

Sector

Logistics

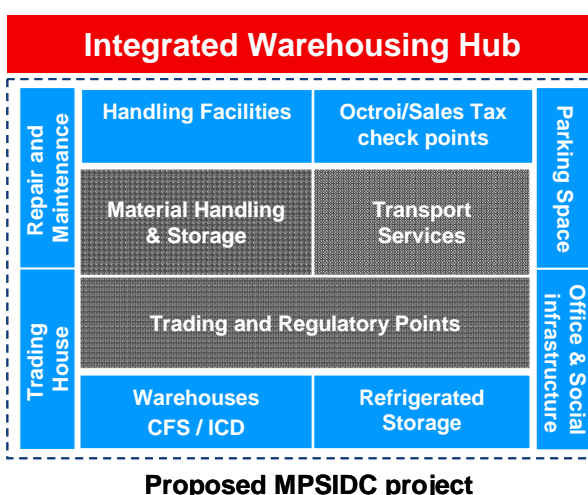
Project Title:

Integrated Warehousing Hub

Project Description

Warehousing and transportation forms the backbone supply chain of all industries. Adequate storage capacity and strategic location of the warehouse enables efficient functioning of supply and distribution network and also provides strategic competitive advantage to the business. Proper material handling, storage conditions and timely movement of goods are necessary as improper handling and prolonged storage can deteriorate the quality of the stored product especially the perishables goods, biologicals, drugs and food stuffs.

The Government of Madhya Pradesh (MP) proposes to establish an integrated Warehousing Hub (IWH) to address the increasing warehousing needs of various industries in the State. The envisaged facility would offer substantial storage capacity with differential and modular storage units integrated with transport and clearing functions. The facility would offer one-stop shop solution for the entire logistics requirement of the companies.



The IWH would employ advanced IT integrated warehousing management system and other high end technologies such as Radio Frequency Identification (RFID), Barcodes and other advance tracking system. The IWH would have adequate mechanical, technical and auxiliary systems and machinery to facilitate speedy functioning. Loading uploading, material handling, ciphering, transferring and tracking would be the key operational attributes of IWH

The proposed hub has been conceptualized as an amalgamation of functional, facilitation and regulatory infrastructure, encompassing a geographic concentrating of transport, warehousing, distribution and other support functions.

Proposed Facility

- Warehouses
- Cold Storage
- Material Handling
- Trade Center
- Fuel Station
- Octroi/Sales Tax office
- Parking unit
- Repair and Maintenance cell
- Hotels and other social infrastructure

Project Rationale

Madhya Pradesh is well positioned to become the future hub for industries such as auto components, FMCG, consumer electronics, textiles and apparels, radial tyres, pharmaceuticals and herbals. Thus there would be high demand in future for quality storage space and other logistics functions from these upcoming industrial sectors.

The State is expected to become the key logistics hub of the Country. Already the FMCG major Proctor & Gamble has established its central warehouse for its entire FMCG product portfolio at Bhopal. Several other companies are evaluating various potential locations in the State to establish or outsource their logistic functions. Thus there would be significant demand for storage space in the future.

As per the latest estimates significant gap exist between the required and available warehousing capacity in the State. The burgeoning industrial base of the State demands significant scale up of the existing storage capacities.

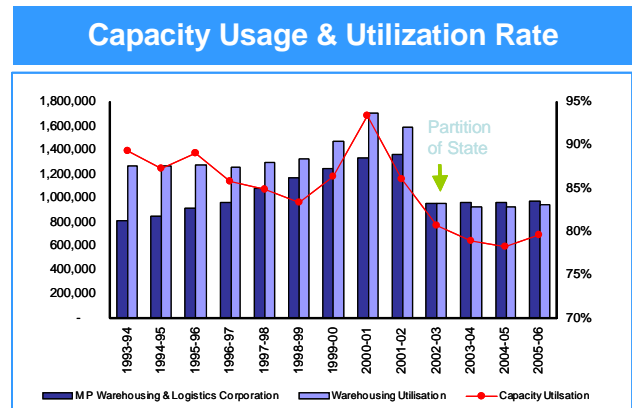
Market Potential and Demand Dynamics

spends around 13% of its GDP on logistics, compared to a global average of 10-11 %. Globally better supply chain management has reduced logistics costs by nearly 1% over the last 10 years. However Supply Chain Management still remains an elusive concept for Indian

