

Ease of Doing Warehousing Business in India

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Warehouse

Key takeaways



Development and creation of a robust logistics infrastructure is a key propeller of economic growth and aids all sectors of the economy

Adequate infrastructure creation (including warehousing and transportation) is the need of the hour to make India a US\$5 trillion economy

The PM GatiShakti National Master Plan is a step in the right direction and is critical for warehousing & logistics sector as it considers logistics infrastructure as a vital component for economic growth and sustainable development.

Warehousing is widely regarded as the bridge between the manufacturers/traders and the ultimate consumers.

Warehousing ensures ready availability of goods thereby decreasing lead time, providing adequate storage solutions for stocking of goods and enables safe upkeep of inventory.

The critical role played by the warehousing sector has also been recognized in the National Logistics Policy ('NLP').

Warehousing sector has witnessed strong growth in the past five years (2017 - 2021) growing at a CAGR of roughly 23% and is further expected to grow at a CAGR of 19% by FY 2026.

An approximate of 60% warehousing stock (in terms of mn. sq. m.) is located in Mumbai and Delhi NCR.

In FY 2022, across 8 primary markets in terms of transactions per square feet (i.e. space transacted):

29%	23%	11%	37%
Third-party logistics players	E-commerce	Retail	Other sectors (FMCD, FMCG, other sectors and miscellaneous etc.)

To accelerate investments and help achieve the creation of better warehousing facilities in the country, it is crucial to attract businesses and institutions in the sector.

Amongst other factors, the Ease of Doing Business ('EoDB') and Logistics Performance Index ('LPI') act as a barometer for investors and have a likely impact on investment.

Considering India's aim to be in top 25 rankings in LPI; significant policy thrust, and reforms are the need of the hour for improving the rankings. This shall also include policy efforts and reforms towards warehousing sector given that it forms an integral and important part of the logistics industry.

The government's objective of reducing logistics cost from an estimated 13-14% of the GDP through the introduction of a National Logistics Policy is another welcome step that can help catalyze the growth of warehousing sector.






Warehousing Industry in India - An overview

01





India is the fastest growing and 5th largest economy in the world with an estimated size of US\$ 3.17 trillion in 2021^{1 2 3}.

Coupled with the vision of the Hon'ble Prime Minister to make India a US\$5 trillion economy by 2024-25 and initiatives such as 'Make in India', the enablers of economic development partake a more critical role.⁴

Warehousing sector is amongst the key enablers.

For an economy of such size and scale, development and creation of a robust logistics infrastructure becomes a key propeller of economic growth and aids all sectors of the economy. It also leads to the creation of job opportunities and has a multiplier effect on the overall economic activity coupled with reduced lead times, higher productivity, and economic output. On account of the above, infrastructure is often considered as the backbone of the economic growth.

With an aim to improve and strengthen domestic manufacturing, create resilient supply chains, boosting India's export potential and improve global competitiveness, various Production Linked Incentive ('PLI') schemes have been launched. To achieve this objective, it is imperative to have adequate infrastructure (including warehousing and transportation) in place that helps catalyze the flow of goods or services, improve lead times and helps in speedy and efficient delivery of raw materials as well as finished goods to/from different parts of the world. To such extent, the success of PLI scheme shall require adequate infrastructure development and reforms.

Towards this, the government has launched various initiatives and programs such as PM GatiShakti and National Logistics Policy apart from the creation of road, rail and port infrastructure in the country. The PM GatiShakti National Master Plan was launched on 13 October 2021 for integrated planning and coordinated implementation of infrastructure connectivity projects (amongst 16 ministries).⁵ The programme aims at creation of multi-modal connectivity to provide integrated and seamless connectivity for movement of people, goods, and services. As a critical constituent of the logistics industry, warehousing sector facilitates seamless storage and movement of goods and helps achieve the broader vision of an efficient logistics industry.

1. Reserve Bank of India - Press Releases (rbi.org.in)

2. doc202294100001.pdf (pib.gov.in)

3. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=IN>

4. <https://www.indiatoday.in/india/story/pm-modi-varanasi-5-trillion-economy-budget-1563362-2019-07-06>

5. <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1763638> <https://pib.gov.in/PressReleasePage.aspx?PRID=1763307>

6. <https://dpiit.gov.in/logistics-division>



The PM GatiShakti National Master Plan is critical for the warehousing & logistics sector as it considers logistics infrastructure as a critical component for economic growth and sustainable development.⁶ The Master Plan aims to create a world-class modern infrastructure and logistics synergy among different modes of movement - both of people and goods - and location of projects. Through creation of infrastructure and improved logistics efficiency, the country can benefit in terms of reduced logistics costs, higher productivity and throughput times. This shall help accelerate economic growth and development of India.

Warehousing is widely regarded as the bridge between the manufacturers/traders and the ultimate consumers. In addition to this, warehousing ensures ready availability of goods thereby decreasing lead time, providing adequate storage solutions for stocking of goods and enables safe upkeep of inventory.

