

# Logistics

## Freight & Cargo Monthly

Sector Report

SECTOR UPDATE

September 6, 2023

NIFTY 50: 19,611

We monitor monthly indicators to assess the freight and cargo movement across the road, port and rail network. For Aug-23, freight movements across all modes of transportation witnessed healthy growth, with GST e-way bill generation up 20% YoY, cargo volumes carried by Indian Railways (IR) growing 6.4% YoY, and major port volumes improving 4.4% YoY. Container cargo volumes increased by 16% on a YoY basis, post a tepid Q1FY24 (+1% YoY), suggesting positive volume trends for rail logistics operators such as Container Corporation of India (Not rated) and Gateway Distriparks (Not rated). Additionally, the rail coefficient in EXIM container trade continued its upward trajectory in the last few months (36.7% market share, up 110bps YoY in Aug-23), suggesting gains from the commissioning of parts of Western Dedicated Freight Corridor (DFC). Healthy growth in GST e-way bill generation bodes well for road logistics service providers such as VRL Logistics (Not rated) as the shift from the unorganized sector seems imminent with increasing compliance requirements under the GST regime.

### Shift from unorganized players imminent in road logistics

E-way bill generation was up 20% YoY with intra-state bills up 23% YoY and inter-state 14% YoY suggesting healthy freight movement via road. However, this sharp uptick could be a result of the reduction in threshold limit for GST E-invoicing from Rs100mn to Rs50mn with effect from Aug-23, as mandated by Ministry of Finance. Average freight rates on trunk routes (Delhi to Mumbai, Chennai and Kolkata) remained flat sequentially, as diesel prices remained unchanged since Jun-22. Large organized fleet operators like VRL have been benefitting from bulk procurement of diesel directly from refineries (almost 32% of total fuel requirements in Q1FY24), which is likely to aid gross margin expansion in Q2. With reduction in the threshold of GST e-invoicing leading to increased cost of compliance and flat freight rates, we believe the shift towards organized, large fleet operators is imminent in road logistics in the near future.

### Rail cargo sees strong growth, aided by container traffic

Rail cargo grew 6.4% YoY in Aug-23 (127mn ton), while container volumes grew by 16% YoY. Total tonnage (mn ton km) improved by 2.2% YoY, as lead distance declined 4% YoY. Total EXIM tonnage grew by 26% YoY, aided by both volumes (+20% YoY) and lead distance (+5% YoY). Among bulk commodities, coal (+6% YoY), cement (+10% YoY), and iron ore (+17% YoY) saw a healthy uptick, while food grains continued to decline (-27% YoY, YTD Aug-23 down 32% YoY). With increased EXIM container volumes, the rail coefficient in EXIM container trade improved by ~110bps to 36.7% for Aug-23, suggesting gains from partial commissioning of Western DFC. Post a muted Q1FY24, these volume trends bode well for rail logistics operators like Container Corporation of India and Gateway Distriparks (both are Not rated).

### Major ports witness healthy volumes

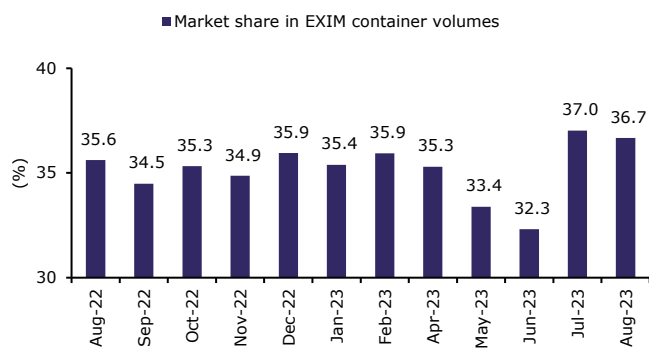
Volumes at major ports grew by 4.4% YoY in Aug-23 (65mn ton), with container volumes expanding to 16.3 mn ton, up 16.7% YoY. Container volumes have been robust post a muted June (impacted due to Cyclone Biparjoy). Coal volumes declined 14% YoY, while iron ore volumes grew by 37% YoY. P.O.L. and other liquids volumes grew by 14% and 7% YoY, respectively. Mumbai port saw an increase in volumes (+28% YoY) with Kolkata/J.N.P.T./Mormugao/Chennai and Paradip ports witnessing volume growth of 21%/15%/11%/10%/10% YoY.

