WHY INDIA?
ADVANTAGE INDIA

World’s largest democracy with 1.3 billion people

Focus on infrastructure development

Large and growing domestic consumer market

Demonstrated capability to deliver high-quality, cost-effective solutions

Large competitively-priced skilled talent pool

Integrated tax structure

Enabling business environment

Expertise across a spectrum of services

Access to technology

Focus on infrastructure development

Large and growing domestic consumer market

Demonstrated capability to deliver high-quality, cost-effective solutions

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Expertise across a spectrum of services

Access to technology
INDIA — A FAVORED INVESTMENT DESTINATION

Fastest growing major economy in the world in 2018 and 2019

6th largest economy in the world by nominal GDP and 3rd largest economy globally by PPP

1st rank globally in inward greenfield FDI inflows in 2016

India ranks 8th in global services exports accounting for 3.4% of world trade in commercial services

Source: IMF, FDi intelligence report 2017, RBI, WTO
GROWTH ENABLERS

Growing domestic consumer base

- Rising disposable income and urbanization

Large, young human capital base

- More than 800 million people under the age of 34 years

**Urban Population and Per-capita Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Population (% of total)</th>
<th>Per-capita Income (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>27.8</td>
<td>18,523</td>
</tr>
<tr>
<td>2011</td>
<td>31.2</td>
<td>61,855</td>
</tr>
</tbody>
</table>

*Per-capita Income data pertains to 2001-02 and 2011-12
Source: Census 2011, MOSPI*

**Size of the workforce (millions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Korea</th>
<th>Thailand</th>
<th>Japan</th>
<th>US</th>
<th>Europe</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>213</td>
<td>217</td>
<td>212</td>
<td>235</td>
<td>402</td>
<td>405</td>
<td>1008</td>
</tr>
<tr>
<td>2025 (Projected)</td>
<td>235</td>
<td>236</td>
<td>237</td>
<td>235</td>
<td>445</td>
<td>456</td>
<td>1145</td>
</tr>
<tr>
<td>2050 (Projected)</td>
<td>259</td>
<td>264</td>
<td>268</td>
<td>270</td>
<td>498</td>
<td>506</td>
<td>1190</td>
</tr>
</tbody>
</table>

* Populations aged 15-64 years
Source: United Nations population statistics
02 CHAMPION SECTORS
TRANSPORT & LOGISTICS SECTOR: INVESTMENT ANNOUNCEMENTS

Flipkart
Flipkart logistics park near Bangalore to help create 20000 jobs in next two years

Dubai Ports World
Dubai Ports World to invest Rs 5000 Crores to establish Multi Modal Logistics Park through a joint venture with J&K Government

CONCOR
CONCOR ready to open MMLP in Naya Raipur (Chhattisgarh) and MIHAN (Nagpur, Maharashtra)

Ascendas-Singbridge
Ascendas-Singbridge to set up Rs 350 Crores in a joint venture with Firstspace Reality near Chennai
PROFILE: TRANSPORT & LOGISTICS SERVICES
**Significant Infrastructure Investments in the Entire Logistics Value Chain**

### Bharatmala Pariyojana
- Govt. to build > 80,000 Km of roads, highways, greenfield expressways, bridges with an investment of ~US$107 Bn.
- Will improve road connectivity & speed of road transport
- 1st phase involves construction of ~35,000 Km highways by 2022

### Dedicated Freight Corridors (DFC)
- DFC is India's largest infrastructure project worth US$12.6 Bn and spread across 3,317 km
- ~70% of freight is expected to shift to DFC, freeing up capacity on Indian Railways
- DFC would aid in decongestion of highways, as one freight train would be able to carry load equivalent to 1,300 trucks

### Multi modal logistics parks
- ~US$31 Bn investment planned by govt. to build 34 MMLPs
- Parks would lease space to private companies to run central operations & save on warehousing cost
- Will act as freight aggregation & distribution hubs & will enable long haul freight movement to reduce transport costs

### Sagarmala and Inland waterways
- Sagarmala is a flagship programme to promote Port led development, harnessing India’s 7,500 KM coastline.
- 508 projects with estimated investment of more than 8 lakh Crore have been identified
- 111 inland waterway channels have been declared as National Waterways,
- Waterways can carry 4x amount of cargo on a liter of fuel & are ~50% cheaper compared to roads

**Source:** Press announcements, expert interviews
Recent Policy & Regulatory Changes to Support Growth of the Logistics Sector

1. **Logistics given infra status**
   - Will enable the logistics sector to access infra lending at easier terms
   - Will allow for enhanced limits, larger funding as ECBs, longer tenor funds from insurance companies
   - Making logistics sector eligible to borrow from IIFCL

