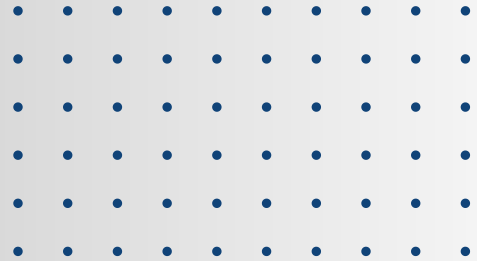
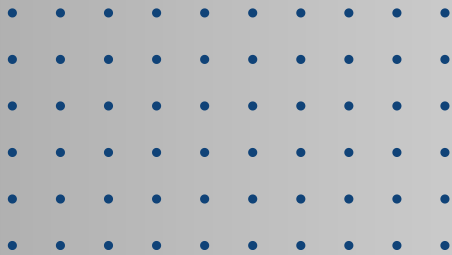


Aviral



LOGISTICS ZENITH

KEY DRIVERS & INDICATORS FOR
LOGISTICS SECTOR GROWTH IN INDIA



Associate Partner



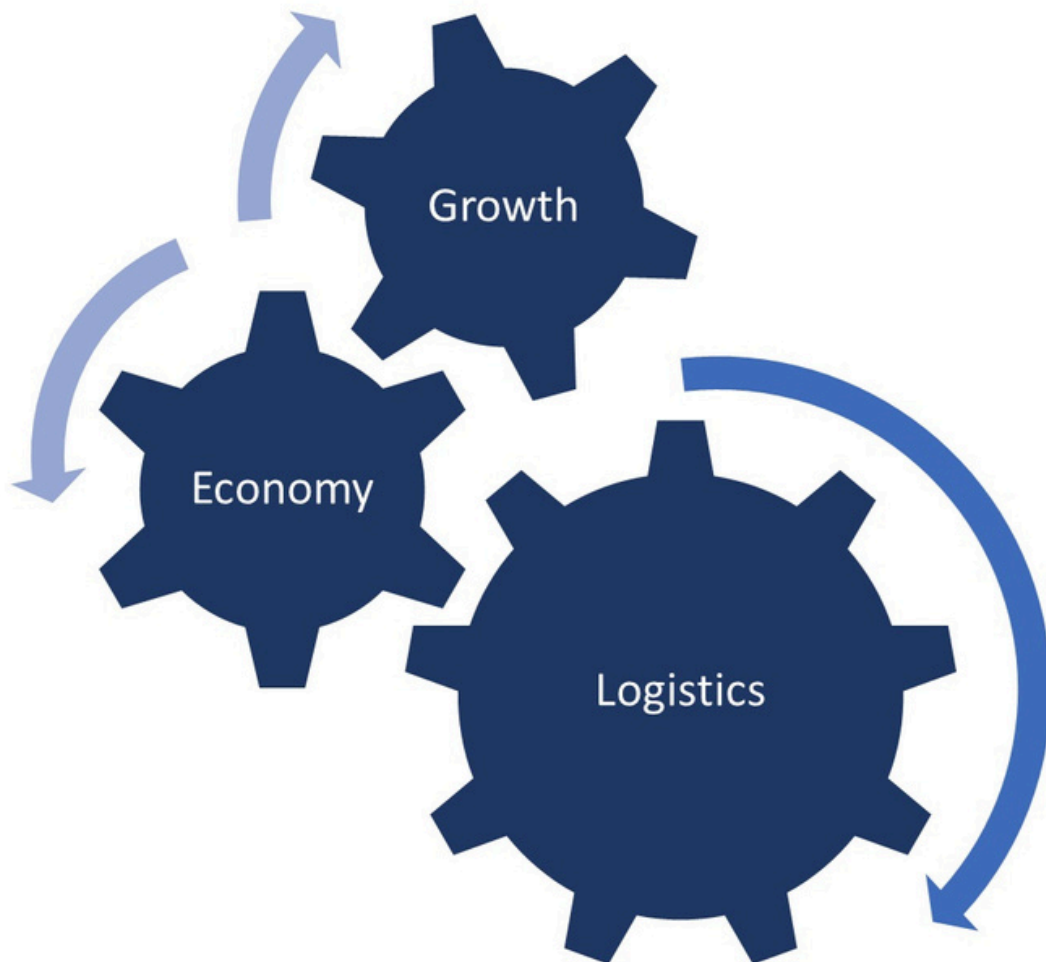
October 2024

“

The reality about transportation is that it's future-oriented. If we're planning for what we have, we're behind the curve.

Anthony Foxx

”





FOREWORD

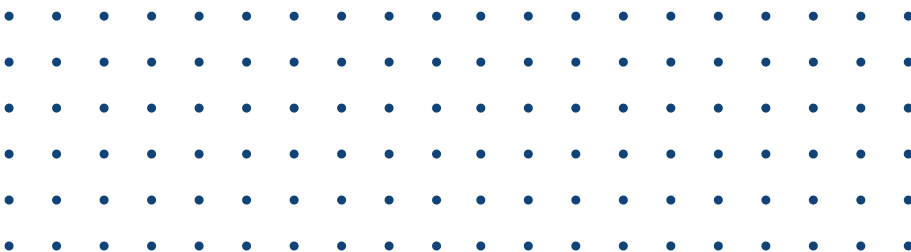
Key economic metrics, such as Gross Domestic Product (GDP), inflation, and trade volumes, are intrinsically linked to the expansion of the logistics sector. For instance, GDP measures the total value of goods and services produced within a country and reflects economic growth or contraction. A growing GDP typically indicates increased production and consumption, which, in turn, boosts the demand for logistics services to transport goods efficiently. Similarly, inflation affects the cost of goods and services, including those related to logistics operations. Higher inflation can increase fuel and transportation costs, which may result in higher logistics fees. Conversely, low inflation could lead to more stable and predictable logistics costs, encouraging investment in logistics infrastructure. Inflation also has negative impacts on disposable income leading to decline in demand, which ultimately impacts on volume for logistics sector.

Understanding the interplay between key indicators and the logistics sector is essential for stakeholders. It allows them to anticipate and respond to changes in economic conditions that could impact logistics operations and growth. For example, a slowdown in GDP growth might signal reduced demand for logistics services, prompting companies to adjust their operations accordingly. Conversely, an increase in trade volumes could highlight opportunities for expansion and investment in new logistics capabilities.

By monitoring GDP, inflation, PMI, and trade volumes closely, businesses and policymakers can gain useful information about the future of the logistics sector. It enables them to make informed decisions that align with economic trends.

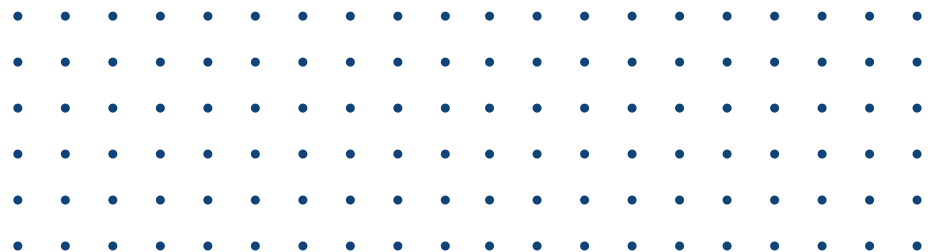
This report provides insights into current trends, key economic indicators and its foreseeable impact on logistics sector. The report will help logistics service providers, service users and policy makers in driving short and long term strategies for logistics.

