

Lead indicators bounce back strongly

Most high frequency indicators posted a strong YoY recovery in Sep'20. Rail freight volumes rose 16% YoY, while rail container volumes grew by a sturdy 7.5%. E-way bills increased 10% YoY to 57mn, reaching highest ever levels. Major ports volumes also fell by a slower 2% YoY (-10% in Aug'20). Our channel checks corroborate recovery on the ground, with most companies reaching ~90% of pre-pandemic level. Faster-than-anticipated revival bodes well for our logistics coverage universe - TCI Express remains our top pick.

Sayan Das Sharma
 research@bobcaps.in

Container rail traffic at multi-month high: Container freight carried by the Indian Railways (IR) grew by 7.5% YoY in Sep'20, after contracting for six successive months. EXIM volumes (+7% YoY), too, grew for the first time since Feb'20. In absolute terms also, EXIM rail volumes at 4.3mn tonnes is highest since Aug'19. Domestic volume grew 11% YoY, fastest in 14 months. The MoM uptick in EXIM container rail volume (+11%) was also higher than container traffic growth at major ports (+6% MoM on tonnage), indicating market share gains for rail sequentially. Container rail volume rose 11% YoY in the first five days of Oct'20 as well. Sustained uptick in container volumes augurs well for container logistics players such as Container Corp and Gateway Distriparks.

Strong recovery in rail freight volumes: Total freight carried by IR grew at a strong 16% YoY in Sep'20 (+4% in Aug'20). All commodities reported steady growth, with foodgrains (+103% YoY), Cement (+19%) and pig iron and finished steel (+18%) growing the fastest. Rail freight has risen 15% YoY during the first five days of Oct'20 as well, sustaining its growth trajectory.

Decline in major port cargo eases substantially: Cargo at major ports declined at a much slower rate of 2% YoY in Sep'20 (+4% MoM) vs. a 10% drop in Aug'20. Kolkata (+12% YoY), Cochin (+9%), Paradip (+9%) and Kandla (+2%) reported growth, whereas Ennore (-32%), Mormugao (-25%), New Mangalore (-19%), and Mumbai (-16%) plummeted YoY. Among commodities, iron ore (+76% YoY) and container (+6%/+2% in tonnage/TEU terms) volumes increased, but POL (-20%) and thermal coal (-10%) declined sharply.

E-way bill generation robust: Total e-way bills generated jumped 10% YoY to 57mn in Sep'20 – highest on record. This indicates a steady uptick in road logistics activity. Our channel checks also corroborate this – most transporters indicated utilisation has reached 85-90% of pre-Covid levels in Sep'20.

RECOMMENDATION SNAPSHOT

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



Key exhibits

Major port volumes

FIG 1 – DECLINE IN MAJOR PORT CARGO EASED TO 2% YOY IN SEP'20

('000 tonnes)	Sep-20	Sep-19	YoY (%)	Aug-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	3,954	4,025	(1.8)	3,339	18.4	18,380	24,740	(25.7)
Cochin	2,537	2,322	9.3	2,280	11.3	12,580	16,645	(24.4)
Ennore	1,657	2,422	(31.6)	2,119	(21.8)	10,776	15,762	(31.6)
JNPT	5,255	5,292	(0.7)	4,739	10.9	26,940	34,410	(21.7)
Kandla	9,707	9,517	2.0	9,553	1.6	53,372	61,047	-12.6
Kolkata	4,910	4,393	11.8	4,601	6.7	25,561	31,471	(18.8)
Mormugao	898	1,199	(25.1)	896	0.2	8,552	7,627	12.1
Mumbai	4,300	5,118	(16.0)	4,300	-	24,458	30,099	(18.7)
New Mangalore	2,262	2,806	(19.4)	2,713	(16.6)	16,535	17,864	(7.4)
Paradip	9,332	8,589	8.7	8,114	15.0	52,083	55,552	(6.2)
Tuticorin	2,866	3,121	(8.2)	3,105	(7.7)	16,546	18,266	(9.4)
Vizag	5,825	5,759	1.1	5,908	(1.4)	32,767	34,750	(5.7)
Total major ports	53,503	54,563	(1.9)	51,667	3.6	2,98,550	3,48,233	(14.3)

