

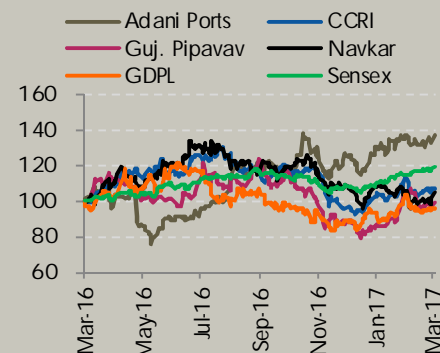
Indian Logistics & Ports: March volumes

Highest ever monthly cargo

Mar'17 cargo across Major Ports grew 9.5% YoY (FY17 growth at 6.8%), as per Indian Ports Association (IPA). The growth was led by POL (up 14%; 32% contribution), iron ore (up 2.2x; 10% contribution) and container (up 8%; 20% contribution) – this negated 24% YoY decline in thermal coal. **Container volumes growth was led by JNPT (up 6.5%; similar rise in teus) and other major ports (up 8.4%; 7% in teus)** led by Kolkata, Tuticorin, Vizag and Kochi ports.

JNPT volume growth was driven by 10% YoY rise in GTI volumes (APM Maersk) while DP World (including mini terminal) and JNPCT (state-owned) terminals' volumes grew 4-5% YoY. DP World's mini terminal continued to garner volumes from its older terminal given benefits of non-TAMP pricing (expected to continue).

Relative performance



Source: Axis Capital

Major ports performance – FY17: Volume grew 6.8% YoY (648 MT; up 41 MT YoY) due to surge in iron ore (50 MT; up 31 MT YoY) after lifting of mining ban in Goa; further incentivized by rebound in global iron ore prices. POL volume (~33% of cargo) grew 8.2% YoY. Thermal coal (15% of cargo) declined 13.5% YoY, while coking coal volumes dipped 2% YoY. Container tonnage grew 1% YoY (up 3% in TEUs) – JNPT volume declined ~4% YoY (flat in TEUs) while ex-JNPT volume grew 5.6% (up 6.5% in TEUs) in FY17. Chennai volume dipped 4-5% YoY, Tuticorin/ Vizag volumes grew 5/25%.

Independent tariff regulator for Railways – the much awaited reform: Cabinet approved setting up an independent tariff regulator (in next 3 months). Its key responsibilities include (a) decide passenger and freight tariffs, (b) maintain efficiency and performance standards and (c) ensure level-playing field among players. **Notably, if the government does not accept tariff suggested by the regulator, Indian Railways would have to be compensated appropriately for the shortfall (probably through increased gross budgetary support).** ([detailed note](#))

Railways to allow private players to run freight trains through private terminals as part of its Special Freight Train Operations (SFTO) scheme. **Railways' other recent initiatives include:** (a) Long term tariff agreements with key customers (offering price assurance + volume-linked discount of 1-5%), (b) Roll-on-Roll-off pilot run in NCR (target to shift >20% of truck volumes to rail), and (c) New delivery models like double-stacked dwarf containers (to carry higher cargo at lower effective cost). Such steps augur well for volume growth (and resultant operating leverage benefits) for Container Train Operators like Concor and Gateway Distriparks – we maintain our positive stance. ([detailed report](#))

Key stock picks: We roll forward our target price to FY19E

- ◆ **Gateway Distriparks (BUY):** Strategic rail terminals to drive operating leverage benefits ([Q3 update](#))
- ◆ **Navkar Corporation (BUY):** Strong positioning at Panvel; Vapi terminal scale up to drive rerating ([Q3 update](#))
- ◆ **Gujarat Pipavav (SELL):** Volume weakness continues ([Q3 update](#))

