

India aims to lift air cargo to beat Red Sea bump

Dhirendra Kumar
dhirendra.kumar@livemint.com
NEW DELHI

India's commerce ministry is pitching for air cargo to ship products such as pharmaceuticals, textiles, electronics and perishables that rely on swift delivery as disruption in the Red Sea trade route has increased freight costs, two people aware of the development said.

"The government is considering measures to promote this segment, including tax incentives, rationalization of aviation turbine fuel prices, and infrastructure development for handling air cargo," said one of the two people cited above requesting anonymity. "Expanding cargo capacity is also a priority. To reach our export target of \$2 trillion by 2030, collaboration across all sectors is vital, and air cargo will play a key role."

India's strategic location between Europe and Asia positions it well to benefit from rerouted cargo flows, the person said.

India depends on the Suez Canal for trade with Europe, North Africa, and the Americas, which together make up

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around 30% of its total foreign trade worth \$433.09 billion in FY24, mainly in the container sector. But shipping costs have been rising due to delays and increased insurance premiums, and there is also the heightened risk of goods being damaged or seized in attacks during transit.

While the share of air cargo is insignificant at 2-3% of India's total freight volume, following the Red Sea crisis that started in October last year, demand surged as businesses sought quicker and more secure ways of transport.

Key air transit hubs recorded increases in cargo volumes, with Dubai-Europe traffic rising 71%, Colombo-Europe by 61%, and Bangkok-Europe by 58% in early 2024.

India, too, is emerging as a transit hub. According to an Iera report, India's air cargo volumes increased 18% on-year between October 2023 and March 2024. From April-August this year, the growth accelerated, with volumes surging



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by an additional 20% to around 967,000 tonnes, it said.

States are also chipping in with incentives. For instance, the Export Promotion Bureau of Uttar Pradesh offers a 25% subsidy on air freight charges, capped at ₹5,00,000 per exporting unit annually, as outbound shipments from the state fell. Similarly, the Krishi Udaan scheme was expanded to include subsidies for agri-perishables, particularly in the northeastern and Himalayan states. It offers up to 50% air freight subsidy.

Ajay Sahai, director-general, Federation of Indian Export Organisations, said the growth potential of air cargo exports "is immense, especially with the changing export profile, particularly the rise of sophisticated items such as iPhones and high-value textiles".

India's merchandise exports for the first half of fiscal year 2024-25 reached \$211.46 billion, showing a slight increase from \$209.38 billion a year earlier. Shipments of India-made iPhones reached \$6 billion, a 33% increase from the previous year, putting the total on track to exceed \$10 billion in 2024 fiscal. Textiles exports stood at \$17.64 billion in first half of FY25, up from \$16.79 billion a year earlier.

According to Mordor Intelligence, India's air cargo industry is projected to reach a market size of \$17.22 billion by 2028, growing at a CAGR of 5.65% from 2023 to 2028.

Queries emailed to commerce ministry remained unanswered till press time.

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