Vikash Khatri



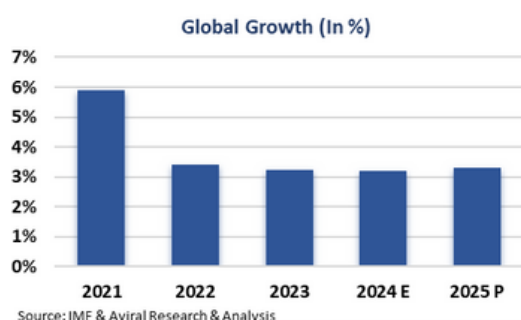
INDEX

1. Global Economy Overview	03
2. State of Indian Economy	04
3. EXIM Under Global Uncertainty	05
4. Manufacturing Growth	06
5. Robust GST Collection	08
6. Growing Trend of e-waybill	09
7. Inflation: CPI & WPI	10
8. Consumer Confidence Index	11
9. Purchasing Manager Index	12
10. Commercial Vehicle Sales	13
11. Diesel Consumption & Industrial Activities	14
12. Logistics Infrastructure	15
13. Technology & Automation	17
14. Logistics Growth Outlook	18
15. Logistics and Economic Growth	20



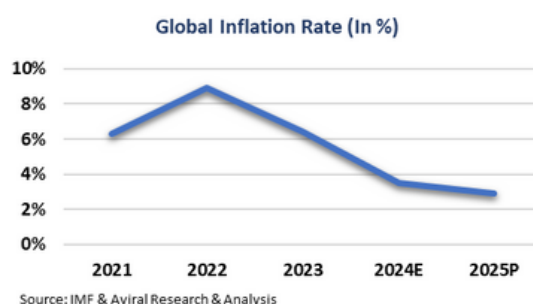
GLOBAL ECONOMY OVERVIEW

Global economic growth is projected to align with the latest World Economic Outlook (WEO) forecast, at 3.2% in 2024 and 3.3% in 2025. Early-year economic momentum has slightly reduced output divergence across economies as cyclical effects wane and activity better aligns with potential. Persistent services price inflation continues to impede progress on disinflation, complicating monetary policy normalization and increasing inflationary risks. A carefully sequenced policy approach is essential to achieve price stability and restore economic buffers.

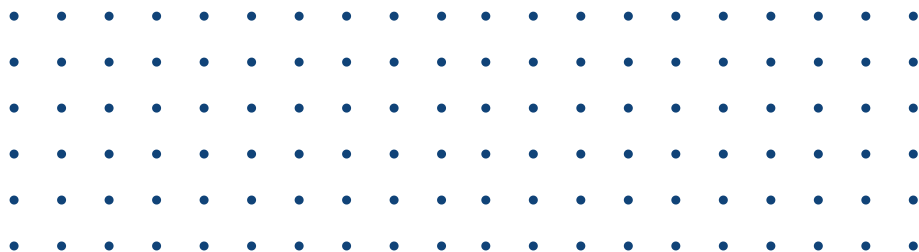


Global activity and trade showed strength early in the year, driven by robust Asian exports, particularly in technology. Growth exceeded expectations in many regions, though Japan and the United States experienced notable downturns. The U.S. slowdown was driven by reduced consumption and negative net trade, while Japan faced growth challenges due to temporary supply disruptions. Conversely, Europe saw economic recovery led by improved services activity, and China's domestic consumption resurgence, supported positive early-year results. These developments have narrowed output disparities as cyclical effects lessen and activity aligns more closely with potential.

Developing economies are expected to grow at an average rate of 4% over 2024-2025, slightly below 2023 levels. Low-income economies are projected to accelerate to 5% growth in 2024, up from 3.8% in 2023, although forecasts for three-quarters of these economies have been downgraded since January. Advanced economies are anticipated to maintain a steady 1.5% growth rate in 2024, rising to 1.7% in 2025.



Global inflation is expected to moderate to 3.5% in 2024 and 2.9% in 2025, though at a slower pace than previously forecasted. Central banks are likely to remain cautious about reducing interest rates, with global rates expected to average around 4% over 2025-2026—double the 2000-2019 average. In advanced economies, disinflation is projected to slow due to persistent service price inflation and higher commodity prices, though cooling labor markets and falling energy prices should help bring headline inflation to target by late 2025. Emerging markets and developing economies will experience higher inflation rates that decline more slowly, but falling energy prices have already brought inflation close to pre-pandemic levels for the median emerging market and developing economy.



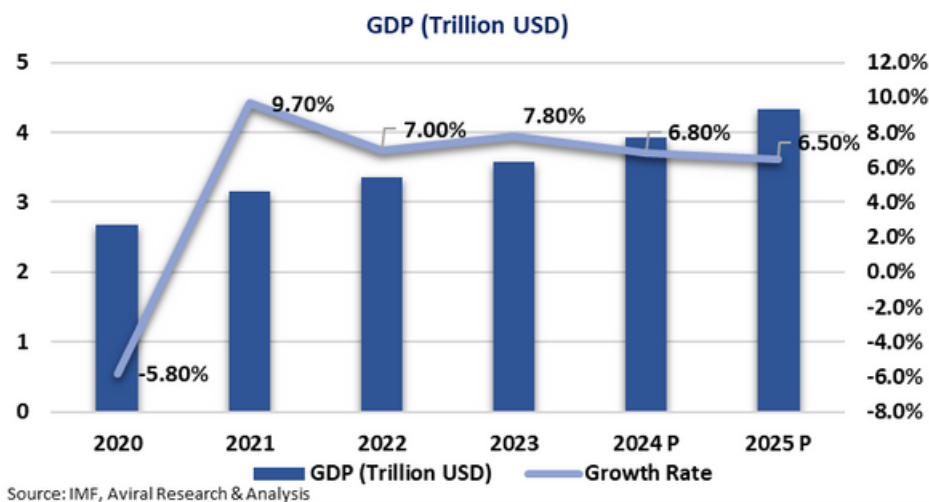
INDIAN ECONOMY OVERVIEW

The Indian economy is navigating a dynamic landscape characterized by resilient growth, evolving challenges, and strategic reforms.

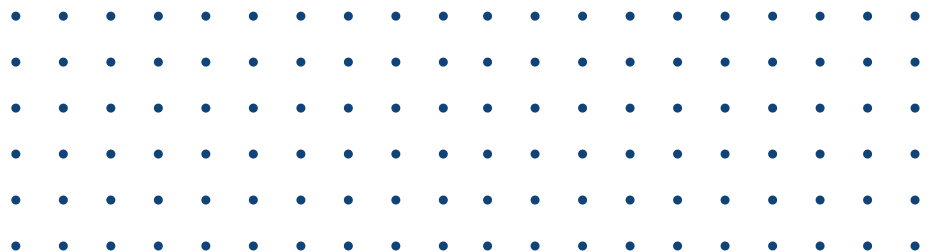
According to the latest report from the International Monetary Fund (IMF), India's GDP is expected to reach approximately \$4.0 trillion USD in 2024, reflecting a growth rate of 6.5% compared to the previous year. This growth is supported by sector-wise improvements, with real gross value added (GVA) growing at 7.2% in 2023-24, up from 6.7% in 2022-23. This performance has propelled the Indian economy to \$3.5 trillion and set the stage for achieving the \$5-trillion target in the coming years. For 2025, the IMF projects a slight deceleration, with GDP expected to increase at a rate of 6.5%. This adjustment accounts for ongoing global economic uncertainties, domestic challenges, and external factors impacting economic performance. Despite this moderation, India's economy continues to demonstrate resilience and remains a significant player in the global economic arena.



The expected slowdown is attributed to external factors such as volatility in global oil prices, supply chain disruptions, and slower growth among key trading partners. Nonetheless, domestic consumption, government spending on infrastructure, and reforms aimed at boosting investment are expected to sustain economic momentum. Strategic initiatives to enhance digital infrastructure and promote innovation will likely support continued growth despite global challenges.



The Indian economy benefits from strong fundamental policies implemented by the RBI, which plays a crucial role in maintaining stability through its monetary policy framework. By managing interest rates and liquidity effectively, the RBI aims to control inflation while fostering sustainable economic growth, contributing to overall economic stability.

