



Freight Forwarding Market – India

February 2015

Executive Summary

Market Overview

- Freight forwarding market in India is poised to grow at a CAGR of ~a% till 2018
- In India, freight forwarding can be broadly categorized into Road, Rail, Air and Sea Freight
- India is expected to witness considerable growth in freight business provided freight companies diversify their business to other logistic segments

Drivers & Challenges

Drivers

- Growth in International Trade
- Rapid Economic Growth and FDI in Logistics
- Improved Warehousing Infrastructure
- Diversification into Logistics Business
- Growth in Containerized Cargo
- Rising Competitiveness among Domestic Companies

Challenges

- Stiff Competition from International Counterparts
- Rising Freight Costs
- Complex Operation
- Lack of Skilled Manpower
- Poor Infrastructure

Technological Trends

- EDI Platform
- UPLIFT
- 4S eTrans

- Technology Adoption by Leading Players
- Technology Adoption - Case Study

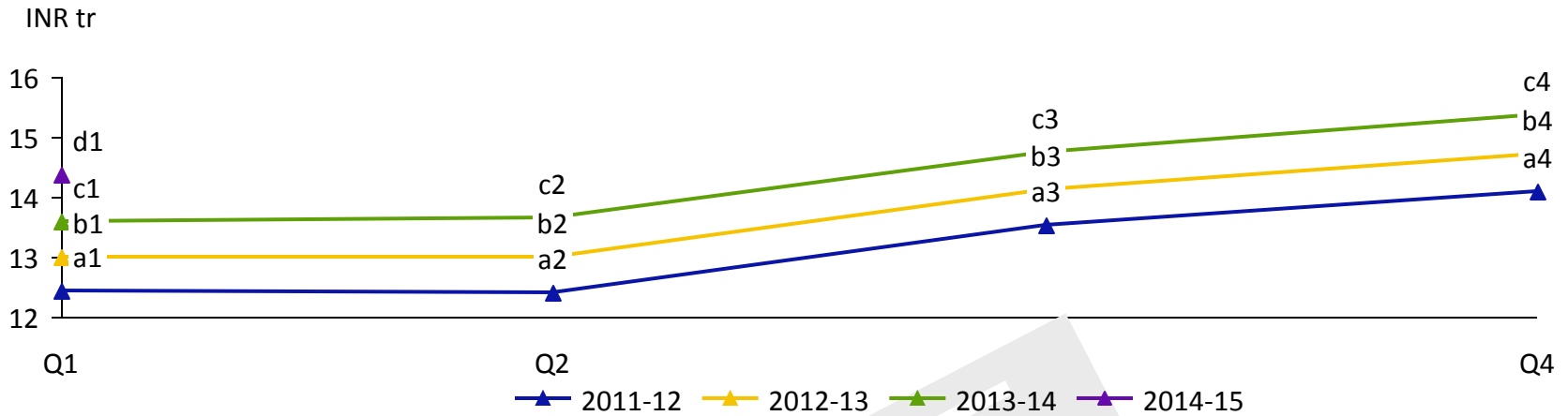
Competition

Major Players		
Player 1	Player 2	Player 3
Player 4	Player 5	Player 6

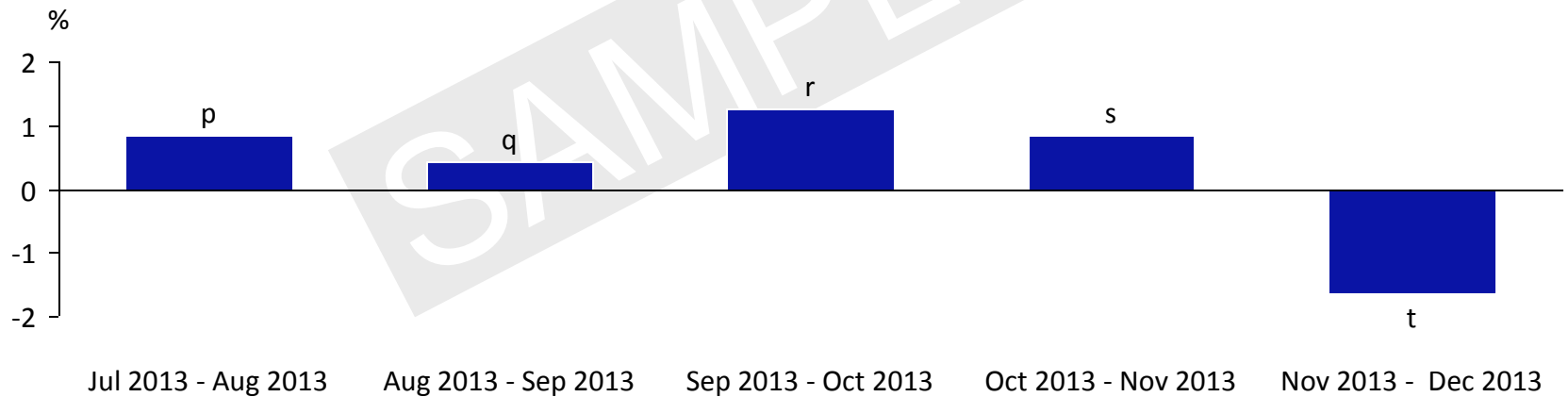
-
- **Macroeconomic Indicators**
 - Introduction
 - Market Overview
 - Segments and Features
 - Comparative Analysis
 - Drivers & Challenges
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

Macroeconomic Indicators (1/3)

GDP at Factor Cost: Quarterly

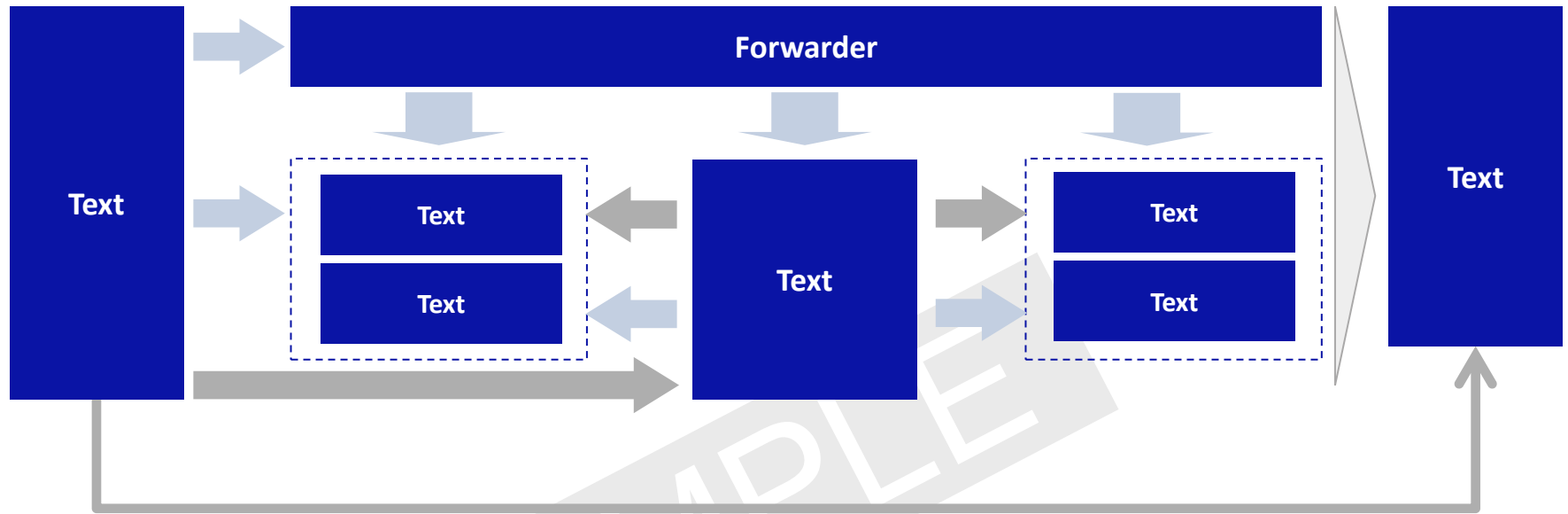


Inflation Rate: Monthly



-
- Macroeconomic Indicators
 - **Introduction**
 - Market Overview
 - Segments and Features
 - Comparative Analysis
 - Drivers & Challenges
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

Freight Forwarding – Value Chain



Regular/ Usual Contract Relationship



Alternative Contract Relationship



Freight forwarders has a brokerage function between Shippers and Consigners and takes a coordinating role in the value chain

-
- Macroeconomic Indicators
 - Introduction
 - **Market Overview**
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 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

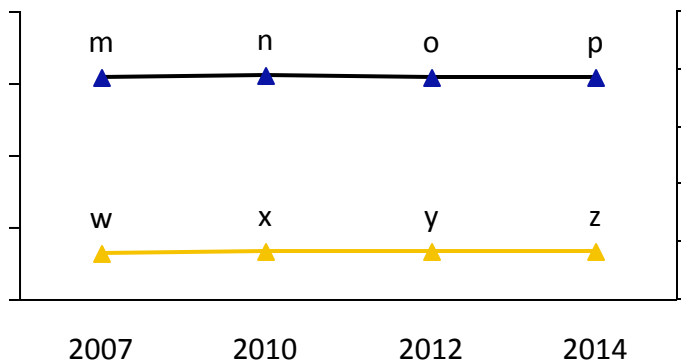
Logistics market in India has witnessed an exponential growth rate over the past decade

