

Broad-based recovery continues

After a sturdy Sep'20, most high frequency indicators continued on the path of recovery in October as well. Container rail traffic growth (+9% YoY) scaled a 24-month high while total rail freight maintained double-digit growth. The decline in major port cargo eased to 1% YoY and core EXIM was flat YoY (-0.1%). This indicates a healthy start to Q3FY21 for logistics companies under our coverage, though sustained manufacturing activity after the festive season is key for a full-fledged recovery. VRL Logistics is our top pick in the sector.

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Container rail traffic scales multi-month high: Container freight carried by the Indian Railways (IR) grew at 9.3% YoY in Oct'20 (7.5% YoY in Sep'20), the fastest pace since Oct'18. EXIM volume growth ticked up to 8% YoY, while domestic volumes maintained a double-digit growth trajectory (+16% YoY). This strong recovery augurs well for container rail operators such as Container Corp and Gateway Distriparks. However, the MoM rise in EXIM container rail volume (+2%) was lower than container traffic growth at major ports (+4% MoM on tonnage), indicating slight sequential moderation in market share for rail.

RECOMMENDATION SNAPSHOT

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

Rail freight volumes sustain momentum: Total freight carried by IR grew 15% YoY for the second successive month. Growth was broad-based across commodities, with foodgrains (+71% YoY), cement (+26%), and fertilisers (+24%) leading the way.

Cargo decline at major ports slows: Cargo at major ports continued to decline, albeit at a slower rate of 1% YoY (+5% MoM) vs. 2% YoY in Sep'20. Mormugao (+46% YoY), Kolkata (+17% YoY), Paradip (+11%) and New Mangalore (+8%) led growth, whereas volumes plunged YoY at Mumbai (-25% YoY), Ennore (-23%), Tuticorin (-20%) and Cochin (-10%) ports. All commodities, barring POL products (-23% YoY), registered YoY growth in volumes, led by iron ore (+33% YoY), coking coal (+25%) and fertilisers (+21%). Container volumes grew 6%/8% YoY in tonnage/TEU terms.

Core EXIM recovering, e-way bill generation robust: Core EXIM (non-oil, non-gold merchandise trade) was flat YoY (-0.1%) vs. -3% in Sep'20, driven by core exports (+6.5%). The fall in core imports also eased to 5% YoY, after seven consecutive months of double-digit declines. Total e-way bills generated jumped 21% YoY to 64mn in Oct'20 – the highest on record.



Key exhibits

Major port volumes

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

('000 tonnes)	Oct-20	Oct-19	YoY (%)	Sep-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	4,005	3,848	4.1	3,954	1.3	22,385	28,588	(21.7)
Cochin	2,542	2,820	(9.9)	2,537	0.2	15,122	19,465	(22.3)
Ennore	1,754	2,282	(23.1)	1,657	5.9	12,530	18,044	(30.6)
JNPT	5,729	5,439	5.3	5,255	9.0	32,669	39,849	(18.0)
Kandla	9,554	10,046	(4.9)	9,707	(1.6)	62,926	71,093	(11.5)
Kolkata	5,610	4,807	16.7	4,910	14.3	31,171	36,278	(14.1)
Mormugao	1,624	1,110	46.3	898	80.8	10,176	8,737	16.5
Mumbai	4,173	5,532	(24.6)	4,300	(3.0)	28,631	35,631	(19.6)
New Mangalore	2,939	2,723	7.9	2,262	29.9	19,474	20,587	(5.4)
Paradip	9,884	8,915	10.9	9,332	5.9	61,967	64,467	(3.9)
Tuticorin	2,414	3,011	(19.8)	2,866	(15.8)	18,960	21,277	(10.9)
Vizag	6,040	6,435	(6.1)	5,825	3.7	38,807	41,185	(5.8)
Total major ports	56,268	56,968	(1.2)	53,503	5.2	3,54,818	4,05,201	(12.4)

Source: Indian Ports Association, BOBCAPS Research

FIG 2 – ALL COMMODITIES, BARRING POL, REGISTERED YOY GROWTH

('000 tonnes)	Oct-20	Oct-19	YoY (%)	Sep-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Coal - Coking	5,189	4,139	25.4	4,043	28.3	26,080	33,171	(21.4)
Coal - Thermal	6,692	6,226	7.5	5,591	19.7	41,217	51,206	(19.5)
Containers - Tonnage	12,627	11,870	6.4	12,148	3.9	74,043	86,848	(14.7)
Fertilisers - Finished & raw	2,317	1,908	21.4	1,218	90.2	10,547	9,316	13.2
Iron ore	5,384	4,062	32.5	5,715	(5.8)	38,390	28,822	33.2
POL	15,841	20,633	(23.2)	15,663	1.1	1,10,922	1,37,727	(19.5)
Others	8,218	8,130	1.1	9,125	(9.9)	53,619	58,111	(7.7)
Total major ports	56,268	56,968	(1.2)	53,503	5.2	3,54,818	4,05,201	(12.4)

