

# Ports and Logistics

## Export sops for MSMEs expected to aid future EXIM growth

According to the Indian Ports Association (IPA) monthly data release, container volumes continued to grow steadily at 5% YoY in Nov'17 (+7% in mnt terms; +6% during Apr-Nov'17), while railway EXIM container volumes grew 16% YoY (4<sup>th</sup> consecutive month of high double-digit growth), further strengthening the volume recovery trend for container railway operators. Moreover, the mid-term review of the 'Foreign Trade Policy (FTP) 2015-20' brought cheer to struggling MSMEs as the government has allowed duty free import of raw materials (for export manufacturing) along with an increase in validity of duty free scrips and increased incentives under MEIS and SEIS schemes. This is expected to ease the pressure on struggling exports (declined for first time over the past 15 months in Oct'17; expected to decline in Nov'17 as well) data for the country. Overall, major ports registered 5% growth for Nov'17 (+3% for Apr-Nov'17) but continued to be impacted by lower fertiliser and iron ore volumes (-8%/-29% YoY).

- **Mid-term FTP review brings cheer for struggling MSME exporters:** Government announced export promotion schemes amounting to INR 73bn for struggling labour-intensive and MSME sectors (ready-made garments, leather, footwear, handmade carpets, handloom, jute products and agri products). This includes **a)** restoring of duty free imports under Advance Authorisation, EPCG scheme and for 100% Export Oriented Units along with the allowance of duty free imports under self-liquidation scheme to Authorised Economic Operators (AEOs) - easing working capital blockage issues; **b)** 2% increase in incentive under Merchandise Exports from India Scheme (MEIS) to temporarily address concerns over the higher impact of embedded taxes under GST (taxes paid on inputs processed to produce duty free goods, which are further utilised in processing export goods, are not refunded like cotton is a zero duty item while taxes are paid on fertilisers and insecticides, which is included in price of final goods – readymade garments); and **c)** increase in the validity period of Duty Credit Scrips from 18 months to 24 months (utilised for payment of taxes). These measures are expected to ease pressure on struggling MSMEs. Notably, CRISIL's recent analysis showed that the competitiveness of labour intensive export sectors - gems & jewellery, leather products and ready-made garments - had reduced substantially over 2006-16 and further impacted by Demonetization and GST implementation. Also, India's export growth is 9.5% in FY18 so far vs. 23.8%, 18.4% and 17.8% for Vietnam, South Korea and Indonesia, respectively.
- **Port container volumes continue to grow steadily at 5% YoY in Nov'17; overall cargo also grew at 5%:** Major ports reported container cargo growth (in TEU and mnt terms) at 5% YoY in Nov'17 (+6% in Apr-Nov'17) as Chennai port continued to see a decline in volumes for the second consecutive month, but JNPT rose steadily at 4%. In terms of cargo growth (mnt), container volumes rose faster at 7% YoY in Nov'17 (+6% in Apr-Nov'17). Overall major port volumes grew 5% YoY in Nov'17 (+3% in Apr-Nov'17 – also impacted by lower coal volumes) mainly due to a decline in fertilisers and iron ore (-8%/-29% YoY respectively). For ports, the highest growth for Apr-Nov'17 was registered by Cochin (+18% - POL and Containers), followed by Paradip (+13% - POL), Kolkata (+13% - POL), New Mangalore (+7% - Iron Ore and Containers) and JNPT (+5% - Containers).
- **Railway EXIM container volumes continue strong growth momentum (+16% YoY in Nov'17; +12% in Apr-Nov'17):** Indian Railways reported overall volumes of 4.33mnt in Nov'17 (+16% YoY; +14% in Apr-Nov'17), led by strong growth of 16% in EXIM containers (+12% YoY in Apr-Nov'17), further strengthening prospects of a strong revival in volumes for CTOs, partly benefitting from a low base (-4%/+2% growth in volumes for Apr-Oct'15 and Apr-Oct'16, respectively). Railways' EXIM net ton kms also improved 10% YoY in the past 4 months (+5% YoY in Apr-Nov'17) after seeing a fall in 1QFY18 (also FY16/FY17 were weak). Overall, realisations continued declining since Apr'16 on account of the mix (higher double stacking/empty containers). Notably, domestic volumes grew again at a strong pace of 18% YoY in Nov'17 (+20% YoY in Apr-Nov'17 vs -15%/-2% in Apr-Oct'15 and Apr-Oct'16, respectively).