Logistics Market Overview – India

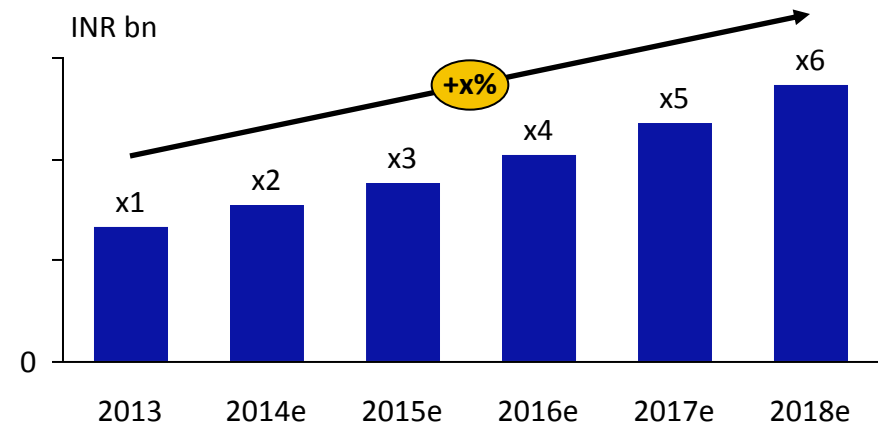
- Logistics is defined as a business planning framework involving procurement, maintenance, distribution, and replacement of personnel and material
 - In 20--, the global annual logistics spend has been valued at about INR x tr
 - The annual logistics cost in India is valued at INR x bn and it is growing at a-b% annually
 - The annual logistics cost in India is estimated to be c% of the GDP
 - The Transportation, Logistics, Warehousing and Packaging Sector in India is dominated by the unorganized segment, while the organized segment accounts for less than d% of the logistic sector in India
 - Globally, logistics industry represents a significant part of the economy, as it generally constitute between e-f % of the GDP of a country
- India is still on the evolving stages in the logistic Industry with much of its focus being on enabling 'physical distribution' rather than 'progressive integrated logistics management'

Logistics Performance Indicator

▲ LPI score ▲ World Rank(proportion to highest ranking nations)



Logistic Market Size & Growth

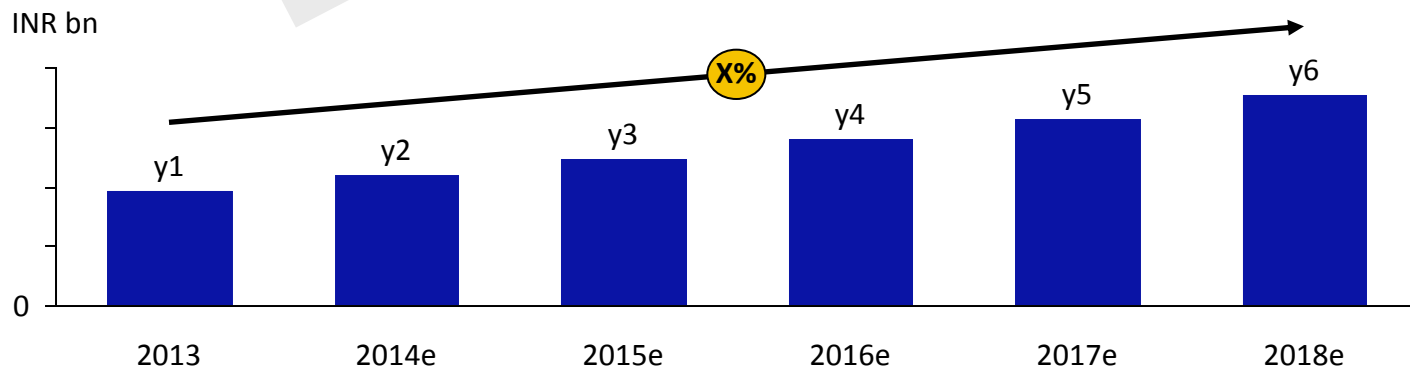


The freight forwarding market exhibits moderate potential for growth but has tremendous diversification options

Freight Forwarding – Market Overview (1/2)

- Freight forwarding services form the most crucial link in the overall logistics value chain
- It accounts for ~a% of the total logistics cost with transportation accounting for a maximum share followed by inventory and value-added services of the total freight forwarding segment
- Freight forwarding market in India has prospered owing to the exponential growth in international trade and is estimated to grow at a CAGR of ~x% between 2013 and 2018 reaching at about INR y bn by 2018
- Broadly classified, the Indian freight forwarding market consists of four segments – *Rail, Road, Waterways and Airways* freight forwarding services
- Sea freight forwarding and air freight forwarding are expected to witness higher growth rate than the other segments

Freight Forwarding Market – Market Size and Growth

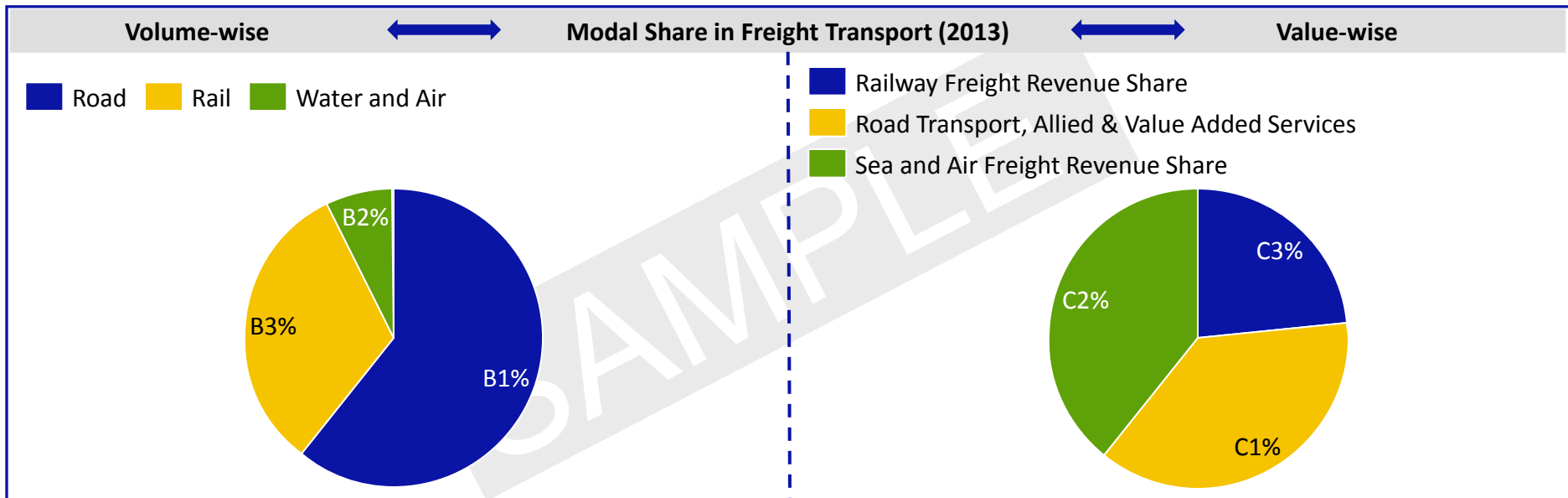


Note: Market size does not include inland water transport

Gross revenue has been estimated based on sea and air freight revenues, railway revenues and road transport cum value added services

The air and sea freight markets are maximum revenue earners despite carrying the least percentage of total freight

Freight Forwarding – Market Overview (2/2)



- Rail and Road continue to be the dominant modes of freight transport medium in the country contributing to more than a% of the total freight carried in terms of volume
 - Road freight is expected to grow at a CAGR of approximately b%
 - However diversification into value added and allied services can yield a growth at around c-d% CAGR
 - Railways is expected to grow at a CAGR of e-f%
- Tremendous scope exists for the airfreight market as it is poised to grow at about g% CAGR
- Sea freight is also expected to show high growth rates of about h% CAGR (value-wise)
- The air and sea freight market together contribute to nearly x% of the freight market in terms of value
- However volume-wise they carry less than y% of total freight

