custom House, BOBCAPS Research

## EXIM trade

### Non-oil, non-gold EXIM trade contract at a slower pace

#### Core exports/imports fell 0.8%/4.7% YoY in Jan'20

- EXIM merchandise trade (in US dollar terms) declined by 1.1% YoY to US\$ 67.1bn. While this marks the eighth consecutive month of decline, the pace of contraction slowed from 6% in Dec'19. Non-oil, non-gold EXIM was down 3% YoY, the slowest decline in the past six months.
- Exports contracted by 1.7% YoY in Jan'20 vs. a 1.8% dip in Dec'19. Core exports (non-oil, non-gold) decreased for the second consecutive month, by 0.8% YoY (-0.5% in Dec'19). The fall in core exports was catalysed by agricultural products (-11.4% YoY in Jan'20 vs. -3.4% in Dec'19) and engineering goods (-4% vs. -1.2%).
- Total imports fell 0.8% YoY to US\$ 41.1bn vs. an 8.8% decline in Dec'19. Core imports were down 4.7% YoY, the slowest pace of decline since Jul'19 as imports increased for capital goods (+6.6% YoY), agricultural products (+12.8%) and vegetable oil (+13%).

FIG 10 – EXIM TRADE TREND

(US\$ bn)	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
<b>Total EXIM trade</b>	<b>67.9</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>	<b>67.1</b>
YoY growth (%)	2.1	(2.2)	5.3	2.9	4.1	(9.3)	(5.8)	(10.6)	(11.0)	(10.6)	(8.1)	(6.0)	(1.1)
<b>Total exports</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>	<b>26.0</b>
YoY growth (%)	3.9	2.5	11.0	0.6	3.9	(9.7)	2.2	(6.0)	(6.6)	(1.1)	(0.3)	(1.8)	(1.7)
<b>Non-oil, non-gold exports</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>	<b>19.8</b>
YoY growth (%)	8.4	5.1	13.4	(1.3)	7.4	(4.9)	5.2	(5.6)	(4.2)	0.6	4.1	(0.5)	(0.8)
<b>Total imports</b>	<b>41.5</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>	<b>41.1</b>
YoY growth (%)	0.9	(5.4)	1.4	4.5	4.3	(9.1)	(10.4)	(13.4)	(13.8)	(16.3)	(12.7)	(8.8)	(0.8)
<b>Non-oil, non-gold imports</b>	<b>27.9</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>	<b>26.6</b>
YoY growth (%)	(0.8)	(3.7)	(2.7)	(2.2)	(0.7)	(9.0)	(2.2)	(8.2)	(8.9)	(10.1)	(12.0)	(12.2)	(4.7)

Source: Ministry of Commerce and Industry, BOBCAPS Research

## Dec'19 IIP data

### Industrial output contracts again

- After bouncing back in Nov'19 (+1.8% YoY), industrial output contracted by 0.3% in Dec'19.
- Manufacturing output slipped by 1.2% YoY in Dec'19 (+2.7% in Nov'19). Capital goods (-18% YoY) and consumer durables (-7%) contracted sharply, followed by consumer non-durables (-4%) and infrastructure/construction goods (-3%). Intermediate goods rose 12.5% YoY.

## BOBCAPS logistics universe

FIG 11 – 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	ADD	111	117	5	9.6	11.2	12.6	11.6	9.9	8.8	11.3	12.2	12.6
CCRI	ADD	560	630	12	16.8	20.6	25.2	33.4	27.3	22.2	9.9	11.6	13.1
FSCSL	REDUCE	428	450	5	12.9	20.9	30.8	33.3	20.5	13.9	8.2	12.1	15.7
MLL	BUY	398	460	16	10.0	13.7	17.6	39.7	29.0	22.6	13.6	16.6	19.1
TCIEXP	ADD	913	895	(2)	25.0	30.3	37.2	36.6	30.1	24.5	31.3	29.8	28.9
TRPC	BUY	260	355	37	20.9	24.2	29.5	12.4	10.7	8.8	16.7	16.6	17.6
VRLL	BUY	253	325	28	12.0	13.0	14.9	21.1	19.4	17.0	16.2	16.3	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)

### Rating distribution

As of 31 January 2020, out of 85 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 50 have BUY ratings, 18 are rated ADD, 8 are rated REDUCE and 9 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

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