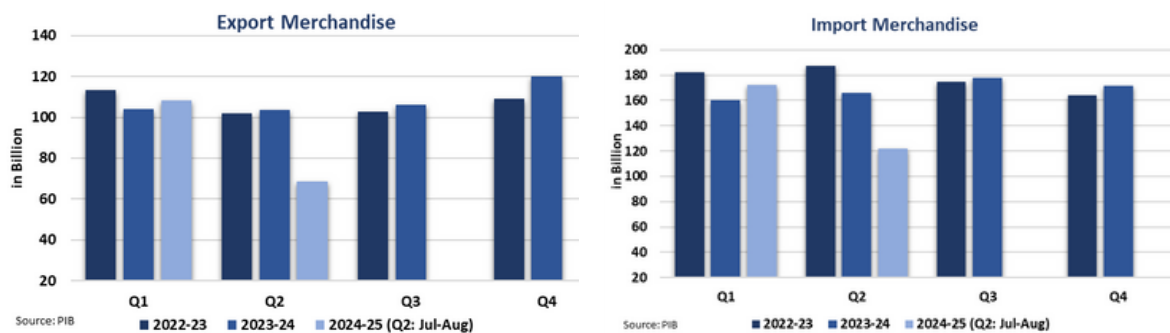


EXIM UNDER GLOBAL UNCERTAINTY

India registered 2.8% growth in port cargo and strong air cargo volume in FY 25, despite rising freight rates and global challenges.

The rise or fall of EXIM activities is closely tied to global trade patterns. Increase in exports and imports activities leads to higher demand for transportation, warehousing, and other value added services in domestic arena. Countries with growing export / imports requires efficient logistics networks and better infrastructure to handle increased volumes. Geopolitical tensions, trade wars, border disputes, and sanctions, have disrupted EXIM activities in recent past and, by extension, the logistics sector. Merchandise EXIM has a larger correlation with logistics activities compared to services. Major highlights are as follow:

- Increase in YTD EXIM from merchandise trade is a positive sign for India
- Increase in shipping volume inspite of surged ocean freight rates. Cargo traffic at 12 major ports increased by 2.8% to 331.6 million tonnes in April to July period of last year base of 322.64 million tonnes
- YTD air cargo volume has also registered healthy double digit growth

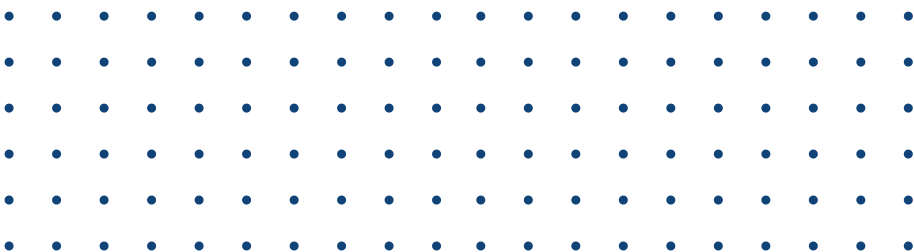


Global container freight rate index has increased by more than 190% in August 2024 compared to August 2023, Such high index indicates challenges for EXIM logistics due to surged pricing. Such short term surge in transportation pricing leads to improved revenue for logistics companies but not the volumes.

A lot of policy and infrastructure related initiatives are creating tailwind for growth of EXIM trade in India.

- New policy for e-commerce hub to promote e-com export
- Strong push on boosting port infrastructure (Vizhinjam port, Vadhvan Port, Navi Mumbai airport, Noida Airport)
- Thrust on Free trade agreement signing. In March alone India signed as many as 14 free trade agreements (FTAs), including with the four-nation European bloc EFTA

Short to mid term healthy outlook for EXIM logistics activities. Which is coupled with various other initiatives along with robust economic growth.

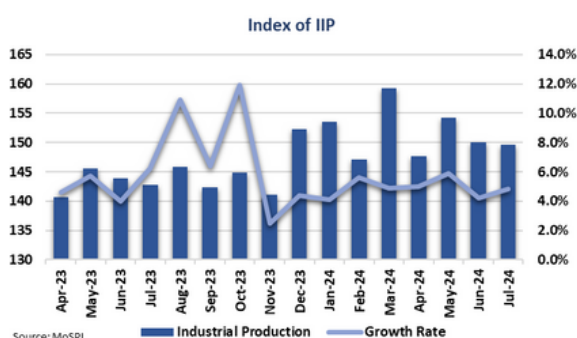


MANUFACTURING GROWTH

The correlation between manufacturing and logistics activities is a fundamental aspect of supply chain management. These two sectors are deeply interconnected, with each influencing and depending on the other to ensure the efficient production, distribution, and delivery of goods.

India is poised to significantly expand its share in global manufacturing. Over the years, Indian government has prioritized various policies aimed at boosting domestic manufacturing to lessen reliance on imports and enhance India's role in global exports. The current government's "Make in India, Make for the World" initiative is a key example, promoting investment in manufacturing, particularly through Production-Linked Incentive (PLI) schemes.

Policies in complementary sectors, particularly logistics, will be crucial for achieving the government's goal of transforming India from a services-oriented economy to a manufacturing-driven one. Advanced logistics can provide India with a competitive edge over other nations competing for foreign investment. On the other hand manufacturing is also acting as a key driver in growth of logistics sector.



- Index of Industrial Production (IIP) growth has registered consistent improvement and registered growth of 5.8% in FY 24 against 5.2% in FY23
- In recent past annual growth trend of IIP has shown stable trend instead of high fluctuations. Since Jan 24 it is hovering between 4.1% to 5.9%.
- PLI in sectors like large-scale electronics manufacturing, pharmaceuticals, food processing, and telecom & networking products has been very successful

Sectoral Growing / Degrowing categories in manufacturing index: Q1 FY 25



- Electrical equipment
- Computer, Electronics and Optical Products
- Apparel
- Furniture
- Transport equipment



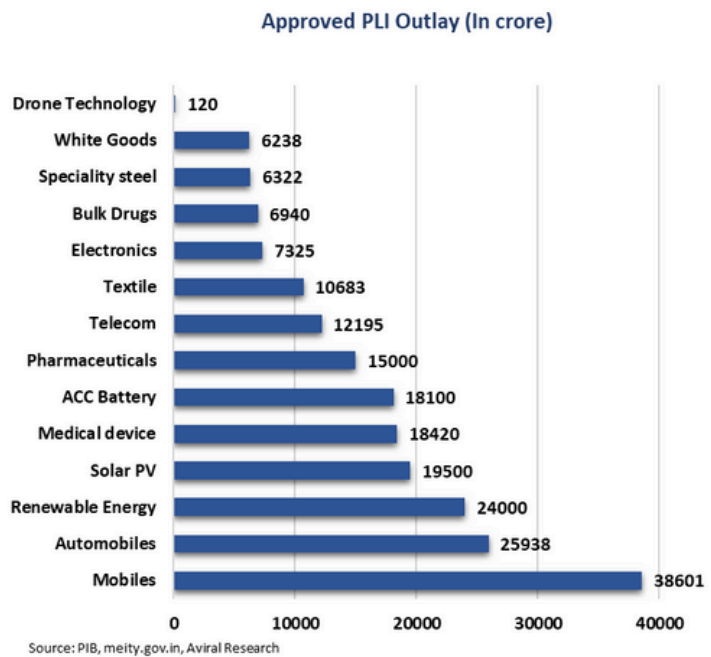
- Food Products
- Leather & related products
- Textiles
- Tobacco products
- Other Manufacturing