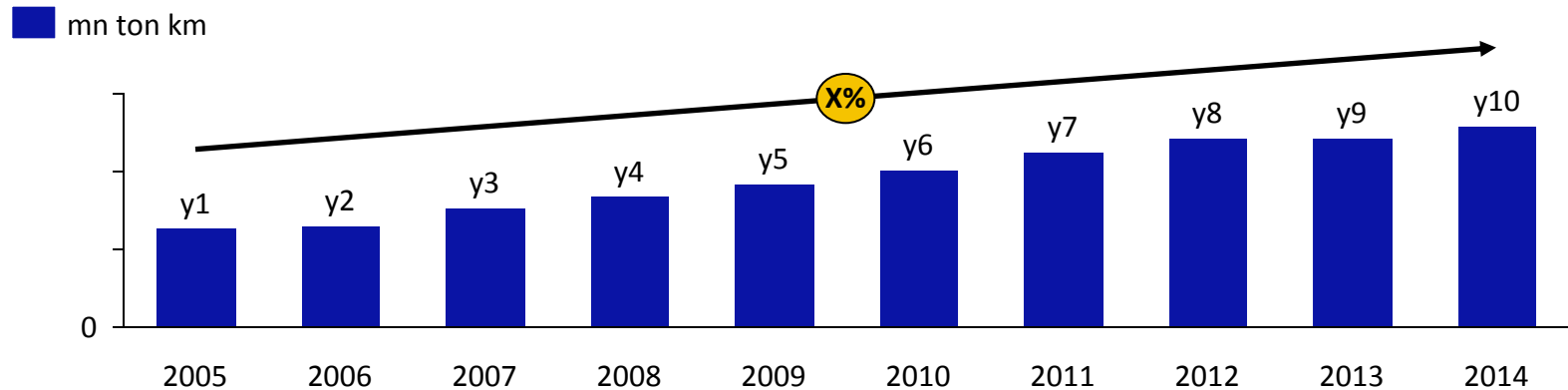
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- Macroeconomic Indicators
 - Introduction
 - Market Overview
 - **Segments and Features**
 - Comparative Analysis
 - Drivers & Challenges
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

Freight traffic growth is a function of economic activity which further necessitates road development

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Development of Road Freight (1/4)

Road Freight – Market Size and Growth



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Note: MTKM: Million Ton Kilometer -unit of freight transport volume

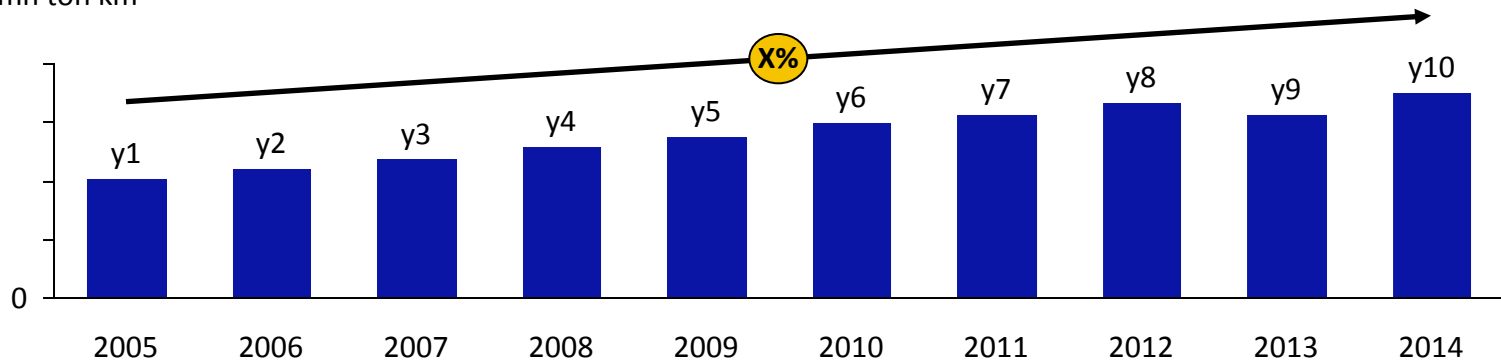
Growth in Rail freight has been rather sub-optimal over the years

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Development of Railway Freight (1/2)

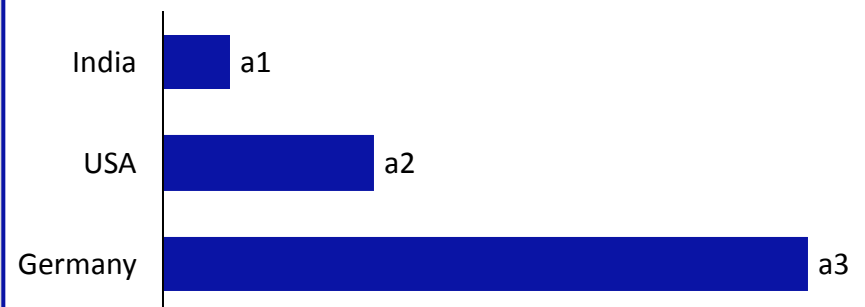
Railway Freight – Market Size and Growth

■ mn ton km



• Text

■ Track length per 1000 sq. km. of arable land

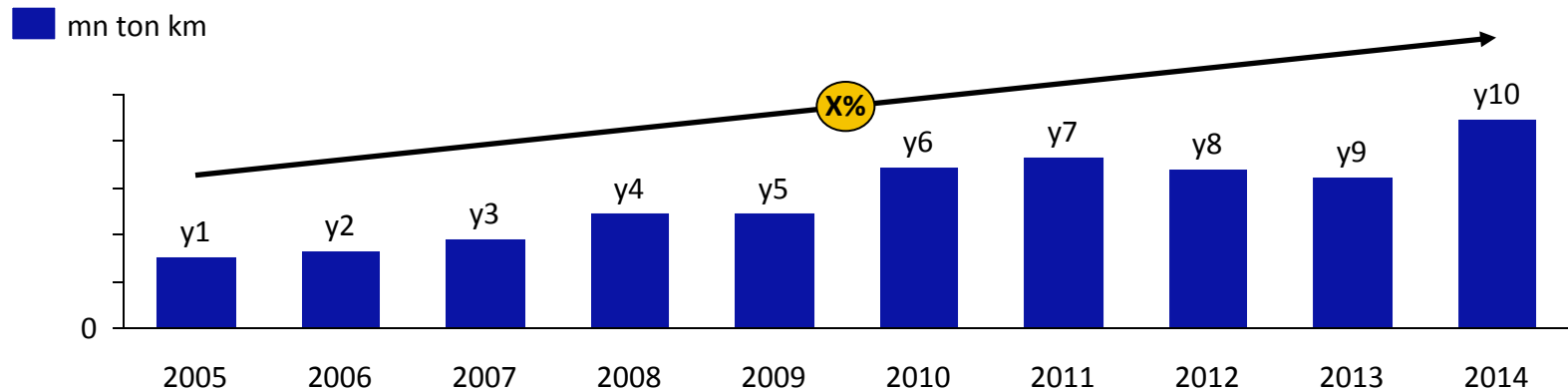


The air cargo sector continues to demonstrate a consistent rapid growth

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Development of Air Freight

Air Freight – Market Size and Growth



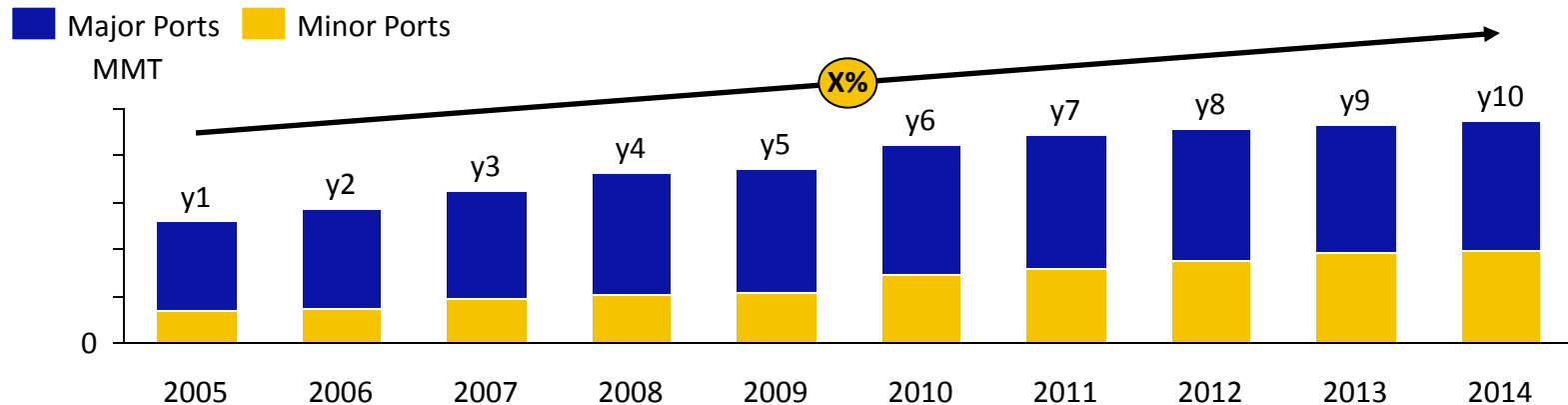
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Cargo traffic handled at Indian ports have matured over time for both major and non – major ports

