

Grant Thornton Freight Forward: Quarterly insights

Transportation & Logistics

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At a glance

India's logistics sector is navigating a dynamic phase marked by steady demand, evolving cost structures, and a growing emphasis on sustainability. While the industry has seen consistent volume growth, driven by e-commerce, manufacturing, and infrastructure expansion, rising freight and servicing costs continue to weigh on margins. In Q3 FY25, freight handling and servicing costs increased sharply, rising over 11% year-on-year, accounting for nearly 70–75% of total expenses across key operators. Despite this, inventory movement remained resilient: express shipment volumes grew 2–4% YoY, reflecting steady demand from e-commerce and industrial supply chains. However, inventory turnover strategies are improving, focusing more on route and warehouse optimisation to counter rising transport and fuel costs.

On the sustainability front, the sector is making gradual but measurable strides. Several players reported significant investments in digital infrastructure and low-emission facilities; one operator alone committed over INR 130 crore towards tech and automation upgrades to improve energy efficiency. Newly commissioned logistics hubs are expected to reduce operational carbon emissions by 8–10% annually, underscoring a wider transition toward climate-conscious logistics.

Supporting this shift, the Union Budget 2025–26 introduced long-term customs duty exemptions for shipbuilding inputs and extended MRO re-export timelines for rail logistics—moves likely to lower costs and improve turnaround time. Meanwhile, the recalibration of duties on goods transport vehicles, with a 50% cut in fundamental customs duty offset by a new 20% AIDC, reflects an effort to modernise the sector without undercutting domestic revenue. As logistics firms adapt to higher freight costs and carbon mandates, the emphasis shifts from scale to smart growth, anchored in policy, technology, and sustainable execution.



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01

Navigating disruptions: GVC volatility and logistics resilience



The global logistics supply chain is tested once again. From surging freight costs in Asia to rising India-Pakistan tensions, logistics operators grapple with increased risk, unpredictability in transit times, and higher operating costs. Global Value Chains (GVCs), already restructured after COVID-19 and the Red Sea crisis, now face fresh fragmentation as trade corridors become geopolitical pressure points.

Freight and port-side disruptions escalate

- Freight costs climb 22-28%: According to industry estimates, freight rates have surged by up to 28% on key trans-Pacific and intra-Asia routes, primarily due to port congestion and container shortages in China. As vessels are delayed at origin ports, downstream supply chains face cascading effects—longer lead times, missed delivery SLAs, and increased detention and demurrage charges.
- Container repositioning crisis: Container pile-ups in East Asia have reduced availability in South Asia, forcing Indian exporters to pay premiums for guaranteed slots. Supply chain managers increasingly resort to blank sailings, transshipments, and alternate ports to meet schedules, pushing up last-mile delivery costs.

Geopolitical tensions keeping supply chains on edge

India-Pakistan: While crude and maritime oil flows had remained unaffected due to diversified routing, the India-Pak border tensions earlier this year led to increased military presence and restrictions on road-based cross-border cargo. This temporarily disrupted dry port operations, warehousing near Amritsar and J&K, and overland logistics planning. Logistics companies responded by adopting buffer warehousing strategies and multi-modal route planning (rail-sea or air-road alternatives) to avoid high-risk transit zones.

Iran-Israel: More recently, the Iran-Israel escalation has raised fresh concerns for Indian supply chains. There could be potential cascading impacts on trade with West Asia, particularly crude imports and exports to Gulf countries. Volatility in freight rates and rerouting of vessels away from the Strait of Hormuz remain key risks being monitored.

Volatility impacts logistics forecasting

- According to a recent note by the Indian government, India's external sector faces downside risk due to trade tensions and regional conflict spillovers. For logistics planners, this translates into uncertain order volumes, inconsistent shipping schedules, and revised contract terms with global partners.
- Investor caution around logistics-heavy sectors — from cross-border e-commerce to manufacturing exports is observed in equity markets and supply chain investments.

Logistics strategy recommendations

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Geopolitical risk mapping: Integrate political risk forecasting into logistics route planning, especially for Northern India and key Indo-Pacific ports.

02

Buffer stocking at secondary ports: Encourage decentralised warehousing away from border zones or congested terminals.

03

Contract flexibility: Use shorter-duration freight contracts or indexed pricing to accommodate rate volatility.

04

Collaborate across GVC nodes: Strengthen visibility and coordination with suppliers and 3PLs across different legs of the supply chain to reduce shocks from any single node.

05

Supply chain diversification and redesign: To reduce exposure to geopolitical disruptions, firms must redesign supply chains around resilience, flexibility, and operational efficiency. This includes diversifying sourcing bases and logistics routes to avoid high-risk trade lanes like the Red Sea, Wagah border, and over-congested Indo-Pacific chokepoints.

