



INDIAN LOGISTICAL INDUSTRY ANALYSIS

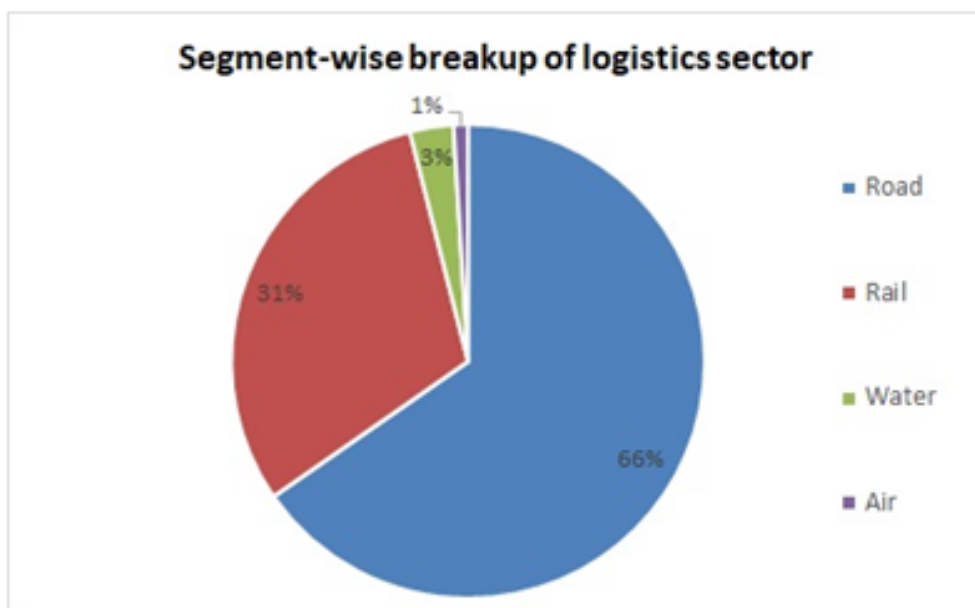
OCTOBER - 2023



The Indian logistics industry is a vital contributor to the country's economy, facilitating the movement of goods and services across various industries. The industry comprises shipping, port operation, warehousing, rail, road, air freight, express cargo and other value-added services. The effectiveness of logistics helps to determine the degree of ability that enterprises can keep up with demand. The industry is crucial for the efficient movement of products and services across the nation and in the global markets. The logistics business is highly fragmented and has over 1,000 active participants, including major local players, worldwide industry leaders, the express division of the government postal service, and rising start-ups that focus on e-commerce delivery. The sector is a very significant source of employment generation, employing 22 million people in 2022, and is expected to create another 1.2 million jobs by 2025.

SEGMENT-WISE BREAKUP OF THE LOGISTICS SECTOR:

India's freight movement is heavily skewed toward road transportation, which moves 66% of cargo (in Tonne Kilometres). This is followed by rail (31%), shipping (3%) and air (1%). To aid this cargo movement, India has an extensive network of support infrastructure comprising 129+ in-land container depots, 168+ container freight station, and around 300 m sq. ft. of warehousing space. The government has been pursuing a range of actions to improve the country's logistics performance. Key government initiatives focus on the development of dedicated rail-based freight corridors, augmentation of capacity and improvement in the connectivity of coastal and inland water-based shipping, development of an extensive national highway network, and upgradation of air cargo infrastructure.

