India Rail Freight Transportation Market Assessment, By Cargo Type [Bulk Cargo, Containerized Cargo, Intermodal Cargo, Specialized Cargo], By Traction Type [Electric Traction, Diesel Traction, Hybrid Traction, Hydrogen Traction], By Infrastructure Type [Heavy Haul Railways, Standard Gauge Railways, Narrow Gauge Railways, Dedicated Freight Corridors], By Business Model [Publicly Owned Railways, Privately Owned Railways, Leased Railways, Build-Operate-Transfer Railways], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

India rail freight transportation market is projected to witness a CAGR of 5.72% during the forecast period 2024-2031, growing from USD 60.66 billion in 2024 to USD 94.66 billion in 2032.
The Indian rail freight market is experiencing significant growth due to infrastructure expansion, increasing demand for freight transport, and government initiatives. Investments in modernizing the rail network and freight terminals have improved connectivity and efficiency, reduced transit times, and increased capacity for general cargo such as coal, cement, agricultural products, and industrial materials. Sustainable and cost-effective solutions are attracting companies to long-distance rail transport, which produces fewer emissions than road and air transport. Dedicated freight corridors such as the Eastern and Western Freight Corridors ensure faster and more reliable deliveries. The need for electronic commercial transactions and industrial activities and the need for optimization of supply chains will increase the demand for railway cargo services. As the economy of India is developing, the railway product department plays a decisive role in supporting trade, reducing logistics costs, promoting regional development, and increasing the expansion of markets.

In August 2024, Om Logistics' acquisition of the Inland Container Depot in Bawal for USD 12.9 million set a new logistics benchmark by enhancing multimodal connectivity and streamlining supply chain management. Strategically located on the Delhi-Mumbai Industrial Corridor with advanced technology like automated rail lines and real-time GPS tracking, Inland Container Depot Bawal's capacity to handle 5,000 EXIM cargo containers monthly bolsters rail freight efficiency. This facility's exceptional connectivity to major ports, airports, and highways, combined with direct access to the Western Dedicated Freight Corridor and Indian Railways, will significantly reduce transit times and operational costs, driving substantial growth in India's rail freight transportation market.

Cost Efficiency and High Capacity Fueling Market Growth

Profitability and high throughput are the main growth drivers of the rail freight market. Rail transport costs less per ton-mile than road or air, making it an attractive option for companies shipping large volumes of freight over long distances. In one trip, transporting heavy and bulky products such as coal, steel, and agricultural products reduces operating costs and improves the scale. In addition, railway networks are highly energy-efficient, reduce fuel costs and carbon dioxide emissions, and are attractive to the environment and cost industries. These advantages, combined with increasing investments in infrastructure and intermodal transport systems, will enable rail freight to meet the growing global demand for efficient, large-scale logistics solutions, thereby contributing to the expansion of the market.

In November 2024, Balmer Lawrie & Co. Ltd. entered into a leasing agreement with GATX India Pvt. Ltd., forging into the rail logistics sector. For the transport of steel products, Sail has considerably improved the Indian rail transport market. This strategic step is in accordance with the National Gland of 2030, which aims to increase the modal share of the railways to 45%, providing more efficient and more effective logistics solutions while reducing carbon trace. In the range of railway logistics, Balmer Rory has contributed not only to internal transport capacity but also to sustainable logistics, optimization of supply chains, and support for economic growth.

Growth Due to Environmental Sustainability

Environmental sustainability is a key factor driving the growth of the market. Rail transport is more energy efficient and environmentally friendly than road and air transport, producing significantly less greenhouse gas emissions per ton-mile. This initiative is part of global efforts to combat climate change and meet strict environmental regulations, encouraging industries to adopt greener logistics solutions. Rail freight's reduced reliance on fossil fuels combined with advances in electrification and cleaner energy sources further enhances its sustainability. Governments and organizations also drive the shift to rail transportation by investing in green infrastructure and initiating initiatives to reduce carbon emissions. The environmental benefits of rail freight are a key driver of growing demand and market expansion as businesses prioritize sustainable supply chains to meet consumer expectations and regulatory requirements.

In January 2024, Tech Mahindra launched Riskman, an ESG risk assessment platform that empowers organizations to manage climate-related risks through comprehensive analysis and real-time data. This platform enhances transparency and collaboration among stakeholders, promoting sustainable growth and digital transformation. By enabling proactive risk mitigation, Riskman supports the growth of India's rail freight transportation market by helping companies optimize operations, reduce costs, and improve supply chain resilience against climate impacts.