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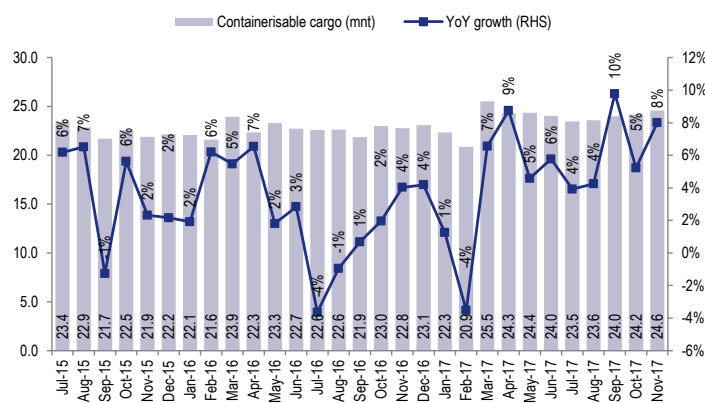
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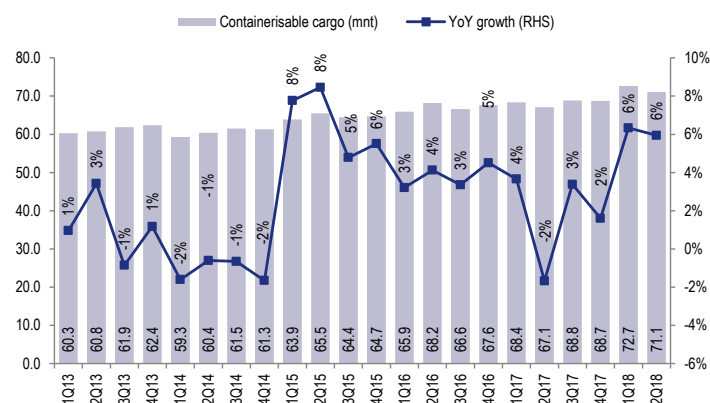
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. India's Major ports containerisable monthly growth trend



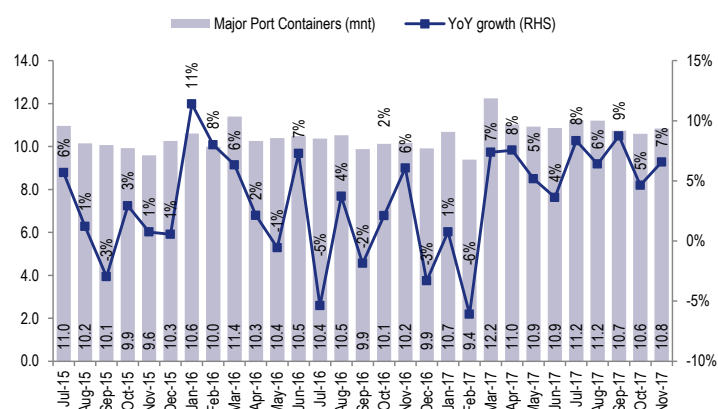
Source: IPA, CMIE, JM Financial; Containerisable cargo excludes POL, Coal and Iron ore  
 \* estimated for Nov' 17

Exhibit 2. India's major ports containerisable quarterly growth trend



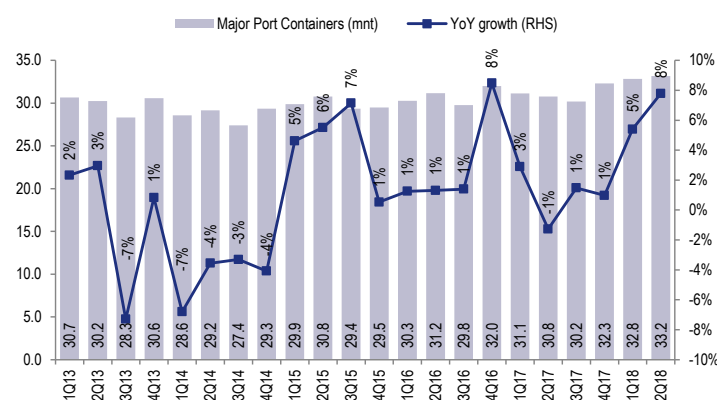
Source: IPA, CMIE, JM Financial; Containerisable cargo excludes POL, Coal and Iron ore