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In parallel, leveraging technology is critical: AI and digital twins can model real-time disruptions and help preempt bottlenecks. IoT and blockchain improve end-to-end traceability and reduce lead times. Advanced warehouse automation and predictive analytics also help balance buffer stockholding with cost efficiency.

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With India negotiating FTAs with the UK, EU, and EFTA and expanding its role in the Indo-Pacific Economic Framework (IPEF), companies must assess how shifting tariff landscapes and standards will influence network redesign. The goal is to create modular, tech-enabled, and agile supply chains that adapt rapidly to disruption without sacrificing performance.

08

Sustainability and ESG integration: Embed ESG metrics into route planning and partner selection. Use multi-modal strategies (rail + EV-based last mile) to reduce emissions. India's National Green Hydrogen Mission and PM Gati Shakti initiative offer tailwinds for greener logistics infrastructure investments.

09

Land and air freight resilience: Enhance capacity at dry ports and land customs stations to mitigate overland risks during conflict. For air freight, diversify cargo hubs beyond IGI (Delhi) and BOM (Mumbai) to include Hyderabad and Bengaluru, which have seen rising air cargo throughput. Air freight is critical for high-value electronics, pharma, and just-in-time (JIT) supply chains, especially during maritime delays.





02

Deals shaping the sector



Sector momentum builds in 2025

India's transportation and logistics sector gained significant traction in the first half of 2025, with total deal value surging to **USD 609.7 million**, marking a robust **85% increase** from H1 2024. Deal volumes grew substantially from **16 to 25**, reflecting stronger investor confidence and sustained interest in the sector's transformation. While Q1 saw steady momentum, it was Q2 that drove the bulk of deal value, led by large-ticket M&A and strategic private equity investments across logistics tech, warehousing, and packaging.

Key emerging themes: Consolidation, digital shift & asset-light focus

- **Consolidation among larger players:** The surge in Q2 M&A value was driven by landmark deals such as Delhivery's acquisition of Ecom Express. This deal reflects a trend of leading players acquiring scale, technology capabilities, and customer networks through strategic buyouts. This echoes global trends, where logistics giants are increasingly consolidating to strengthen integrated offerings.
- **Tech-enabled logistics remains in favour:** Private equity investors continued backing digital-first logistics companies, such as SmartShift (Porter), Routematic, and Celcius Logistics, indicating confidence in scalable, asset-light models that bring efficiency to fragmented last-mile and intra-city delivery.
- **Rising interest in specialised logistics:** Food logistics emerged as a new area of investor focus in Q2 2025, with

USD 32.3 million invested, and Celcius Logistics Solutions received USD 29.1 million in funding. With rising demand for temperature-controlled storage and distribution, this subsector is expected to see more activity.

- **Sustainability and packaging innovation:** Investment in packaging players and sustainable logistics startups (e.g., Zerocircle Alternatives) suggests growing alignment with ESG goals and demand for greener, more compliant supply chain solutions.

M&A overview: Strategic acquisitions drive value

M&A activity saw a sharp rise in value from **USD 15 million in Q1 to USD 199.2 million in Q2**, led by large transactions aimed at market consolidation and network expansion. The number of M&A deals increased from 3 in Q1 to 4 in Q2, but the value rose more than 13-fold, underscoring the return of big-ticket deals.

The standout transaction was Delhivery's USD 161.7 million acquisition of Ecom Express, which consolidated market share and strengthened last-mile capabilities. Other strategic acquisitions included CJ Logistics' USD 32 million buyout of CJ Darcl Logistics and smaller but targeted plays by AVG Logistics and Shadowfax in Q1.

Sub-sector-wise, logistics dominated M&A, contributing USD 209.2 million across H1, while packaging contributed USD 5 million.

