

Logistics sector sees revival; port traffic up 12.8% in Nov

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India's logistics sector, including ports and road transport, is glimpsing the first signs of recovery from a global recession that caused trade to shrink and cargo volumes to slump through the most part of last year.

Cargo volumes at the country's major ports rose 12.8% year-on-year (y-o-y) to 48.2 million tonnes in November, the latest month for which data is available, paced by growth in container and iron ore traffic.

Jawaharlal Nehru Port Trust (JNPT) in Navi Mumbai, which handles 59% of India's container traffic, posted positive growth of 8.9% for the first time after 12 months of contraction.

JNPT handled 3.95 million

TURN TO PAGE 3 ▶



Positive signs: A file photo of the Jawaharlal Nehru Port in Navi Mumbai. JNPT, which handles 59% of India's container traffic, posted positive growth of 8.9% for the first time after 12 months of contraction.

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▶ FROM PAGE 1

twenty-foot equivalent units (TEU) in the last fiscal year, and expects to post modest growth by crossing the four million mark in the current fiscal year.

TEU is the standard measure of container capacity.

"Slowly, things are now improving with industrial production picking up. Our growth for the calendar year may be flat, but we will be registering positive growth in the current financial year," JNPT chairman S.S. Hussain said.

Demand has begun to revive in overseas markets as government stimulus measures kick in and the US and European economies start to emerge from recession.

In November, India's exports rose for the first time in 14 months, albeit from a low base, by 18.2% to \$13.2 billion (around Rs60,590 crore today) from a year earlier.

India's economy grew 7.9% in the three months ended 30 September, the fastest in six

quarters. That's also helping revive India's logistics sector, which includes the entities involved in the supply chain between the point of origin and the point of consumption.

Truck rentals in the spot market have also increased since October. Industry analysts are optimistic enough about container train operators that are incurring heavy losses to say that rail operations are likely to become profitable in the next fiscal as the trade cycle turns around.

Container volumes would "post higher growth in the coming months partially on account of higher volumes and partially due to the (low) base effect", Supriya Madye Khedkar and Rajni Mahadevan, analysts with domestic brokerage **ICICI Securities Ltd**, wrote in a research note.

A number of transportation companies are in the process of expanding to new areas such as warehousing and distribution while more logistics firms, including **Gujarat Pipav Port Ltd**, **Aqua Logistics Ltd**

and **TVS Logistics Services Ltd**, are expected to hit the capital market with initial public offerings this year.

"In November 2009, India's containerized volume reported a double-digit growth of 15% year-on-year," Jignesh Dhabalia, an analyst with domestic brokerage **India Capital Markets Pvt. Ltd**, wrote in a report published early this year.

This, he said, has been driven by consumption-led growth in India since the second quarter of fiscal 2010, tracing it to an improving investment cli-

mate and healthy capital flows.

Traders, too, are banking on a revival in the logistics sector. Mumbai-based transporter **Allcargo Global Logistics Ltd** has said that it will commence third-party logistic (3PL) operations. 3PL services offers an integrated network of warehouses that connect cargo from such warehouses to inland container depots and container freight stations to the closest gateway port.

Surface transportation firm **Gati Ltd** is seeing a revival and will focus on building more warehouses to tap the opportunity, said Pushpa Joseph, head of marketing services at the company.

Analysts are betting big on container train operators, too. Except **Container Corp. of India Ltd** (Concor), the sole state-run operator, all private players are making losses. Given the freight market size of three billion tonnes, the market is big enough to accommodate all the 16 operators in the container rail industry, according to Bhoomika Nair, an analyst at **IDFC-Securities Ltd**.

"Besides Concor, we see **Arshiya International Ltd** and **Gateway Distriparks Ltd** well placed to grow profitably. Both players are in a rapid ramp-up mode and expected to turn their rail business profitable by FY11 with strong earnings growth over FY09-12 estimates," Nair wrote in a research note.

The road sector is also seeing signs of revival, said Vineet Agarwal, executive director of **Transport Corp. of India Ltd**, the largest road transport firm in the country.

"Essentially, the revival is driven by the volumes surge in certain sectors and seasonality," he said, pointing out that volumes and truck rentals on the south-to-west and west-to-east routes had increased in the past three months.

"The spot market has shown some increase in rentals and we expected this to remain till April," Agarwal added, without divulging figures.

To be sure, not all analysts are sanguine. Container volumes, which showed signs of recovery in the first half of fiscal year, are actually down 4.5% y-o-y for the first eight months, according to Sidhartha Khemka, an analyst with domestic brokerage **Centrum Broking Pvt. Ltd**. "There is no firm reason to think that container traffic would grow exponentially," he cautioned.

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