2. **BBIN Motor Vehicle Agreement (MVA)**
   - India, Bangladesh, Bhutan, Nepal signed the MVA in 2015 for seamless movement of goods across borders
   - Does away with transshipment of cargo, saving on time and cost
   - Will provide faster connectivity to North East India

3. **Creation of a Logistics Division at DoC**
   - Creation of an integrated action plan for development of the logistics sector
   - Aims to bring down logistics cost from 14.4% to 10% of GDP by 2022
   - Bringing logistics sector to global level in terms of cost & efficiency

4. **Foreign Trade Policy 2015-20**
   - Lays down measures for infrastructure development
   - Identify measures for overall enhancement of trade ecosystem
   - "Trade Infrastructure for Exports Scheme" launched to assess gaps in logistics infra

Source: Expert discussions, press search
Global transport and logistics sector (T&L) sector is expected to reach to US$15.5 Trillion by 2024 at a CAGR of 7.5%.

Asia-Pacific region accounts for nearly 47% of the global T&L industry, at an estimated size of US$3.8 Trillion in 2015.

Global transport and logistics sector (T&L) markets in terms of volume was valued at 54.7 Billion tons in 2015 and is expected to reach 92.10 Billion tons by 2024.

Source: Transparency Market Research
India jumped 19 places to 35 in 2016 from 54 in 2014 in the ‘World Bank Logistics Performance Index (LPI)’

India’s logistics sector currently employs nearly 22 million people and is expected to grow at a rate of 16% over the next two years.
Logistics sector as a whole contributes nearly 5% to the economy

- Railways, 0.77%
- Service Incidental to Transport, 0.75%
- Air Transport, 0.15%
- Water Transport, 0.05%
- Storage, 0.05%
- Road Transport, 3.14%

Source: MOSPI
Desired investment in the next 5 years: US$ 130.7Bn
Sanctioned for Mumbai-Ahmedabad high speed rail (Bullet Train) project: US$ 15 Bn
Stations to be fed with solar power in medium term: 700
Stations to be redeveloped in 2017-18: 48
Kilometers of railway lines to be commissioned in 2017-18: 3500
Kilometers of dedicated freight corridors by 2019: 3360

Source: Invest India, Ministry of Railways
Strong growth in domestic passenger traffic as well as freight volume in air transport.

Air Transport recorded a GVA growth of 14.5% between 2013 and 2017.

Source: DGCA

<table>
<thead>
<tr>
<th>Year</th>
<th>Passengers (Million)</th>
<th>Cargo ('000 Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>57.9</td>
<td>373.1</td>
</tr>
<tr>
<td>2016-17</td>
<td>103.7</td>
<td>637.8</td>
</tr>
</tbody>
</table>

Source: MOSPI
National Highways constructed at record average of about 27KM/day at a cost of over US$18 Billion. Target of constructing highways at 40KM/Day in FY19.

Bharatmala Pariyojana

- US$82 bn to be invested for 34,800 km of highways by 2022 under Bharatmala.
- 100% FDI allowed through automatic route

Source: MORTH, *Targeted
The freight capacity (GRT) by Indian fleet increased at a healthy rate of 6.2% per year between 2014 and 2017.

**Coastal Economic Zones (CEZs)**

- Cargo traffic handled by Indian ports increased from 649 Million Tonnes in FY07 to 1134 Million Tonnes in FY17

**Source:** Invest India
Development of 35 Multi Modal Logistics Park (MMLP)

North Punjab
- Jalandhar
- Amritsar
- Gurudaspur

South Punjab
- Ludhiana
- Sangrur
- Patiala

South Gujarat
- Surat
- Bharuch

North Gujarat
- Ahmedabad
- Vadodara

Mumbai
- Mumbai
- Mumbai Suburbs
- Jnpt
- Mumbai Port Thana
- Raigad dist.

Delhi - NCR
- Delhi
- Faridabad
- Gurgaon
- Ghaziabad

Jnpt
- Mumbai Port Thana
- Raigad dist.

Jnpt
- Mumbai Port Thana
- Raigad dist.

