

CONTAINER LOGISTICS - A PROMISING PATH AHEAD

With the current Government's renewed thrust on development initiatives, India is well on its way to become a preferred destination as a global manufacturing hub. For any developing country, the logistics sector acts as a backbone supporting key businesses and is directly correlated with economic activity. 1 Empirical evidence suggests that changing business environment, emergence of organised retail and increased use of technology will lead to growth in excess of 15% per annum in the logistics sector.

However, Logistics is a vast sector comprising of basic transportation services via roads, rail, sea or air, specialized services such as express cargo, courier services, e-commerce logistics, project logistics, liquid and gas logistics, third party logistics (3PL) services,

warehousing and cold storage services and Container Freight Stations (CFS) and Inland Container Depots (ICD).

Over the past two decades, transporters have digressed from general shipping to container transport which has led to a rise in the containerization levels thus increasing India's share in global container traffic.

Statistics indicate containerization in India is indeed growing at an accelerated pace given the rapid growth of sectors such as retail, textiles, electronics and food products that will play a large role in enhancing EXIM trade. Several factors will contribute to this stupendous rate of growth of containerization that is expected to go from 50% to 65% in less than a decade.

There are several factors that are contributing to the optimism in the CFS and ICD sector and will be driving the growth meter in the years to come.

Courtesy:



P Manikandan
Head - Business
Development
(South and West)
IFIN



Mr Kapil Edke
Business
Development
Team
IFIN



MAKE IN INDIA AND GST

Make in India campaign supported through Move in India will help Indian exporters to move, store and deliver goods faster and cheaper and retain their competitive advantage. Implementation of GST too will lead to higher logistical demand from manufacturing companies, requirement for more logistics parks, lesser downtime for container trucks and lower costs due to minimization of multiple taxes and wasteful leakages.

Capacity expansion and development of new ports: Government's initiative to double major ports capacity to 1.6 bn MT which includes expansion at JNPT (by 5.6 mn TEUs), Ennore (by 1.2 mn TEUs), major upgradation of Paradip and Kandla ports, setting up five new ports, dredging works, 6/8 laning of highways connecting to ports etc, should address the long term congestion issue at major ports. With private ports like Mundra and Pipavav posting double digit growth, an increased sense of competition has fostered a competitive spirit among ports that has ultimately led them to improve

operational efficiencies and will once again boost the CFS segment.

FOCUS ON COASTAL SHIPPING

The central government has also outlined plan to promote coastal shipping through its "Sagarmala Project" which involves modernization of jetties and creation of new ports to add 120 mn MT capacity, development of inland waterways and incentivizing water transport so as to save INR 250 bn annually.

PRIVATE FREIGHT TERMINALS (PFT)

Indian Railways has recently amended its PFT scheme by slashing application fees and one-time charges to attract private investments in rail-linked logistics which will boost the share of railways in freight transportation. Currently, there are 27 operational PFTs in India and Indian Railways plans to set up 500 PFTs in the next three years which are expected to create huge warehouse capacity, act as multi-modal transportation hubs, reduce the inland transportation cost and boost

exports from hinterlands.

DEDICATED FREIGHT CORRIDOR (DFC)

DFC's connecting Dadri to JNPT and Ludhiana to Dankuni will be a big driver for rail freight that will in turn give a boost to the ICD segment. The project is expected to carry 25% of rail freight in first two years of operation itself. The speed of freight trains will increase from 25 kmph to 60-75 kmph and carrying capacity of rakes will increase from 58 wagons to 120 wagons.

We at IL&FS Financial Services (IFIN) believe that with the commendable progress in the ongoing projects of national importance like dedicated freight corridors and capacity expansion at major ports, new initiatives such as Make in India and rise of e-commerce, a positive growth trajectory is in sight and thus the container logistics sector in India is poised to grow 15% annually. To sustain this rate of growth, CFS/ICD players are gearing up to enhance integration with the other stakeholders in the EXIM supply chain for seamless movement of container traffic. 