



Logistics sector gets infra status

The move will help the sector raise funds at competitive rates with enhanced limits

ENS ECONOMIC BUREAU
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IN a move that could change the dynamics of the economy, the government on Monday granted infrastructure status to the logistics sector, which includes industrial parks, warehouses, cold storages and transportation.

Coming under the infrastructure category will help the logistics sector get credit at competitive rates and on a long-term basis with enhanced limits. It will also give access to larger amounts of funds as external commercial borrowings (ECB), longer tenor funds from insurance companies and pension funds. Besides, the sector will be eligible to borrow from India Infrastructure Financing Company, a government release said. While the move could put the logistics sector on a steady growth path, the benefits could spill over to other sectors such as food processing that use logistics services in a big way.

According to a finance ministry statement, logistics infrastructure includes multi-modal logistics park comprising an inland container depot with minimum investment of ₹50 crore and minimum area of 10 acres; cold chain facility with minimum investment of ₹15 crore and minimum area of 20,000 sq ft; and

warehousing facility with investment of minimum ₹25 crore and minimum area of 1 lakh sq ft.

The need for integrated logistics sector development has been felt for quite some time now given the higher logistics cost in India, the statement added.

“High logistics cost reduces the competitiveness of Indian goods both in domestic and export markets. The 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,” it added.

Pirojshaw Sarkari, CEO of Mahindra Logistics, said that logistics is a core industry that deeply influences all economic activities. “The cost of logistics is extremely high in India with some estimates putting it at about 13 per cent of GDP, which is higher than the US (9) and Germany (8). Hence,

the logistics sector needs improvement in efficiency,” he said.

“The inclusion of logistics sector in the Harmonized Master List of Infrastructure Sub-sectors was considered in the 14th Institutional Mechanism meeting held on November 10, 2017. It was recommended by the institutional mechanism and subsequently approved by Finance Minister Arun Jaitley,” the release noted.



Infrastructure status will reduce the cost of capital in transportation and warehousing, thereby reducing the cost of logistics

Pirojshaw Sarkari,
CEO of Mahindra
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