

Logistics

Freight and Cargo Monthly

Sector Report ▶ SECTOR SPECIFIC MONTHLY NOTES ▶ December 22, 2023

NIFTY 50: 21,349

We monitor monthly indicators to assess freight and cargo movement across the road, port, and rail networks. Post strong activity witnessed in Oct-23 due to the festive season, Nov-23 saw muted trends for freight operators. GST e-way bill generation was subdued, registering 9% YoY growth (vs. 30% in Oct-23). Major port volumes rose 17% YoY (~71mn ton), with container volumes expanding by 7% YoY. ATF prices corrected 9% from Oct-Dec 2023 to Rs107/liter in Dec-23, which bodes well for Blue Dart Express. Recent terror attacks in the Red Sea region have impacted container movement between Asia-Europe, leading to a 20-25% MoM increase in container shipping rates (as per WCI, Shanghai – Rotterdam route). Moreover, the availability of EXIM containers could be impacted due to the longer route taken by cargo ships to avoid the Suez Canal. This could lead to a short-term supply-demand mismatch of containers at Indian ports, impacting railway logistics operators like Container Corporation of India (Not Rated) and Gateway Distriparks (Not Rated).

Tepid trends for e-way bills in Nov-23

Momentum in e-way bill generation dropped in Nov-23 post strong activity witnessed in the pre-festive demand season in Oct-23. Inter-state e-way bill generation saw a sharp fall (-16% YoY/-34% MoM) presumably on the back of potential overstocking in anticipation of festive demand in Oct-23, wherein inter-state e-way bill generations rose by 30%. Intra-state e-way bill generations were healthy, growing 23% YoY. These tepid trends bode negatively for PTL operators like VRL Logistics, who had indicated a strong uptick in Oct-23, in line with e-way bill data. Average freight rates on trunk routes (Delhi to Mumbai, Chennai, and Kolkata) stayed flat QoQ, as diesel prices have remained unchanged since Jun-22. ATF prices have corrected by 3% MoM/9% YoY in Dec-23, which would marginally aid margins of air logistics operators like Blue Dart Express.

Geopolitical risks likely to weigh on container rates and availability

Recent terror attacks by Yemen's Houthi militants on container ships in the Red Sea region have disrupted global trade flow through the Suez Canal, which accounts for 12% of the global trade and 30% of all container movement [\(link\)](#), as ships will now take a 35% longer route from Europe to reach Asia via the Cape of Good Hope. This event, despite being transitory in nature, has led to a 20-25% MoM increase in container shipping rates as per WCI. The second order impact of this event will be the shortage of EXIM containers at Indian ports due to the increase in days required to complete a journey between Europe and Asia, leading to a short-term supply-demand mismatch. This could impact demand for railway logistics operators like Container Corporation of India (Not Rated) and Gateway Distriparks (Not Rated) in Jan-24.

Major ports sustain healthy volumes in Nov-23

Volume growth at major ports increased by 17% YoY in Nov-23 (~71mn ton), with container volumes expanding to 14.5mn ton, up 7% YoY. Iron ore, coal, fertilizers, and P.O.L. volumes grew 107%, 27%, 9%, and 10% YoY, respectively, while other liquid volumes continued to decline at -17% YoY. All major ports saw a volume increase with Mormugao, Visakhapatnam, Tuticorin, and New Mangalore registering significantly high increase of 49%, 45%, 41%, and 39% YoY, respectively. Other ports registering a double-digit increase were Paradip, Haldia, Kolkata, and Cochin (19%, 17%, 12%, and 12% YoY, respectively). Ennore, Chennai, Mumbai, Kandla, and JNPT witnessed marginal growth of 9%, 9%, 8%, 8%, and 3% YoY respectively.

Rating, Target Price and Valuation

	Rating	CMP (Rs)	TP (Rs)	Upside (%)	Revenue		EBITDA	
					FY24	FY25	FY24	FY25
VRL Logistics	BUY	739	850	15	29,981.6	34,804.1	4,418.0	5,927.4
Blue Dart Express	REDUCE	7,342	7,250	(1)	54,661.8	60,609.0	9,542.1	10,917.8