Exhibit 3. India's major ports container cargo monthly growth trend



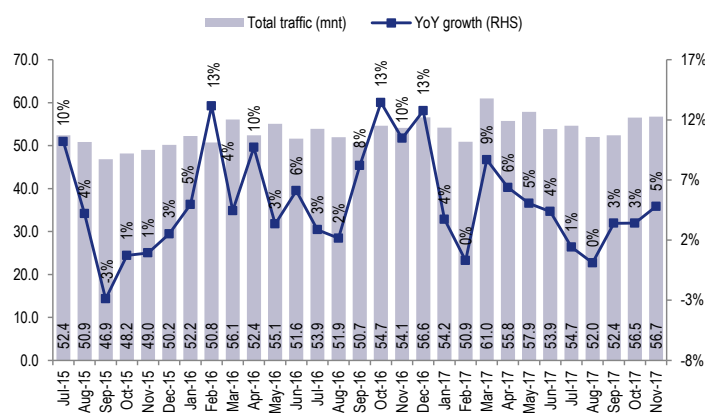
Source: IPA, CMIE, JM Financial

Exhibit 4. India's major ports container cargo quarterly growth trend



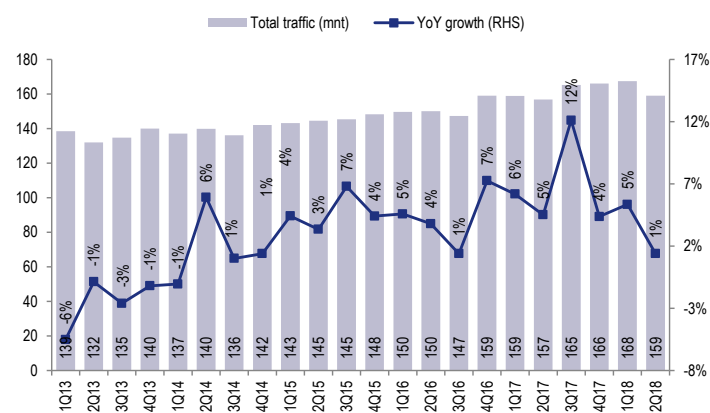
Source: IPA, CMIE, JM Financial

Exhibit 5. India's major ports overall cargo monthly growth trend



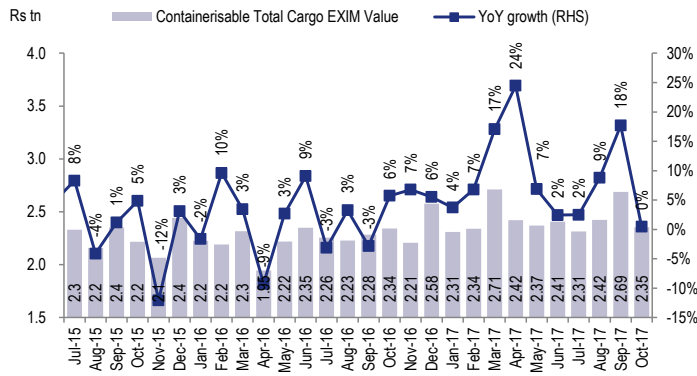
Source: IPA, CMIE, JM Financial

Exhibit 6. India's major ports overall cargo quarterly growth trend



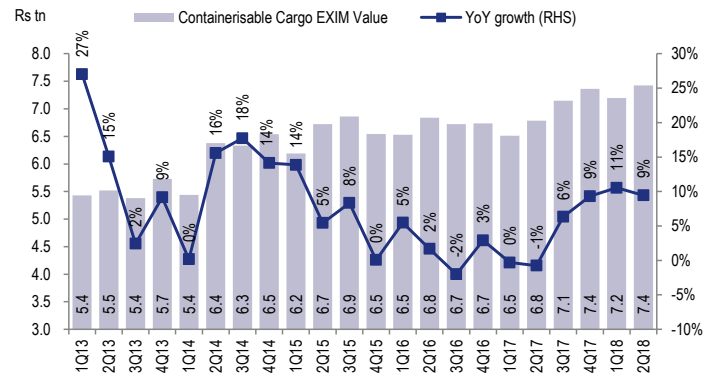
Source: IPA, CMIE, JM Financial