Source: Indian Ports Association, BOBCAPS Research

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

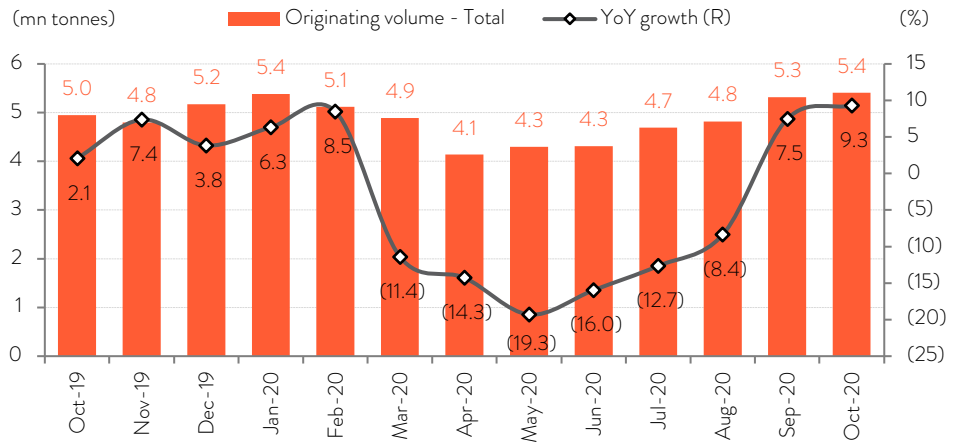
('000 teu)	Oct-20	Oct-19	YoY (%)	Sep-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Chennai	131	123	6.5	122	7.4	692	859	(19.4)
Cochin	61	52	17.3	63	(3.2)	346	364	(4.9)
Ennore	7	6	16.7	9	(22.2)	69	76	(9.2)
JNPT	423	402	5.2	380	11.3	2,348	2,975	(21.1)
Kandla	51	25	104.0	43	18.6	279	239	16.7
Kolkata	68	74	(8.1)	63	7.9	383	510	(24.9)
Mormugao	2	2	-	3	(33.3)	13	18	(27.8)
Mumbai	3	2	50.0	2	50.0	11	17	(35.3)
New Mangalore	14	11	27.3	13	7.7	84	89	(5.6)
Paradip	2	1	100.0	1	100.0	9	6	50.0
Tuticorin	58	61	(4.9)	67	(13.4)	411	486	(15.4)
Vizag	45	40	12.5	48	(6.3)	290	301	(3.7)
Total major ports	865	799	8.3	814	6.3	4,935	5,940	(16.9)

Source: Indian Ports Association, BOBCAPS Research

Container rail traffic

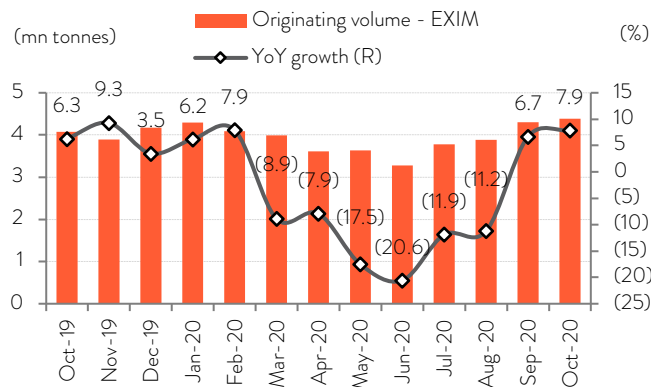
FIG 4 – CONTAINER RAIL TRAFFIC GROWTH PICKED UP

Container rail traffic grew 9.3% YoY to 5.4mn tonnes – sharpest growth since Oct'18



