

PRESS RELEASE

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## Indian road logistics sector gears up to maximise gains from the upcoming festive season: ICRA

- **Industry revenues pegged to grow at 6-9% in FY2025 amid competitive pricing environment**
- **Organised players likely to command some premium amid inflationary cost scenario, keeping operating margins range-bound at 11-12% in FY2025**

ICRA expects the revenues of the Indian road logistics industry to grow by a moderate 6-9% YoY in FY2025. Following some disruption in business activities during Q1 amidst the General Elections, the sector prepares for the much-awaited seasonally strong festive period. An increase in manufacturing output amidst restocking and an uptick in consumer spending and e-commerce activities augur well for logistics demand. This, coupled with a favourable monsoon and the Government's continued thrust on capital formation, is likely to support revenue growth. ICRA maintains a 'Stable' outlook for the sector, fuelled by various Government measures and policies in favour of the sector and the expectation of a stable demand outlook from varied segments like e-commerce, FMCG, retail, chemicals, pharmaceuticals, and industrial goods.

ICRA foresees organised players to maintain the pricing premium amid an overall inflationary cost scenario and shall support operating profitability in FY2025. Nevertheless, it would remain range-bound and trail the peak levels seen in FY2023. The debt coverage metrics are expected to remain comfortable in FY2025, despite some anticipated increase in debt levels due to capex for new vehicles, coupled with the rise in lease liabilities due to expanding branch network and technology investments. ICRA projects the interest coverage and total debt/OPBITDA in the range of 7.0x-8.0x and 1.4x-1.7x, respectively, in FY2025 compared to 7.6x and 1.6x in FY2024.

**Srikumar Krishnamurthy, Senior Vice President & Co-Group Head – Corporate Ratings, ICRA Limited**, said: *“ICRA’s sample set<sup>1</sup> witnessed modest revenue growth of 4.6% in FY2024 over FY2023. The growth was subdued on account of a relatively muted demand amid high inflation, an uneven monsoon, a relatively lacklustre festive season and the rising interest rate regime. The operating profit margin eased to 11.2% in FY2024 (down ~120 bps from FY2023) on account of rising operating costs (ex-fuel) amid the high inflation levels and stiff competition in the sector. In Q1 FY2025, the revenues grew by ~7% with operating margins of ~10-11%. ICRA expects the industry operating profit margins to remain in the range of 11-12% in FY2025, with the organised players expected to maintain the pricing premium amid an overall inflationary cost scenario”.*

The e-way monthly volumes have grown steadily over the years and remained largely stable in the last four months at above 100 million, with August 2024 reporting all-time high volumes of 105 million, signifying resilient domestic trade and transportation activities. The monthly FASTag volumes have also moved in tandem with the e-way bills, ranging from 295 to 350 million in FY2024 and in the current fiscal, with an all-time peak of 348 million in December 2023, reflecting business continuity.

*“Road logistics players also remain exposed to environmental and social risks. Tightening emission control norms necessitate investments in either alternative fuel vehicles or in the current fleet. They are also exposed to litigation/penalties arising from issues related to harmful emissions and waste, which may lead to financial*

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<sup>1</sup> Sample set considers 10 listed players in the domestic road logistics industry

implications and impact reputation. The social risk includes driver shortage, health, safety, and quality of work-life balance for drivers,” Mr. Krishnamurthy added.

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