Exhibit 7. India's containerisable EXIM monthly growth trend



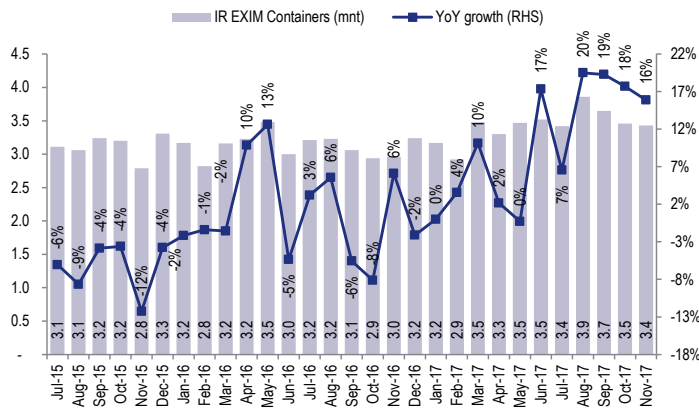
Source: CMIE, JM Financial; Containerisable cargo excludes POL, Ores &amp; Minerals, Gems and Jewellery

Exhibit 8. India's containerisable EXIM quarterly growth trend



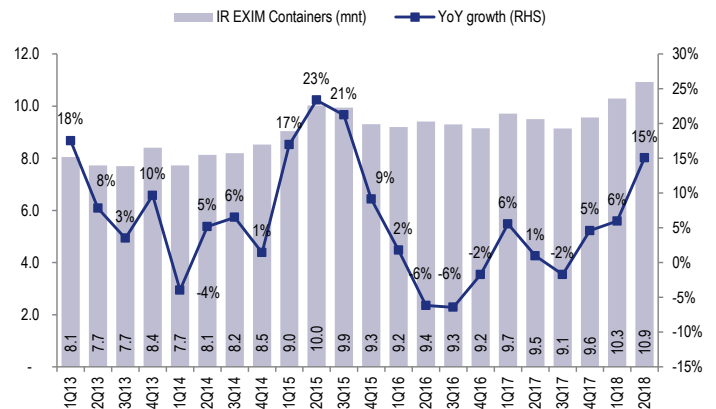
Source: CMIE, JM Financial; Containerisable cargo excludes POL, Ores &amp; Minerals, Gems and Jewellery

Exhibit 9. IR EXIM containers cargo monthly growth trend



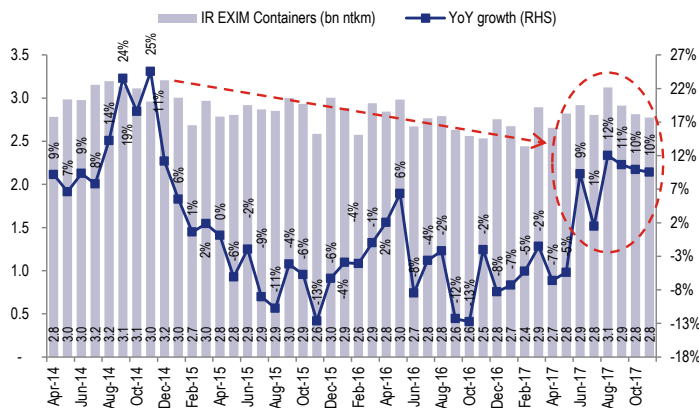
Source: Indian Railways, CMIE, JM Financial