Source: Indian Ports Association, BOBCAPS Research

FIG 2 – IRON ORE, CONTAINER VOLUMES IMPROVED; COAL, PETROLEUM DIPPED

('000 tonnes)	Sep-20	Sep-19	YoY (%)	Aug-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Coal - Coking	4,043	4,304	(6.1)	3,331	21.4	20,891	29,032	(28.0)
Coal - Thermal	5,591	6,183	(9.6)	5,735	(2.5)	34,525	44,980	(23.2)
Containers - Tonnage	12,148	11,444	6.2	11,460	6.0	61,416	74,978	(18.1)
Fertilisers - Finished & raw	1,218	1,208	0.8	1,801	(32.4)	8,230	7,408	11.1
Iron ore	5,715	3,250	75.8	5,601	2.0	33,006	24,760	33.3
POL	15,663	19,550	(19.9)	15,760	(0.6)	95,081	1,17,094	(18.8)
Others	9,125	8,624	5.8	7,979	14.4	45,401	49,981	(9.2)
Total major ports	53,503	54,563	(1.9)	51,667	3.6	2,98,550	3,48,233	(14.3)

Source: Indian Ports Association, BOBCAPS Research

FIG 3 – HIGHER CONTAINER VOLUME AT CHENNAI, KANDLA NEGATED DECLINE AT JNPT AND KOLKATA

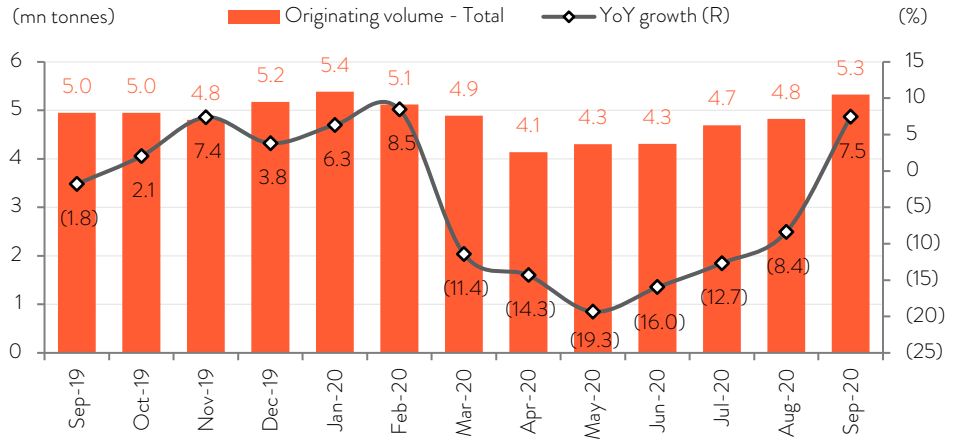
('000 teu)	Sep-20	Sep-19	YoY (%)	Aug-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	122	107	14.0	116	5.2	561	736	(23.8)
Cochin	63	51	23.5	55	14.5	285	312	(8.7)
Ennore	9	9	-	8	12.5	62	70	(11.4)
JNPT	380	401	(5.2)	353	7.6	1,925	2,573	(25.2)
Kandla	43	20	115.0	45	(4.4)	228	214	6.5
Kolkata	63	75	(16.0)	62	1.6	315	436	(27.8)
Mormugao	3	2	50.0	1	200.0	11	16	(31.3)
Mumbai	2	3	(33.3)	2	-	8	15	(46.7)
New Mangalore	13	14	(7.1)	15	(13.3)	70	78	(10.3)
Paradip	1	4	(75.0)	2	(50.0)	7	7	-
Tuticorin	67	72	(6.9)	64	4.7	353	425	(16.9)
Vizag	48	43	11.6	40	20.0	245	261	(6.1)
Total major ports	814	799	1.9	763	6.7	4,070	5,141	(20.8)