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Development of Sea Freight

Sea Freight – Market Size and Growth

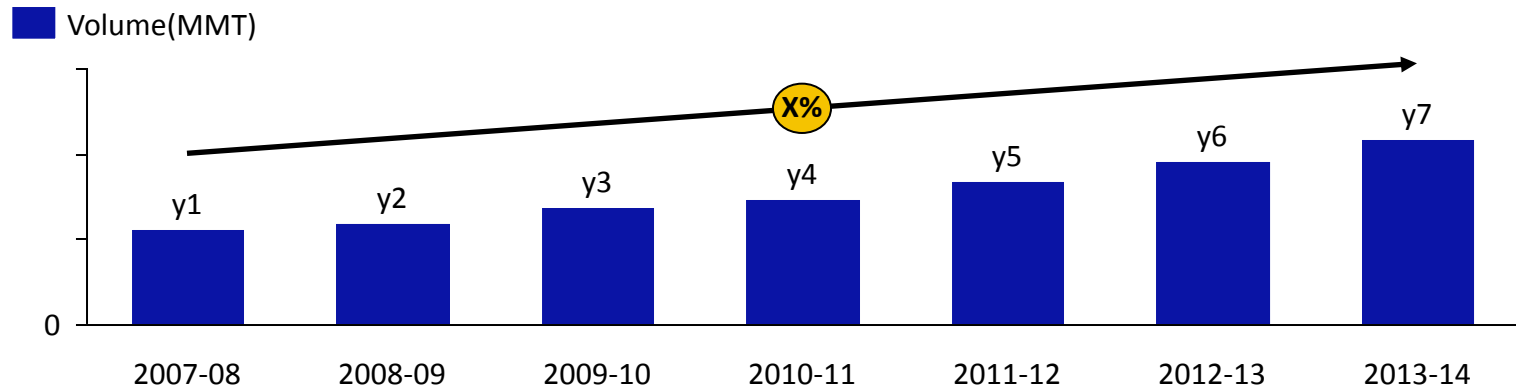


- Text

Cargo movement through IWT has been on a constant rise with improving infrastructure of the National Waterways

Opportunities for Waterways as a Mode of Domestic Freight Movement (2/2)

IWT Freight – Market Size and Growth



Name	Route	Kms.
NW-1		
NW-2		
NW-3		
NW-4		
NW-5		
NW-6		

• Text

Note: FCI: Food Corporation of India

-
- Macroeconomic Indicators
 - Introduction
 - Market Overview
 - Segments and Features
 - **Comparative Analysis**
 - Drivers & Challenges
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

Indian Transportation Sector Particulars vs. Global Benchmark (2013)



Road	Particulars	India	Global
	Average Truck Speed (kmph)		
	Four Lane Road Length (kms)		
	National Highway Length (kms)		
Ports	Particulars	India	Global
	Turnaround Time (hours)		
	Pre-berthing Delay (hours)		
Air	Particulars		Global
	Airport Waiting Time – Export (hours)		
	Airport Waiting Time – Import (hours)		
	Aviation Turbine Fuel as % of Operation Cost		
Railway	Particulars	India	China
	Double Lines		
	Number of Locomotives		
	Number of Freight Wagons		

The Indian transportation sector has a lot to improvise, invest and improve on in order to exploit the potentials of the freight market

Coastal shipping and IWT should be promoted as preferred modes for freight transport due to its various advantages



Parameters	Modes of Transport					Comparative benefit
	Text	Text	Text	Text	Text	
Text	Text	✓ ✓	✓	✗	✗	Negative
	Text	✓	✓	✗	✗	Negative
	Text			✓ ✓	✓	Negative
	Text		✓ ✓	✓ ✓	✓	Negative
	Text	✓	✗	✓ ✓	✓ ✓	Positive
Text	Text	✗	✗	✓ ✓	✓ ✓	Positive
	Text	✗	✗	✓ ✓	✓ ✓	Positive
	Text	✓ ✓	✓	✗	✗	Positive
	Text	✓	✗	✓ ✓	✓ ✓	Positive
Text	Text	✓	✓	✗	✗	Negative
	Text	✓	✓	✓	✓	At par

SAMPLE

✓ ✓ High






✓ Medium/Mediocre

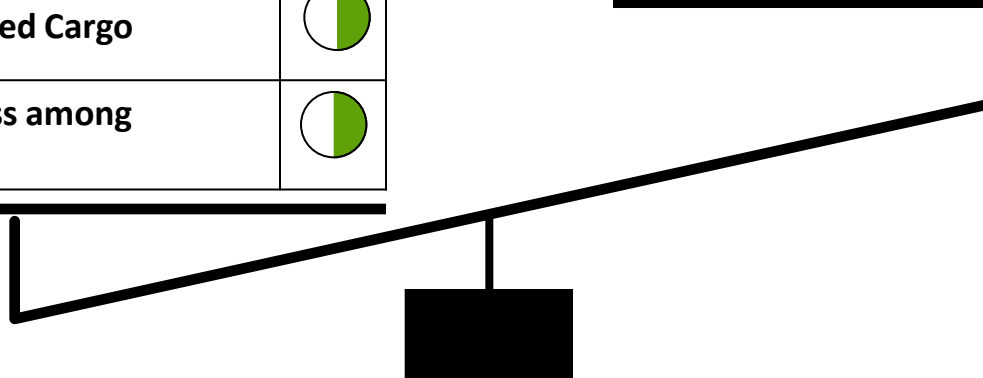
✗ Poor/Low

-
- Macroeconomic Indicators
 - Introduction
 - Market Overview
 - Segments and Features
 - Comparative Analysis
 - **Drivers & Challenges**
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

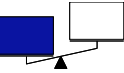
Drivers & Challenges

Drivers	
Growth in International Trade	
Rapid Economic Growth and FDI in Logistics	
Improved Warehousing Infrastructure	
Diversification into Logistics Business	
Growth in Containerized Cargo	
Rising Competitiveness among Domestic Companies	

Challenges	
Stiff Competition from International Counterparts	
Rising Freight Costs	
Complex Operation	
Lack of Skilled Manpower	
Poor Infrastructure	



Freight forwarding sector in India has witnessed a significant growth due to robust economic growth



Rapid Economic Growth and FDI in Logistics (1/2)

Impact

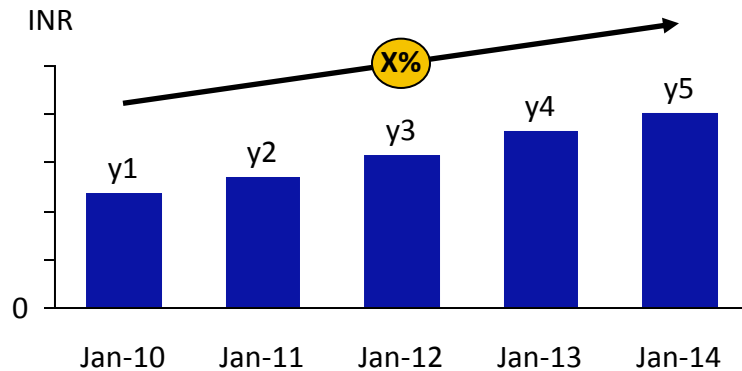
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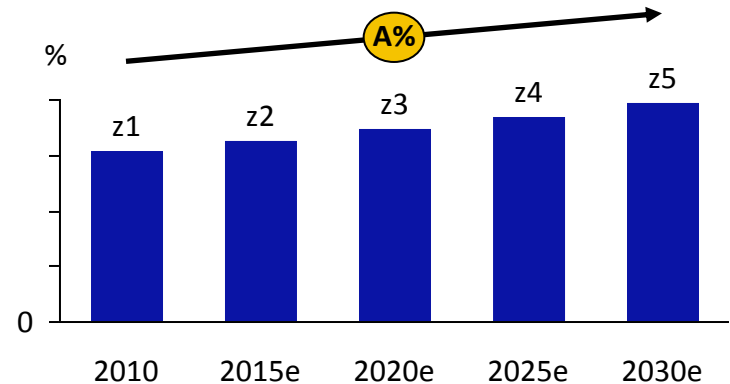
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Key Economic Indicators

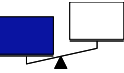
Growth Trend in GNI Per Capita



Rapid Urbanization



Freight companies will benefit from the rapid growth in warehousing infrastructure in the country



Improved Warehousing Infrastructure (1/2)

Impact

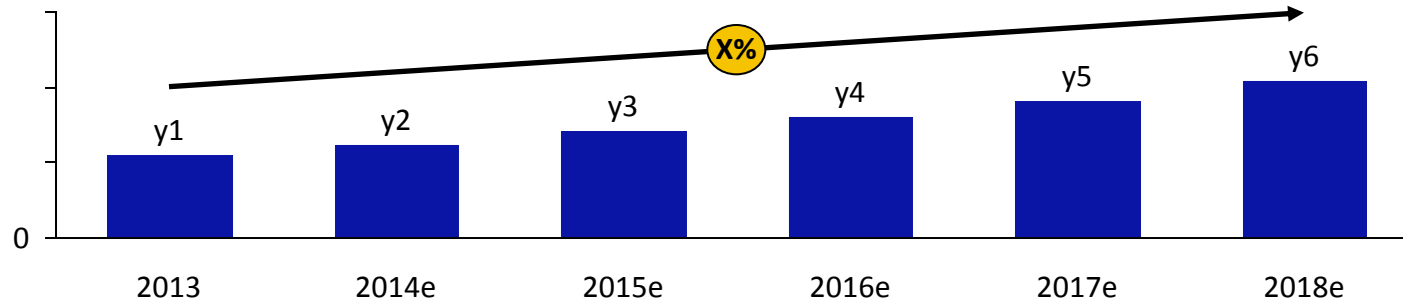
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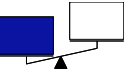
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Warehousing Market – Market Size and Growth

