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INDIAN PORT LOGISTICS SECTOR

Container volume growth remains exposed to macro headwinds

JUNE 2023

Agenda

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1 Container Cargo Trends

2 Port Logistics – Key Updates

3 Aggregate Industry Financials and Projections

4 Peer Comparison

5 Rating Distribution

Highlights

After a healthy growth of volumes by 11% in FY2022, container volumes witnessed a subdued growth of ~3% in FY2023, which was partly on account of subdued exim cargo growth and impact of very high freight rates in H1 FY2023. Some recovery is expected in volumes in FY2024 with freight rates normalising. In FY2024, volume growth is expected to remain exposed to macro-headwinds amid global economic slowdown and its impact on export-import (EXIM) trade. The overall container volumes are expected to grow by 5-7% in FY2024.

- **The container volumes at the Indian ports witnessed a subdued growth of ~3% in FY2023,** which was partly on account of subdued exim cargo growth and impact of very high freight rates in H1 FY2023. In FY2024, volume growth is expected to remain exposed to macro-headwinds amid weak economic activity in major economies such as the US and the EU. Some recovery is expected in cargo volumes in FY2024 with freight rates normalising. For FY2024, the overall container volumes are expected to grow in the range of 5-7%.
- **Container Freight Station (CFS) volumes are expected to be in line with the expectations on container trends in Indian ports.** The CFS is trying to enhance value-added services to overcome challenges. The segment, however, remains exposed to the uncertainty pertaining to a global economic slowdown and its impact on export-import trade.
- **The volumes of the container train operator (CTO) segment improved by 7% in FY2023.** Going forward, the commencement of the direct freight corridor (DFC) is likely to improve rail volumes, although the DFC commencement targets witnessed some slippage due to the pandemic in the last two years. To reduce the logistics cost, the focus is to increase the share of the Railways as a cost-effective mode of goods transport in the country, which would benefit CTOs.
- **Increased focus to reduce overall logistics cost.** The National Logistics Policy was launched in FY2023. It aims to reduce the cost of logistics, improve the logistic performance index globally and create a data-driven mechanism. The Policy would help in integrating and optimising various elements of the logistics value chain to ensure seamless, multi-modal growth of an efficient logistics sector in the country. However, implementation remains key.
- The long-term outlook for the container segment remains favourable. However, consolidation in the CFS/inland container depots (ICD) and CTO segments is expected during the growth phase.

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Thank You!