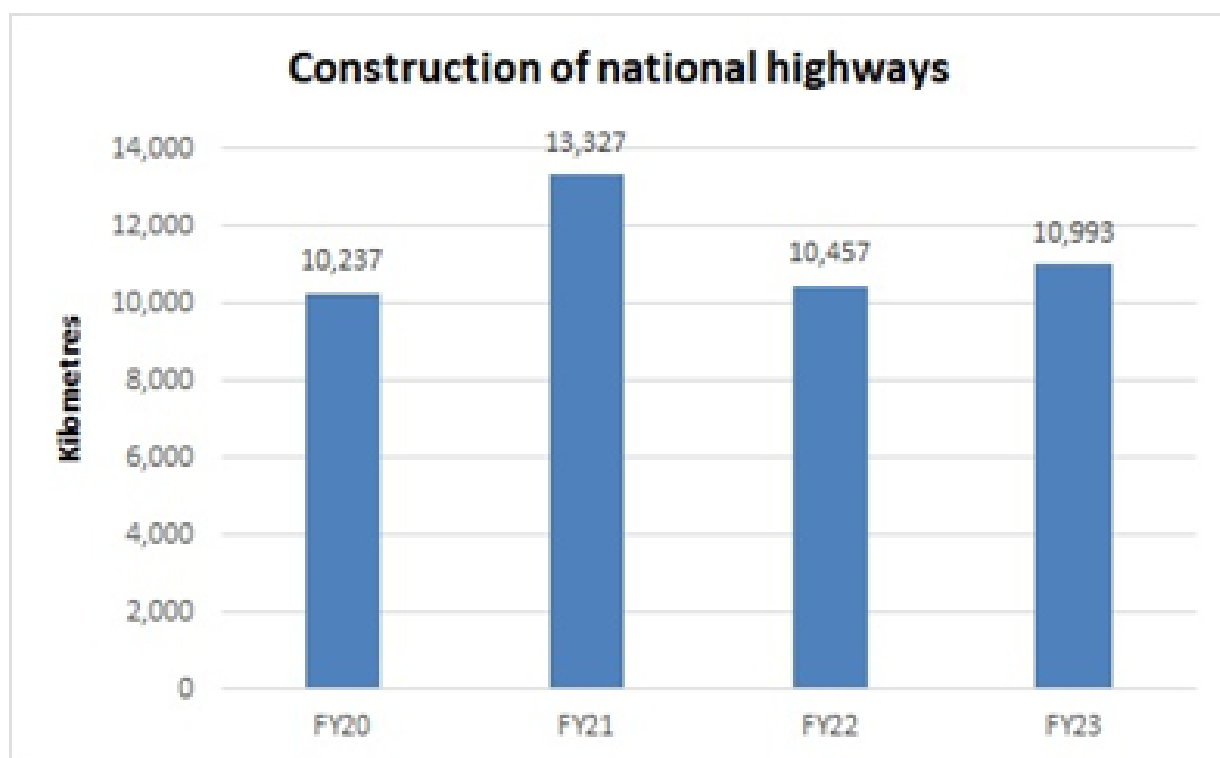


SEGMENTAL ANALYSIS

Roads:

India's road network grew 59% in the last 9 years to become the second largest in the world after US. The country's road infrastructure stood at 1,45,240 km in 2022-23 as compared to 91,287 km in 2013-14. The revenues from tolls rose to Rs 4,1342 crore in FY23 from Rs 4,770 crore in FY14. The usage of fastags has helped in reducing the waiting time at the toll plazas to 47 seconds. The government is taking various measures to reduce it further to below 30 seconds.

The construction of national highways in 2022-23 was 10,993 kilometres, falling 13.70% short of the government's target of 12,500 km. The Ministry of Road Transport and Highways (MoRTH) had constructed 10,237 km in 2019-20, 13,327 km in 2020-21 and 10,457 km in 2021-22. The central government has set a provisional target for the construction of about 13,800 kilometre National Highways (NHs) in 2023-24.



Railways:

Indian Railways (IR) has loaded 1512 million tonne (MT) during 2022-23 as compared to 1418 MT during FY 2021-22 registering an increase of 6.63% in terms of loading. This is the highest ever loading for IR in a Financial Year.

During FY 2022-23 IR has achieved revenue of Rs 2.44 lakh crore as compared to Rs 1.91 lakh crore during 2021-22 registering an increase of 27.75%. Following the Mantra, 'Hungry For Cargo', IR has made sustained efforts to improve the ease of doing business as well as improve the service delivery at competitive prices which has resulted in new traffic coming to railways from both conventional and non-conventional commodity streams.