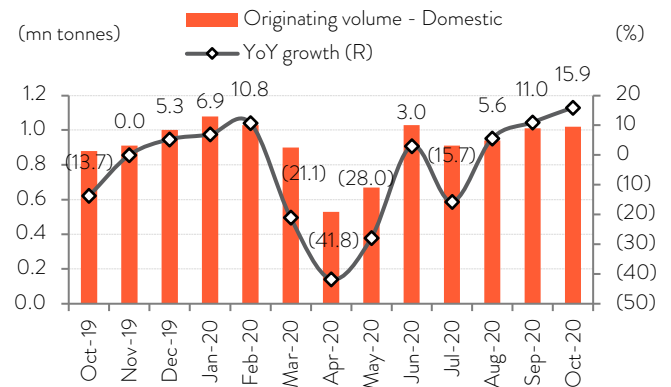
Source: Indian Railways, BOBCAPS Research

FIG 5 – EXIM CONTAINER VOLUME GROWTH TICKED UP TO 8% YOY VS. 7% IN SEP'20



Source: Indian Railways, BOBCAPS Research

FIG 6 – DOMESTIC VOLUMES MAINTAINED STRONG DOUBLE-DIGIT GROWTH



Source: Indian Railways, BOBCAPS Research

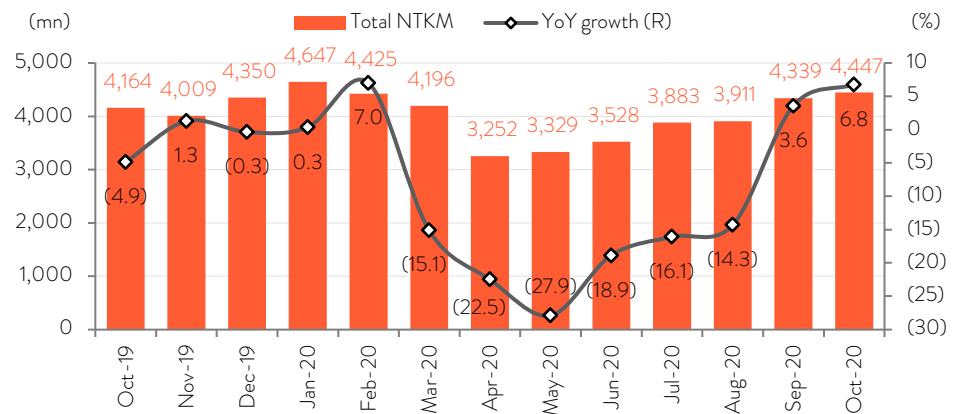
FIG 7 – DOMESTIC LEAD REMAINS RESILIENT, EXIM CONTINUES TO SLIDE

(km)	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Domestic lead distance	1,231	1,198	1,225	1,225	1,245	1,220	1,183	1,202	977	1,264	1,214	1,226	1,264
YoY growth (%)	(3.5)	(5.2)	(3.4)	(3.9)	(1.8)	(4.5)	0.5	(5.7)	(16.3)	20.2	(5.7)	4.9	2.7
EXIM lead distance	757	750	749	773	768	773	727	695	769	723	714	719	719
YoY growth (%)	(5.7)	(4.9)	(4.2)	(6.3)	(1.7)	(2.9)	(8.8)	(10.9)	(0.3)	(11.2)	(8.7)	(7.1)	(5.0)
Total lead distance	841	835	841	864	864	856	785	774	819	828	811	816	822
YoY growth (%)	(6.9)	(5.6)	(3.8)	(2.6)	(1.5)	(4.4)	(9.6)	(10.6)	(3.4)	(3.9)	(6.5)	(3.5)	(2.3)

Source: Indian Railways, BOBCAPS Research

NTKM growth of 6.8% is the fastest in eight months

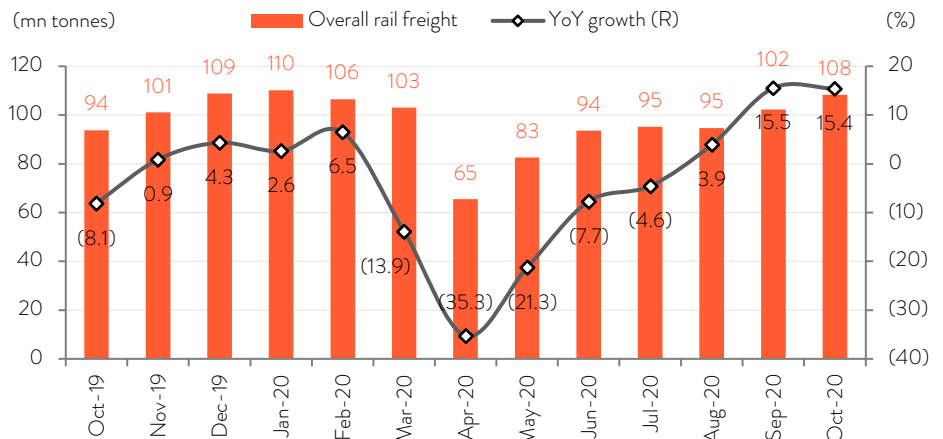
FIG 8 – CONTAINER NTKM ROSE 7% YOY, LOWER THAN 9% TONNAGE GROWTH AS LEAD DECLINED 2%