Exhibit 10. IR EXIM containers cargo quarterly growth trend



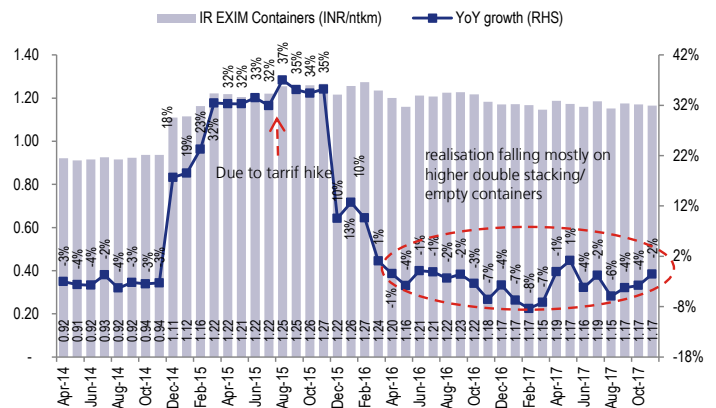
Source: Indian Railways, CMIE, JM Financial

Exhibit 11. IR EXIM containers ntkm monthly growth trend



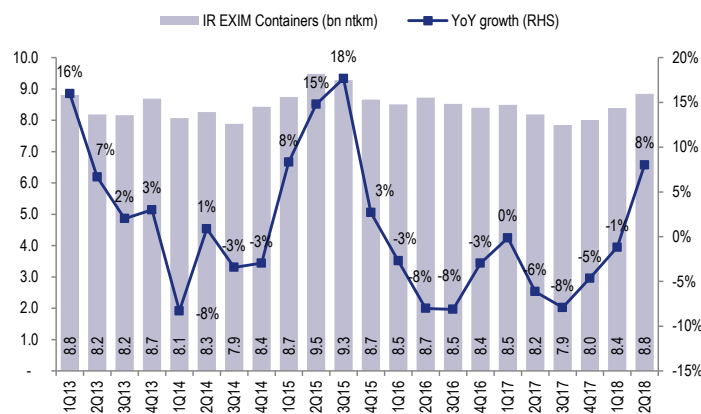
Source: Indian Railways, CMIE, JM Financial

Exhibit 12. IR EXIM containers monthly realisation trend (INR/ntkm)



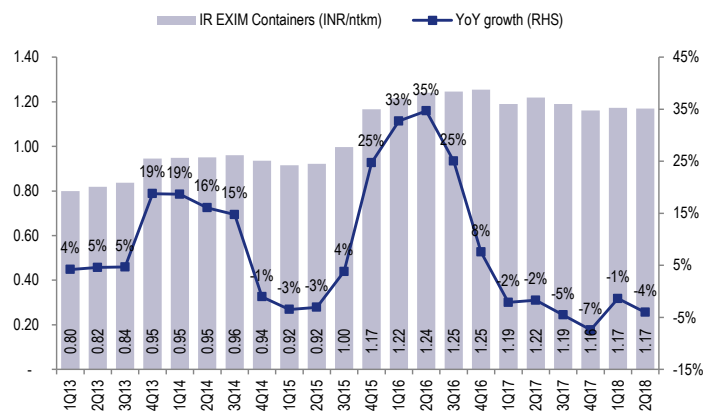
Source: Indian Railways, CMIE, JM Financial

Exhibit 13. IR EXIM containers ntkm quarterly growth



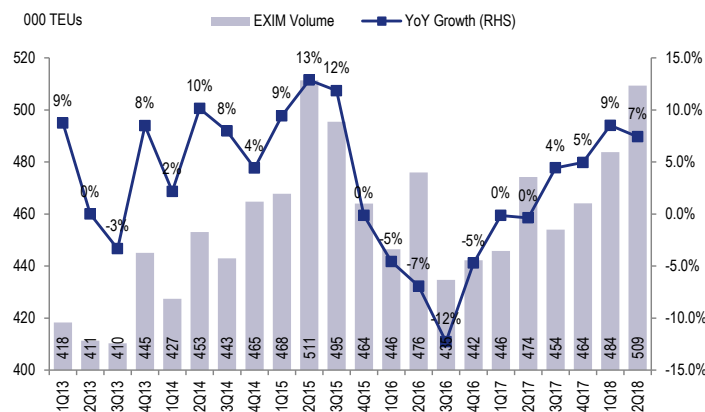
Source: Company, JM Financial

Exhibit 14. IR EXIM containers quarterly realisation trend (INR/ntkm)