Source: Indian Ports Association, BOBCAPS Research

Container rail traffic

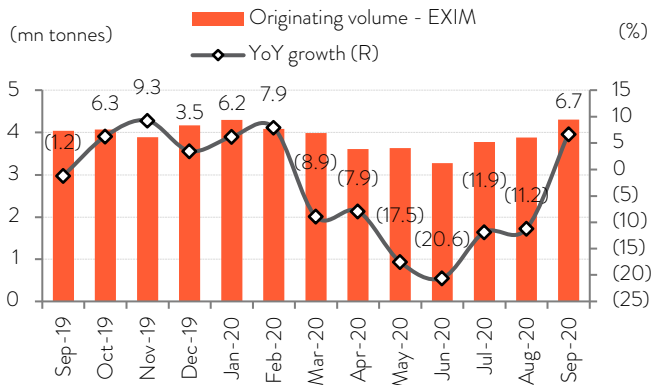
FIG 4 – CONTAINER RAIL TRAFFIC GREW 7.5% YOY IN SEP'20

Container rail traffic grew 7.5% to 5.3mn tonnes – highest volumes since Jan'20



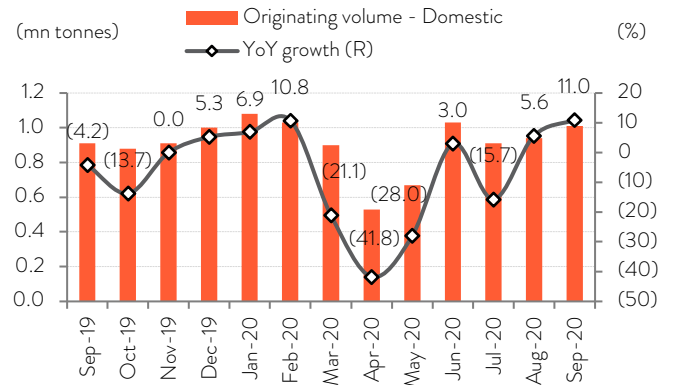
Source: Indian Railways, BOBCAPS Research

FIG 5 – EXIM VOLUMES GREW AFTER SIX CONSECUTIVE MONTHS OF DECLINE



Source: Indian Railways, BOBCAPS Research

FIG 6 – EXIM VOLUMES GREW IN DOUBLE DIGIT, FASTEST SINCE JUL'19



Source: Indian Railways, BOBCAPS Research

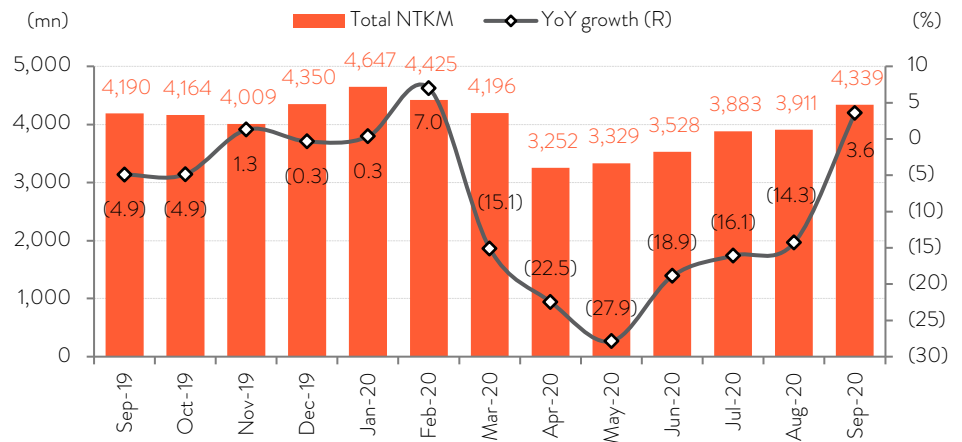
FIG 7 – DOMESTIC LEAD TICKED UP, EXIM DECLINED