Salience of Each Node
- 1-10
- 11-20
- 21-35

Source: Invest India
WAREHOUSING INDUSTRY IN INDIA EXPECTED TO GROW AT 10.6% CAGR TILL FY20

- Expected increase in demand for warehousing from 2014 to 2019(e): 57%
- CAGR of material handling, currently valued at ~INR 50,000 Mn: 20%
- Warehouses planning to expand their level of automation by 2018: 70%

Source: Market research, analyst report on Booming warehousing sector in India
## Recent Investments in the Warehousing Space

<table>
<thead>
<tr>
<th>Promoter</th>
<th>Facility type</th>
<th>Cost (USD Mn.)</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>Origo Commodities India</td>
<td>Warehouses</td>
<td>39</td>
<td>Multi States</td>
</tr>
<tr>
<td>Container Corporation of India</td>
<td>Warehouses</td>
<td>32</td>
<td>Chhattisgarh</td>
</tr>
<tr>
<td>Indian Oil Corporation</td>
<td>Petroleum storage depot</td>
<td>31</td>
<td>Assam</td>
</tr>
<tr>
<td>Mahindra &amp; Mahindra</td>
<td>Distribution centre</td>
<td>23</td>
<td>West Bengal</td>
</tr>
<tr>
<td>Kesar Multimodal Logistics</td>
<td>Composite logistics hub</td>
<td>21</td>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>M P Warehousing &amp; Logistics Corporation</td>
<td>Composite logistics hub</td>
<td>19</td>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>Rajasthan State Warehousing Corporation</td>
<td>Warehouse</td>
<td>19</td>
<td>Rajasthan</td>
</tr>
<tr>
<td>Essar Oil</td>
<td>Petroleum storage depot</td>
<td>14</td>
<td>Maharashtra</td>
</tr>
<tr>
<td>Musaddilal Properties</td>
<td>Warehouse</td>
<td>11</td>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>Shiva Gases</td>
<td>Cold storage</td>
<td>9</td>
<td>Uttar Pradesh</td>
</tr>
<tr>
<td>Container Corporation of India</td>
<td>Inland container depot</td>
<td>8</td>
<td>Himachal Pradesh</td>
</tr>
<tr>
<td>KLG Imports &amp; Exports</td>
<td>Cold storage</td>
<td>8</td>
<td>Himachal Pradesh</td>
</tr>
<tr>
<td>Gujarat State Seeds Corporation</td>
<td>Godown</td>
<td>7</td>
<td>Gujarat</td>
</tr>
</tbody>
</table>

**Source:** Expert discussions, press search
Multiple market drivers suggest a positive future for warehousing

**Consumption-led demand**
- The e-commerce market in India was estimated at US$28.4 Bn in 2016, and is expected to grow at a CAGR of 31% to touch US$83 Bn by 2020. 25% of this is from e-commerce retail which is ~US$ 7 Bn.
- The logistics sector specific to e-commerce retailing in India was valued at US$0.5 Bn in 2016 and is projected to witness a CAGR of ~48% to reach US$2.3 Bn by 2020.

**Agriculture based demand**
- Because of the lack of infrastructure and broken cold chain, more than 30% of agro-produce is lost in fields post harvesting.
- There is a shortage of more than 10 Mn tonnes of cold storage for agro-produce in India.
- This implies the untapped potential in the market which the players can capitalize upon.

**Manufacturing-led demand**
- The manufacturing sector drives the warehousing space which is growing at a CAGR of 8% - where annual additional space required during 2016-20 is 42 Mn sqft.
- This is because of growing consumer demand and the respective requirement for storage facilities for meeting present and future demand.

**EXIM based demand**
- EXIM cargo is expected to increase to 2,800 MMT by 2020.
- The average containers handled per ship hour in India is 18, as compared to 28 internationally. Improved efficiency in container handling would directly result in increased warehousing demand.

Source: Expert discussions, press search
COLD CHAIN INDUSTRY IN INDIA IS EXPECTED TO GROW AT A CAGR OF 15%

Size of Cold-Chain industry in FY17

Temperature Controlled Warehouses US$3.67B

CAGR growth of Cold-Chain industry from FY12-17

Temperature Controlled Vehicles US$0.28B

Expected market size by FY22

US$ 7.92 B

US$ 3.95 B

12%

Lower penetration and high wastage provides huge opportunities for development of post-harvest logistics, storage marketing infrastructure and innovate technology in cold chain infrastructure

Source: Analyst report, Phillip Capital
LARGE INVESTMENT OPPORTUNITIES IN THE COLD-CHAIN STORAGE INDUSTRY

Packing House
Shortfall- 69.8 K MT
Investment Reqd.- US$10.58B

Reefer Vehicles
Shortfall- 52.8 K MT
Investment Reqd.- US$10.12B

Cold Storage
Shortfall- 11.7 Mn MT
Investment Reqd.- US$1.8B

Ripening Chamber
Shortfall- 8.32 K MT
Investment Reqd.- US$12.8M

Source: NCCD
3PL Market While Currently Small, Growing Steadily

3PL currently accounts for only 9% of total outsourced logistics revenue

3PL expected to grow by 20%+ CAGR to US$ 10.4 Bn

Source: Technavio report on 3PL Market in India
LOGISTICS SECTOR EMPLOYING OVER ~22MN PEOPLE