MANUFACTURING GROWTH: PLI

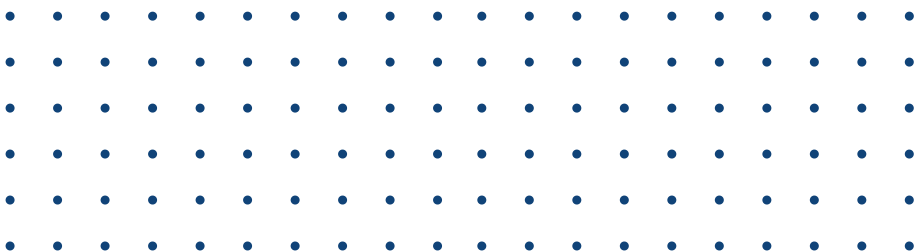
Successive Indian governments have prioritized policies to boost domestic manufacturing, aiming to reduce import dependency and increase the country's share of global exports. "Make in India, Make for the World" initiative actively encourages investment in manufacturing, particularly through Production-Linked Incentive (PLI) schemes. The primary objective of the PLI scheme is to increase domestic production and reduce the country's dependence on imports under the Atmanirbhar Bharat (Self-Reliant India) initiative, particularly in critical sectors



The PLI scheme is anticipated to positively impact India's warehousing sector. As the manufacturing sector expands, demand for warehousing facilities will rise, with companies needing more space to store their products. This increase will generate new job opportunities in the warehousing industry and stimulate growth in the logistics sector, which is vital for the broader development of the economy.



The PLI scheme is set to have a substantial impact on India's manufacturing and logistics sectors, driving significant positive changes. By offering financial incentives to businesses that increase their output, the scheme encourages investment in the country and creates new employment opportunities. Under PLI many a new investments are currently taking place, for which logistics sector will get benefit in coming years when production and distribution activities will be in full swing.

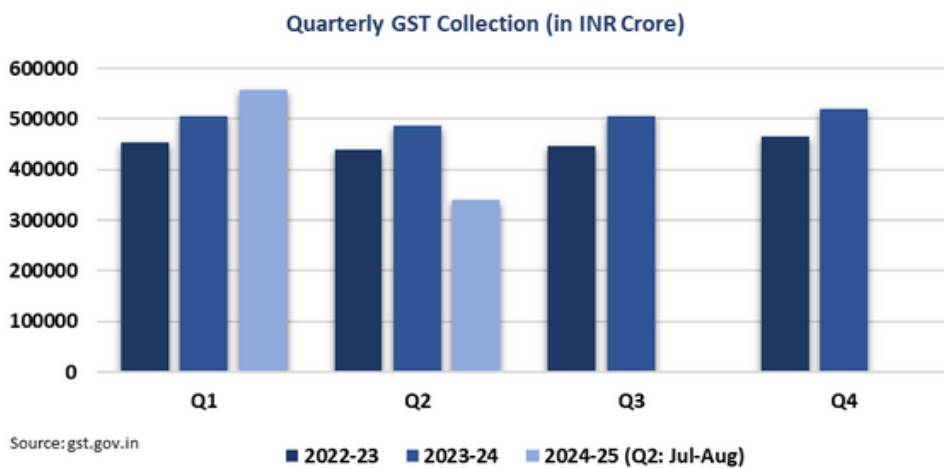


ROBUST GST COLLECTION

Strong GST growth underscores economic health and effective tax policies, with significant impacts on manufacturing and e-commerce.

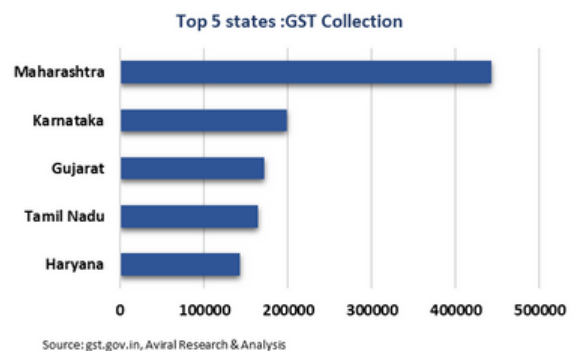
The positive trend in gross GST collections indicates a strong economy and the effectiveness of ongoing tax reforms that support businesses. While there may occasionally be slight month-on-month fluctuations, the overall year-on-year growth remains steady. For example, India's GST revenue for August 2024 has demonstrated an increase compared to the same period last year with slight MOM fluctuations.

- Ever highest GST collection in April 2024 at INR 2.10 lakh crore
- Improvement in tax collection indicates improving economic growth and efficiency in tax collection administration
- In FY 24, GST collection of Rs. 20.18 lakh crore, a 11.7% increase compared to the previous year. YOY double digit GST collection trend continues in FY 25



GST has benefited the manufacturing sector by lowering logistics costs. The elimination of multiple entry taxes across states has enabled a seamless flow of goods, thereby enhancing profitability.

States with a strong manufacturing base such as Maharashtra, Gujarat and Tamil Nadu are top performers in Goods and Services Tax (GST).



The consistent increase in GST revenue points to a gradual recovery in economic activities, driven by the government's stimulus and policy initiatives. The data suggests that GST has been well-received, with e-commerce, digital services, and essential commodities making up a significant portion of the collections. This trend reflects a shift in consumption patterns and the growing role of technology in facilitating economic activities, which is a very positive sign for the logistics sector.

GROWING TREND OF E-WAYBILL

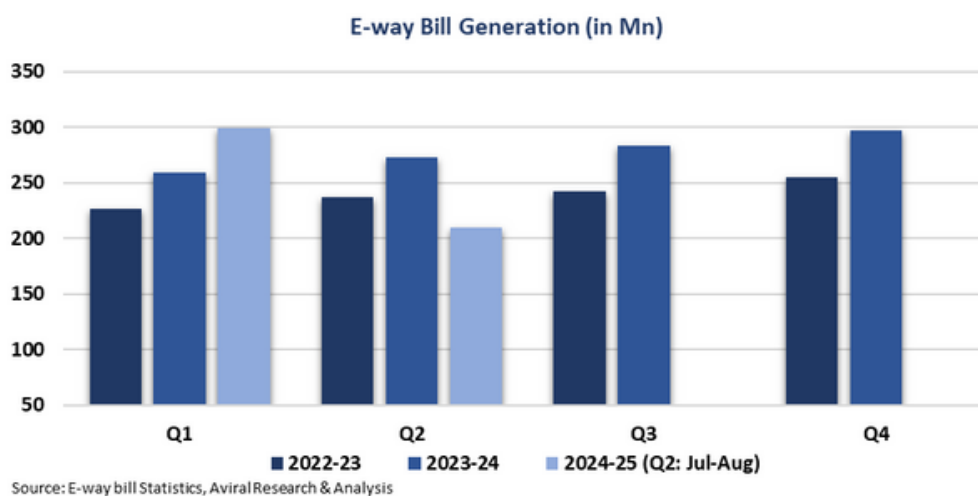
A 15% rise in e-waybills in FY 2025 signals efficient logistics with growing transactions, festive month estimates are over 115 million e-waybills in a month.

The e-way bill system ensures that goods movement is properly documented and aligned with GST regulations. The electronic nature of the e-way bill has led to fewer physical inspections, especially at state borders, reducing congestion and bottlenecks. This, in turn, boosts overall logistics efficiency.



Record e-waybill coupled with e-invoice (IRN) for more than 5 Cr Aggregate Annual Turnover (AATO) has been a positive move for organised logistics service provider.

- First 5 month of FY 2025 have registered more than 15% growth in e-waybill counts, which was 13.6 in FY 24 over FY 23.
- 4th consecutive month to cross 100 Mn e-waybill in FY 25.