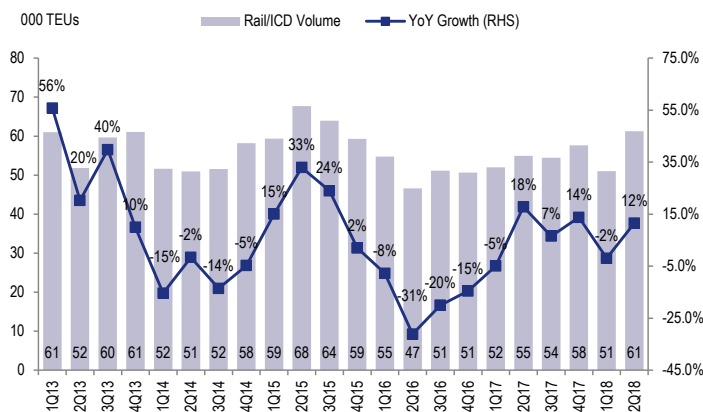
Source: Company, JM Financial

Exhibit 15. Concor rail originating volume growth trend



Source: Company, JM Financial

Exhibit 16. GDPL rail volume growth trend



Source: Company, JM Financial

**Exhibit 17. Port-wise/commodity-wise growth trend**

Particulars (000 tons)	Nov-16	Nov-17	YoY	Apr-Nov'16	Apr-Nov'17	YoY
<b>Major Ports - Total</b>	<b>54,145</b>	<b>56,746</b>	<b>5%</b>	<b>4,24,955</b>	<b>4,39,663</b>	<b>3%</b>
Kandla	8,541	8,895	4%	71,580	72,026	1%
Paradip	7,196	9,194	28%	57,431	64,974	13%
JNPT	5,129	5,358	4%	40,929	43,258	6%
Mumbai	5,550	5,604	1%	42,044	42,328	1%
Vizag	4,730	5,205	10%	40,655	40,947	1%
Chennai	4,252	4,416	4%	34,315	34,901	2%
Kolkata	4,064	4,650	14%	32,655	36,784	13%
Ennore	2,474	2,516	2%	19,772	18,698	-5%
Tuticorin	2,844	3,006	6%	25,523	23,212	-9%
Cochin	2,092	2,505	20%	16,073	18,955	18%
New Mangalore	4,051	3,710	-8%	25,344	27,137	7%
Mormugao	3,222	1,687	-48%	18,634	16,443	-12%

**Container (000 TEUs)**

<b>Major Ports - Total</b>	<b>704</b>	<b>742</b>	<b>5%</b>	<b>5,629</b>	<b>5,986</b>	<b>6%</b>
JNPT	373	389	4%	3,003	3,175	6%
Chennai	136	127	-7%	1,011	1,036	2%
Kolkata	66	72	9%	500	526	5%
Tuticorin	44	47	7%	424	437	3%
Vizag	27	36	33%	250	257	3%
Cochin	43	44	3%	326	363	11%

**POL**

<b>Major Ports - Total</b>	<b>17,932</b>	<b>19,083</b>	<b>6%</b>	<b>1,40,078</b>	<b>1,49,559</b>	<b>7%</b>
Kandla	4,756	5,132	8%	40,459	40,581	0%
Mumbai	3,175	3,376	6%	24,917	24,981	0%
Paradip	2,159	3,006	39%	17,196	23,165	35%
New Mangalore	2,682	2,305	-14%	16,637	16,019	-4%
Vizag	1,376	1,130	-18%	10,757	10,607	-1%
Cochin	1,268	1,640	29%	10,170	12,728	25%