Sector summary

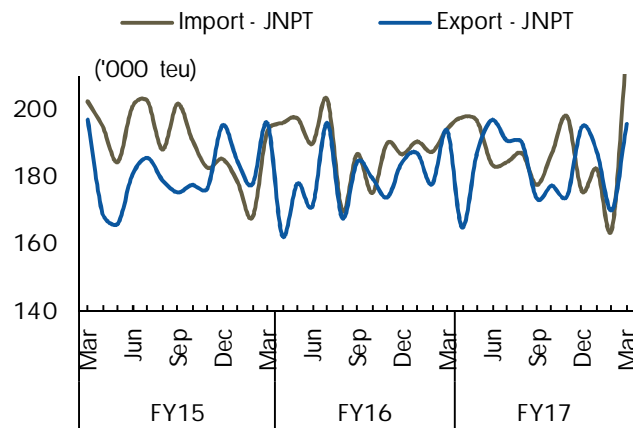
	Mcap (USD mn)	CMP (Rs)	TP (Rs)	Upside (%)	Rating	EPS (Rs)		P/E (x)		EV/EBITDA (x)		RoCE (%)	
						FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Adani Ports	10,044	328	UR	-	UR	18.9	22.7	17.3	14.5	11.2	9.1	14.9	15.6
Concor	4,326	1,148	1,160	1	Hold	34.8	42.9	33.0	26.8	22.6	18.6	12.2	14.0
Guj Pipavav	1,183	161	137	(15)	Sell	5.5	7.1	29.2	22.6	14.8	11.9	19.9	26.8
Navkar	436	204	240	18	Buy	10.4	13.2	19.6	15.4	14.7	11.0	10.6	13.0
GDPL	455	273	320	17	Buy	13.7	14.4	19.9	19.0	10.0	8.0	16.0	18.3

Source: Companies, Bloomberg, Axis Capital *Other cargo: Misc cargo, Fertilizer and Liquid cargo, excluding Petroleum, Oil & Lubricants

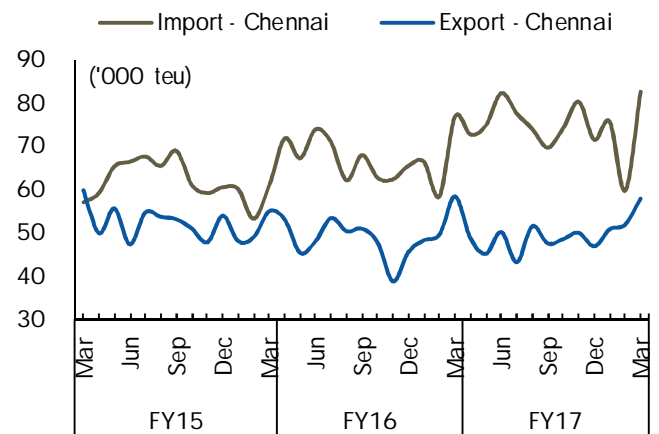
Exhibit 1: Container volume performance across Major Ports

(in teu)	Container volumes ('000 teu)						Container volumes ('000 tons)					
	Mar-17	Mar-16	% chg	FY17	FY16	% chg	Mar-17	Mar-16	% chg	FY17	FY16	% chg
Kolkata	76	60	26.7	772	663	16.4	1,641	1,019	61.0	12,354	10,639	16.1
Paradip	-	-	-	1	5	(80.0)	-	3	(100.0)	39	122	(68.0)
Vizag	35	31	12.9	367	293	25.3	611	537	13.8	6,428	5,145	24.9
Chennai	136	148	(8.1)	1,495	1,565	(4.5)	2,615	2,854	(8.4)	28,850	30,207	(4.5)
Tuticorin	63	62	1.6	642	612	4.9	1,299	1,425	(8.8)	12,991	12,387	4.9
Cochin	45	38	18.4	491	419	17.1	628	538	16.7	6,840	5,785	18.2
New Mangalore	13	8	62.5	95	76	25.0	187	110	70.0	1,410	1,105	27.6
Mormugao	2	3	(33.3)	30	26	15.4	29	38	(23.7)	400	345	15.9
Mumbai	3	2	NA	42	43	(2.3)	48	21	NA	558	537	3.9
J.N.P.T.	414	389	6.4	4,500	4,492	0.2	5,126	4,815	6.5	54,404	56,559	(3.8)
Kandla	4	1	-	9	1	-	57	18	-	175	56	-
Major ports	791	742	6.6	8,444	8,195	3.0	12,241	11,378	7.6	124,449	122,887	1.3