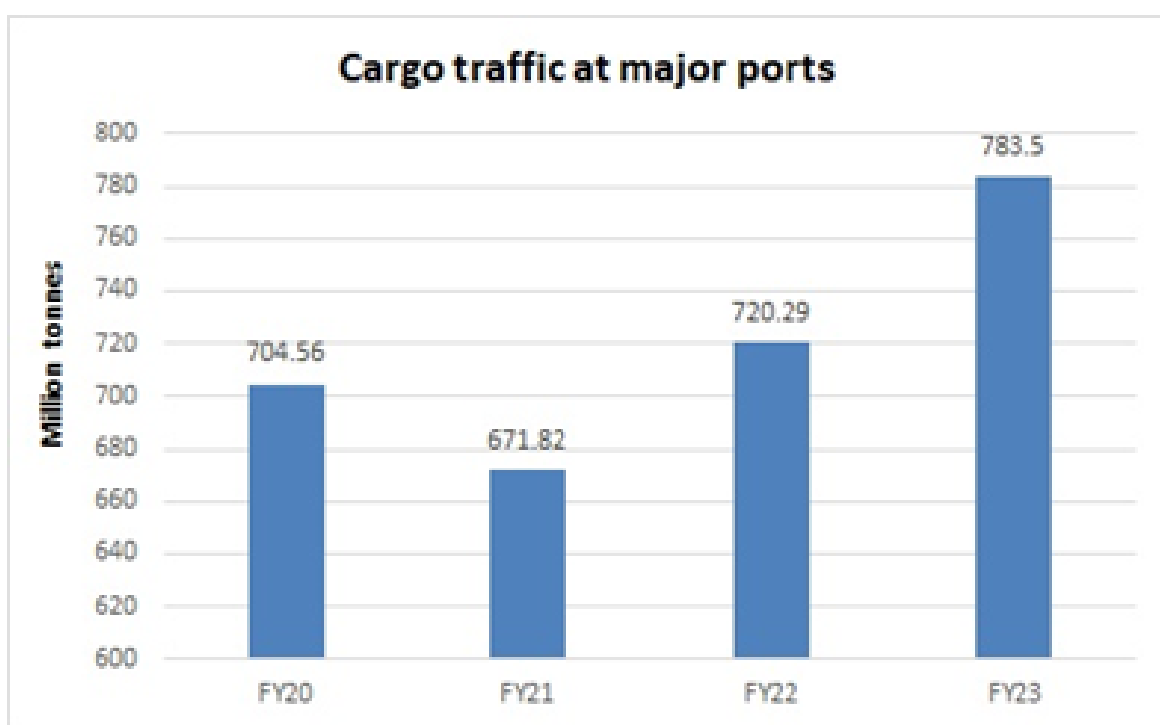
The customer centric approach and work of Business Development Units, backed up by agile policy making, helped Railways towards this landmark achievement.



Waterways:

During the past three to four years, national waterways have started garnering the much-required attention from the government as an important sector to improve the country's logistics sector. In the port sector, cargo growth is driven largely by the 3Cs – containers, crude and coal. The three commodities form about 75% share of the total cargo. Over the past few years, containers have been reporting strong activity due to the thrust on increasing the level of containerisation at the Indian ports.

Cargo traffic at India's 12 major ports during April-March, 2022-23, increased by 8.8 to 783.50 million tonnes from 720.29 million tonnes cargo handled during April-March, 2021-22. The Overseas cargo handled at Major Ports increased by 9.1% from 550.0 million tonnes during April-March, 2021-22 to 599.9 million tonnes handled during April-March, 2022-23. The Coastal Cargo handled at Major port also increased by 7.8% from 170.28 million tonnes during April-March, 2021-22 to 188.51 million tonnes handled during April-March, 2022-23.



Airways:

The air cargo carried by airways usually constitutes high value goods such as computers, microprocessors, electronics and optical equipment, precision instruments and perishable foodstuffs.

Between FY16 and FY23, freight traffic increased at a CAGR of 2.20% from 2.70 million metric tonnes (MMT) to 3.15 MMT. Freight traffic (International + Domestic) stood at 3.15 MMT in FY23.

Freight traffic in airports in India has the potential to reach 17 MMT by FY40. With a vast network of airports and a rapidly expanding fleet of cargo carriers, India has emerged as a key player in the global logistics arena.



GOVERNMENT INITIATIVES AND RECENT DEVELOPMENTS:

- **Cabinet approves National Logistics Policy:**

The Cabinet has approved the National Logistics Policy, which aims at reducing transportation cost and promoting seamless movement of goods in the country. The policy lays down an overarching interdisciplinary, cross-sectoral, multi-jurisdictional and comprehensive policy framework for the logistics sector. It is also envisaged to bring efficiency in logistics services and human resources through streamlining processes, regulatory framework, skill development, mainstreaming logistics in higher education and adoption of suitable technologies. The vision is to develop a technologically enabled, integrated, cost-efficient, resilient, sustainable and trusted logistics ecosystem for accelerated and inclusive growth.