Estimated Cost Saving by Reducing Logistics Cost by 1%			
Functions	At 13% of GDP (US\$ bn)	At 12% of GDP (US\$ bn)	Amount Saved (US\$ bn)
Transportation	32.45	29.95	2.50
Inventory	23.18	21.40	1.78
Packaging	10.20	9.41	0.78
Handling and Warehousing	8.34	7.70	0.64
Others	18.54	17.12	1.43
Total Logistics Costs	92.72	85.58	7.13

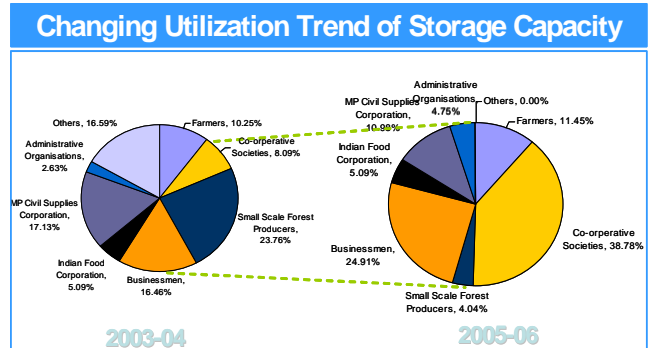
industries which are increasingly looking to gain competitive edge by adopting adapting advanced logistics solutions.

The total warehousing capacity in the Country is pegged around 30 million MT in 2006, out of which the total storage capacity contributed by State and Central Warehouses is 10.04 million MT and 19.7 million MT respectively.



The total storage capacity in MP is estimated around 1.8 million MT out of which the capacity contributed by Central Warehousing Corporation (CWC) is around 0.6 million MT while 1.2 million MT is contributed by State Warehousing Corporation (SWC). The State offers lucrative utilization rates of 80-85%, which can be as high as 90-95% at strategic locations.

The changing utilization trends indicate towards increasing storage capacity demand from the industries and other businesses while the demand from the forest and Government departments such as civil supplies are decreasing.



Based on estimated demand an additional capacity of 2.16 million MT was to be generated during 2002-06. However, only ~ 1 million MT was created during the same period. Hence, there is a shortfall of 1.6 million MTs in capacity.

The division of MP has severely hampered the State’s storage capacity. Post partition, MP has lost nearly 32% its storage capacity to Chattisgarh. The State requires an immediate addition in capacity at Strategic locations to ensure quality services to the target market.

Why Madhya Pradesh?

Strategically located at the heart of, the State has enviable value proposition to be positioned as key logistic and distribution hub of the Country.

- Central location of MP facilitates equidistance connectivity with major cities. The strategic location is the key incentive for various industries to establish their logistics hub in the State.
- MP is the key connecting link between the northern & southern States and eastern & western States of the Country. All major highways and rail routes pass through the State.
- MP has a well developed transport infrastructure of roads, rails and airports. 5200 km of National Highway runs across the State with total length of the roads in the State estimated around 67,600 km. The State also has 5000 km of rail networks with 425 trains passing through the State daily.
- Under the National Highway Development Programme of NHA, 1254 km of the existing roads are being converted into four lane highway.
- MP has 5 operational domestic airports. The Indore airport has the capability to handle international flights. The mammoth transport infrastructure of the State provides connectivity with all the key cities and major ports.
- On completion, the North-South and East-West corridor passing through the State will provide further impetus to the logistics sector due to improved connectivity with key metro cities.
- Ample availability of cost effective manpower in the State. The cost of labour in the State is US\$ 2.3 per day as compared to US\$ 3.5- 4 per day in metros.
- The peaceful labour environment in the State makes MP a favorable business destination. Man days lost due to strikes & lockouts is less than 0.5% of the total available man days.

Location Analysis

Dewas is the upcoming commercial center of MP. The city is well connected with the key commercial centers of the State by a well developed infrastructure of roads. Further, proximity with Indore, the financial capital of MP makes it an ideal location for the project.



Government Support

The Government would assist the private sector for the development of IWH. It would offer land at a subsidized rate and would act as the key facilitating agencies for expedite clearances of various administrative formalities and proposals.

Further various tax incentives offered under the National Storage policy would be extended to the private developer. Under the policy foreign investment is also allowed for the envisaged project.

Proposed Investment

The proposed warehousing hub would be set up on over 100 acres of land and would require an estimated investment of around USD 22 mn or 100 crores INR

Returns

The Internal Rate of Returns from the project is estimated around 20-22%.

Coordinating Agency

- **Madhya Pradesh State Industrial Development Corporation**
- **Madhya Pradesh Warehousing Corporation**