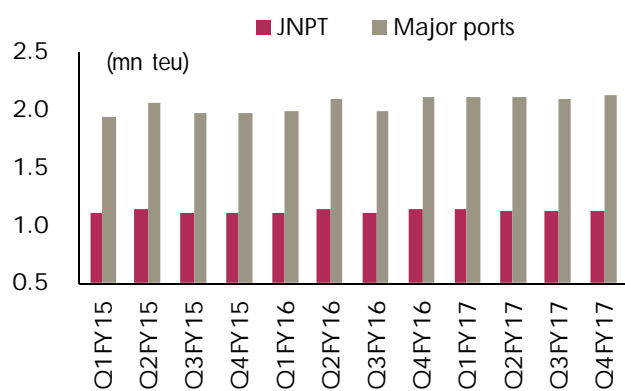
Source: IPA, Axis Capital

Exhibit 2: Sharp rebound in import volumes across JNPT and Chennai increases EXIM mismatch again


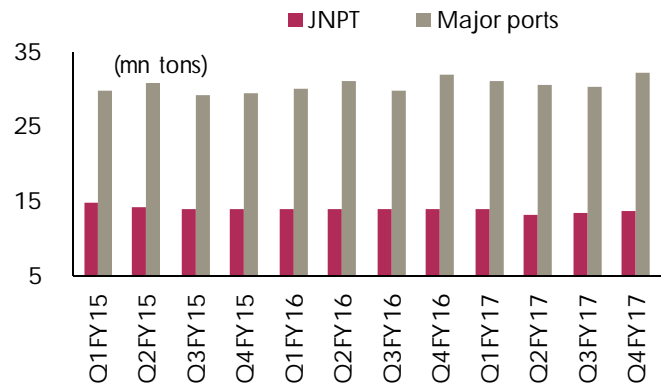
Source: IPA, Axis Capital



Source: IPA, Axis Capital

Exhibit 3: Quarterly volume growth (TEUs)


Source: IPA, Axis Capital

Exhibit 4: Quarterly tonnage volume growth


Source: IPA, Axis Capital

JNPT's volume (TEU) was flat YoY in FY17. DP World's 0.8 MTEU terminal is operational and taking volumes from DP World's older facility at JNPT. In case of prolonged tepid industry growth, the trend is likely to continue. Volume at APM Maersk's terminal de-grew 4% in FY17.

4.8 MTEU CT4 at JNPT will come up in phases: Phase 1 (2.4 MTEU) to be operational by December 2017 and Phase 2 (2.4 MTEU) by December 22.

Note: DP World's new terminal is more profitable (vs. its old one). Tariff is ~30% higher and revenue share is at 27% (vs. 65% at old terminal). **Success of DP World's new terminal augurs well for CT4 and implies that customers are willing to pay higher tariffs for better service.**

Exhibit 5: JNPT performance

(KTEU)	JNPCT	NSICT	NSI - GT	Total	GTIPL	Total
Operator	JNPT	DP World	DP World	DP World	APM Maersk	
FY17	1,534	729	445	1,174	1,793	4,500
YoY Growth	7	(27)	120	(2)	(4)	0
Mar 17	129	58	61	118	167	414
YoY Growth	4	(24)	62	5	10	7

Source: JNPT

Cargo-wise performance at Major Ports FY17

Volume grew 6.8% YoY (648 MT; up by 41MT YoY) due to growth in iron ore (50 MT; up 31 MT YoY) and POL (212MT; up 16 MT YoY). After lifting of the mining ban, iron ore shipments have started from Goa, further incentivized by rebound in global iron ore prices. Thermal coal volume (15% of MP cargo) dipped 13.5% YoY; thermal coal at West coast MPs dipped 7% YoY.

Note: Major Ports (MPs) represent ~60% of overall port volume; details of remaining 40% volume (non-major ports) is awaited.

- ◆ **POL (33% of MP volume)** was up 8.2% YoY, higher than FY16 growth of 4%
- ◆ **Container (20% of MP volume)** was up just 1% YoY. ~4% YoY growth on East coast offset ~1% YoY dip on West coast

Exhibit 6: FY17 cargo-wise performance at MPs

	FY17 (MT)			YoY growth (%)		
	West	East	Total	West	East	Total
POL	143.0	68.9	211.9	6.5	11.7	8.2
Iron Ore	26.3	23.6	50.0	189.0	140.2	163.7
Coal Thermal	23.7	69.0	92.7	(6.7)	(15.6)	(13.5)
Coal Coking	17.4	29.7	47.2	12.0	(8.5)	(1.8)
Container	63.8	60.7	124.4	(1.3)	3.7	1.1
Others *	54.4	67.0	121.4	(0.6)	14.5	7.2
Total	328.6	319.0	647.6	8.2	5.3	6.8