- **India jumps 6 places to Rank 38 in World Bank's Logistics Performance Index 2023**

India improved in the logistics ranking of the World Bank by jumping 6 places to Rank 38 out of 139 countries in the 7th edition of Logistics Performance Index (LPI 2023). The World Bank has acknowledged India's efforts towards increasing logistics efficiency. On 4 out of 6 LPI indicators India has seen remarkable improvement on the back of various initiatives being implemented over the past few years. This is a strong indicator of India's global positioning, with this development being powered by the government's laser focus on reforms for improving logistics infrastructure. In October 2021, the Government of India launched the PM GatiShakti National Master Plan (PMGS-NMP) towards a coordinated approach, leveraging technology, for infrastructure planning and development. PMGS envisages breaking silos among different Departments / Ministries in States / UTs by combining all relevant data on a National Master Plan and State Master Plans (portals) respectively.

- **NHAI arm to develop logistics park in Bengaluru at Rs 1,770 crore:**

National Highways Logistics Management (NHLML), a National Highways Authority of India (NHAI) subsidiary, has signed an agreement for the development of Multi Modal Logistics Park (MMLP) in Bengaluru at an estimated cost of Rs 1,770 crore. The agreement has been signed between Government SPV, Bengaluru MMLP & Concessionaire SPV M/s. PATH Bengaluru Logistics Park. The project -- to be developed under the public private partnership model -- is poised to become the first and largest MMLP to be implemented in the country under the PM Gati Shakti National Master Plan. The MMLP, to be developed in three phases, will be built on an area of 400 acres at Muddalinganahalli in Bengaluru rural district, as per the statement. The first phase is expected to be completed in two years. The MMLP will cater to about 30 million metric tonnes cargo by the end of concession period of 45 years.

- **India Post signs MoU, becomes logistics partner for crores of traders**

India Post has signed an memorandum of understanding (MoU) with Confederation of All India Traders (CAIT) and Tripta Technologies for operationalisation of a portal called 'Bharat eMart', which will provide the facility of pick-up of consignments from the premises of traders and will ensure delivery at the doorsteps of the consignees across the country. It will benefit eight crore traders associated with traders body CAIT. The MoU with CAIT and Bharat e-Mart would provide much needed logistics support to small traders in the country which would increase their businesses and also the opportunities for employment.

- **Govt inaugurates National Logistics Portal:**

The government has inaugurated the 'National Logistics Portal (Marine)' -- a single-window portal aimed at reducing the logistics cost. The National Logistics Portal (NLP) will be the single window for all trade processes of the logistics sector spread across the country covering all modes of transport in waterways, roadways, and airways along with an e-marketplace to provide a seamless end-to-end logistic service coverage. The implementation of NLP had been initiated in July 2021 with the development of NLP Marine as a first phase. It is an open platform that allows the coexistence of multiple service providers to provide EXIM (export-import)-related services independently or by combining different connectivity options. It has the capability to integrate with various Port Operating Systems/ Terminal Operating Systems, ICEGATE, other regulatory agencies, and stakeholder(s) systems in the ecosystem.


- **National Highways Logistics Management, JNPT sign pact to develop multi modal logistics park:**

National Highways Logistics Management and JNPT have entered into a pact to develop multi modal logistics park in Jalna, Maharashtra. Jalna multi modal logistics park will act as a functional dry port of the Marathawada region. Steel and allied industries depending on scrap, fruits and vegetables processing units, seed industries and cotton sector would greatly benefit from this development. It would connect Samruddhi Marg and Delhi-Mumbai Industrial Corridors. This infrastructure will give a push to the export of agro products and also change Jalna into automobile hub of Marathwada region.

OUTLOOK

Indian logistics industry is poised for rapid growth in the coming years, propelled by recent industry reforms, including the government's Production-Linked Incentive (PLI) scheme, robust production figures, as well as changing consumption patterns, innovative business models such as 3PL (Third-Party Logistics) and surging rural demand. The sector, which is growing at an annual rate of 12%, is expected to add 10 million jobs by 2027. As of 2021, the size of the logistics industry in India was valued at \$250 billion with the market poised to grow to an impressive \$380 billion by 2025, registering a healthy growth rate of 10%-12% year on year. This expansion will be supported by several factors, including the fast-developing Ecommerce industry, impending technical advancements, and an expanding retail sales market. The recently launched National Logistics Policy (NLP) aims to bring down India's logistics cost from the current 13-14% of gross domestic product (GDP) to 8-9% of GDP by 2030. There are also opportunities for foreign investment as international companies look to tap into India's growing logistics market. The government has made it easier for foreign companies to invest in the sector by allowing 100% foreign direct investment in logistics parks and warehouses.

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