

INDIAN ROAD LOGISTICS INDUSTRY

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

SEPTEMBER 2024



Agenda





















Executive Summary

Highlights



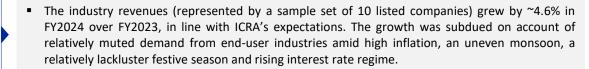


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Road logistics sector prepares to maximise the opportunities from the seasonally strong festive period ahead. Rise in manufacturing activities amidst restocking, uptick in consumer spending and e-commerce activities augers well for the sector.

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.







■ 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.



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