(km)	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Domestic lead distance	1,169	1,232	1,198	1,225	1,225	1,245	1,220	1,183	1,202	977	1,264	1,214	1,226
YoY growth (%)	(4.8)	(3.4)	(5.2)	(3.4)	(3.9)	(1.8)	(4.5)	0.5	(5.7)	(16.3)	20.2	(5.7)	4.9
EXIM lead distance	774	757	750	749	773	768	773	727	695	769	723	714	719
YoY growth (%)	(2.3)	(5.7)	(4.9)	(4.2)	(6.3)	(1.7)	(2.9)	(8.8)	(10.9)	(0.3)	(11.2)	(8.7)	(7.1)
Total lead distance	846	841	835	841	864	864	856	785	774	819	828	811	816
YoY growth (%)	(3.2)	(6.9)	(5.6)	(3.8)	(2.6)	(1.5)	(4.4)	(9.6)	(10.6)	(3.4)	(3.9)	(6.5)	(3.5)

Source: Indian Railways, BOBCAPS Research

NTKM grew the fastest since Feb'20

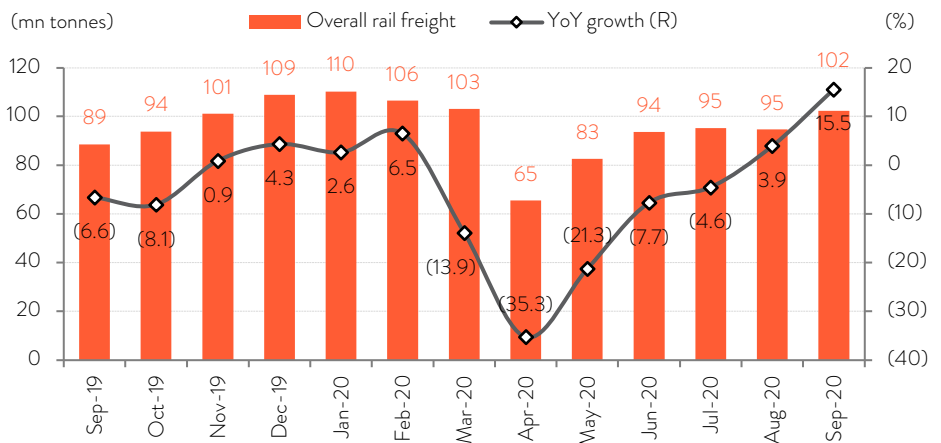
FIG 8 – CONTAINER NTKM INCREASED 3.6% YOY IN SEP'20



Source: Indian Railways, BOBCAPS Research

Total rail freight (all commodities)

FIG 9 – TOTAL RAIL FREIGHT GREW BY A STRONG 15.5% YOY

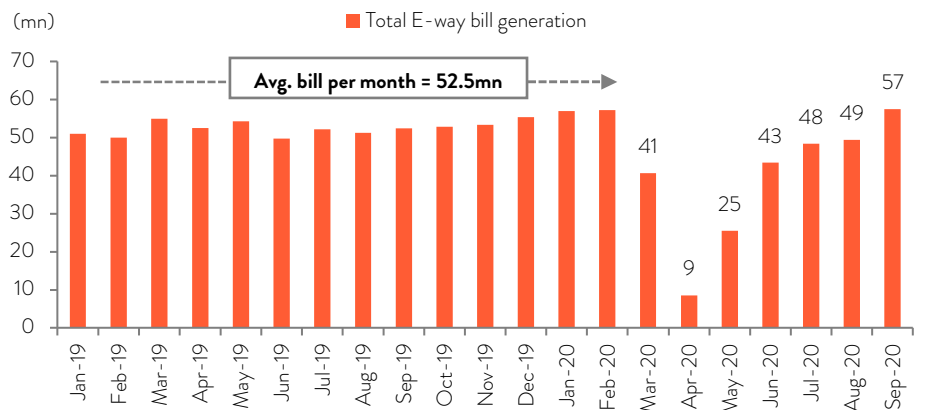


Source: Indian Railways, BOBCAPS Research

E-way bill collection

57mn E-way bills generated in Sep'20 was the highest on record

FIG 10 – E-WAY BILLS GENERATED IN SEP'20 SCALED NEW HIGHS



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 30 September 2020, out of 104 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 54 have BUY ratings, 18 have ADD ratings, 10 are rated REDUCE and 22 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.