INR bn



Third party logistics is fast gaining popularity in the Indian logistics market



Diversification into Logistics Business (2/2)

Advantages of Outsourcing Logistics Services to Third Parties

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Text

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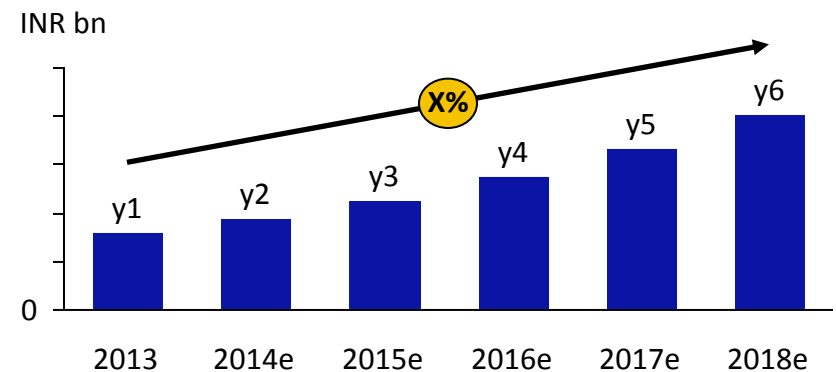
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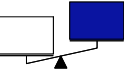
Market Overview of the 3PL Market in India

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3PL Market – Market Size and Growth

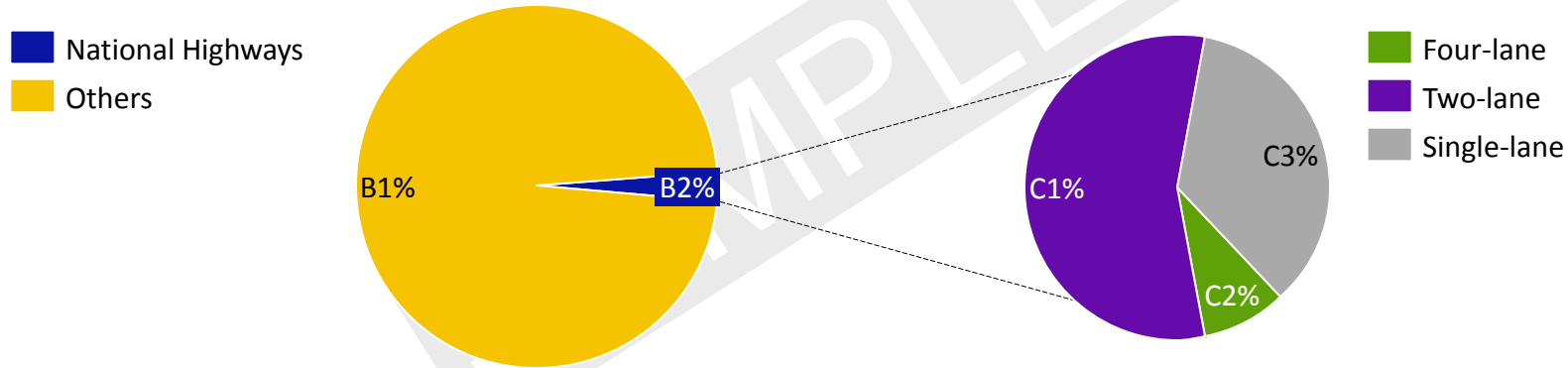


Indian transport sector is facing drawback with respect to global standards

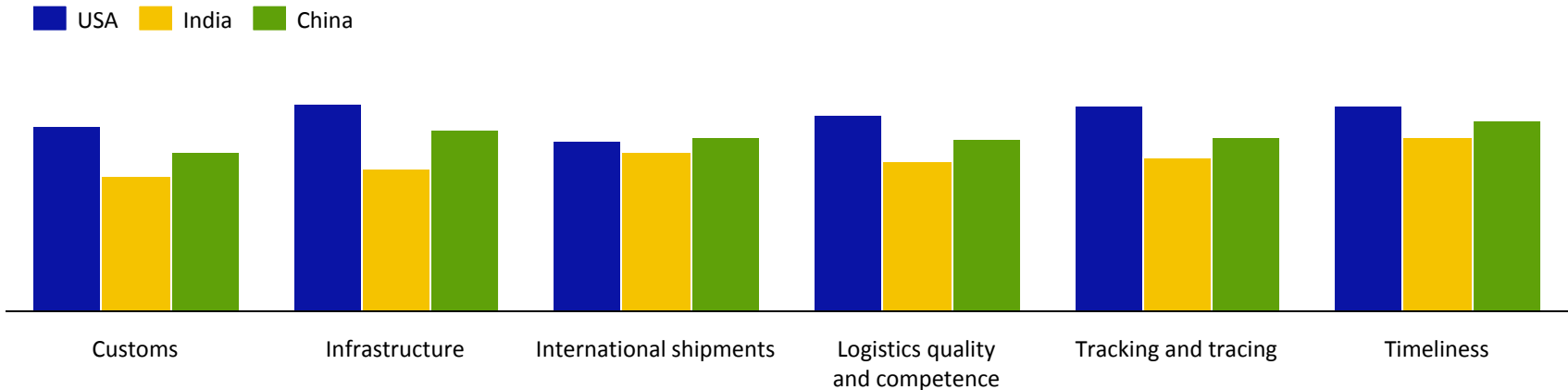


Poor Infrastructure (3/3)

Road Infrastructure Drawbacks (2013)



World Bank's International Logistics Performance Index (LPI) Global Ranking, 2014 (Port Sector Performance)



-
- Macroeconomic Indicators
 - Introduction
 - Market Overview
 - Segments and Features
 - Comparative Analysis
 - Drivers & Challenges
 - **Government Initiatives**
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - Strategic Recommendation
 - Appendix

FDI Regime – Sectors Pertaining to the Freight Forwarding Industry

Development of the Dedicated Freight Corridor

Shift to GST Tax Regime

Shipbuilding Subsidy and Investments

Government Road Building Programs

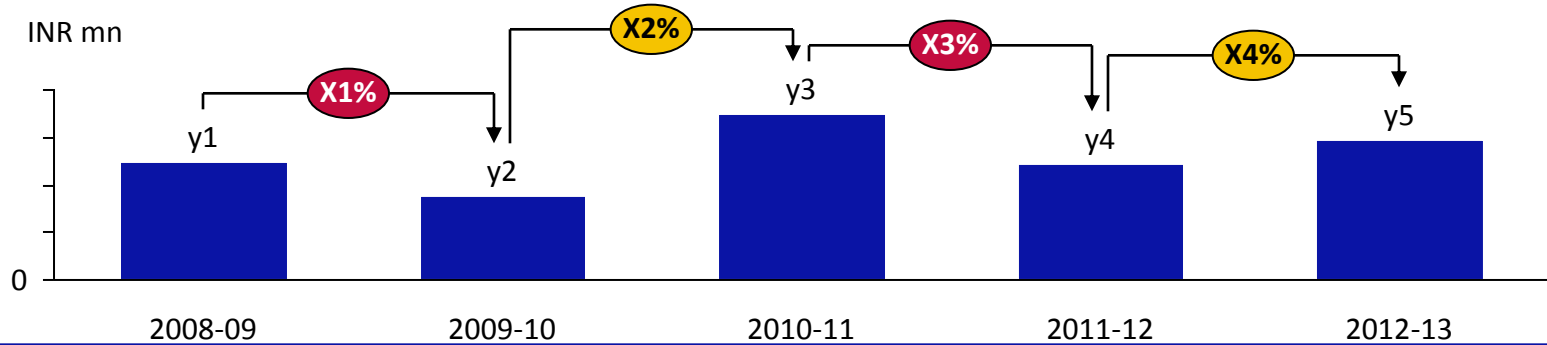
Infrastructure Initiatives – Union Budget 2014

Role of Government

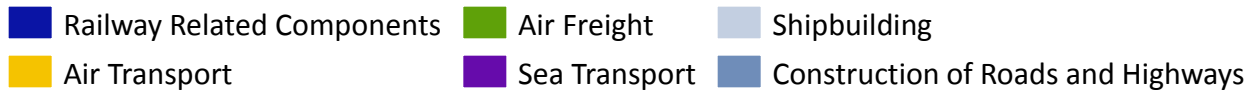


FDI Regime – Sectors Pertaining to the Freight Forwarding Industry (2/2)