Source: IPA; * Others including fertilizer and other liquids

Exhibit 7: Surge in iron ore shipment

(MT)	FY17	Increase (MT)
East	23.6	13.8
Paradip	11.0	8.2
Vizag	11.4	5.4
Others	1.2	0.2
West	26.3	17.2
Mormugao	15.1	11.1
Others	11.3	6.1
Total	50.0	31.0

Source: IPA

Exhibit 8: Rebound in POL

(MT)	FY17	Increase (MT)
East	68.9	7.2
Paradip	27.7	7.1
Vizag	16.6	(0.3)
Chennai	12.2	0.3
Others	12.4	0.1
West	143.0	8.8
Cochin	15.8	2.0
New Mangalore	25.1	1.2
Mumbai	36.6	0.4
Kandla	60.3	4.8
Others	5.1	0.5
Total	211.9	16.0

Source: IPA

Observations on MPs: The 6.8% YoY growth in FY17 was driven by ports both in West (up 8.2% YoY) and East (up 5.3% YoY) due to spurt in iron ore and POL.

- ◆ **West:** Steady performance at Kandla (driven by POL and thermal coal) and strong uptick in Mormugao (driven by iron ore). New Mangalore and Cochin posted growth driven by POL. JNPT volume remained subdued; however, we expect a ramp-up, as the new terminal becomes fully operational
- ◆ **East:** Robust performance at Paradip (driven by POL and iron ore) and Vizag (driven by iron ore). Performance at other ports was muted

Exhibit 9: Performance of Major Ports

(MT)	FY17	Growth %
		YoY
East	319	5.3
Kolkata	50	0
Paradip	89	16
Vizag	61	7
Ennore	30	(7)
Chennai	50	0
Tuticorin	38	4
West	329	8.2
Cochin	25	13
New Mangalore	40	12
Mormugao	33	60
Mumbai	63	3
JNPT	62	(3)
Kandla	105	5
Total	648	6.8

Source: IPA

Exhibit 10: Percentage cargo composition at Major Ports (FY17)

(%)	POL	Iron	Coal		Container	Others *
		Ore	Thermal	Coking		
East	22	7	22	9	19	21
Kolkata	15	2	4	22	25	32
Paradip	31	12	29	12	0	16
Vizag	27	19	12	8	11	24
Ennore	14	-	77	0	0	10
Chennai	24	-	-	-	57	18
Tuticorin	2	-	28	9	34	27
West	44	8	7	5	19	17
Cochin	63	-	0	-	27	9
New Mangalore	63	7	9	8	4	9
Mormugao	2	45	8	26	1	18
Mumbai	58	12	4	8	1	17
JNPT	7	-	-	-	88	5
Kandla	57	1	14	0	0	27
Total	33	8	14	7	19	19

* Others including fertilizer and other liquid

Exhibit 11: FY17 cargo performance across Major Ports (mn tons)

