

Print  Close

Shipping stocks rally up to 29% in April; sector getting back in ship-shape?

Aprajita Sharma April 20, 2016

Amid euphoria over a likely above normal monsoon and the upbeat start to the earnings season, there is one pocket that may have missed investors' radar.

Thanks to over 40 per cent year-to-date jump in Baltic Dry Index (BDI), a gauge for shipping activity, and policy announcements at home, shipping stocks, which had been in the doldrums for long, have seen a sudden spike, with many of them, rising over 20 per cent so far in April.

However, marketmen tracking the sector are advising investors not to get tempted by high returns offered by shipping stocks and read into the fundamentals of shipping companies, before taking a plunge into the distressed pack.

Company Name	Apr-18	Apr-01	Return (%)
Seamec Ltd.	90.45	69.80	29.58
Chowgule Steamships Ltd.	18.32	14.49	26.43
Mercator Ltd.	24.95	22.50	10.89
Shipping Corporation Of India Ltd.	73.25	66.30	10.48
Hariyana Ship Breakers Ltd.	48.60	45.00	8.00
Dredging Corporation Of India Ltd.	407.20	380.70	6.96
Shreyas Shipping & Logistics Ltd.	312.20	299.60	4.21
Essar Shipping Ltd.	25.50	24.80	2.82
GOL Offshore Ltd.	42.55	42.20	0.83
The Great Eastern Shipping Company Ltd.	337.75	335.10	0.79
VMS Industries Ltd.	15.70	15.75	-0.32
Reliance Defence and Engineering Ltd.	67.20	68.20	-1.47
Global Offshore Services Ltd.	177.60	190.35	-6.70
Source: AceEquity			

"Baltic dry index is up due to strong demand of capesize and panamax vessels on the global front. As far as Indian shipping stocks are concerned, few stocks are likely to get benefit out of it coupled with recent Maritime India Summit which focused on port development to boost shipping industry by investing Rs 1 lakh crore along with Sagarmala Project," said Mustafa Nadeem, CEO, Epic Research.

BDI gauges the cost of shipping resources and can give investors insight into global supply and demand trends.

Sea-change in Baltic Dry Index

During global financial crisis, BDI had collapsed from an all-time high of 11,793 points in May 2008 to just 663 by December of that year. It fell to an all-time low of 290 in February this year owing to a prolonged slowdown in the global trade, hit by decelerating growth in China, which together took its toll on sea-transportation volumes and shipping rates.

Nonetheless, some experts said that things are looking up on weak crude oil prices and signs of stabilisation in China.

The BDI has gained over 40 per cent YTD to rule comfortably above 650 level.

Vikas Gupta, CIO, ArthVeda Capital said that a surge in BDI index definitely bodes well for the shipping companies. But it is important to analyse segments each shipping companies operate in, Gupta added.

Domestic policy pushes

The prime minister Narendra Modi last week announced plans to mobilise an investment of Rs 1 lakh crore in the port sector. The country is now looking to more than double its port capacity to 3,000 million tonnes by 2025.

Besides, recently Union Minister Nitin Gadkari spoke about halving the previously estimated 10-year timeframe to complete the Sagarmala port development project. He also mentioned to enter an agreement with the defence ministry that could potentially lead to orders worth Rs 50,000 crore for Indian shipyards, including the private ones.

Some shipping stocks reacted to these pieces of news, but that is just an event play, said Nadeem of Epic Research.

Time to bargain hunt?

Independent market analyst Ambareesh Baliga said bargain hunting in depressed sectors like shipping can be rewarding provided that you pick up stocks of companies with sound financials that can withstand the storm and are in a position to utilise the uptrend in the sector to their advantage.

"Companies with weak financials may visually look cheap and could provide a momentary bounce back when the sector recovers, but will underperform in the longer run. I would advice investors to stick with **Shipping Corporation of India** and Great Eastern Shipping. Both these companies have sound fundamentals and strong promoter backing," said Baliga.

Top bets by Epic Research

- **GE shipping: Great Eastern Shipping** can be looked for long term investment as the financials are strong with company posting jump in net profit by 54 per cent year-on-year with decent return on investments with continuous dividends. It is making higher top and higher bottoms technically as well and recently stock has bottomed out at Rs 300 levels

and is set to make a new high around Rs 510 in fiscal year 2017.

- **Shipping Corporation of India:** SCI is on a turnaround story with company now generating profits after 3 years of consolidated loss. The company's profit doubled to Rs 60 crore quarter-on-quarter in last quarter as well, indicating the progressive journey of the company. The stock at current levels of Rs 73 is looking promising and immediate support formation at Rs 60 can be used as buying levels for FY17 for a higher target price of Rs 111 and Rs 121.

Print  Close

URL for this article :

<http://www.businesstoday.in/markets/company-stock/shipping-stocks-rally-in-april-sector-getting-back-to-ship-shape/story/231258.html>

@ Copyright 2010 India Today Group.