Growth of e-waybill indicates consistency in growth. High growth of intra state e-waybill count compared to interstate e-waybill signifies relatively higher logistics activity growth in intra state or higher load consolidation in interstate. As the economy continues to grow, the trends observed in e-way bill generation will be crucial for understanding the overall health of the manufacturing and trading landscape in India.

Based on current trends e-waybills in forthcoming festive season are estimated to cross 115 Mn.

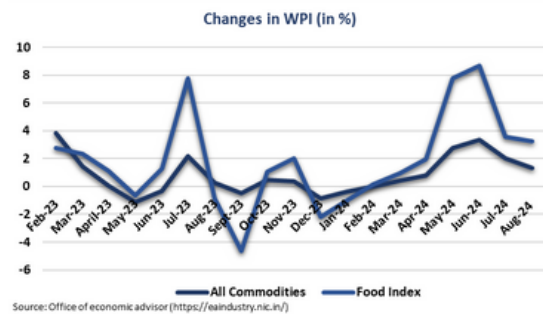
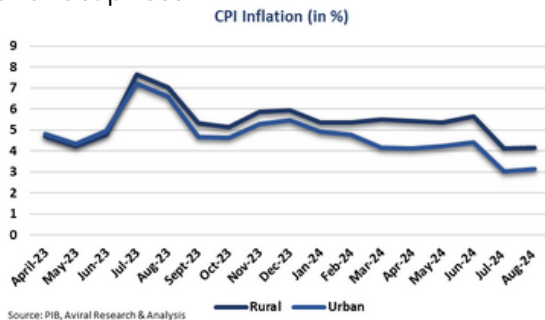
INFLATION: CPI & WPI

CPI 3.65% in Aug 2024 at similar level of July 24, inflation pressure relents, boosting consumer spending and signaling an upswing in transportation and warehousing activities. Wholesale inflation eases to 1.31% in Aug 2024 suggest economic stabilization and a boost in demand

Consumer Price Index (CPI) is a measure of how prices change over time and is the most widely used measure of inflation. Inflation erodes disposable income, meaning households can buy less with the same amount of money. When prices rise faster than income growth, individuals have less left over for discretionary spending after covering essentials like food, housing, and transportation. Volatility caused by inflation leads to fluctuations in demand of consumption goods. Additionally, elevated inflation can make a country's exports less competitive in the global market.

Ecommerce, one of many sectors impacted by this shift in consumer spending, saw rapid growth during the pandemic but has since experienced a sharp decline in growth rates.

Continuity in high CPI in FY 24, which was hovering between 5% to 7.5% between July 23 and Feb 24, resulted in slow growth in consumption of many categories. Overall, the July and August data reflects a cooling in wholesale inflation pressures, driven by a significant moderation in food price increases and a more measured pace of growth in manufacturing and fuel prices.



In July and August 2024, the All India Consumer Price Index (CPI) reported a significant improvement from last year in the inflation rate. In July, CPI reached at its lowest point in the past 59 months. The breakdown reveals that during twelve months rural inflation rate remained higher than urban inflation rate. Reserve Bank of India (RBI) has projected inflation for FY25 at 4.5%.

Low single digit inflation in fuel prices has been positive for logistics sector. Which helped the sector in managing operating expenses, while many other cost headers like employee cost, admin and overheads pressed hard.

- Latest trend indicates potential easing in food inflation due to improvements in the southwest monsoon and favorable sowing conditions.
- From July 2024 onwards, two major component of WPI - Primary articles and food has registered moderation.
- Declining inflation and positive outlook for rural demand indicate improvement in consumption leading to improvement in transportation and warehousing activities.

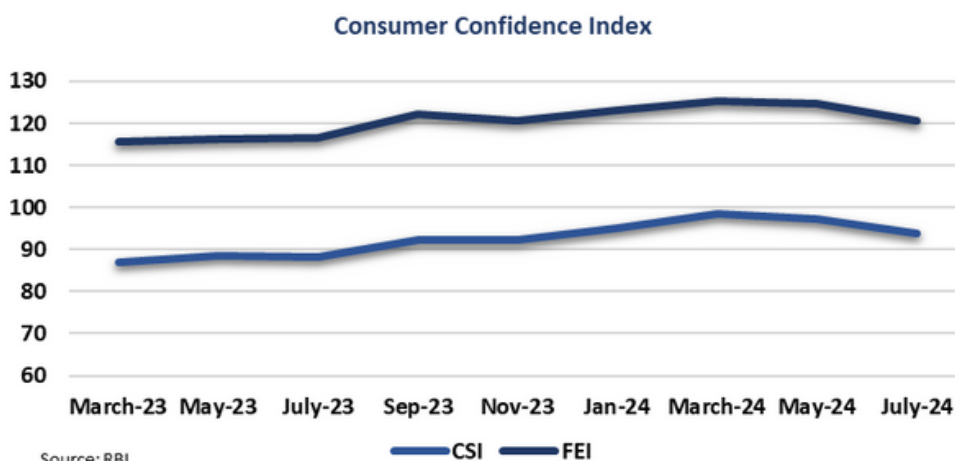
CONSUMER CONFIDENCE INDEX

Consumer confidence remains stable at 93.9, showing cautious optimism amid global uncertainties and inflation.



The Consumer Confidence Index (CCI), measured by the Reserve Bank of India (RBI), is a critical indicator of consumer sentiment and economic outlook. The Current Situation Index (CSI), which assesses current economic conditions, while , the Future Expectations Index (FEI), which measures consumers' outlook on future economic conditions.

Latest RBI reports indicate that consumer confidence has been impacted by global economic uncertainties, such as geopolitical tensions and fluctuating commodity prices. Furthermore, inflationary pressures and shifts in monetary policy have added to this cautious sentiment. The overall CCI stands at 93.9, marking a 1.1% decline compared to January 2024 and improvement of 6.5% over last year July. Within CCI data, there are few sector specific variations as well. The retail sector has seen fluctuating consumer spending, while the housing market faces challenges due to rising mortgage rates in recent months. The Future Expectations Index stands at 120.7 for July 2024 registering a 1.9% decrease from Jan 2024.



Going forward, the CCI will remain shaped by changing economic policies and global events, as consumers maintain a cautious approach amid these uncertainties. Although future economic optimism has moderated in last few months. The FEI has consistently hovered above 120 over the past year, after remaining below this mark for the previous four years. On a long term basis expectation seems to be robust, which is a positive indicator. Over all it implies that there will be no sharp change if consumer spending pattern in near future, but growth trend to continue for end consumption.

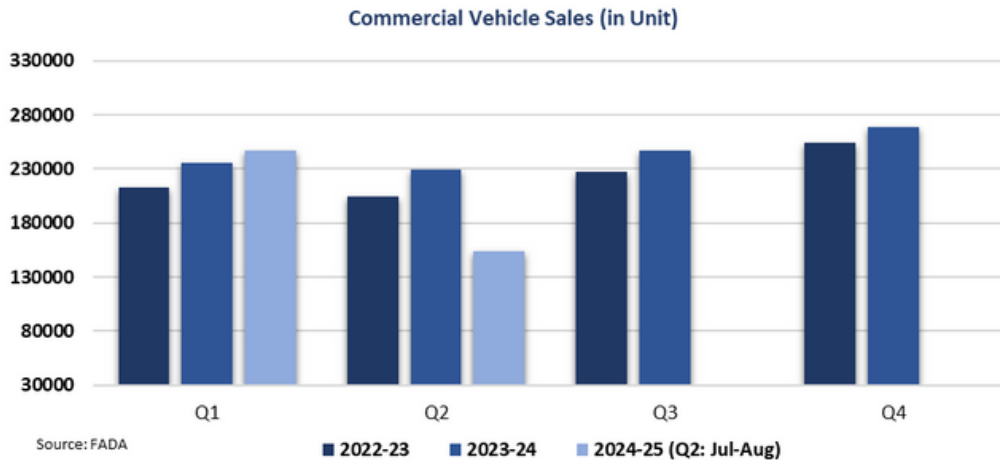
COMMERCIAL VEHICLE SALES

Commercial vehicle sales see cautious growth of 3.9% in FY25 amid rising costs. Light vehicles benefit from e-commerce, while heavy ones recover slowly. Sustainability trends favor passenger vehicles with limited LNG use in trucks.

