

Sector	Project Title
Logistics	Composite Logistics Hub

Project Description

Logistics spending in India is currently estimated to be around 13% of GDP and the Logistics Industry is valued at approximately Rs. 4,068 billion. The size of the Logistics sector is expected to grow more than USD 120 billion (Rs. 5,400 billion approx.) by 2015.



The total logistics cost / spending in India is estimated at 4.59% of sales and 10% of value added. Logistics is a growing sector now and not just limited to warehousing and transportation. Logistics presently includes newer concepts like logistics hubs, cold chains, integrated logistics complexes, 3PL logistics, cargo consolidators, etc.

The proposed project envisages setting up a Composite Logistics Hub in Madhya Pradesh.

Project's Value Proposition

The proposed project is expected to provide the following inherent value propositions:

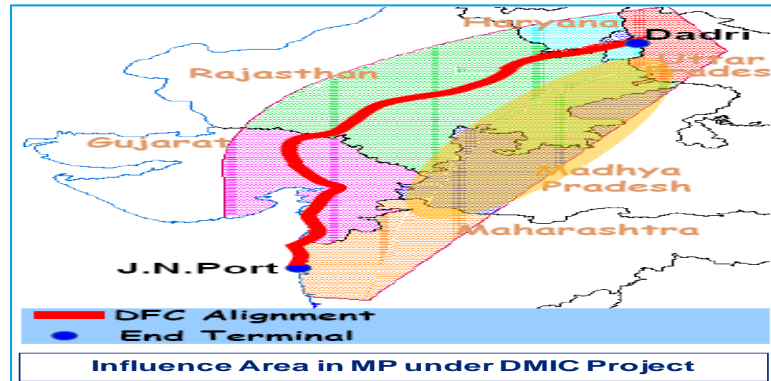
- Madhya Pradesh ranks 1st in acceleration in agriculture during 1991-2008. The State is the highest producer of soya bean, oilseeds, spices and garlic in India. Potatoes, wheat and oranges are other major agriculture produce of the State. There is a marketable surplus of key commodities which require adequate storage and preservation facilities. A substantial portion of agricultural produce is perishable in nature that requires special storage and handling facilities.
- The sector has been witnessing double digit year-on-year growth rate since 2002. The logistics sector in India is expected to reach USD 120 billion (Rs. 5400 billion) by 2015. The end user industries like auto, consumer durables, organised retail, etc. are direct triggers for the growth of the logistics sector in India.
- Some of the other growth drivers include increased demand of 3PL services, streamlining of indirect tax structure, investments in transportation infrastructure, recognition of logistics management as a strategic tool by organisations, globalising of manufacturing systems and infusion of qualified work force.
- The models in logistics industry have evolved over time to address the changing needs of the market and vary based on scope of service offerings, degree of collaboration, levels of asset intensity and IT capabilities across the supply chain. The logistics model has been evolving from a specialized function to fourth party Logistics (4PL) and fifth Party Logistics (5PL) companies. Newer concepts of 3PL logistics, integrated logistics services providers, cargo consolidators etc. are introduced and well received by the market. There is also increasing demand of centralised warehouses due to introduction of state level value added tax system and abolishment of Central Sales Tax.
- In addition, enhanced corporate focus on core operations, competitive pressure, increasing global trade and MNCs investments in India will provide an impetus to logistics outsourcing which is the most growing sector. The sector presently is not confined only to Government and new trends in the industry require combined efforts of both Government and private players.

MP's value proposition

The state of Madhya Pradesh is the ideal destination for this project due to the following apparent factors:

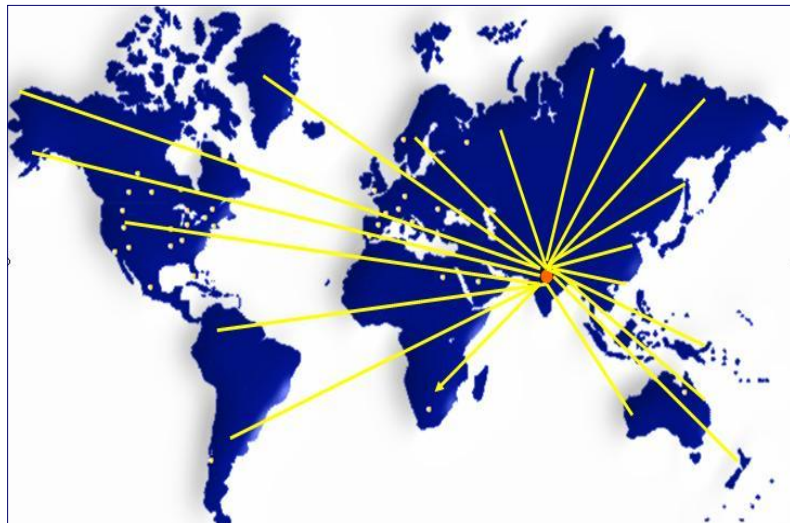
- Madhya Pradesh Warehousing & Logistics Corporation Ltd. (MPWLC) is the nodal agency for development of logistics and warehousing facilities in MP. The current Joint Venture scheme by MPWLC provides for development of warehousing facility through a joint venture between private player and MPWLC. Presence of such an agency will help this project immensely.

- MP is strategically located in the centre of the country thereby enhancing the connectivity potential to all other regions in the country. The proposed project location is in the vicinity of major industrial areas in MP. The location is also under the DMIC project influence area which has potential for industrial development.



- Land is available in MP in ample at lesser rates than other regions in India. The labour rate in MP is Rs.135-150 per hour as compared to Rs. 225-250 per hour in metros. There is larger pool of qualified manpower available in MP.

- Madhya Pradesh has total road length of 91968 km all over the State. There are 16 national highways passing through the state with total length of 4670 km. MP has the 3rd largest network of highways among all the states in India. The length of state highways in the state is 10249 km. MP is well connected with the rest of India through railways with almost 425 trains passing through the State on a daily basis. Itarsi railway station strategically located in the centre of country.



- Central location of the state gives it inherent potential to become the logistics hub of the country.
- There are 5 operational airports in MP. Indore airport has the capability of handling international cargo. An international airport is under construction in Bhopal.
- Industrial development in MP is also on rise. Various projects under different industrial sectors are coming up in the state.

Project Specification

- **Location:** The proposed project envisages setting up of composite logistics hub at three different locations in MP; each at Bina, Ujjain and Jabalpur.
- **Facilities:** The following facilities are to be provided at the logistics hub:
 - Inland Container Depots / Container freight stations
 - Railway terminals
 - Rail side and other modern warehouses
 - Cold storages
 - Agriculture & Horticulture procurement
 - Agriculture & Horticulture services
 - Trucking hub
 - Water & sewage management
 - Power backup
- The proposed project shall be developed on PPP basis. The land for the project shall be allotted by the government.
- **Project Cost:** The estimated investment across each of the three locations is estimated to be about **Rs.1500 – 2000 million**.
- **Return:** The expected returns from the project are estimated to be in the range of 15-20%.

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