FDI Equity Inflows over the Years



FDI in Transport and Infrastructure, INR mn



Jan - Sep, 2013

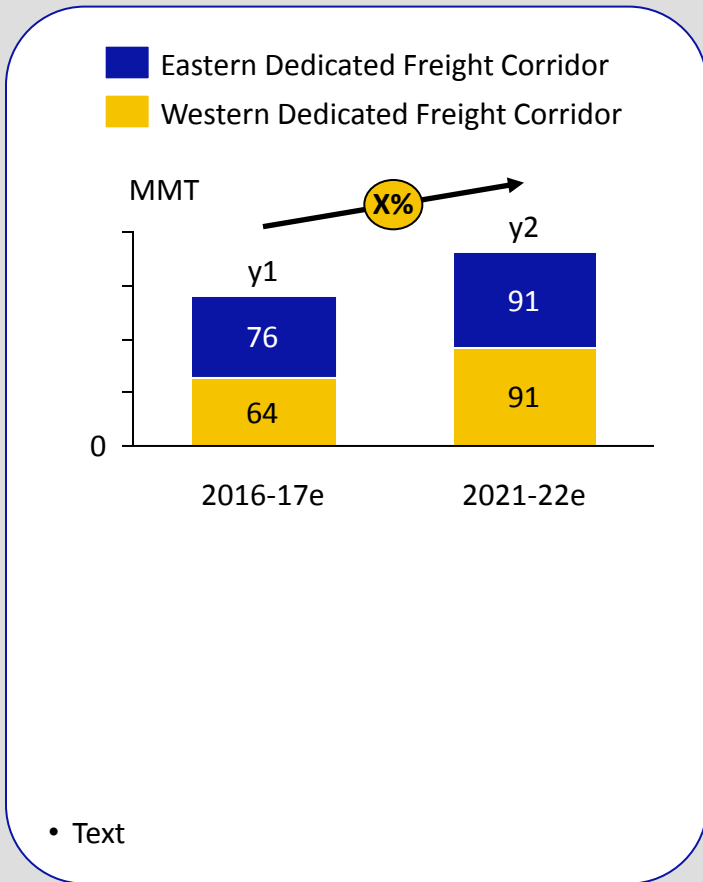
MoR targets to increase rail's freight market share by at least 2% during 2012-2017

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Development of the Dedicated Freight Corridor (3/3)

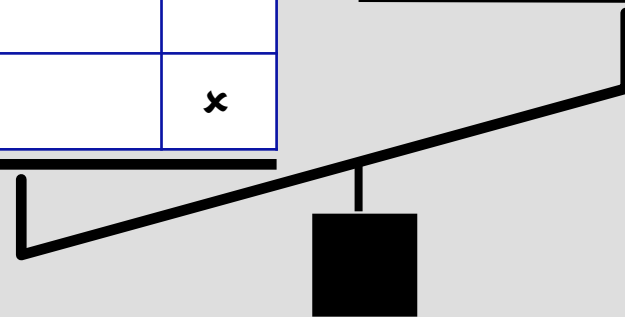
Projection of Increased Freight Volume through DFC



DFC Attractiveness - Comparative Analysis

No DFC scenario outcome	
Text	✗
Text	✗
Text	✗
Text	✗

DFC scenario modal mix	
Text	✓
Text	✓
Text	✓

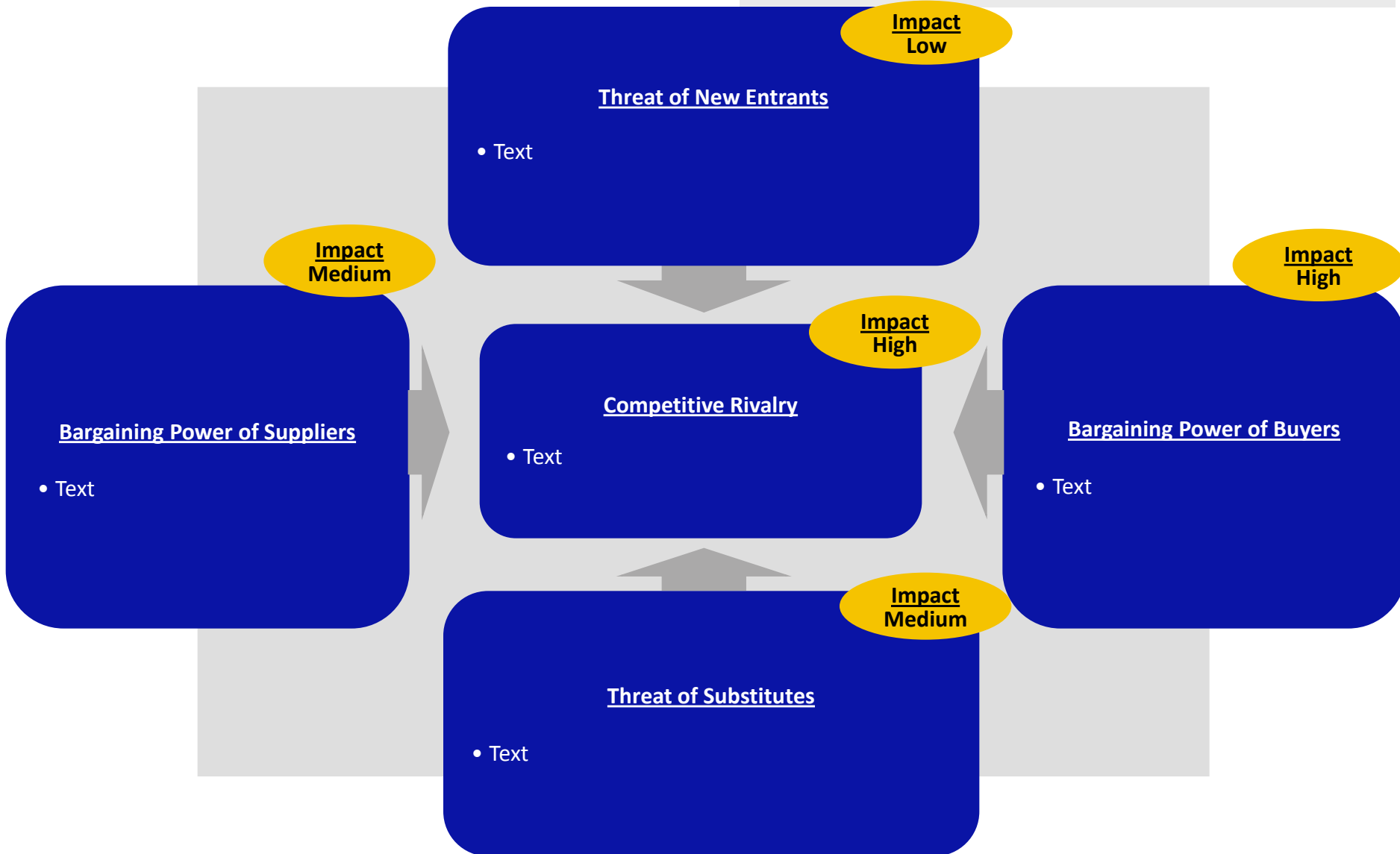


Note: MoR: Ministry of Railways

-
- Macroeconomic Indicators
 - Introduction
 - Market Overview
 - Segments and Features
 - Comparative Analysis
 - Drivers & Challenges
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - **Competitive Landscape**
 - Investments
 - Strategic Recommendation
 - Appendix

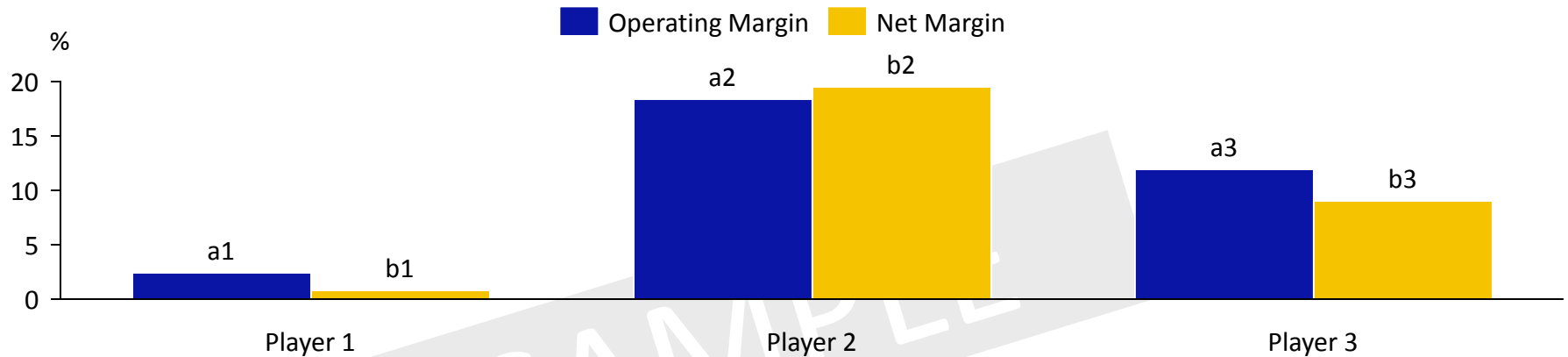
Porter's Five Forces Analysis

SAMPLE



Competitive Benchmarking (2/5)

Key Ratios of Top 3 Companies – Operational Basis (FY 2013) (1/3)



- Player 3 recorded operating margin of $a3$ %, higher than that of Player 1 which recorded operating margin of $a1$ % but lower than that of Player 2 which recorded operating margin of $a2$ %
- Net margin for Player 1, Player 2 and Player 3 are $b1$ %, $b2$ % and $b3$ % respectively, wherein Player 2 has the highest net margin among these three companies

Public: Domestic Company – Player 1(1/5)

SAMPLE

Company Information

Corporate Address

Tel No.

Fax No.