Revival of commercial vehicles sales in last 3 years shows good confidence of logistics service providers in Indian logistics sector. But in first five month of FY 25 growth in commercial vehicle sales has gone up by 3.9%. This lower growth in commercial vehicles may also be attributed to general election, as truck ownership is highly fragmented. On other hand some report also suggest that demand for used trucks has increased due to continuous rise in new vehicle prices in last few years

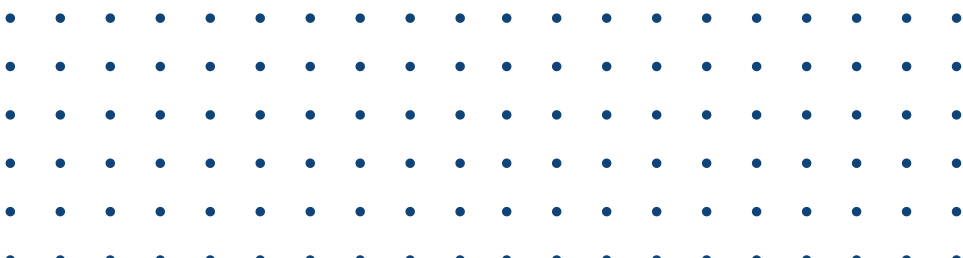


The commercial vehicle sales encountered unexpected challenges, leading to modest volume growth. This was due to diminishing pent-up demand in the domestic market, weak overseas demand, and higher vehicle costs resulting from the transition to newer emission norms.



The commercial vehicle sector faces a more cautious outlook, with growth potentially affected by economic uncertainties, fluctuating raw material costs, regulatory changes and mixed outlook for growth. On the other hand, light commercial vehicles may see improvement due to growing business models like e-commerce, quick commerce and distribution. Heavy and medium vehicles are expected to recover at a slower pace. The sector is likely to stabilize in the latter half of 2024, with modest growth of 2-5% in the coming quarters, indicating slow capacity addition for logistics players.

Initiatives towards sustainability will be more inclined towards passenger vehicles, leading to higher adoption of hybrid and electric vehicles, While in HCV category very limited adoption of LNG vehicles will take place.



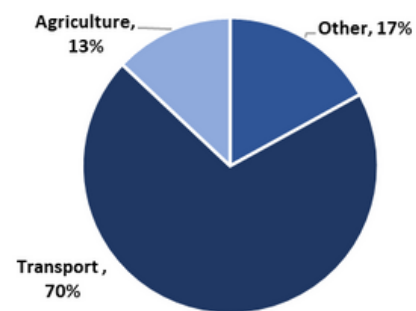
DIESEL CONSUMPTION

While High-Speed Diesel (HSD) consumption grew 4% in FY 24, actual material movement outpaced this due to efficiency and alternative fuels.

Diesel consumption is a one of the indicator of logistics activities. In FY 24, High Speed Diesel (HSD) consumption was 89.6 Million Metric Tonnes with 4% growth. In spite of increase in penetration of electric vehicles in first / last mile operations and improved fuel efficiency of newer vehicles, consumption of HSD has grown in FY 24. Which means actual growth of material movement in BTKM (Billion Ton Kilometre) is higher than HSD growth rate.

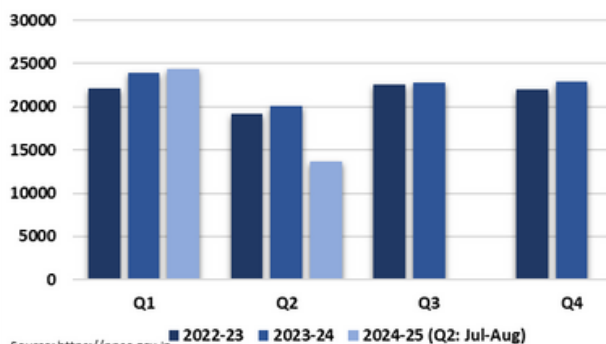
Out of total consumption of Diesel trucks consumes approx 28%, While buses and railway consumes approx 13%. Almost same share as of trucks is consumed by utility vehicles, cars and three wheelers. Due to less than 1/3rd consumption of diesel by trucks, logistics trend extrapolation from diesel may lead to wrong conclusion as well.

Sectoral Diesel Consumption



YOY growth in diesel consumption during first five month of the current year is 1%. Although August was third consecutive month, when diesel demand has declined. But this decline is more cyclical in nature and caused due to lower farm activities in monsoon period.

HSD Consumption (In '000 MT)



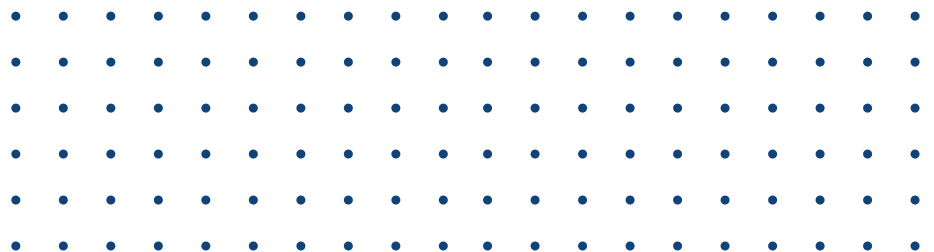
Source: <https://ppac.gov.in>

HSD Consumption Trend (in 000 MT)



Source: <https://ppac.gov.in>

As per International Energy Agency (IEA) estimates, growth momentum of HSD consumption to continue at 4%+ CAGR till 2030, which means the growth in HSD consumption will be lesser than projected cargo volume growth. This hypothesis can be true due to change in modal mix, size of vehicles and increase of alternate fuels. As more vehicles and industries shift to alternate fuels (like biofuels, hydrogen, or electric), the overall demand for diesel will decrease, leading to lower consumption levels.



LOGISTICS INFRASTRUCTURE

PM GatiShakti and National Logistics Policy aim to enhance infrastructure, optimize freight corridors, and integrate multimodal transport for greater efficiency.

Infrastructure plays a crucial role in logistics growth by providing the necessary framework and facilities for efficient transportation, storage, and distribution of goods. India's logistics sector is experiencing a transformative period, marked by substantial investments and policy initiatives aimed at enhancing infrastructure and efficiency. Here is a detailed, data-centric overview of recent developments, including road and highway expansion, based on the latest updates.

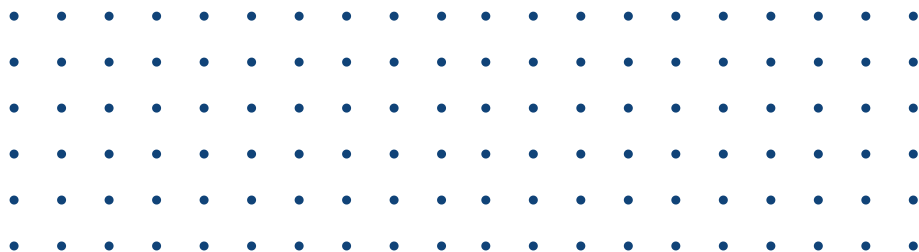
Initiative by Government of India, PM GatiShakti aims to streamline the planning and execution of infrastructure projects to reduce logistics costs and improve logistics efficiency. It unifies various stakeholders and integrate multiple modes of transportation. The multi-modal approach will ensure seamless movement of people, goods, and services across different transport modes. This initiative impacts several departments, accelerates last-mile infrastructure connectivity, and shortens transit time.



