

Logistics gets infrastructure status

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The government has granted infrastructure status to the logistics sector, including multi-modal logistics parks and cold chains, enabling the industry to access funds at a cheaper rate.

Experts said the cost of funding could come down by up to 50 basis points; those going for external commercial borrowing could get it even cheaper. While existing entities would benefit, such as Allcargo Logistics, Snowman Logistics, Blue Dart, Container Corporation of India, DTDC, Navkar Corporation, DHL and Transport Corporation of India, this has also given a signal for others to invest in the sector, they said.

Multi-modal logistics parks, comprising an inland container depot with minimum investment of ₹50 crore and minimum area of 10 acres, cold chain facilities with minimum investment of ₹15 crore and minimum area of 20,000 sq ft and warehousing facilities with a minimum investment of ₹25 crore and minimum area of 100,000 sq ft have been granted the infrastructure status, it was officially stated.

It will enable the logistics sector to avail of infrastructure lending at easier terms with enhanced limits, access to larger amounts, access to longer tenor funds from insurance companies and pension funds, and be eligible to borrow from India Infrastructure Financing Company.

Deepal Shah of Avvashya CCI Logistics said, "The move will lead to better access to funds and consequent rise in investments for industrial parks, warehouses and transportation. We expect the cost of borrowing for logistics companies to come down by 50 bps."

The government said the need for integrated logistics sector development was being felt for some time, as sectoral costs were high as compared to developed countries. This reduces the competitiveness of Indian goods,

in both the domestic and export markets. Development of logistics would encourage both manufacturing and job creation.

Pirojshaw Sarkari, chief executive, Mahindra Logistics, said the cost of logistics was, by some estimates, about 13 per cent of Gross Domestic Product, compared to nine per cent in the US and eight per cent in Germany. "Infrastructure status will reduce the cost of capital in transportation and warehousing, reducing the cost of logistics."

Vishwas Udgirkar of consultants Deloitte said the development would help companies get fiscal sops. For instance, those in the construction sector would get import duty concession on plant and machinery, he said. Also, these companies could use infrastructure bonds to raise funds.

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Manish Agarwal of consultancy PwC said infrastructure such as cold chains and warehousing needed significant investment for improving the competitiveness of manufacturing in India, more so with the new goods and services tax. "Long-

term investors are also very interested in the potential of this segment," he said.

Bhuvesh Agarwal, national coordinator, Federation of Cold Storage Associations of India had a word of caution. "Much would depend on how things are implemented on the ground."

A ₹211-crore multi-modal terminal is being built at Varanasi in Uttar Pradesh, also Prime Minister Narendra Modi's Lok Sabha constituency. Phase-1 could be ready by August 2018. The terminal is part of a ₹4,200-crore Jal Marg Vikas project, to enable commercial navigation of vessels with capacity of 1,500-2,000 dwt from Varanasi till Haldia. After the first phase is complete, the terminal's cargo handling capacity is estimated to be 1.2 million tonnes per annum.

Road transport minister Nitin Gadkari had said the government was working towards formulating an integrated, multi-modal logistics and transport policy.