Website

Year of Incorporation

Ticker Symbol

Stock Exchange

Products and Services

Category

Products/Services

Sectors (EPC)

Offices and Centres – India



Head Office

Key People

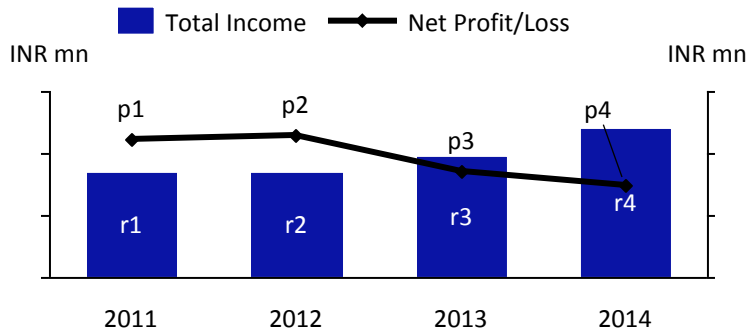
Name

Designation

Public: Domestic Company – Player 1 (2/5)

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Financial Snapshot



Financial Summary

- The company earned a net profit of INR - mn in FY 2014, as compared to net profit of INR - mn in FY 2013
- The company reported total income of INR - mn in FY 2014, registering an increase of -% over FY 2013
- The company earned an operating margin of -% in FY 2014, a decrease of m percentage points over FY 2013
- The company reported debt to equity ratio of - in FY 2014, registering an increase of -% over FY 2013

Key Financial Performance Indicators

Indicators	Value (08/27/2014)
Market Capitalization (INR mn)	
Total Enterprise Value (INR mn)	
EPS (INR)	
PE Ratio (Absolute)	

Note : This company has had a fiscal year change on Dec-31, 2011

Key Ratios

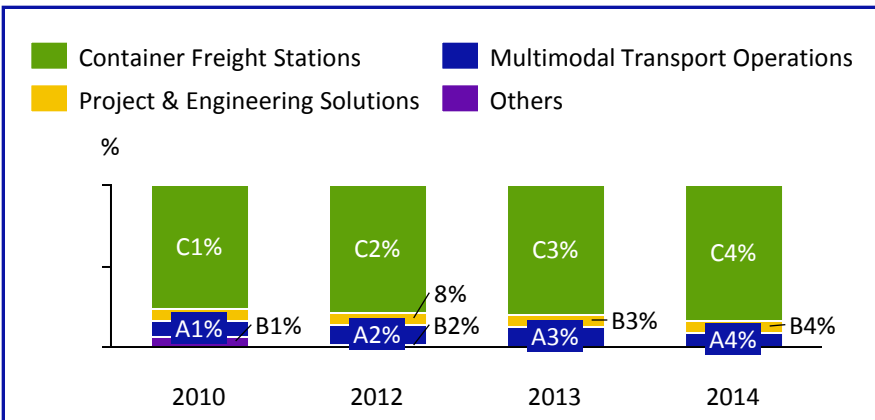
Particulars	y-o-y change (2014-13)	2014	2013	2012	2011
Profitability Ratios					
Operating Margin	↓				
Net Margin	↓				
Profit Before Tax Margin	↓				
Return on Equity	↓				
Return on Capital Employed	↑				
Return on Working Capital	↓				
Return on Assets	↑				
Return on Fixed Assets	↑				
Cost Ratios					
Operating costs (% of Sales)	↓				
Administration costs (% of Sales)	↑				
Interest costs (% of Sales)	↑				
Liquidity Ratios					
Current Ratio	↑				
Cash Ratio	↓				
Leverage Ratios					
Debt to Equity Ratio	↓				
Debt to Capital Ratio	↓				
Interest Coverage Ratio	↑				
Efficiency Ratios					
Fixed Asset Turnover	↑				
Asset Turnover	↑				
Current Asset Turnover	↓				
Working Capital Turnover	↓				
Capital Employed Turnover	↑				

↑ Improved ↓ Decline

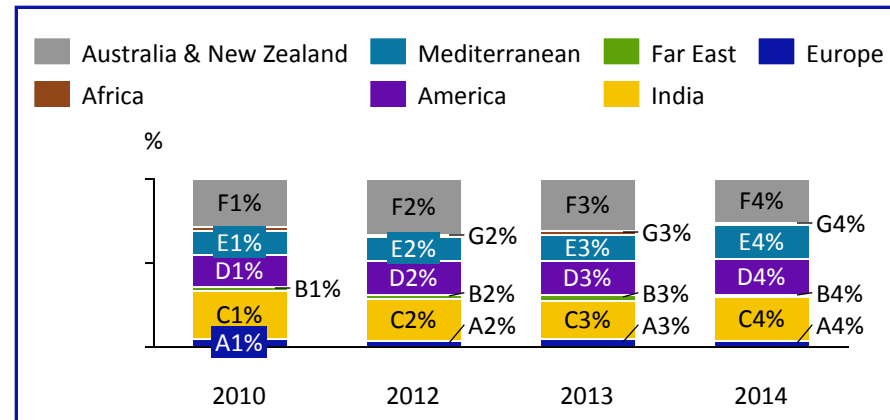
Public: Domestic Company – Player 1 (3/5)

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Key Business Segments



Key Geographic Segments



Business Highlights(1/2)

Description	News
Overview	<ul style="list-style-type: none"> Text

Public: Domestic Company – Player 1 (4/5)

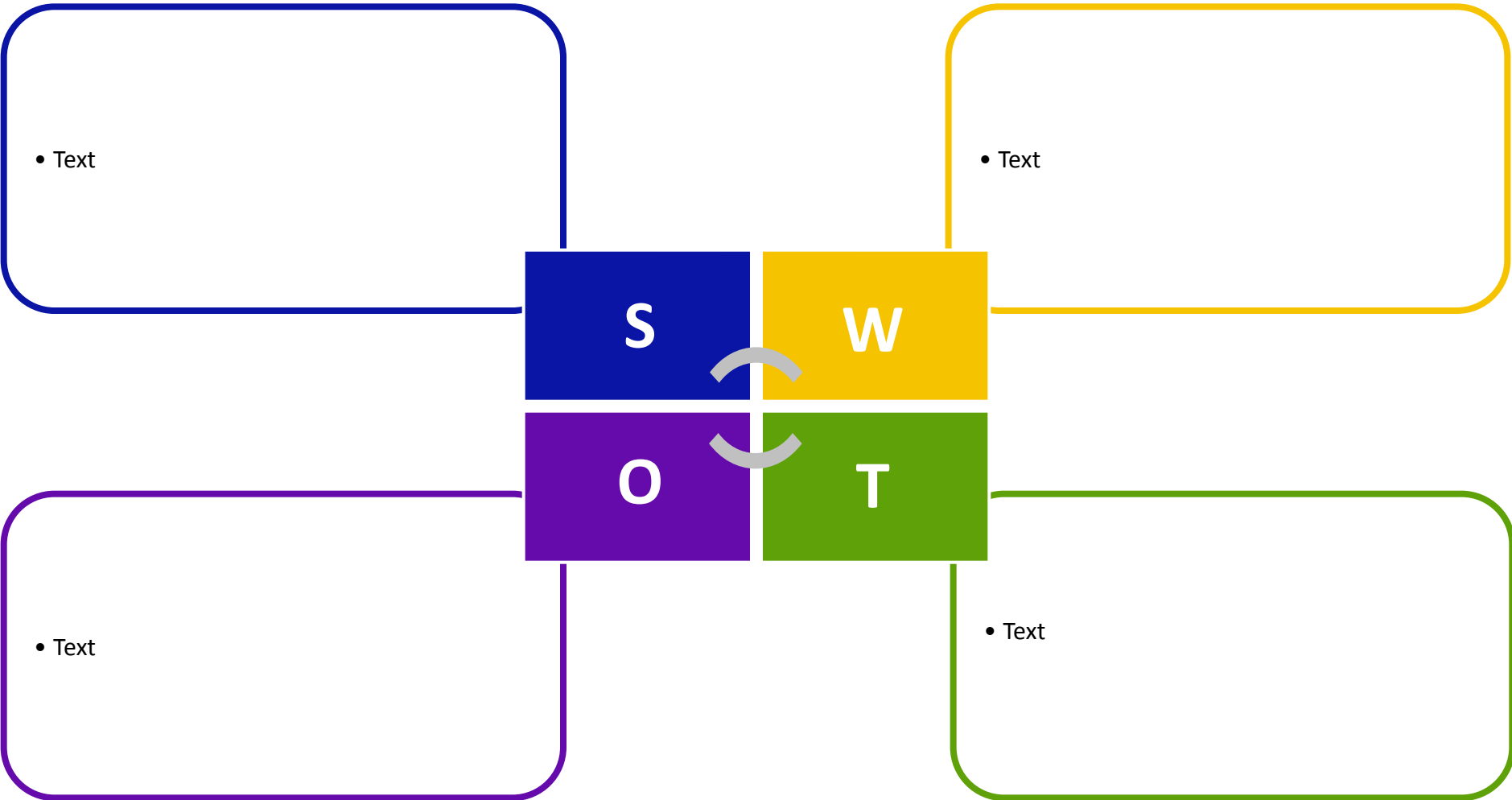
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Business Highlights(2/2)