Source: Indian Railways, BOBCAPS Research

Total rail freight (all commodities)

FIG 9 – TOTAL RAIL FREIGHT SUSTAINED MOMENTUM, GREW 15% YOY

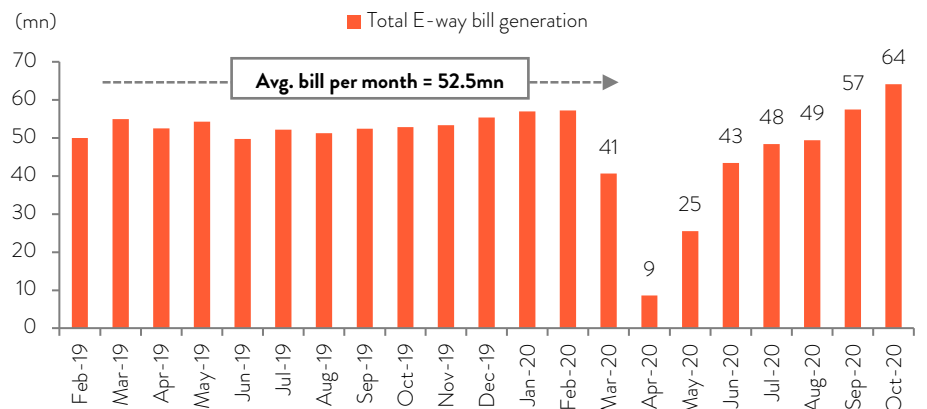


Source: Indian Railways, BOBCAPS Research

E-way bill collection

64mn e-way bills generated in Oct'20, highest on record

FIG 10 – E-WAY BILLS GENERATED IN OCT'20 AT HIGHEST EVER LEVELS



Source: Company, BOBCAPS Research

EXIM trade

FIG 11 – CORE EXIM TRADE FLAT YOY, DECLINE IN IMPORTS EASED OVER SEP'20

(US\$ bn)	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Total EXIM trade	64.2	64.1	66.0	67.1	65.2	52.6	27.5	41.3	43.0	52.1	52.2	57.9	58.5
YoY growth (%)	(10.0)	(8.1)	(6.0)	(1.1)	2.7	(31.2)	(59.3)	(45.2)	(38.9)	(21.2)	(20.8)	(9.1)	(8.9)
Total exports	26.2	26.0	27.4	26.0	27.7	21.4	10.4	19.1	21.9	23.6	22.7	27.6	24.9
YoY growth (%)	(1.6)	(0.3)	(1.8)	(1.7)	2.9	(34.6)	(60.3)	(36.5)	(12.4)	(10.2)	(12.7)	6.0	(5.1)
Non-oil, non-gold exports	19.1	19.3	21.1	19.8	21.2	16.9	9.1	16.4	18.5	20.4	19.0	21.3	20.3
YoY growth (%)	0.7	4.1	(0.5)	(0.8)	6.2	(34.2)	(53.5)	(23.6)	(3.5)	3.4	(3.2)	11.9	6.5
Total imports	38.0	38.1	38.6	41.1	37.5	31.2	17.1	22.2	21.1	28.5	29.5	30.3	33.6
YoY growth (%)	(15.0)	(12.7)	(8.8)	(0.8)	2.5	(28.7)	(58.6)	(51.0)	(53.5)	(28.4)	(26.0)	(19.6)	(11.5)
Non-oil, non-gold imports	26.4	24.1	25.5	26.6	24.4	19.9	12.5	18.6	15.6	20.2	19.4	23.9	25.1
YoY growth (%)	(8.3)	(12.0)	(12.2)	(4.7)	0.3	(30.5)	(52.2)	(34.2)	(41.4)	(29.2)	(29.6)	(12.6)	(4.9)
Non-oil, non-gold EXIM	45.5	43.4	46.5	46.4	45.6	36.8	21.5	35.0	34.1	40.5	38.3	45.2	45.4
YoY growth (%)	(4.7)	(5.5)	(7.3)	(3.0)	3.0	(32.2)	(52.8)	(29.6)	(25.5)	(15.8)	(18.6)	(2.5)	(0.1)

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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