Source: Company, Emkay Research

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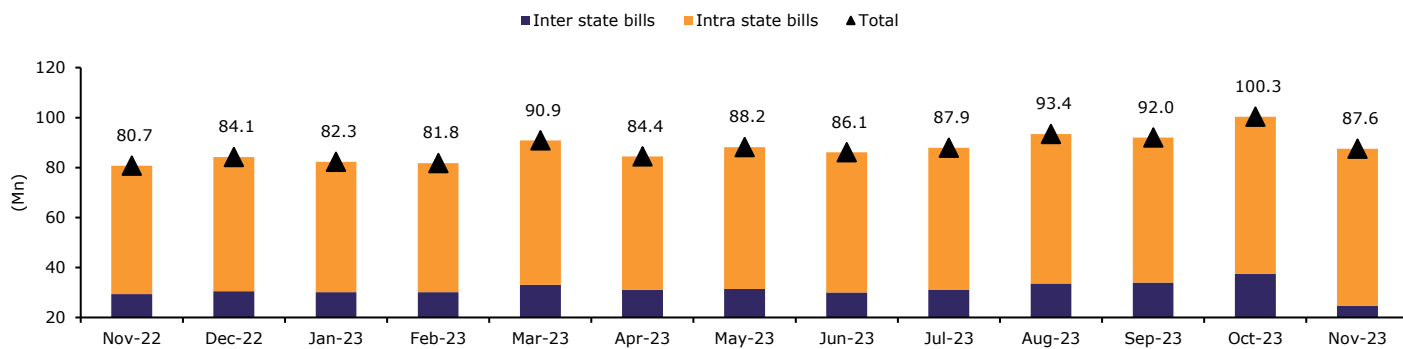
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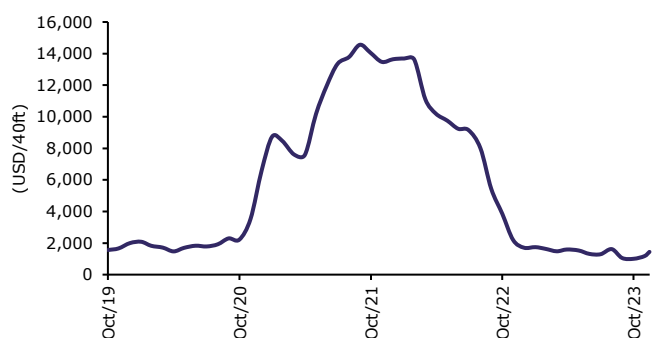
Story in Charts

Exhibit 1: Tepid trends for GST e-way bill generation post a strong pre-festive season in Oct-23



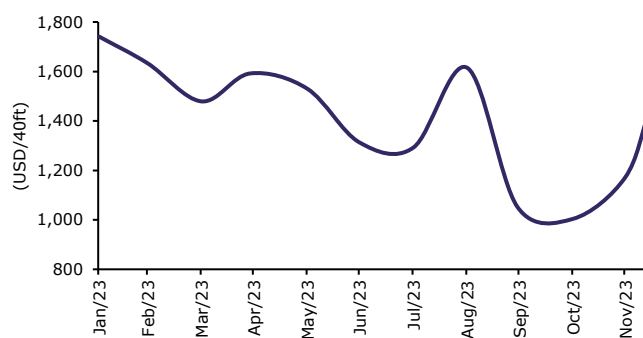
Source: GSTN, Emkay Research

Exhibit 2: Container shipping rates are still way below Covid peak...



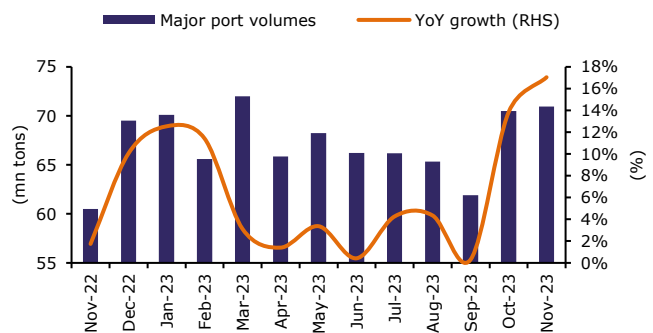
Source: Bloomberg, Emkay Research, Drewry (WCI, Shanghai-Rotterdam)

Exhibit 3: ...however, they have risen 44% since October lows



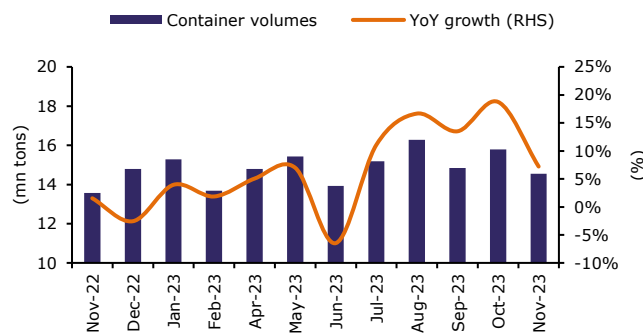
Source: Bloomberg, Emkay Research, Drewry (WCI, Shanghai-Rotterdam)

Exhibit 4: Volumes at major ports were up 17% YoY



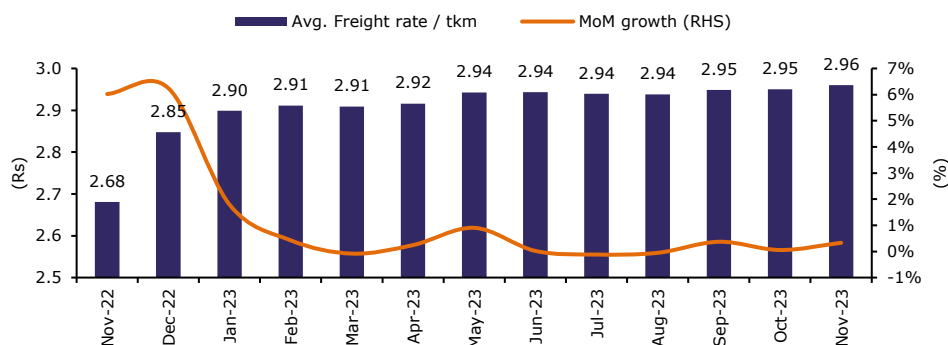
Source: Indian Ports Association, Emkay Research

