



INDIAN ROAD LOGISTICS INDUSTRY

**Riding the festive wave: Road logistics
sector gears up to maximise seasonal gains**

SEPTEMBER 2024



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Executive Summary



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Road logistics sector prepares to maximise the opportunities from the seasonally strong festive period ahead. Rise in manufacturing activities amidst restocking, uptick in consumer spending and e-commerce activities augers well for the sector.

ICRA expects the industry revenues to grow by 6-9% in FY2025 YoY. Pricing environment remains competitive; however, organised players are likely to command some premium amid an overall inflationary cost scenario, thus aiding the margins in FY2025.



- The industry revenues (represented by a sample set of 10 listed companies) grew by ~4.6% in FY2024 over FY2023, in line with ICRA's expectations. The growth was subdued on account of relatively muted demand from end-user industries amid high inflation, an uneven monsoon, a relatively lackluster festive season and rising interest rate regime.
- ICRA expects the industry revenue to grow by 6-9% YoY in FY2025. Following some disruption in business activities during Q1 amidst General Elections, road logistics sector prepares for the much-awaited seasonally strong festive period. This coupled with a favourable monsoon and the Government's continued thrust on capital formation shall support the growth.
- ICRA expects the aggregate operating profit margins for the sector to be in the range of 11-12% in FY2025 (over ~11% in FY2024 and ~12% in FY2023), given the high operating cost regime, driven by the sticky retail diesel prices and limited ability of the companies to increase freight rates. Operators' ability to effect equivalent rate hikes, to offset input price rises amid stiff competition, remains a key monitorable.
- Debt coverage metrics moderated marginally in FY2024 owing to pressure on operating margins because of rising operating costs ex-fuel, given the high inflation levels. Increase in debt due to debt-funded capex for new vehicles, coupled with rising lease liabilities amidst expanding branch network, warehousing and technology investments, are likely to keep the debt levels rangebound.
- The outlook on the Indian road logistics sector remains Stable, driven by demand from varied sectors like e-commerce, FMCG, retail, chemicals, pharmaceuticals and industrial goods coupled with continuing government measures and policies supporting the logistics sector.



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
K. Srikumar	Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Suprio Banerjee	Sector Head	supriob@icraindia.com	+91-22 6114 3443
Karan Gupta	Senior Analyst	karan.gupta@icraindia.com	+91-22 6114 3416
Adish Mali	Analyst	adish.mali@icraindia.com	+91-22 6114 3422





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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