

INFRASTRUCTURE STATUS GRANTED



Logistics gets a major boost

India has recently granted infrastructure status to its logistics sector, which includes firms operating cold chains, industrial parks, transportation and warehousing facilities. This move has been highly appreciated by the industry leaders. As the logistic sector holds together countless manufacturing and trading activities and bridges the gap between increasing consumption and timely supply, the grant of infrastructure status would provide the necessary platform for development of the sector. **Tariq Ahmed** explores what this promising move has in store for the sector.

India's high logistics cost has always acted as a major impediment to its global competitiveness. High logistics cost reduces the competitiveness of Indian goods both in domestic as well as export market. Keeping this in mind, the government has recently given infrastructure status to logistics sector, covering cold chain and warehousing facilities, a move that is likely to attract more funding at competitive rates for these segments. Development of logistics

would give a boost to both domestic and external demand thereby encouraging manufacturing and 'job creation'. This will in turn be instrumental in improving country's GDP.

The inclusion of "Logistics Sector" in the Harmonized Master List of Infrastructure Sub-sectors was considered in the 14th Institutional Mechanism (IM) Meeting held on November 10, 2017. It was recommended by the Institutional Mechanism and subsequently approved by the Union Finance Minister, Arun

Jaitley. "Logistics Infrastructure" is included by insertion of a new item in the renamed category of 'Transport and Logistics', with a footnote stating that "Logistics Infrastructure" means and includes Multi-modal Logistics Park comprising Inland Container Depot (ICD) with minimum investment of ₹50 crore and minimum area of 10 acre, Cold Chain Facility with minimum investment of ₹15 crore and minimum area of 20,000 sq. ft, and/or Warehousing Facility with investment of minimum ₹25 crore and





“ The logistics sector is a core industry that deeply influences all economic activities. We believe that the infrastructure status will reduce the cost of capital in transportation and warehousing, thereby reducing the cost of logistics. At Mahindra Logistics, we look forward to the infrastructure status getting implemented, for the industry to excel in years to come.”

PIROJSHAW SARKARI
Chief Executive Officer, Mahindra Logistics

minimum area of 1 lakh sq ft.

It will enable the Logistics Sector to avail infrastructure lending at easier terms with enhanced limits, access to larger amounts of

infrastructure status would help the logistics sector get credit at competitive rates and on a long-term basis as rising logistics cost impacts global competitiveness of exporters.

ministry to look at all the aspects related to logistics covering various modes of shipment such as sea, roads and railways. Exporters too have time and again demanded a specific department to deal with the issues related to logistics.

According to a report, about 14 per cent of the total value of goods goes into the logistics cost while in other major economies it is just 6-8 per cent. A strategy paper released in 2010 by the commerce ministry had emphasised upon the need to invest billions of dollars in improving infrastructure including logistics to boost exports.

A Move That's Long Overdue

In a study conducted by the government titled Assessment of Quantitative Harvest and Post-Harvest Losses of Major Crops and Commodities in India, it was found that the annual value of harvest and post-harvest losses of major agricultural produces at the national level was of the order of ₹92,651 crore calculated using production data of 2012-13 at 2014 wholesale prices. This is more than the loan waivers announced recently.

Since this study was done, no further updates have been provided by the government. The huge loss is either borne by the farmers who are unable to sell their produce or by the taxpayer as the government is not able to sell the purchased good in time.

The main reason behind the loss is lack of storage and transportation facility in the country. While the government has been working on improving the road network in the industry, storage and warehousing facilities were not being created at the same pace.

With the announcement of giving logistics an infrastructure status, a major

funds as External Commercial Borrowings (ECB), access to longer tenor funds from insurance companies and pension funds and be eligible to borrow from India Infrastructure Financing Company Limited (IIFCL).