**Coal**

<b>Major Ports - Total</b>	<b>10,564</b>	<b>12,274</b>	<b>16%</b>	<b>95,294</b>	<b>90,323</b>	<b>-5%</b>
Paradip	2,598	3,900	50%	24,762	25,145	2%
Ennore	1,854	1,914	3%	15,191	14,261	-6%
Kandla	1,193	752	-37%	11,060	7,840	-29%
Tuticorin	942	1,256	33%	9,404	7,454	-21%
Kolkata	921	1,272	38%	9,313	9,054	-3%
Vizag	1,033	1,418	37%	8,915	9,352	5%
Mormugao	690	859	24%	7,041	8,061	14%

**Iron Ore**

<b>Major Ports - Total</b>	<b>5,157</b>	<b>3,643</b>	<b>-29%</b>	<b>26,611</b>	<b>28,952</b>	<b>9%</b>
Vizag	954	697	-27%	7,073	6,768	-4%
Mormugao	1,809	323	-82%	6,892	4,718	-32%
Paradip	1,331	1,257	-6%	6,175	7,594	23%
Mumbai	641	698	9%	4,787	4,805	0%
New Mangalore	238	377	58%	900	3,213	257%

**Fertilisers**

<b>Major Ports - Total</b>	<b>1,437</b>	<b>1,321</b>	<b>-8%</b>	<b>10,810</b>	<b>10,451</b>	<b>-3%</b>
Kandla	394	285	-28%	3,129	2,905	-7%
Paradip	405	320	-21%	3,027	2,829	-7%
Vizag	208	268	29%	1,996	2,200	10%

**Others**

<b>Major Ports - Total</b>	<b>8,887</b>	<b>9,590</b>	<b>8%</b>	<b>69,946</b>	<b>72,940</b>	<b>4%</b>
Kandla	2,146	2,522	18%	16,459	19,056	16%
Kolkata	1,383	1,367	-1%	10,197	11,820	16%
Vizag	687	1,042	52%	7,576	7,549	0%
Paradip	702	699	0%	6,242	6,183	-1%
Chennai	548	879	60%	5,903	5,820	-1%
Mumbai	1,054	1,030	-2%	6,954	7,106	2%

Source: IPA, JM Financial

**Exhibit 18. India major ports - Monthly container growth trend**

000 TEUs	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Apr-Nov'17
<b>Major Ports</b>	<b>704</b>	<b>689</b>	<b>707</b>	<b>630</b>	<b>791</b>	<b>752</b>	<b>755</b>	<b>744</b>	<b>758</b>	<b>775</b>	<b>731</b>	<b>729</b>	<b>742</b>	<b>5,986</b>
YoY	9%	1%	2%	-7%	7%	10%	6%	3%	5%	8%	8%	5%	5%	6%
JNPT	373	379	370	334	414	416	405	381	409	409	383	383	389	3,175
YoY	2%	-1%	-2%	-9%	6%	12%	5%	-2%	7%	8%	7%	4%	4%	6%
Chennai	136	112	130	106	136	131	126	137	133	134	129	119	127	1,036
YoY	20%	-9%	1%	-10%	-8%	5%	5%	3%	6%	5%	11%	-6%	-7%	2%
Kolkata	66	68	67	61	76	63	64	61	65	70	65	66	72	526
YoY	27%	21%	18%	3%	27%	5%	-3%	-3%	-2%	9%	3%	27%	9%	5%
Tuticorin	44	48	57	50	63	52	58	56	58	57	56	53	47	437
YoY	5%	4%	10%	-6%	2%	0%	4%	2%	5%	4%	6%	-4%	7%	3%
Cochin	43	41	42	37	45	43	47	46	41	51	40	51	44	363
YoY	26%	14%	10%	0%	18%	8%	18%	15%	7%	16%	0%	23%	3%	11%
Vizag	27	28	28	26	35	29	30	31	32	32	35	32	36	257
YoY	-4%	8%	17%	-7%	13%	12%	0%	-3%	-6%	-9%	9%	-9%	33%	2%

