

INDIAN PORT SECTOR

Healthy cargo volumes anticipated for FY2025; economic slowdown and geopolitical tensions may spell turbulence

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Cargo volumes at the ports expected to grow by 7-8% YoY in FY2024E while volumes in FY2025 to grow by 6-8% YoY, driven by healthy growth in the container and coal segments; slowdown in global economic growth and/or geo-political tensions impacting trade volumes are the key risks.

Coal and container volumes have grown at a healthy pace of 8.4% YoY and 10.5% YoY respectively, although container volumes have witnessed slowdown amid the Red Sea crisis in the last couple of months.



- **In 10M FY2024, cargo volumes witnessed a 7.6% YoY growth after growing 8.3% YoY in FY2023.** Container and coal volumes witnessed growth of 10.5% YoY and 8.4% YoY while petroleum product volumes witnessed modest growth.



- **The container segment has witnessed a bit of a slowdown** following the Red Sea crisis. Going forward in FY2025, volume growth of 6-8% is expected, supported by continued healthy coal imports, while container segment growth is expected to moderate amid the Red Sea crisis resulting in elevated freight rates.



- **On the policy front, the draft Indian Ports Bill 2023 is under consultation** aiming to improve transparency related to port tariffs and streamline the dispute-resolution mechanism. The success of the Conciliation and Settlement Committee (CSC) — an alternate resolution mechanism set up in 2022 to address the legacy tariff dispute, will also be important for the sector.



- **New projects are also being awarded in line with growth envisioned in Maritime Vision 2030.** A large capex has been planned for the next decade to augment port capacity and infrastructure. Project execution is expected to pick up pace, going forward. Aggressive capacity additions may lead to supply-demand mismatches in a few clusters leading to increased competition and pricing pressure for ports in those clusters.



- **The sector witnessed consolidation in the last few years** with acquisition of smaller/standalone players by larger groups and this consolidation trend in the sector is expected to continue.



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