A Bold Move

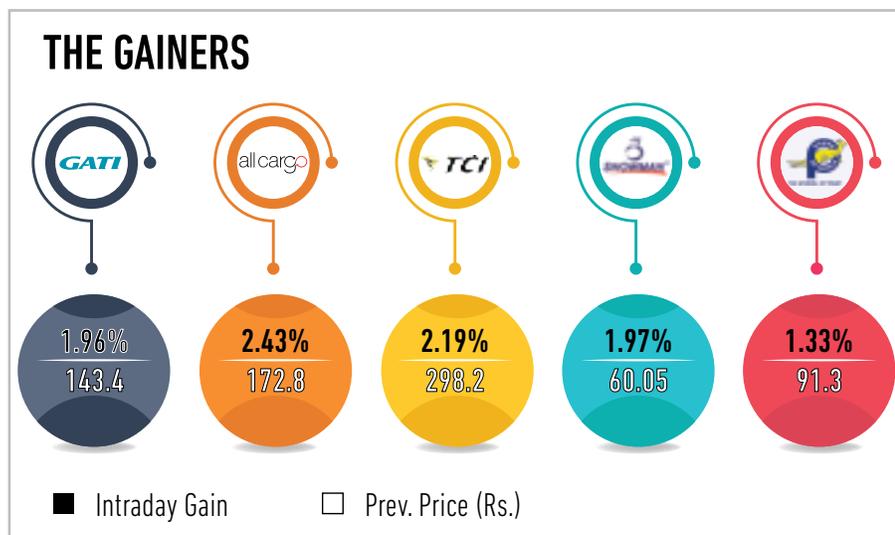
The definition of logistics includes industrial parks, warehouses, cold storages and transportation. The government has been working on ways to attract more investments into transport and logistics as part of efforts to bolster infrastructure development in the country.

Amending the existing framework, a notification issued by the Department of Economic Affairs (DEA) has widened the category of infrastructure sub-sectors to “transport and logistics” from the earlier sub-head of “transport”. Having the

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Logistics, as per the commerce ministry's definition, includes industrial parks, warehouses, cold storages and transportation. Realising the importance of logistics sector to promote trade, the government has created a separate special secretary-level post in the commerce ministry to coordinate with all the concerned ministries and departments.

Earlier there was no single department or





“ The first step has been taken but the hard yards need to be collectively taken. Logistics in India as a industry is going through the same metamorphosis that IT went through almost 20 years back. We need to learn from that experience on how to create a complete eco system around making logistics a successful industry which attracts new and best talent. We are still about 5 to 7 years behind most developed nations in terms of ease of doing logistics business.”

VIKRAM MANSUKHANI
Head 3PL Division, TVS Logistics Services Ltd

part of the issue is being addressed. The government has granted infrastructure status to the logistics sector, including multi-modal logistics parks and cold chains.

Infrastructure status for cold chains and warehousing facilities will provide a big boost to attracting private investment in this sector as the cost of funding it will be at a concessional rate and the players

more competitive in the international market. Improved speed of delivery products and other logistical benefits will help companies grow faster and sweat their assets.

The Anticipated Impact

Let us try to understand what exactly does this move by the government mean to the logistics sector:

The logistics spend in India is almost 13 per cent of the GDP, compared to well below 10 per cent for the advanced countries, claimed Pirojshaw Sarkari, CEO, Mahindra Logistics, in an interview to ET Now. This high logistics cost added to the cost of Indian goods, making them less competitive in domestic and international markets. But with GST coming in, and the above-mentioned easier access to capital and long-term borrowing, large format warehouses will soon crop up across the country. This will eventually bring down the cost of logistics, which, in turn, will boost demand for Indian goods and further the Make in India cause. The domino effect would also lead to job creation.

Will attract further private investment

According to the government notification, logistics infrastructure will include Multimodal Logistics Parks comprising Inland Container Depot (ICD) with minimum investment of ₹50 crore and minimum area of 10 acre, cold chain facilities having an investment of at least ₹15 crore and minimum area of 20,000 sq ft, and warehousing facilities with investment of a minimum ₹25 crore and over 100,000 sq ft area. Industry insiders predict that this will attract a great deal of private investment in the sector.