Infrastructure as a facilitator of trade under PM GatiShakti: Strengthening manufacturing and supply chain network in the country, through:

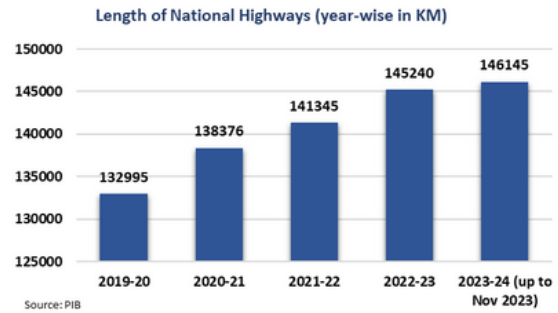
- Dedicated Freight Corridor, Bharatmala, Sagarmala, MMLP etc.
- Port-led development
- Technology for efficient logistics ecosystem - ULIP, Logistics Data Bank and AI in logistics

Along with PM GatiShakti, The National Logistics Policy seeks to optimize logistics operations and lower costs by enhancing infrastructure and integrating technology. Managed by the National Logistics Council, the policy coordinates various logistics projects and infrastructure developments to ensure unified progress.



LOGISTICS INFRASTRUCTURE

India has the second largest road network in the world, spanning about 63.45 Lakh km, which includes national highways, state highways, district roads, and rural roads. More than 65% of transportation takes place by road. MoRTH and its implementing agencies have undertaken multiple initiatives in last 9 years to augment the capacity of the National Highway infrastructure in India.



India is targeting to achieve its ambitious target of constructing 40 kilometers of highways per day within the next two years, which was hovering around 34 Km per day in FY 24. Under phase 1 of Bharatmala project target is to complete total length of 34,800 km in 31 States and UTs, 550+ Districts by 27-28.

Planned DFC Network



In order to optimise freight transport Dedicated freight corridor are one of the essential component. These high-speed, heavy-haul electric cargo corridors are improving freight velocity and reliability along with logistics costs reduction. Out of both the dedicated freight corridor project initiated so far, 96.4 per cent of the entire Corridor is complete and operational; this includes 100 per cent of the Eastern Dedicated Freight Corridor that is operational now. Apart from these 2 corridors, three more corridor have been proposed spanning 3421 Km across North South corridor, East west corridor and East coast corridor.

Planned Multimodal Logistics Parks in India



Multi-Modal Logistics Parks are being developed to integrate various transportation modes, enhancing efficiency. 35 strategic sites have been earmarked for the development of Multi-Modal Logistics Parks by Ministry of Road transport and Highways. Out of these the MMLPs in Jogighopa, Nagpur, Chennai, Bengaluru, and Indore have been awarded to various companies. The total area of MMLPs under development exceeds 2,000 hectares, aimed at improving connectivity between road, rail, and air transport. Smooth take off of these MMLP is facing challenges due to varied ownership patterns and regulatory requirements, leading to delays and escalating costs.

TECHNOLOGY & AUTOMATION

Tech advancements are reshaping logistics, driving efficiency and eco-friendly practices in India, though smaller players face adoption hurdles.

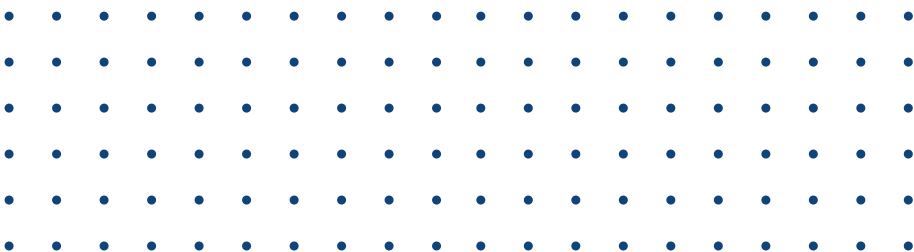
Logistics industry has undergone a major technological transformation, shifting from manual operations to sophisticated digital processes. This shift has revolutionized how goods are transported, tracked, and managed across global supply chains, driven by innovations such as AI, IoT, and blockchain.

Indian logistics players are embracing these technological advancements at fast pace as these are not only about improving efficiency but also a strategic necessity. Technological innovations have greatly enhanced operational efficiency in the logistics sector. Automation has simplified warehouse processes, reducing errors and cutting costs. GPS and IoT have optimized route planning, enabling faster deliveries and minimizing fuel consumption. On the sustainability side, technology has helped companies adopt eco-friendly practices. Data analytics optimize routes to reduce emissions, while electric vehicles are increasingly used to lower the carbon footprint of fleets. In summary, technology has made freight operations both more efficient and more environmentally sustainable.



The transition in adoption of new technologies and automation has its own challenges. Adopting new technologies requires significant investment, careful strategic planning, and a skilled workforce, while maintaining compliance with regulatory and environmental standards. Managing these factors is relatively easier for large players, But Indian logistics market is highly fragmented with numerous small and medium sized players. Most of the smaller player have adopted basic digitisation and functional tech tools. Smaller players are also aspiring for better automation in order to improve efficiency and build competitiveness.

Despite multiple hurdles, the future outlook is promising, as technology continues to shape the industry's path, driving innovation and promoting sustainable practices through collaborative efforts.



LOGISTICS GROWTH OUTLOOK

The growth of India's logistics sector is undeniable. Driven by rising demand for efficient supply chain management, the surge in e-commerce, and government initiatives like PM GatiShakti aimed at enhancing infrastructure, the sector is poised for substantial expansion.

In the long term, factors such as the Make in India initiative, manufacturing growth, production-linked incentives, and the development of new industrial clusters will lead to a fundamental increase in cargo volumes across the sector.

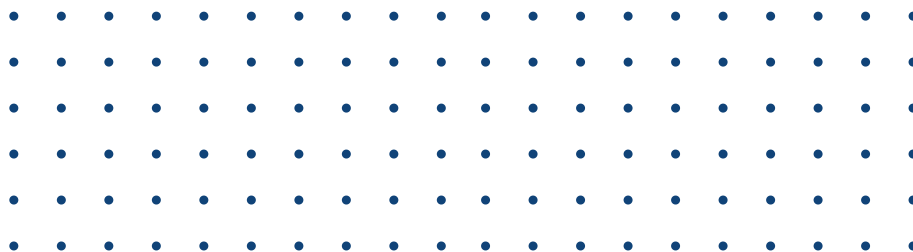


In short term much of the situation is not going to change significantly for the sector. Many economic indicators reflect continuity of current trend of moderate growth rate in next three to six month time frame. Decline in inflation and good monsoon are major positive for revival of consumption, which is a welcome sign for growth of logistics activities.

The growth outlook for retail consumers and institutional buyers remains below its peak. Although indicators like the Customer Confidence Index and Purchase Manager Index are currently higher than last year, both have shown a consistent decline in the first five months of this financial year. These trends suggest cautious optimism, with a gradual acceleration in growth expected over time. The modest single-digit growth in commercial vehicle sales further reflects the logistics sector's restrained confidence in making significant capital investments.

Domestically, trends in the logistics sector are more predictable. Short-term growth is expected to continue on a similar path, with gradual acceleration in the mid-term. Segment-wise, the outlook is as follows:

- Road transportation will be a key beneficiary of rising rural demand and a decline in inflation in the coming months. Expanding road infrastructure and improving quality are also providing long-term momentum for the sector.
- Express road logistics is set to regain momentum as consumption improves. After a two-year decline, the growth rate is believed to have bottomed out, with projections indicating a positive uptick ahead.
- Air transportation volumes are expected to maintain low single-digit growth, with occasional seasonal fluctuations that won't significantly affect the overall outlook. High transportation costs, however, will continue to pose a challenge for the segment.
- E-commerce logistics will benefit from easing inflation, with growth projected to remain in the 15% to 20% range over the next few years. Although this growth rate is lower than historical trends, still it remains notably higher than that of many other logistics sub-segments..



