

Logistics sector moves into the 'I league'

With infrastructure status, warehouses can now access cheap funds from IIFCL

OUR BUREAU

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For firms looking to build large warehousing infrastructure, raising funds is likely to get cheaper.

The logistics sector has been granted Infrastructure status - allowing investment in warehousing subject to conditions.

The move will enable the logistics sector to avail itself of infrastructure lending at easier terms with enhanced limits, access to larger amounts of funds as External Commercial Borrowings, access to longer tenor funds from insurance companies and pension funds and be eligible to borrow from India Infrastructure Financing Company Ltd, said the

Finance Ministry release. To access these funds, the minimum investment should include ₹50 crore and minimum area of 10 acres. Additionally, it should have investment either in cold chain or in a warehousing facility.

The cold chain facility should have a minimum investment of ₹15 crore and minimum area of 20,000 sq ft. The Warehousing Facility should have an investment of minimum ₹25 crore and minimum area of one lakh square feet.

According to an official release, 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' includes multi-modal logistics park comprising Inland Container Depot (ICD) with minimum investment of ₹50 crore and minimum area of 10 acres, cold chain facility with minimum



infrastructure status for logistics was considered in the 14th Institutional Mechanism Meeting held on November 10 BLOOMBERG

investment of ₹15 crore and minimum area of 20,000 sq ft, and/or Warehousing Facility with investment of minimum ₹25 crore and minimum area of one lakh sq ft.

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. It was recommended by the Institutional Mechanism and subsequently approved by Finance Minister Arun Jaitley, it added.

"We believe that the infrastruc-

The riders for funding access

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- For warehousing facility -- minimum investment of ₹25 crore and minimum area of 1 lakh sq ft

ture status will reduce the cost of capital in transportation and warehousing, thereby reducing the cost of logistics," said Pirojshaw Sarkari, CEO of Mahindra Logistics.

Industry happy

He added that GST is expected to be a major driver for this improvement, as post-GST, the warehouse sizes are expected to increase and that the infrastructure status "will surely provide an impetus for the industry to excel in years to come".

"The government's decision to accord infrastructure status will boost competitiveness which will transform logistics into a sunshine industry. This will lead to better access to funds and consequent rise in investments for industrial parks, warehouses and transportation, providing a major fillip to consumption. Growth in consumption will significantly scale up manufacturing growth, leading to creation of more jobs," said Deepal Shah, CEO, Customs Clearance and Freight Forwarding, Avvashya CCI Logistics Pvt Ltd.