Description	News
Extensive Product Portfolio	<ul style="list-style-type: none">• Text
Awards & Recognitions	<ul style="list-style-type: none">• Text
Acquisitions	<ul style="list-style-type: none">• Text

Public: Domestic Company – Player 1 (5/5)

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Private: Domestic Company – Player 2 (1/5)

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Company Information

Corporate Address	
Tel No.	
Fax No.	
Website	
Year of Incorporation	

Products and Services

Category	Products/Services
Sectors (EPC)	

Offices and Centres – India



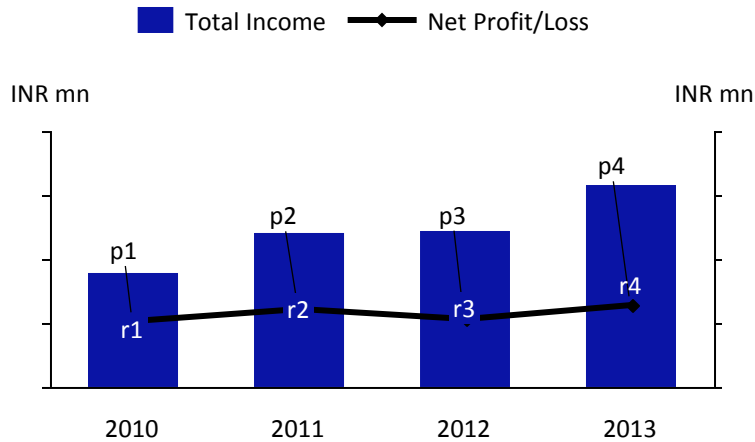
Key People

Name	Designation

Private: Domestic Company – Player 2 (3/5)

SAMPLE

Financial Snapshot



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- The company reported total income of INR - mn in FY 2013, registering an increase of -% over FY 2012
- The company earned an operating margin of -% in FY 2013, an increase of k percentage points over FY 2012
- The company reported debt to equity ratio of q in FY 2013, an increase of -% over FY 2012

Key Ratios

Particulars	y-o-y change (2013-12)	2013	2012	2011	2010
Profitability Ratios					
Operating Margin	↑				
Net Margin	↑				
Profit Before Tax Margin	↑				
Return on Equity	↑				
Return on Capital Employed	↑				
Return on Working Capital	↑				
Return on Assets	↑				
Return on Fixed Assets	↑				
Cost Ratios					
Operating costs (% of Sales)	↓				
Administration costs (% of Sales)					
Interest costs (% of Sales)					
Liquidity Ratios					
Current Ratio	↓				
Cash Ratio	↓				
Leverage Ratios					
Debt to Equity Ratio	↓				
Debt to Capital Ratio	↓				
Interest Coverage Ratio					
Efficiency Ratios					
Fixed Asset Turnover	↑				
Asset Turnover	↓				
Current Asset Turnover	↓				
Working Capital Turnover	↑				
Capital Employed Turnover	↑				

↑ Improved ↓ Decline

Private: Domestic Company – Player 2 (4/5)

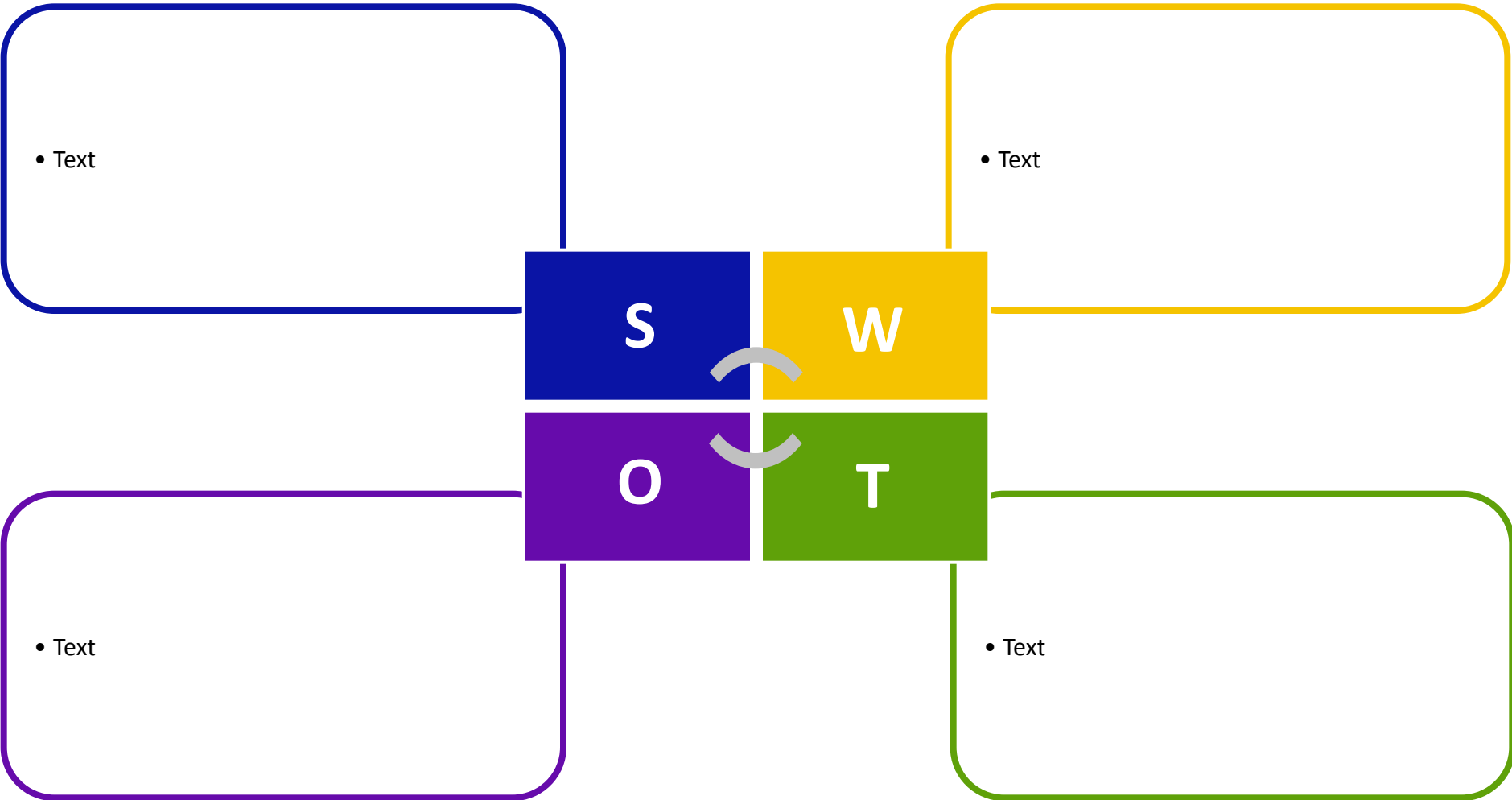
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Business Highlights

Description	News
Overview	<ul style="list-style-type: none">• Text
Extensive Product Portfolio	<ul style="list-style-type: none">• Text
MoU Agreement	<ul style="list-style-type: none">• Text

Private: Domestic Company – Player 2 (5/5)

SAMPLE



-
- Macroeconomic Indicators
 - Introduction
 - Market Overview
 - Segments and Features
 - Comparative Analysis
 - Drivers & Challenges
 - Government Initiatives
 - Sustainable Procurement Guidelines
 - Standard Trading Conditions
 - Technological Trends
 - Competitive Landscape
 - Investments
 - **Strategic Recommendation**
 - Appendix

Focus on Emerging Trade lines

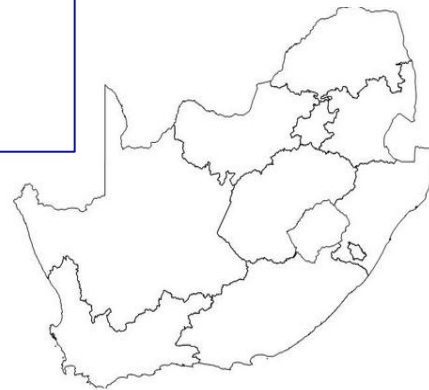
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Strategically Positioned and Fact File

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Competitive Advantage

- Text



Opportunities for India – Products

Products Exported from India (FY14) mn units

Text

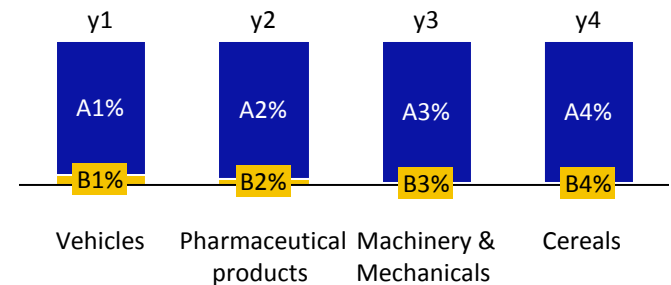
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Top Export Commodities (FY14)

Others Export to Specific Country



Thank you for the attention

Freight Forwarding Market – India 2014 report is part of Netscribes' Automotive and Logistics Series.

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