PE overview: Investor appetite remains strong

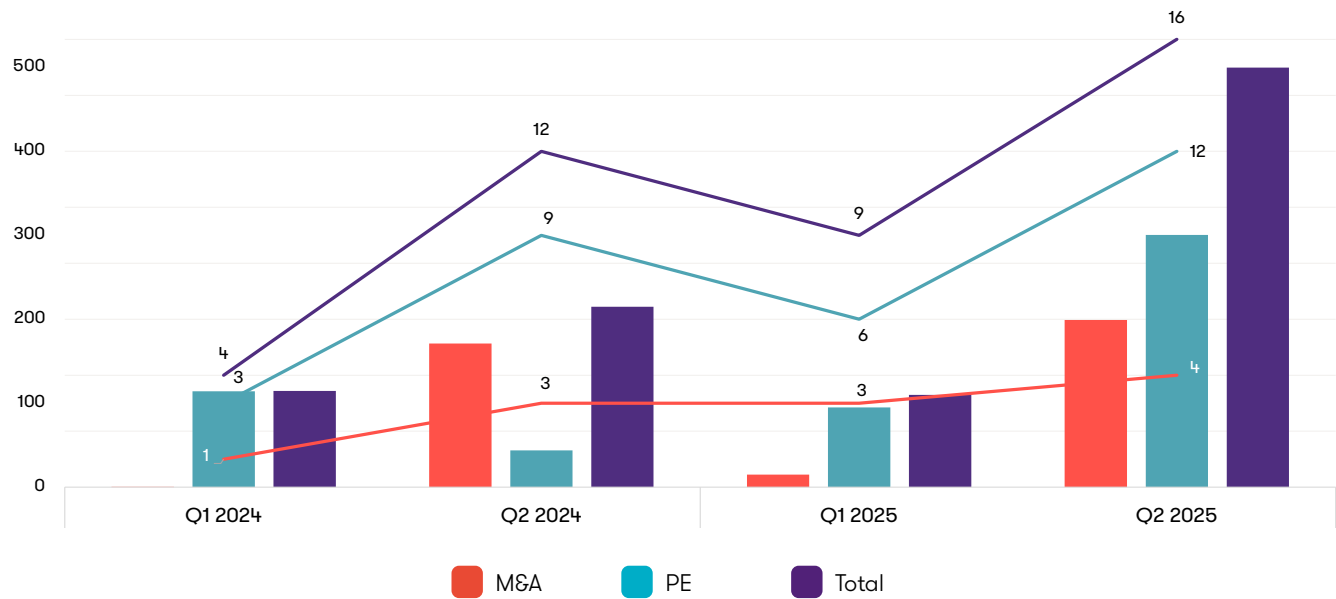
Private equity activity was the clear growth engine for the transportation and logistics sector in H1 2025, accounting for USD 395.5 million, more than double the M&A values. Investor momentum picked up sharply in the second quarter, with Q2 alone contributing USD 300.5 million, signalling the return of late-stage capital and larger cheques.

The standout deal was the USD 200 million investment in SmartShift Logistics (Porter), backed by marquee investors including Kedaara Capital, Wellington, and Vitruvian Partners. This investment indicates the platform’s scale and execution capability in the intra-city logistics space. Similarly, Routematic (USD 40 million) and Celcius Logistics (USD 29.1 million) attracted meaningful capital, reflecting continued investor appetite for digitally native, asset-light supply chain platforms that are solving last-mile inefficiencies and cold chain gaps.

From a sub-sector lens, core logistics players accounted for USD 339.5 million in funding, reaffirming their primacy. However, food logistics (USD 32.3 million) and warehousing (USD 7.5 million) also emerged as promising themes, driven by rising consumption, demand for temperature-sensitive delivery, and infrastructure modernisation.

These investments indicate continued investor interest in backing scalable and differentiated logistics models, especially those aligned with consumption growth, efficiency optimisation, and tech integration. The sector attracts focused capital, particularly for players solving digital gaps, asset-light operations, and sustainability. The next wave of investment is expected to favour companies building AI-powered orchestration, temperature-controlled chains, and green logistics hubs, particularly in Tier II and III cities.

Deals activity



	Values (USD mn)				Volume			
	Q1 2024	Q2 2024	Q1 2025	Q2 2025	Q1 2024	Q2 2024	Q1 2025	Q2 2025
M&A	0.37	171.14	15	199.21	1	3	3	4
PE	114.2	43.8	95.0	300.5	3	9	6	12
Total	114.61	214.94	110	499.7	4	12	9	16

*Data represents calendar year (H1: January-June)



03

Decarbonising delivery

The logistics industry is at the forefront of addressing climate change, with sustainability rapidly evolving from a regulatory requirement to a business imperative. As global trends shift towards greener solutions, businesses must adapt to meet regulatory pressures and respond to increasing consumer demand for sustainable practices. Significant opportunities exist to embed sustainability into supply chains for India's rapidly growing logistics market, especially in the crucial last-mile segment. As companies work towards their green goals, many are already ahead of schedule, demonstrating that sustainability is now a business imperative.



Last-mile delivery accounts for **53% of total logistics costs in e-commerce**.



Urban freight contributes up to **40% of city transport emissions**, significantly impacting air quality and public health.



The logistics sector employs **almost 30% of India's gig workforce**, raising concerns about fair wages and working conditions.

These figures highlight the urgent need for sustainable transformation in the logistics sector, particularly in the last-mile delivery segment, where emissions, costs, and inefficiencies are most concentrated.

Challenges hindering sustainable logistics in India

The logistics industry, especially last-mile delivery, faces several challenges in adopting sustainable practices:

- **High carbon footprint:** Reliance on fossil fuel-powered vehicles for last delivery contributes significantly to emissions. Without a shift towards greener alternatives, emissions from urban deliveries are projected to rise by 60% by 2030.
- **Worker welfare:** Delivery agents and drivers in India often face poor working conditions, lack of social security, and low wages, leading to labour strikes and disruptions. Labour protests over unfair wages and unsafe working conditions have become a recurring issue for many logistics companies.
- **Consumer expectations:** Consumers now demand ultra-fast delivery times, often expecting same-day or next-hour deliveries. While this trend benefits consumers, it adds inefficiencies and increases emissions, making it harder to achieve sustainability goals.