**Anshul Agrawal**
[anshul.agrawal@emkayglobal.com](mailto:anshul.agrawal@emkayglobal.com)

+9122 6612 1228

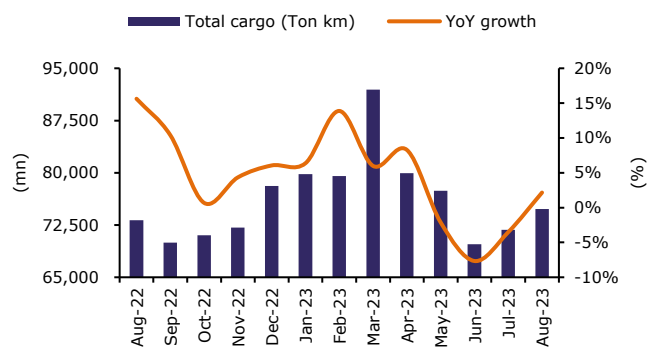
## Story in Charts

**Exhibit 1: Rail coefficient improved in EXIM container trade by 110bps YoY**



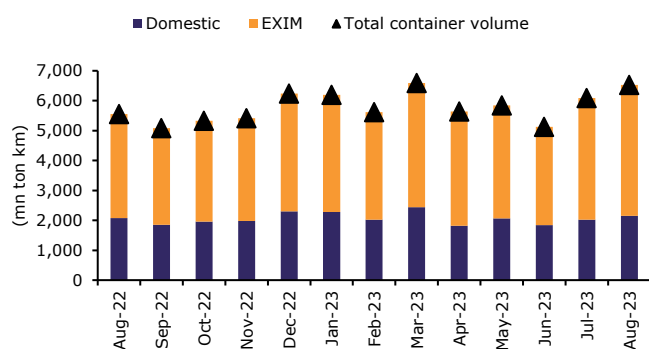
Source: Indian railways, Indian Ports Association, Emkay Research