Giving a thumbs up to the announcement, several major logistics firms were trading at a premium in the morning when this effect took place. In afternoon, shares of Allcargo Logistics and TCI Express were up 2 per cent compared to their previous day closing price, while Mahindra Logistics was up 3 per cent and ABC India shares surged by 4 per cent. This certainly means logistics players are looking at brighter days ahead. 



Having the infrastructure status would help the logistics sector get credit at competitive rates and on a long-term basis as rising logistics cost impacts global competitiveness of exporters.

will have multiple instruments to raise the money through. Money can now be availed with a longer tenure, will have easier terms and can be raised from insurance companies, pension funds, and international lenders.

According to industry body ASSOCHAM, logistics costs in India are one of the highest, at around 14 per cent of GDP. The same in developed countries with better infrastructure is around 6-8 per cent of the GDP. An Assocham-Resurgent India joint study states that India can save up to USD 50 billion if logistics cost is brought down from 14 per cent to 9 per cent.

This saving will make Indian companies

Cheaper, bigger loans

K. Ravichandran, Senior Vice President, ICRA explained that infrastructure industries not only get longer maturity loans compared to typical manufacturing sector but the lending terms are typically easier. Logistics companies will now also enjoy the option of refinancing with specialised lenders like IDFC and IIFCL. Moreover, the infrastructure status will give them access to cheaper foreign currency funding through the External Commercial Borrowing (ECB) route.

Lower cost of logistics

DEL Cargo facilitating North East produces into Global Market

The first air cargo consignment of North Eastern Region of India reached Dubai on 14th October via IGI Airport, opening up the air-locked regional connectivity of cargo movement from NER to rest of the World.

In stride with government's initiative to support economic growth and prosperity of north-eastern regions of India, DEL Cargo created a new air cargo lane for facilitating

perishable produce from NER to global market, such as Middle-East and Europe in partnership with APEDA (Agriculture and Processed Food Products Export Development Authority) and with support from DoNER (Development of North Eastern Region), NERAMAC (North Eastern Regional Agricultural Marketing Corporation), NEC (North Eastern Council) and Government of Tripura. The first

movement of perishable cargo from Guwahati to Delhi was initiated on 11th September for domestic consumption with NERAMAC.

In this path breaking effort, to start with, this movement of produced from Guwahati to Dubai via IGI Airport was undertaken by Spicejet with support from APEDA. DEL Cargo is also in discussion with other domestic carriers, like Jet Airways, Indigo, Air India etc.



TVS LSL CEO wins Overall Excellence Trophy



TVS Logistics Services Limited (TVS LSL), India, which is the arm of the TVS Group of companies that offers Integrated Supply Chain Solutions to its customers, was crowned at the CII's SCALE Awards 2017, with the 'Overall Excellence in Logistics and Supply Chain' Golden Trophy. The Honorable Deputy Chief Minister of Telangana, Mohammad Mahmood Ali presented the award to R Shankar, CEO TVS LSL, India in the presence of R Dinesh, MD, TVS Logistics at the awards ceremony held on 24th November 2017, in Hyderabad.

Other senior management personnel from TVS Logistics present on the dais are Siddharth Jairaj, Director, TVS DGFS along with Suresh V and MSR Kumar. This is the second consecutive year TVS LSL has bagged the Overall Excellence Trophy. TVS LSL was nominated for three categories '3PL', 'Industrial Warehousing' and 'Freight Forwarding', this year.

APM Terminals Inland Services expands services



APM Terminals Inland Services inaugurated its new state-of-the-art Inland Container Depot and supply chain solutions facility designed to serve one of India's fastest-growing hubs for industrial development and manufacturing in the Pune district in Maharashtra state.

The new facility, which is over 12 acres in area, can handle more than 60,000 containers annually. Services include Customs clearance, bonded and non-bonded warehousing, empty container acceptance, transportation solutions and container repairs which are typically offered near ports. The facility is located 150 kilometers inland from Mumbai. Regional industries and manufacturing will now benefit from these local services.