Source: IPA, JM Financial

**Exhibit 19. India major ports – Monthly overall cargo growth trend**

000 tonnes	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Apr-Nov'17
<b>Major Ports</b>	<b>54,145</b>	<b>56,248</b>	<b>54,148</b>	<b>50,945</b>	<b>61,337</b>	<b>55,757</b>	<b>57,882</b>	<b>53,655</b>	<b>54,661</b>	<b>52,005</b>	<b>52,423</b>	<b>56,534</b>	<b>56,746</b>	<b>4,39,663</b>
YoY	10%	12%	4%	0%	9%	6%	5%	4%	1%	0%	3%	3%	5%	3%
Kandla	8,541	9,386	7,504	7,866	9,106	9,322	9,542	8,325	8,914	7,883	9,301	9,844	8,895	72,026
YoY	1%	16%	-17%	-4%	2%	18%	0%	-3%	-9%	-16%	6%	8%	4%	1%
Paradip	7,196	7,489	7,982	7,711	8,342	7,335	8,864	8,237	8,503	7,435	7,231	8,175	9,194	64,974
YoY	12%	21%	22%	9%	10%	1%	31%	25%	6%	3%	6%	8%	28%	13%
Mumbai	5,550	5,619	5,282	4,628	5,476	5,336	5,658	4,577	5,121	5,144	5,398	5,490	5,604	42,328
YoY	9%	8%	6%	-1%	9%	3%	4%	0%	3%	-5%	3%	-3%	1%	1%
JNPT	5,129	5,218	5,176	4,869	5,833	5,754	5,485	5,108	5,493	5,695	5,156	5,209	5,358	43,258
YoY	-2%	-8%	-3%	-4%	8%	9%	0%	-1%	9%	14%	6%	4%	4%	6%
Vizag	4,730	5,308	5,026	4,543	5,488	4,921	5,067	5,119	4,930	5,408	4,704	5,593	5,205	40,947
YoY	3%	14%	3%	-6%	8%	4%	-9%	-3%	-7%	11%	-4%	6%	10%	1%
Chennai	4,252	3,684	4,209	3,354	4,652	3,936	4,096	4,645	4,725	4,562	4,272	4,249	4,416	34,901
YoY	10%	3%	2%	-13%	-1%	-7%	-5%	1%	11%	1%	7%	3%	4%	2%
Kolkata	4,064	3,835	4,077	3,958	5,789	4,231	4,658	4,655	4,866	4,562	4,593	4,569	4,650	36,784
YoY	4%	-9%	4%	0%	22%	5%	16%	7%	15%	18%	15%	15%	14%	13%
New Mangalore	4,051	3,749	3,315	3,523	4,014	3,198	2,974	3,791	3,307	2,851	3,428	3,878	3,710	27,137
YoY	50%	25%	2%	-2%	17%	24%	-10%	45%	7%	7%	5%	2%	-8%	7%
Tuticorin	2,844	3,444	3,196	2,999	3,301	3,196	2,959	2,887	2,616	2,821	2,807	2,920	3,006	23,212
YoY	-4%	13%	5%	22%	-6%	-4%	6%	-17%	-25%	-11%	-9%	-13%	6%	-9%
Ennore	2,474	2,407	2,677	2,440	2,724	2,615	2,809	2,545	2,306	1,804	1,768	2,335	2,516	18,698
YoY	5%	7%	-10%	-20%	-15%	-1%	11%	-1%	-3%	-25%	-25%	-3%	2%	-5%
Cochin	2,092	2,162	2,220	2,135	2,417	2,269	2,443	2,459	2,381	2,379	2,333	2,186	2,505	18,955
YoY	35%	18%	11%	6%	52%	14%	25%	16%	35%	12%	18%	6%	20%	18%
Mormugao	3,222	3,947	3,484	2,919	4,195	3,644	3,327	1,307	1,499	1,461	1,432	2,086	1,687	16,443
YoY	70%	64%	58%	52%	52%	10%	-3%	-24%	1%	-5%	-9%	-11%	-48%	-12%

Source: IPA, JM Financial

## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U65192MH1995PLC092522

Member of BSE Ltd. and National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: BSE - INZ010012532, NSE - INZ230012536 and MSEI - INZ260012539, Research Analyst – INH000000610

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