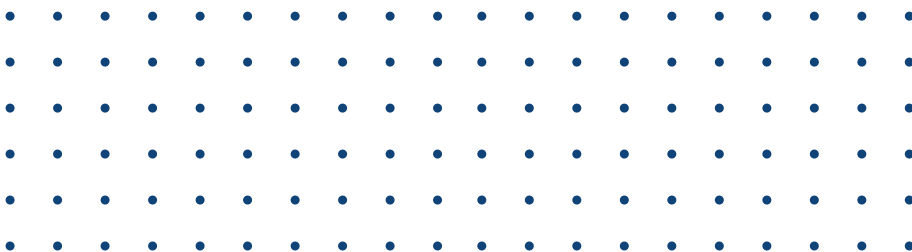
LOGISTICS GROWTH OUTLOOK

- Q-commerce indicate continuation of high growth rate in near future, which may be as high as >50% YOY in short to mid term. However, in the long term, the growth rate of q-commerce is expected to decline sharply, and this slowdown will likely occur much sooner than the time taken in tapering off of e-commerce growth.
- The rapid expansion of q-commerce will significantly impact last-mile logistics in urban areas. However, its growth is unlikely to drive an increase in transportation volumes for first- and mid-mile logistics.
- Rail freight, which was stagnated during covid period, registered healthy recovery in subsequent years. In FY 24 growth of freight tonnage was at 5.2%. In future freight tonnage is expected to continue its momentum without much change.
- Full blown benefit realisation of dedicated freight corridors will take time of few years due to poor containerisation of domestic cargo and weak MMLP activation across corridors. In longer run DFC will significantly limit long haul trailer business.



- The growth of cross-border logistics will largely depend on various international dynamics, with geopolitical factors potentially outweighing economic ones. In recent years. The global shift in procurement strategies to a "China + 1" approach has benefited India. This positive trend is expected to persist, fueling further growth in India's cross-border logistics sector.
- Initiatives to build more port capacity and seamless EXIM process will create tailwind for growth. In long term this will lead to growth of international transshipment activities in India.
- Rising awareness of quality and health will continue to fuel the growth of cold chain logistics. However, a substantial leap in the sector will require major policy reforms regarding temperature control for food and pharmaceuticals during transport, coupled with strict enforcement of these standards.
- The growth of contract logistics will accelerate, driven by a strong push for greater efficiency in supply chains. While recent years have seen rapid expansion due to the e-commerce boom, the future growth will be propelled by diverse sectors such as automotive, FMCG, FMCD, lifestyle, and engineering.

The logistics sector will remain centered on enhancing efficiency through better modal connectivity, digitalization, and increased investment in infrastructure. Ongoing efforts to lower logistics costs, drive supply chain improvements, and integrate advanced technologies like AI and IoT will act as a booster for the sector.



LOGISTICS AND ECONOMIC GROWTH

Economic trends definitely impact growth of every sector including logistics. But in case of logistics reverse is also true. Logistics plays a critical role as an enabler of economic growth of a country by facilitating efficient movement of goods and services across the country and internationally.

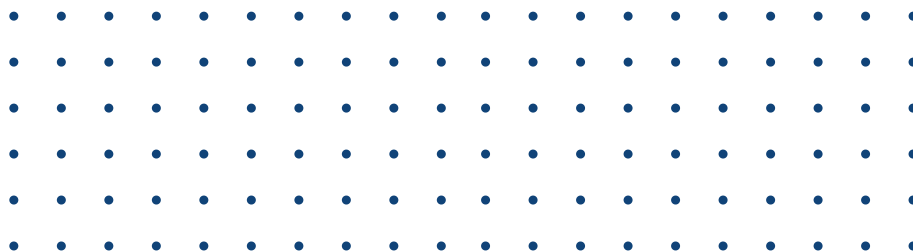
Key steps related to logistics sector, creating tailwind for the economic growth

- Rapid expansion of Logistics Infrastructure
- Technology and automation adoption
- Grant of infrastructure status to Logistics
- Improved policy framework for logistics
- Adoption of sustainable logistics practices
- Increased investment in the logistics sector



Logistics plays a direct role in improving the ease of doing business, as efficient logistics systems reduce operational cost, enhance supply chain reliability, and speed up the movement of goods and services. Which in turn mobilizes the entire economic ecosystem, attracts investments, and drives growth. By streamlining trade and connectivity, logistics create a more business-friendly environment, encouraging companies to invest, expand, and innovate. This, in turn, fosters industrial growth, improves market access, and boosts investor confidence, all of which contribute significantly to the overall economic development of the country.

Increasing logistics efficiency economic expansion goes hand in hand. India has also witnessed the same trends in this direction. The pace of progress in logistics initiatives is accelerating, with numerous projects in the pipeline. Two key government-led initiatives—the National Logistics Policy (NLP) and PM Gati Shakti—are at the forefront of these efforts, complemented by a range of private sector initiatives. Objective of NLP is to bring down logistics cost and push the growth, for which multi-dimensional interventions related to infrastructure, skill development, digitisation, modal connectivity, regulatory reforms are going on. Many large logistics projects like dedicated freight corridors, port expansions, and multi-modal transport networks are still under implementation, and their completion will further accelerate logistics growth in the coming years. As these initiatives come to fruition, they will unlock greater efficiency in the supply chain, attract more investment, and enable smoother movement of goods across the country, ultimately driving substantial growth in India's logistics sector and contributing to overall economic development.



DISCLAIMER

This Report has been prepared by Aviral Consulting OPC Pvt Ltd. All information in this report has been derived from the industry reports, for which reference sources have been mentioned. Neither we, nor any other person connected with the Issue has independently verified this information. This material may contain information sourced from publicly available information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness, and underlying assumptions are not guaranteed, and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Aviral Consulting does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. Nothing in this material creates any contractual relationship between Aviral and the reader of the report.



**Palash Mungee,
Consultant**

palash.mungee@aviralconsulting.com



Aviral Consulting Pvt Ltd
Unit No 6, Plot No 118,
Charkop Sector 4,
Kandivali West
Mumbai



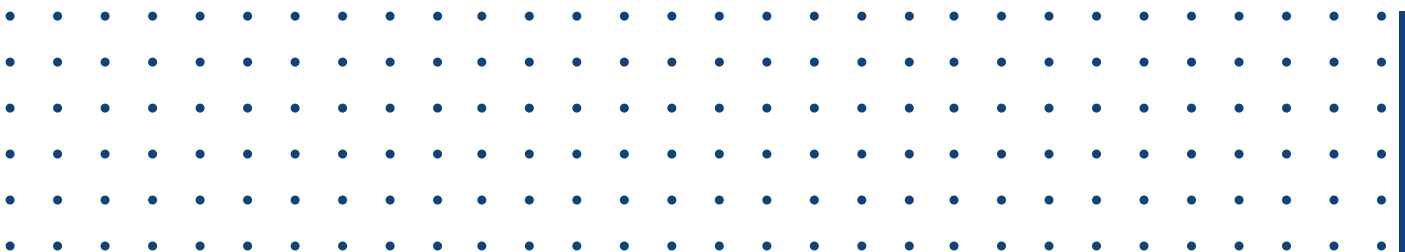
[linkedin.com/company/aviral-consulting-pvt-ltd](https://www.linkedin.com/company/aviral-consulting-pvt-ltd)



www.aviralconsulting.com



+91 9969648088



AVIRAL CONSULTING PRIVATE LIMITED
MUMBAI

+91 9969648088

www.aviralconsulting.com

contact@aviralconsulting.com