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Logistics Sector

Port volume data

Iron ore volumes continue to slide

Traffic at India's 12 major ports witnessed a healthy growth of 3.1% yoy for the month of December 2010 on the back of the strong 14.8% yoy growth in fertiliser volumes and 10.5% yoy growth in Petroleum, Oil and Lubricants (POL) volumes. While the container throughput (TEUs) was flat for December 2010, the tonnage handled has grown 10.4% yoy. However iron ore and coal volumes declined 5.9% yoy and 7.8% yoy respectively. Iron ore exports have been falling since July 2010 since the ban of exports by the Karnataka government from ten of its ports. As a result, volumes at Mangalore Port have been severely impacted witnessing a decline of 12.1% yoy for December 2010 and 50.3% yoy for the period April-December 2010.

Exhibit 1: Port throughput in FY2011

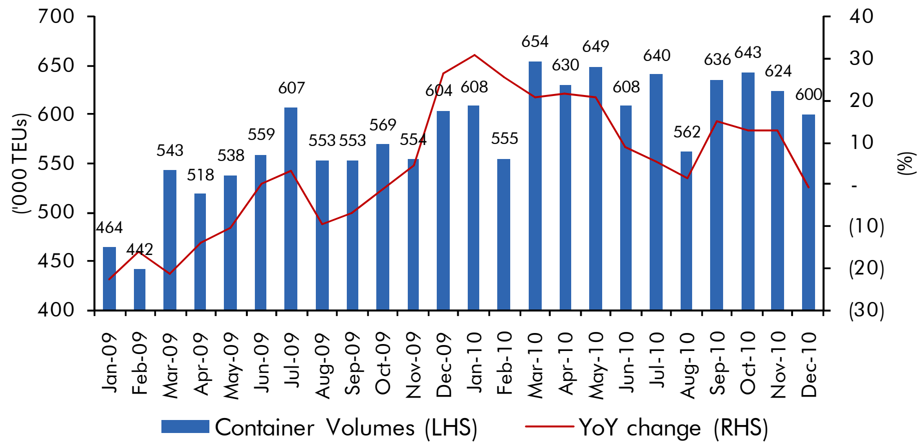
(In '000 tonnes)	Dec-10	Nov-10	*% chg (mom)*	Dec-09	*% chg (yoy)*	Apr-Dec. 2010	Apr- Dec. 2009	*% chg (yoy)*
P.O.L.	16,069	14,454	*11.2*	14548	*10.5*	133,980	129,727	*3.3*
Iron ore	8,987	7,426	*21.0*	9550	*(5.9)*	59,354	69,090	*(14.1)*
Fertiliser	1,764	1,884	*(6.4)*	1536	*14.8*	16,569	14,166	*17.0*
Coal	6,052	5,661	*6.9*	6565	*(7.8)*	53,805	53,460	*0.6*
Container (Tonnage)	9,999	9,205	*8.6*	9056	*10.4*	83,456	73,597	*13.4*
Other cargo	7,815	7,323	*6.7*	7908	*(1.2)*	69,441	71,676	*(3.1)*
Total	50,686	45,953	*10.3*	49,163	*3.1*	416,605	411,716	*1.2*

Source: IPA, Angel Research

Container volumes stabilising at current levels

As per the Indian Port Association (IPA) data for December 2010, container volumes at the 12 major ports saw a marginal decline of 0.7% yoy, while slipping 3.8% mom. The JNPT port, which handles around 61% of the country's container volumes, witnessed an increase of 3.9% yoy and 2.5% mom in volumes. The Chennai port, which handles around 16% of the country's container volumes, registered flat growth of 0.9% yoy, though volumes fell by 2.6% mom. The container data YTD FY2011 indicates that volumes have begun stabilising at current levels. During April-December 2010, the major ports handled 5.6mn TEUs v/s 5.1mn TEUs during the corresponding period of last year, registering a yoy growth of 10.8%. Going ahead, we expect the ports to sustain the monthly run-rate and surpass the 7.0mn TEU mark set for FY2011. Company-wise, we estimate Concor to post 10.0% yoy growth in Exim volumes in FY2011 as against management's guidance of 12%.

Exhibit 2: Container volumes stabilising at current levels



Source: IPA, Angel Research

Exhibit 3: FY2011 container volumes set to outpace FY2010 numbers

('000 TEUs)	Dec-10	Nov -10	% chg (mom)	Dec -09	% chg (yoy)	Apr- Dec 10	Apr- Dec 09	% chg (yoy)
JNPT	370	361	2.5	356	3.9	3,208	2,988	7.4
Chennai	111	114	(2.6)	110	0.9	1,116	886	26.0
Major ports	600	624	(3.8)	604	(0.7)	5,592	5,047	10.8

Source: IPA, Angel Research

Exports surge the highest in 33 months

Merchandise exports in December touched US $22.5bn, up 36.4% yoy and the highest in the last 33 months, while imports fell by 11.1% yoy to US $25.1bn thereby narrowing the trade deficit to US $2.6bn for the month. During April-December 2010, exports grew 29.5% yoy to US $164.7bn, while imports increased 19% yoy to US $247.1bn, indicating that the government's target of achieving US $200bn exports in FY2011 is quite possible. Trade deficit stood at US $82.4bn during the mentioned period and is expected to be around US $118-120bn for FY2011, lower than the earlier estimate of US $135bn. A revival in Exim trades has been seen in overall port throughput as well as container volumes.

Exhibit 4: EXIM trade on steady growth path

Source: Bloomberg, Angel Research; Note: December 2010 figures are provisional

Outlook

We believe that sustained growth of the Indian economy with GDP growth expected at 8.5% over the next few years, and emergence of India as a global outsourcing hub will facilitate the country's container trade. In the current decade, container traffic registered 12% CAGR compared to the 9% CAGR posted by the total traffic at the major ports. We expect this trend to continue and container traffic to register 11% CAGR over the next five years, driven by the addition of new container terminals and increased containerisation.

We prefer companies that provide a decent blend of growth opportunities and available at attractive valuations. Accordingly, we maintain a Reduce on Concor as it is losing its pricing power in the high-margin Exim segment and is trading at expensive valuations. We maintain a Buy on GDL and expect it to register 14.1% CAGR in EPS over FY2010–12 on account of being present at strategic locations, its ongoing expansion plans and break-even in the rail business at the PAT level. We maintain a Buy on AGL owing to reasonable valuations and improved performance by ECU Line over the last few quarters.

Exhibit 5: Companies at a glance

Company	Reco	Mcap	CMP	TP	*Upside*	P/E (x)		P/B (x)		EV/EBITDA (x)		RoE (%)		CAGR#	
		(₹ cr)	(₹)	(₹)	*(%)*	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	Sales	PAT
Allcargo*	Buy	1,923	140	217	*55.0*	8.2	6.5	1.2	1.0	5.1	3.8	17.5	18.8	15.4	27.4
Gateway Distriparks	Buy	1,139	106	123	*16.3*	14.1	11.1	1.9	1.7	7.0	5.3	11.8	13.9	21.8	14.1
Concor	Reduce	15,768	1,213	1194	*(1.6)*	18.4	16.8	3.5	3.1	12.7	11.8	18.7	17.9	11.1	9.9

*Source: Company, Angel Research; Note: *Calendar year end.; #CAGR over FY2010-12E*

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Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

Ratings (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to 15%)	Sell (< -15%)	

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