**Exhibit 2: Rail cargo tonnage improved by 2.2% YoY in Aug-23**



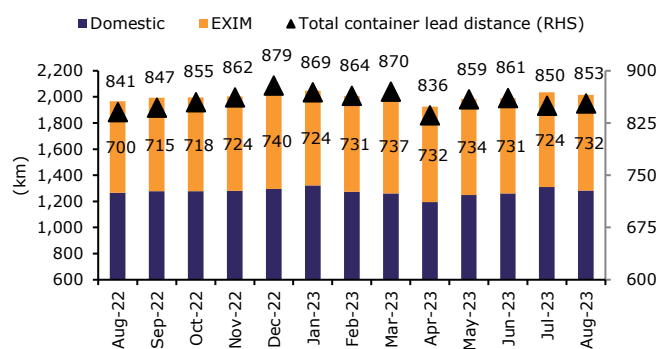
Source: Indian railways, Emkay Research

**Exhibit 3: Rail EXIM container tonnage improved by 26% YoY**



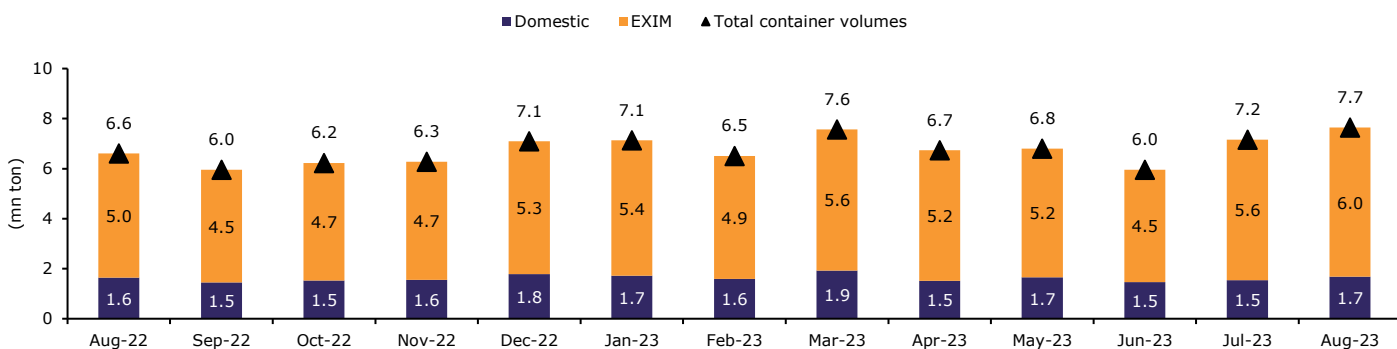
Source: Indian Railways, Emkay Research

**Exhibit 4: Rail container lead distance increased by 1% YoY**



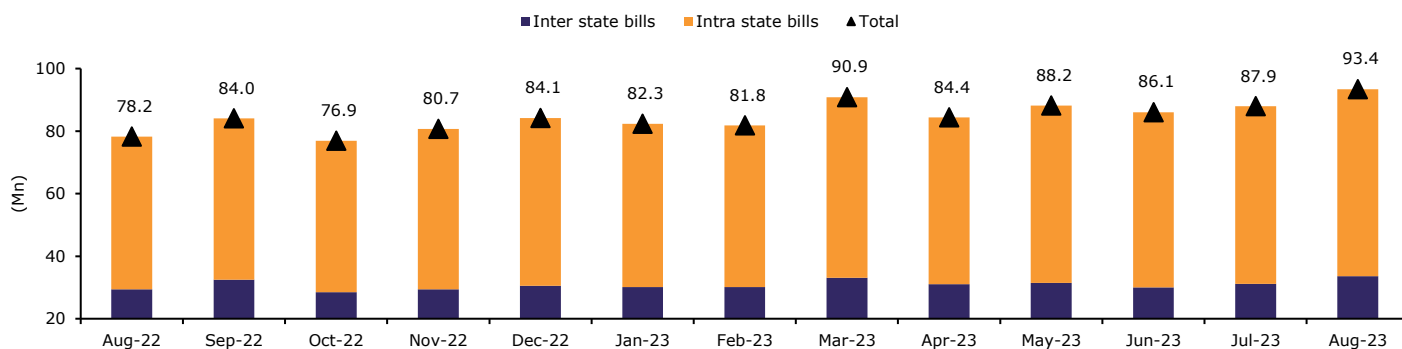
Source: Indian railways, Emkay Research

**Exhibit 5: Rail container volumes increased by 16% YoY, aided by EXIM container volumes (+20% YoY)**



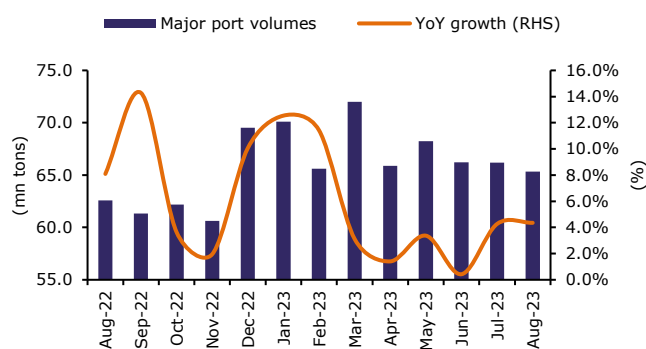
Source: Indian Railways, Emkay Research

Exhibit 6: GST E-way bill generation grew by 20% YoY and 6% MoM



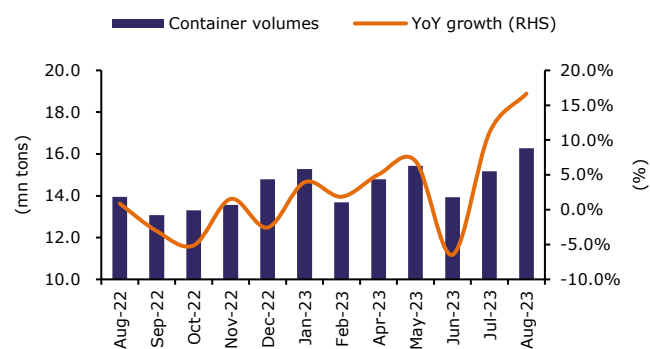
Source: GSTN, Emkay Research

Exhibit 7: Major ports volumes grew by 4.4% YoY



Source: Indian Ports Association, Emkay Research

Exhibit 8: Container volumes at major ports grew by 16.7% YoY



Source: Indian Ports Association, Emkay Research

Exhibit 9: Break-up of container volumes handled by major ports

| Major Ports ('000 ton)         | Apr-23        | May-23        | Jun-23        | Jul-23        | Aug-23        | MoM growth | YoY growth | Contribution |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|------------|------------|--------------|
| Kolkata (Total)                | 1,003         | 960           | 958           | 1,044         | 1,116         | 7%         | 27%        | 7%           |
| Paradip                        | 8             | 18            | 25            | 19            | 16            | -16%       | 100%       | 0%           |
| Visakhapatnam                  | 818           | 980           | 982           | 1,063         | 1,178         | 11%        | 70%        | 7%           |
| Ennore (Kamarajar)             | 946           | 1,117         | 933           | 1,107         | 1,158         | 5%         | 19%        | 7%           |
| Chennai                        | 2,386         | 2,472         | 2,309         | 2,524         | 2,865         | 14%        | 8%         | 18%          |
| Tuticorin (V.O. Chidambaranar) | 1,279         | 1,265         | 1,275         | 1,221         | 1,255         | 3%         | -4%        | 8%           |
| Cochin                         | 748           | 905           | 707           | 858           | 879           | 2%         | 10%        | 5%           |
| New Mangalore                  | 212           | 265           | 217           | 272           | 257           | -6%        | 24%        | 2%           |
| Mormugao                       | 0             | 0             | 0             | 0             | 0             | NA         | NA         | 0%           |
| Mumbai                         | 18            | 19            | 15            | 18            | 18            | 0%         | -14%       | 0%           |
| J.N.P.T                        | 6,614         | 6,663         | 5,871         | 6,296         | 6,642         | 5%         | 14%        | 41%          |
| Kandla (Deendayal)             | 755           | 768           | 634           | 757           | 896           | 18%        | 46%        | 6%           |
| <b>Total</b>                   | <b>14,787</b> | <b>15,432</b> | <b>13,926</b> | <b>15,179</b> | <b>16,280</b> | <b>7%</b>  | <b>17%</b> | <b>100%</b>  |

Source: Indian Ports Association, Emkay Research

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## Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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