Containerized Segment Dominates the Rail Freight Transportation Market

The containerized segment is leading India's rail freight transportation market due to its unmatched efficiency, flexibility, and ability to accommodate diverse cargo types. Growth is fueled by increased industrial output, trade expansion and government initiatives such as the Dedicated Freight Corridors and containerization promoting policies. Containers provide faster transit, lower handling costs, and enhanced security, making them attractive for both domestic and international shipping. The rise of multi-modal logistics and improved port connectivity further support this segment. As industries like automotive, agriculture, and consumer goods increasingly depend on containerized rail freight, this segment continues to surpass traditional bulk transport modes.

In January 2024, DP World is investing USD 3 billion in Gujarat, India, to develop a new port, terminal, and economic zone, including a multipurpose public seaport, special economic zone, Gati Shakti Cargo Terminals, and a USD 51 billion project in Tuna-Tekra, Kandla. These investments align with India's Gati Shakti initiative to improve multimodal connectivity. Enhanced rail freight connectivity between ports and inland industrial zones will reduce transit times and costs, boosting logistics efficiency. This

integration strengthens the rail freight market, making it a critical component of India's supply chain and supporting regional economic growth.

West Dominates India Rail Freight Transportation Market Share

The western region of India leads the rail freight transportation market due to its strategic location, major industrial and trade hubs like Mumbai, Gujarat, and Rajasthan, and key ports such as Mundra, Kandla, and Nhava Sheva. These elements create strong connectivity between ports and industrial zones, driving high demand for rail freight services. The region's well-developed railway network and dedicated freight corridors enhance cargo movement efficiency. Proximity to key industries like petrochemicals, textiles, and automotive, along with technological integration and initiatives like Make in India, further bolster its dominance in rail freight logistics, making it a vital part of India's supply chain.

In July 2024, India is developing three new freight corridors- the East Coast Corridor from Kharagpur to Vijayawada, the East-West Corridor from Kharagpur to Palghar, and the North-South Corridor from Vijayawada to Itarsi-- stretching a total length of 4,300 km and going USD 23.45 billion. The devoted Freight Corridor Corporation of India Ltd aims to ameliorate profitable viability and reduce business traffic. The western devoted freight corridor is nearly finished, improves connection with anchorages and artificial zones, maintaining volumetric goods and electronic commerce. The strategic position of the western region, developed by the rail network and artificial centers, similar to Mumbai, Gujarat, and Rajasthan, makes it dominant in the transport of rail transport, which causes a high demand for effective services and strengthens the Indian force chain.

Future Market Scenario (FY2025 – FY2032F)

- Increased adoption of automation, digital tracking, and predictive maintenance will enhance operational efficiency and reliability.
- Growing emphasis on reducing carbon emissions will drive the electrification of rail networks and the use of renewable energy sources.
- Investments in expanding and modernizing rail networks will support higher freight volumes and improve connectivity.
- Enhanced integration with other means of transport (road, sea) will provide more flexible and cost-effective logistics solutions.

Key Players Landscape and Outlook

Companies implement several strategies such as technological innovation, sustainability, and infrastructure development. Several rail operators are looking into automation and digitalization to raise efficiency in their operations. It provides services like tracking, predictive maintenance, and automatic scheduling, while reducing costs and offering a better customer experience. Companies are considering advanced freight management systems that give routes to better optimize cargo handling. Sustainability forms a very important focus, as companies' transition in increasing numbers into greener technologies-from electrifying rail networks to using renewable sources of energy-help cut carbon footprints. Several others embrace intermodal transport that offers integrated services combining rail, road, and sea transport, in pursuit of maximum flexibility and cost savings. In response to growing demand, freight rail companies are improving their fleets and investing in more modernized terminals and rail networks, which can accommodate larger, mixed-cargo types. Strategic partnerships and cooperation with logistics providers and governments also help their companies attain long-term contracts and grow better. Where its rail freight companies are focusing on these areas, the response to shifting marketplace dynamics has ensured their firm position within an ever-changing global logistics backdrop.

In November 2024, the inauguration of the TVS Go Green Express train, a collaboration between Concor, Indian Railways, and Chennai Port Authority, marks a significant milestone in green logistics by enabling faster, more efficient transportation of export containers through Direct Port Entry (DPE). This initiative, facilitated by TVS SCS Global Freight Solutions Ltd, enhances connectivity between key regions and ports, streamlines customs clearance, and promotes using LNG-powered trucks for eco-friendly first- and last-mile logistics. This development reflects India's commitment to innovative logistics solutions and supports the growth of the rail freight transportation market by reducing transit times and environmental impact.

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