

India Freight and Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Indian freight and logistics market is estimated to register a CAGR of more than 5% during the forecast period.

The Indian freight and logistics market is evolving, keeping in line with the technological and infrastructural developments and various policy reforms taken by the government, which includes the introduction of e-way bills, fast-tag, e-invoicing, and GPS-based toll collection. The traditional logistics industry in India is witnessing a significant shift toward digitization and contactless operations resulted due to the COVID-19 impact. The robust growth in manufacturing envisioned through the "Make in India" initiative will demand high levels of logistical efficiency, which means that goods must be produced and efficiently transported to markets at reasonable prices across the country. The growth is also fueled by the rapidly growing e-commerce sector and a growing retail sales market.

The Multi-Modal Logistics Parks (MMLPs) policy is a key policy initiative of the Government of India to improve the country's logistics sector. This initiative will lower freight costs, reduce vehicular pollution and congestion, and will also cut down warehouse costs to promote domestic and global trade. The government is also focusing on strengthening the market in terms of competition, reduced freight rates and barriers, and technological developments. The agricultural, retail, and manufacturing sectors are boosting the country's freight and logistics industry.

The Indian logistics sector has witnessed robust growth with the highest share in the freight forwarding market, followed by the warehousing, courier parcel, and express and value-added services markets. The e-commerce sector is becoming extremely popular with the introduction of online payment platforms such as Amazon Pay, Paytm, Gpay, and new popular delivery apps. However, the supply chain disruption and the slowdown are expected to decrease the freight demand in the medium term.

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Increase in Road Infrastructure Projects

The Union Minister of State for Road, Transport, and Shipping stated that the government aims to boost corporate investment in the roads and shipping sector and to introduce business-friendly strategies that will balance profitability with effective project execution. According to the Department for Promotion of Industry and Internal Trade Policy (DPIIT) data, the construction development sector attracted an FDI inflow worth USD 25.93 billion between April 2000 and December 2020. Highway construction in India increased at a CAGR of 17% from FY 2016 to FY 2021. Despite the pandemic and consequent lockdowns, India constructed 13,298 km of highways in FY 2021. In October 2020, the foundation stone was established for nine national highway projects, with a total length of approximately 262 km worth USD 371.13 million in Tripura.

The Government of India allocated USD 1.4 trillion under the National Infrastructure Pipeline for FY 2019-2025. The roads sector is likely to account for 18% of capital expenditure during 2019-2025. In October 2020, the National Investment and Infrastructure Fund (NIIF) progressed toward integrating its road and highway portfolio. The NIIF acquired Issel Devanahalli Tollway and Essel Dichpally Tollway through the NIIF master fund. These road infra-projects will be supported by Athaang Infrastructure, NIIF's proprietary road network, assisted by a team of established professionals with diverse domain expertise in the transport field. The government is working on policies to attract significant investor interest through a series of initiatives. A total of 200,000 km of national highways is expected to be completed by 2022.

E-commerce Driving the Logistics Industry

The Indian e-commerce market is expected to grow during the forecast period. Much of the industry growth has been triggered by the increase in internet and smartphone penetration. As of July 2021, the number of internet connections in India significantly increased to 784.59 million, mostly driven by the 'Digital India' program. Out of the total internet connections, 61% of connections were in urban areas, of which 97% of connections were wireless. India's e-commerce order volume increased by 36% in the last quarter of 2020, with the personal care, beauty, and wellness (PCB&W) segment being the largest beneficiary. As the e-commerce sector bolsters the need for transportation is also expected to witness growth.

As of October 11, 2021, the Government e-Marketplace (GeM) portal served 7.78 million orders worth USD 19.29 billion to 54,962 buyers from 2.92 million registered sellers and service providers. In a bid to systematize the onboarding process of retailers on e-commerce platforms, the Department for Promotion of Industry and Internal Trade (DPIIT) is reportedly planning to utilize the Open Network for Digital Commerce (ONDC) to set protocols for cataloging, vendor discovery, and price discovery.

The e-commerce industry has been directly impacting micro, small, and medium enterprises (MSME) in India by providing financing, technology, and training. It also has a favorable effect on other industries as well. Technology-enabled innovations like digital payments, hyper-local logistics, analytics-driven customer engagement, and digital advertisements will likely support the growth in the sector.

India Freight & Logistics Market Competitor Analysis

The Indian freight and logistics market is fragmented. The market is expected to grow during the forecast period due to huge investments from the government, e-commerce, technology integration, and growing economies. The major companies in the country have adopted various modern technologies, such as warehousing management systems, automation, drone delivery, and the transportation management system, which has enabled better planning and tracking facilities, resulting in increased productivity and increased value proposition. Some of the major Players Include Mahindra Logistics, DHL, FedEx Trade Networks Transport and Brokerage Private Limited, Kuehne + Nagel Private Limited, and Agility Logistics Private Limited.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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