Exhibit 5: Container volumes at major ports grew 7% YoY

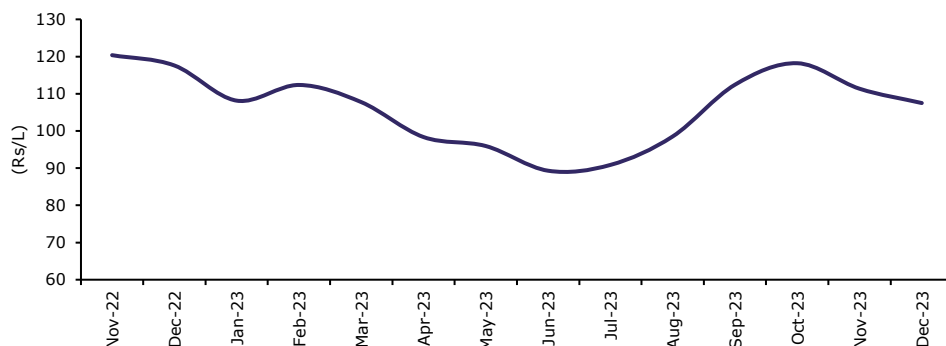


Source: Indian Ports Association, Emkay Research

Exhibit 6: Average freight rate has largely remained stable during YTD FY24



Source: Company, Emkay Research

Exhibit 7: ATF prices have seen a 9% correction since Oct-23 highs

Source: Company, Emkay Research

Exhibit 8: Break-up of container volumes by major ports

Major Ports (000 ton)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	% MoM	% YoY	Contribution
Kolkata (Total)	1,003	960	958	1,044	1,116	992	923	937	2%	12%	6%
Paradip	8	18	25	19	16	14	6	8	33%	-27%	0%
Visakhapatnam	818	980	982	1,063	1,178	860	887	788	-11%	12%	5%
Ennore (Kamarajar)	946	1,117	933	1,107	1,158	1,126	1,142	1,201	5%	40%	8%
Chennai	2,386	2,472	2,309	2,524	2,865	2,556	2,940	2,620	-11%	9%	18%
Tuticorin (V.O. Chidambaranar)	1,279	1,265	1,275	1,221	1,255	1,231	1,205	1,145	-5%	17%	8%
Cochin	748	905	707	858	879	820	867	815	-6%	3%	6%
New Mangalore	212	265	217	272	257	232	257	226	-12%	23%	2%
Mormugao	0	0	0	0	0	0	0	0	-	-	-
Mumbai	18	19	15	18	18	18	18	17	-6%	0%	0%
J.N.P.T	6,614	6,663	5,871	6,296	6,642	6,279	6,774	6,190	-9%	3%	43%
Kandla (Deendayal)	755	768	634	757	896	721	775	601	-22%	-19%	4%
Total	14,787	15,432	13,926	15,179	16,280	14,849	15,794	14,548	-8%	7%	100%

Source: Indian Ports Association, Emkay Research

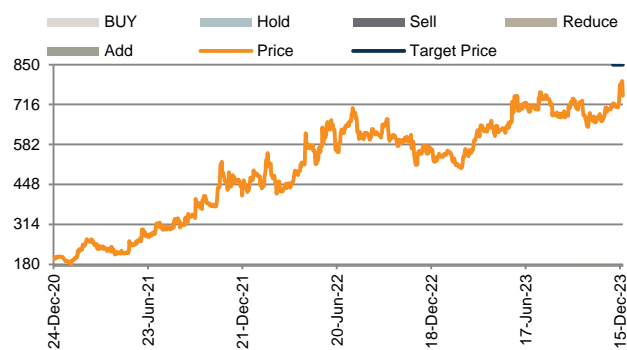
VRL LOGISTICS

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Dec-23	720	850	Buy	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

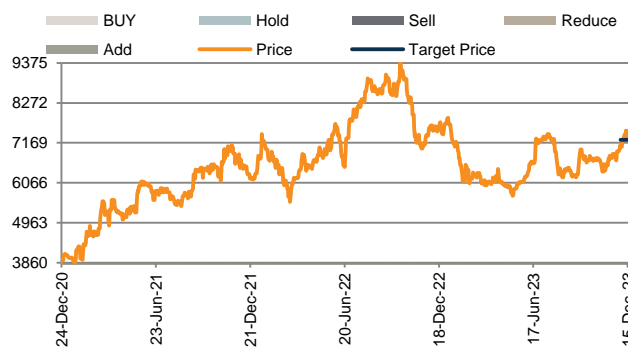
BLUE DART EXPRESS

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
01-Dec-23	7,061	7,250	Reduce	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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