- **Packaging waste:** The widespread use of non-recyclable packaging materials, particularly plastics, has increased environmental pollution. E-commerce packaging waste is becoming one of the most significant contributors to India's waste crisis.
- **Reverse logistics:** E-commerce return rates often range from 15% to 17%, which increases transportation emissions and packaging waste, compounding the environmental impact.

Global benchmarks: Best practices for India's logistics sector

Several countries have taken proactive steps towards integrating sustainability into their logistics operations. India can draw valuable lessons from these global best practices:

Country	Sustainable logistics strategies	Lessons for India
United States	Integration of electric vehicles (EVs) and automation in logistics operations	Enhance efficiency by investing in EV infrastructure and automation technologies.
Europe	Use of cargo bikes and low-emission zones	Potential benefit from promoting non-motorised delivery methods and enforcing urban emission regulations.
China	Government-backed deployment of EV fleets	Explore public-private partnerships to support the transition to electric fleets.
Japan	AI-powered urban logistics and automation for route optimisation and delivery systems	Leverage AI for route optimisation and integrate automated logistics systems to improve efficiency.

These global benchmarks highlight that sustainable logistics is a worldwide movement, and India can tap into these practices to build more efficient, green logistics solutions.

ESG measures for downstream supply chains

Fleet electrification and alternative fuels

Transitioning to electric vehicles (EVs), LNG-powered trucks, and CNG-powered vehicles can drastically reduce emissions in the logistics sector. Over the next five to seven years, one-third of India's heavy-duty truck fleet is expected to transition to LNG, and many private companies have already begun deploying cleaner alternatives.

Fair labour practices

Addressing labour concerns by offering fair wages and accident insurance and improving safety conditions for delivery agents can help prevent strikes and improve workforce stability. Fair labour practices can also contribute to improved public relations and business continuity.

Smart routing with AI

Using artificial intelligence (AI) to optimise delivery routes can help reduce fuel consumption, avoid congestion, and increase overall delivery efficiency. Real-time traffic data and AI-based systems can significantly cut emissions and improve the customer experience.

Sustainable packaging

Companies must shift towards biodegradable, recyclable, and reusable packaging materials. Packaging take-back programs should also be adopted to reduce waste and promote circular economy principles.

Green delivery options

Logistics providers can reduce their carbon footprint by offering incentives for customers who opt for eco-friendly delivery options, such as slower or grouped shipments. This appeals to environmentally conscious consumers and contributes to long-term sustainability goals.



Looking ahead

India is rapidly adopting sustainable logistics practices. For example, the electrification of last-mile delivery is expected to account for 30% of urban deliveries by 2030, significantly reducing emissions. Moreover, as India progresses towards a more sustainable future, logistics companies that embrace green practices early will be well-positioned to reap long-term benefits, including lower operational costs, enhanced investor appeal, and better regulatory compliance.

Cleaner fleets and green warehousing can help companies reduce fuel costs while ensuring business continuity in an increasingly carbon-conscious world. Moreover, integrating ESG-aligned logistics into corporate strategies will boost sustainability credentials with investors, consumers, and regulators alike, making it easier to report under frameworks such as BRSR and GRI.



To build a future-ready logistics function, companies must integrate sustainability at every stage of their downstream operations. The following steps are essential:



Assess ESG readiness

Begin by comprehensively evaluating current sustainability practices in logistics, identifying gaps in emissions tracking, energy usage, and labour practices. Use this assessment to build a data-driven action plan aligned with global standards and local regulations.



Develop decarbonisation roadmaps

Set clear, time-bound decarbonisation targets across the supply chain, particularly for high-emission activities like transportation and warehousing. This includes planning the phased adoption of EVs, alternative fuels, and renewable energy in logistics operations.



Integrate ESG metrics into reporting

Embed logistics-specific ESG indicators—such as last-mile emissions, packaging waste reduction, and worker welfare—into broader sustainability reports. Ensure alignment with frameworks like BRSR, GRI, or CDP to enhance transparency and investor confidence..



Invest in EV and charging infrastructure

To enable smooth operations, transition delivery fleets to electric or LNG-powered vehicles and build adequate charging infrastructure at warehouses, micro-fulfilment centres, and key distribution hubs.



Uplift workforce standards

Implement fair labour policies by providing minimum wages, accident insurance, safety gear, and grievance redressal mechanisms for gig workers and frontline logistics staff. This will reduce the risk of disruption and strengthen workforce retention and morale.

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