	(mn tons)	POL	Other liquids	Iron Ore	Fertilizer	Coal	Container	Other Cargo	Agg. Cargo
Kolkata	Apr - Mar 2017	7.7	5.0	1.2	0.5	13.1	12.4	10.4	50.3
	Apr - Mar 2016	7.7	5.3	0.9	0.8	16.6	10.6	8.2	50.3
	% YoY growth	-0.7%	-5.9%	31.6%	-35.2%	-21.0%	16.1%	26.5%	0.0%
Paradip	Apr - Mar 2017	27.7	1.8	11.0	-	36.2	0.0	8.1	89.0
	Apr - Mar 2016	20.6	1.9	2.9	-	40.4	0.1	6.1	76.4
	% YoY growth	34.7%	-4.8%	282.3%	NA	-10.6%	-68.6%	33.4%	16.5%
Visakhapatnam	Apr - Mar 2017	16.6	1.9	11.4	2.7	12.1	6.4	9.9	61.0
	Apr - Mar 2016	16.9	1.9	6.0	2.8	16.8	5.1	7.5	57.0
	% YoY growth	-2.0%	0.1%	91.0%	-4.8%	-27.7%	24.9%	31.9%	7.0%
Ennore	Apr - Mar 2017	4.1	0.1	-	-	23.1	0.0	2.8	30.0
	Apr - Mar 2016	3.9	0.1	-	-	-	0.0	2.6	32.2
	% YoY growth	4.5%	4.9%	-	-	0.0%	-	5.7%	-6.8%
Chennai	Apr - Mar 2017	12.2	1.4	-	-	-	28.9	7.5	50.2
	Apr - Mar 2016	11.9	1.5	-	-	-	30.2	6.2	50.1
	% YoY growth	2.7%	-4.5%	-	NA	-	-4.5%	20.1%	0.3%
V.O.Chidambaranar (Tuticorin)	Apr - Mar 2017	0.7	0.9	-	1.6	-	13.0	8.0	38.5
	Apr - Mar 2016	0.7	0.8	0.1	1.5	-	12.4	6.5	36.8
	% YoY growth	-3.8%	3.8%	-	8.6%	-	4.9%	23.1%	4.4%
Cochin	Apr - Mar 2017	15.8	0.9	-	-	-	6.8	1.2	25.0
	Apr - Mar 2016	13.8	0.9	-	0.3	-	5.8	1.3	22.1
	% YoY growth	14.6%	-6.5%	-	0.0%	-	18.2%	-4.7%	13.2%
New Mangalore	Apr - Mar 2017	25.1	2.0	2.9	-	6.9	1.4	1.1	39.9
	Apr - Mar 2016	23.9	1.8	-	0.8	-	1.1	1.1	35.6
	% YoY growth	4.9%	10.4%	NA	NA	NA	27.6%	4.4%	12.3%
Mormugao	Apr - Mar 2017	0.6	0.4	15.1	-	8.5	0.4	5.5	33.2
	Apr - Mar 2016	0.6	0.5	4.0	-	-	0.3	3.6	20.8
	% YoY growth	12.2%	-11.6%	NA	-	NA	15.9%	50.2%	59.7%
Mumbai	Apr - Mar 2017	36.6	2.2	-	0.3	-	0.6	8.2	63.0
	Apr - Mar 2016	36.3	2.4	-	0.1	-	0.5	9.8	61.1
	% YoY growth	1.0%	-8.9%	-	NA	-	3.9%	-17.0%	3.2%
J.N.P.T.	Apr - Mar 2017	4.5	2.3	-	-	-	54.4	0.8	62.0
	Apr - Mar 2016	4.1	2.4	-	-	-	56.8	0.7	64.0
	% YoY growth	9.8%	-5.1%	-	-	-	-4.2%	14.6%	-3.1%
Kandla	Apr - Mar 2017	60.3	7.7	0.7	3.7	-	-	17.2	105.4
	Apr - Mar 2016	55.6	9.5	1.0	4.5	-	-	14.4	100.1
	% YoY growth	8.6%	-19.0%	-22.8%	-19.3%	NA	NA	19.9%	5.4%
All Major Ports	Apr - Mar 2017	211.9	26.6	50.0	14.1	139.9	124.4	80.7	647.6
	Apr - Mar 2016	195.9	29.1	18.9	16.0	155.2	123.1	68.1	606.5
	% YoY growth	8.2%	-8.6%	163.7%	-12.3%	-9.9%	1.1%	18.5%	6.8%

Source: IPA, Axis Capital

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, authors (Research team) and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associates do not have any material conflict of interest. I/we have not served as director, officer or employee in the subject company.

Research Team

Sr. No	Name	Designation	E-mail
1	Bunty Chawla	Research Analyst	bunty.chawla@axissecurities.in
2	Kiran Gawle	Associate	kiran.gawle@axissecurities.in

5. ASL or its associates has not received any compensation from the subject company in the past twelve months. ASL or its Research Analysts has not been engaged in market making activity for the subject company.

6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

- i. Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;
- ii. Managed or co-managed public offering of the securities from the subject company of this research report and / or;
- iii. Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report

Term & Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Copyright in this document vests with Axis Securities Limited.

Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070, Tel No. – 18002100808/022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkarMarg, Worli, Mumbai – 400 025. Compliance Officer: AnandShaha, Email: compliance.officer@axisdirect.in, Tel No: 022-42671582.