

Logistics Gets Infra Status, Fund-Raising to Become Easier

As per DEA, definition includes transportation, industrial parks, cold storages & warehouses

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New Delhi | Mumbai: The government has granted infrastructure status to the logistics sector, making it easier for companies operating cold chains, industrial parks and warehousing facilities to raise long-term credit from banks and other financial institutions at low rates, and attract foreign investment.

The department of economic affairs through a notification has expanded the category of infrastructure sub-sectors to include transport and logistics, moving them from earlier sub-head of transport. The definition of logistics, according to the notification, includes industrial parks, warehouses, cold storages and transportation.

High logistics cost has always been a worry for India as it impacts prices of goods in the country and price competitiveness of exporters.

"The logistics sector is a core industry that deeply influences all economic activities," said Pirojshah Sarkari, CEO at Mahindra Logistics. Some estimates have put the cost of logistics in India at about 13% of GDP, which is higher than many other countries, including the US, he said.

"We believe that the infrastructure status will reduce the cost of capital in transportation and warehousing, thereby reducing the cost of logistics," Sarkari said.

According to the government notification, multimodal logistics parks comprising inland container depot (ICD) with minimum investment of ₹50 crore and minimum area of 10 acre come under logistics infrastructure. Also, a cold chain facility having an investment of at least ₹15 crore as well as warehousing facility with investment of minimum ₹25 crore would come under logistics infrastructure. In both cases, facilities should have a minimum required area.

The government has planned to set up 34 mega logistics parks across the country at investments of more than ₹1 lakh crore. The Centre will take up projects in partnership with state govern-



ments and private companies. Trunk infrastructure and last-mile connectivity would be provided by National Highways Authority of India (NHAI).

Other than transport and logistics, the list of infrastructure sub-sectors comprises energy, water and sanitation, roads, shipping, waterways, airports, rail tracks, communication, social and commercial infrastructure.

PLAYERS WELCOME MOVE

Leading logistics players have welcomed the government's decision saying the move will help them raise funds at a lower cost which in turn will help reduce the overall transportation cost.

The industry expects the move to lead to a 50bps gain for logistics players in terms of cost.

Welcoming the move, Deepal Shah, chief executive (customs clearance and freight forwarding) at Avvashya CCI Logistics, the holding company of the largest private sector player Allcargo, said, "the decision will boost competitiveness which will transform logistics into a sunshine industry."

"The move will lead to better access to funds and a consequent rise in investments for industrial parks, warehouses and transportation, providing a major fillip to consumption," Shah added.

Avvashya CCI Logistics is a JV between warehousing and CCF division of CCI Logistics, contract logistics division of Allcargo Logistics and Hindustan Cargo.