

LOGISTICS

On the recovery path

June 12, 2009

Cargo traffic declines 1.1% Y-o-Y for April-May 2009 period

Cargo traffic at twelve major ports of India declined 1.1% Y-o-Y for April-May 2009. For this period, these ports handled 91.1 mn tonnes of cargo against 92.2 mn tonnes for the corresponding period last year. Eight out of twelve major ports suffered decline in the cargo handled for April-May 2009. Kolkata port was the worst affected and reported 18.9% Y-o-Y decline in cargo handled; it had handled ~8.2% of the total cargo at the major ports during the mentioned period. Cargo handling at Marmugao port, however, increased 18.5% on account of lower freight costs; the port had handled ~11.5% of the total cargo in April-May 2009.

Iron ore volumes dip 7.8%; coal volumes rise 15% in April-May 2009

Iron ore volumes during April-May 2009 declined 7.8% Y-o-Y, but grew 0.6% M-o-M. Volumes have, however, started to pick up slowly since May on account of increase in exports to China. On the other hand, coal volumes in the period increased 15% Y-o-Y; M-o-M, they have declined 20%, after rising sharply in March and April.

Container volumes handled decline 12.4% Y-o-Y for April-May 2009

Container volumes have declined 12.4% Y-o-Y for April-May 2009. They have, however, improved M-o-M. Volumes have increased 3.1% for May. Growth in container volumes has seen an uptick in May after a 35% decline in the containers handled in April. It has been seen in the past few months that the container traffic has started to pick up slowly from the lows of January and February. This uptick is a major positive for most of logistic companies.

Exports continue to slow down; imports remain flat

Y-o-Y, there has been sharp decline in both exports (~33%) and imports (~36%). M-o-M, exports have continued on their falling trajectory, while imports are almost flat, since December 2008. Non-oil imports in April stood at USD 12.1 bn, rising marginally M-o-M (~3%) for the first time since December 2008; they peaked in August to USD 17.5 bn, when they had recorded a growth of ~8% M-o-M and ~29% Y-o-Y. Oil imports, however, continued to decline (~4.5% M-o-M).

Outlook: Recovery likely from H2FY10

Growth in EXIM trade is a function of global trade, which, in turn, has a direct impact on the ports business and other logistics industries. We expect EXIM trade in India to pick up H2FY10 onwards on account of a low base impact. We believe logistics companies like Mundra Port and SEZ, Container Corporation of India, Gateway Distriparks Limited and Allcargo are best placed to benefit from the economic recovery which is expected in the second half of FY10.

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