- Simplifying requirements for incentives (skilling institutes)
- Providing incentives to logistic players to hire/train talent
- Provide incentives to employees to get trained
- Tailor all certification programs around identified job roles
- Standardize certifications across industries to ensure acceptability and drive systemic employment
- Dept. of Logistics to work with NSDC and LSC to develop competence plan for major Govt. projects
- Skilling can be embedded as a part of a logistics SEZ or MMLP as a critical enabler
GROWTH DRIVERS

Favourable Demographics

- India accounts for approximately 17.5% of global population and is set to be world’s most populous country by 2028.
- A large and growing domestic market with 40% of its population below the age of 20

Increasing disposable income

- Consumer class households are likely to reach 137 million in 2025 with a collective disposable income of US$ 1.5 trillion which would increase the demand for the sector.

Technological Efficiency

- Adoption of latest technology and innovation is expected to reduce the transportation cost by bringing in efficiency and assist in consolidation of an otherwise fragmented market.

Infrastructure Upgradation

- Across spectrum infrastructure upgradation, e.g. logistics park, freight corridors, Bharatmala and Sagarmala projects etc. likely to provide a major fillip to the sector

Government policy support

- Infrastructure status to Transport sector
- GST regime will expedite to faster formalization of the logistics sector.
- Target to reduce the logistics cost from present 14% of GDP to less than 10% by 2022
INVESTMENT OPPORTUNITIES
BUSINESS FRIENDLY INVESTMENT ENVIRONMENT

- To serve 50% of freight movements
- Enable 10% reduction in transportation cost
- 12% cut in CO₂ emissions

- Economic corridors
- Inter corridors and feeder routes
- National corridor efficiency improvement
- Coastal and Port connectivity
- Greenfield expressways

- Development of Multi Modal Logistics Parks (MMLP)

- Bharatmala Pariyojana' focuses on efficient freight and passenger movement

- DFCCIL setup to improve rail freight infrastructure in joint venture with foreign/private players

- US$61.6 Billion infrastructure investment mobilization
- US$5.3-6.1 Billion logistics cost saving per annum
- US$110 Billion boost to exports

- Create additional capacity
- Set up MMLPs across DFCs to provide complete transport solution
- Efficient, reliable, safe and cheaper mobility option

Source: MORTH, Invest India, DFCCIL ("Dedicated Freight Corridor Corporation of India Limited")
INVESTMENT OPPORTUNITIES ACROSS THE VALUE CHAIN

MMLP

- The concept is relatively new in India and hence untapped. Opportunities exist in management and operation of dry ports, warehouses, cargo terminals, cold chain, banking & office spaces and supply chain to transport commodities.

Roadways

- Fleet exchanges to bring together transport customers and vendors like the stock exchange model. Electronic Toll Collection (ETC) would amount to estimated fuel savings of INR 86,000 Crores per annum.

Railways

- Re-development of railway stations, Freight terminal operations

Ports & Shipping

- Port Development, Port support services e.g. pilotage, dredging, harboring and provision of marine assets such as barges and dredgers
BUSINESS & REGULATORY ENVIRONMENT IN INDIA
REFORMS FOCUS

- Fiscal prudence and accountability
- Integrated tax regime
- Enabling Ecosystem
- Services push
- Job creation and inclusive growth
Foreign Investment Framework

- Governed by Foreign Exchange Management Act, 1999
- Progressive liberalization in the policies

Foreign Direct Investment (FDI) in India

- Automatic route (No prior approval requirement) such as railway and road infrastructure
- Approval route (Prior government approval required before setup) such as multi brand retail trading
FDI INVESTMENT ROUTE

**Under Automatic Route**
- No requirement of any prior regulatory approval
- Filing an intimation with RBI in prescribed format within 30 days of investment
- Filing particulars of issue of shares within 30 days of issue of shares to foreign investors

**Prior Approval Route**
- Required approval from Govt. of India – Considered by respective Administrative Ministry/Department.
- Filing an intimation with RBI in prescribed format within 30 days of investment
- Filing particulars of issue of shares within 30 days of issue of shares to foreign investors
BUSINESS PRESENCE IN INDIA – FORM OF ENTITIES

Foreign Company

- Operates as a foreign company
  - Liaison Office
  - Project Office
  - Branch Office

- Establishes local presence
  - Joint Ventures
  - Limited Liability Partnership
  - Wholly Owned Subsidiary

Key considerations for choosing investment vehicles
- Commercial considerations
- Regulatory framework (prior approval requirements for Chinese companies)
- Tax considerations
- Cost of operations
This Report has been prepared by CII.