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- Opinion
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Red Sea Crisis: Indian Logistics Sector Responds With Urgent Strategies

In India, industries such as petroleum, chemicals, fertilisers, and cereals were significantly affected, impacting both domestic production and international trade

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by Tarannum Manjul

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The Red Sea crisis, now stretching over 100 days, continues to wreak havoc on global trade as commercial ships navigate treacherous waters to evade potential threats posed by Houthi rebels of Yemen. With vessels steering clear of the critical Suez Canal, opting instead for the longer route via the Cape of Good Hope in southern Africa, the repercussions are felt far and wide, with delays in shipments and soaring sea freight costs becoming the new norm.

The escalation of the crisis has prompted urgent action, with some essential shipments being rerouted via air freight despite the premium costs associated with such measures. However, space constraints and logistical challenges persist, exacerbating the strain on supply chains already grappling with the aftermath of the crisis.

The Background

The Red Sea Crisis of 2024 had a profound impact on the global economy, reshaping numerous industries. Suppliers for global retailers, especially those dealing in seasonal items, faced disruptions in supply chains and distribution channels. Automotive companies struggled with supply shortages and rising production costs, while the energy and oil sector experienced price fluctuations and disruptions in shipping routes. In India, industries such as petroleum, chemicals, fertilisers, and cereals were significantly affected, impacting both domestic production and international trade.

Logistical hurdles impeded salt exports, and groceries and food suppliers faced challenges in ingredient sourcing and transportation, raising concerns about food security. Chemicals and fertilisers sectors also grappled with disruptions, affecting agricultural productivity and industrial processes. Other industries, including appliances and tires, felt the ripple effects of the crisis with disrupted supply chains and increased costs. Overall, the Red Sea Crisis left a lasting imprint on the global economy, prompting businesses to adapt to a rapidly evolving landscape.

The Logistics Sector Responds

Logistics companies in India are trying to find alternatives to support the Indian traders. Jitendra Popat (National Head - Sea Freight), Jeena & Company said, "The Red Sea Crisis presents significant challenges to Indian businesses, with disruptions

in maritime trade routes threatening to increase shipping costs and cause delays in shipments. Key industries such as suppliers for global retailers, automotive companies, and the energy sector are particularly vulnerable, along with others including the salt export industry and groceries and food.”

Popat further added, “To counteract these challenges, logistics companies are implementing a range of strategies. These include diversifying routes, enhancing risk management practices, collaborating with partners, leveraging technology for real-time tracking and predictive analytics, and providing proactive customer support and communication. By adopting these measures, logistics companies aim to support exporters and businesses by mitigating the impact of the crisis on supply chains and ensuring the smooth movement of goods amidst the disruptions in the Red Sea region.”

Nirav Doshi, Founder & Managing Director of NIDO Group, reflects on the impact of the Red Sea Crisis on Indian businesses, recognizing the significant challenges it poses. With disruptions in shipping routes and escalating costs, businesses must swiftly adapt to mitigate operational setbacks and navigate supply chain complexities. In response, logistics companies are leveraging advanced automation solutions to streamline operations and reduce costs amidst the crisis. Embracing technology for real-time tracking and exploring alternative shipping routes are key strategies being employed to ensure efficient transportation and delivery of goods. Collaborative efforts with partners further enhance logistics capabilities, supporting exporters and businesses in navigating these challenging times.

Mahesh Fogla, Executive Director of Patel Integrated Logistics, highlights the significant impact of the Red Sea crisis on Indian businesses, particularly concerning the route's crucial role in global trade, with about 80 per cent of India's trade with Europe passing through it. The ripple effects extend to oil prices, which are also affected, posing future challenges for Indian businesses. As experts in air freight, logistics companies like Patel Integrated Logistics are closely collaborating with exporters and businesses to mitigate the crisis's impact by shifting goods via air routes. However, this shift has led to increased prices in air freights across airlines, exacerbated by congestion caused by events like Easter in Europe and Ramadan in Saudi Arabia, further straining capacity on these air routes due to the surge in demand following the switch from sea to air transportation.

Jitendra Srivastava, CEO of Triton Logistics & Maritime, underscores the significant impact of the Red Sea crisis on Indian businesses, manifesting in disrupted trade routes and escalating shipping costs. This has resulted in shipment delays, material shortages such as cocoa for confectionery companies, and increased prices for goods across various sectors like textiles, leather, capital goods, and fertilisers. To

support affected exporters and businesses, logistics companies are implementing strategies such as multimodal transportation, route optimization, and even chartering for less complex components to mitigate geopolitical risks and delays. These proactive measures aim to ease the burden on businesses by ensuring smoother logistics operations amidst the crisis, alleviating the challenges posed by disrupted trade routes and increased shipping costs.

Ankit Verma, the Indian Subcontinent Head at Air8, has revealed insights gathered from discussions with global procurement executives and Indian exporters. Their collective feedback points to geopolitical risk as the primary obstacle to international trade, outweighing all other challenges. The recent Red Sea incident has notably affected Indian exporters, causing disruptions in shipment schedules and prolonging shipping durations to North America and Europe, which are India's major export destinations. This disruption not only leads to escalated shipping expenses but also extends payment cycles, exacerbating the strain on working capital for Indian exporters.

Venu Kondur, CEO of Lobb Logistics, underscores the far-reaching implications of the crisis on India's economy and emphasises the need for proactive measures to mitigate its effects on businesses. He said that the Red Sea crisis poses significant challenges to India's imports and exports, with approximately 80 per cent of shipments passing through this route. The resulting increase in transit time, insurance costs, and overall shipping expenses will inevitably impact businesses. Supply chain disruptions may lead to production slowdowns and shortages in raw materials, affecting the ability to meet customer demands. Moreover, as a major route for crude oil imports, instability in the region could cause fluctuations in global oil prices, subsequently affecting India's oil prices and impacting businesses across various sectors.

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