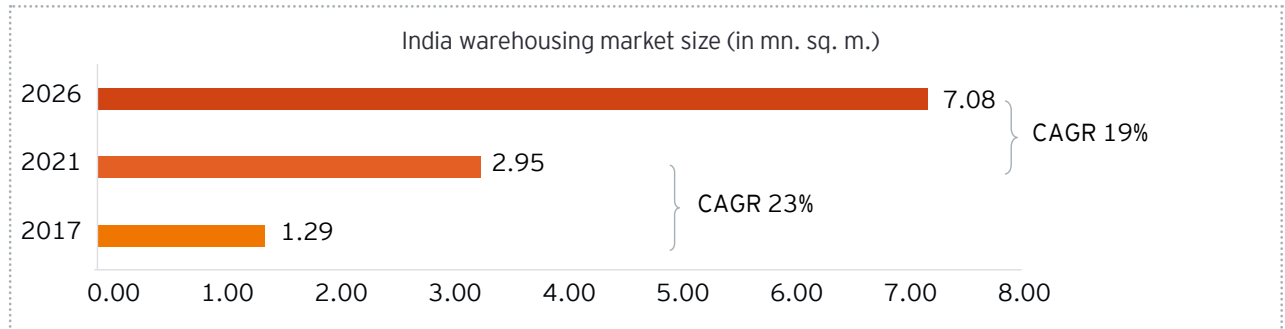
The role played by the warehousing and logistics sector during the Covid-19 pandemic is a testament to the importance of this sector in the economy. Adequate warehousing facilities coupled with an efficient logistics mechanism is the key to sustain the flow of goods and meeting consumer demand across the spectrum of the country. The critical role played by the warehousing sector has also been recognized in the National Logistics Policy ('NLP') and is being given due credence by the Central as well as State governments wherein NLP is expected to augment warehousing capacity and enable faster communication to take products closer to their consumption points.

With the advent of e-commerce and a push towards the revamp of supply chains across the globe in a post pandemic world, the need for adequate and quality warehousing that is sustainable and resilient is critically acknowledged more than ever. It is thus imperative that the warehousing sector be developed to cater to the requirements of a rapidly growing economy and address the need for adequate facilities to serve the increased economic activity alongside ancillary demand arising out of it. Also, the need of the hour is to evaluate the emerging trends in warehousing, adoption of technology and the policy initiatives that can help realize the true potential of the sector in India.

Market size of warehousing in India

As India continues to tread on the path of high economic growth through a rebound of economic activity post COVID, strong focus on infrastructure and connectivity creation, industrial production growth, higher capital expenditure etc.^{7,8}, it transpires to higher efficiency and economic output, increased consumer demand, and the requirement of better warehousing facilities to cater to the rising needs of the country. Higher production and economic output translate to increased demand for warehousing and storage solutions as well.

In line with the growth potential above, warehousing sector has also witnessed strong growth in the past five years growing at a CAGR of roughly 23% and is further expected to grow at 19% by FY 2026⁹.

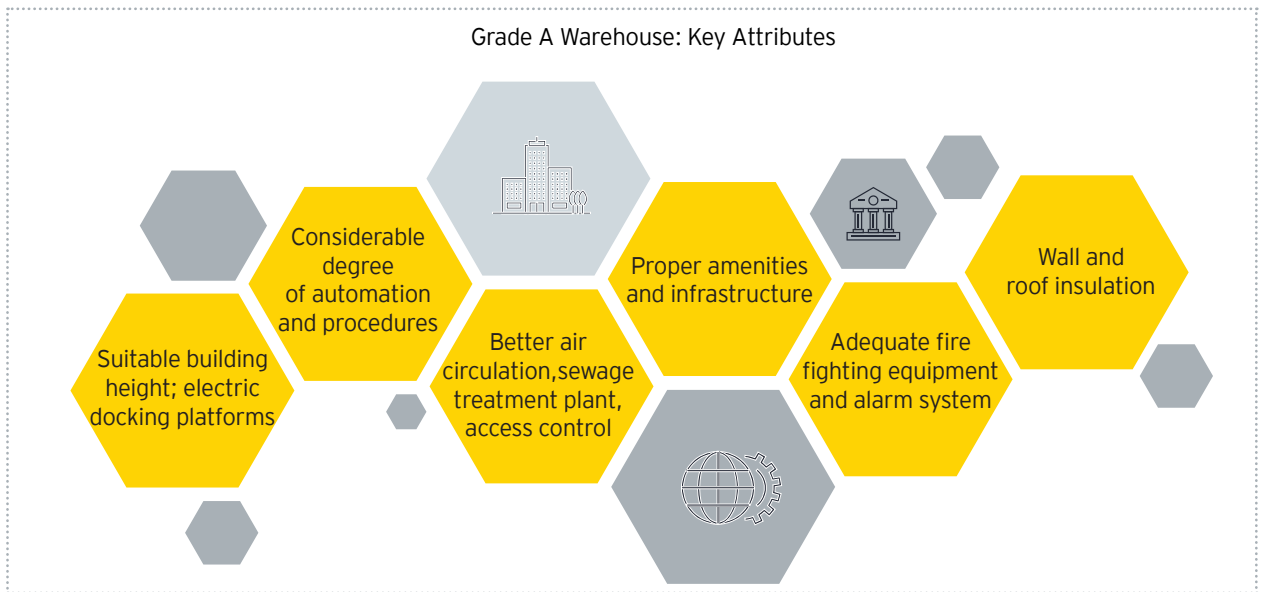


Increase in online retail coupled with increased consumer demand has paved the way for companies to ensure efficient availability of goods, thereby warranting availability of efficient quality warehouses, hereinafter referred to as Grade A warehouses.



In addition to this, development of transportation and infrastructure facilities has resulted in increased demand of such Grade A warehouses. The entry of corporates and resultant formalization of the sector is likely to result in higher demand for such Grade A warehouses. While there exists no standardized definition of a Grade A warehouse, the following features may be considered for such warehouses¹⁰ :

- World Economic Outlook, April 2022: War Sets Back The Global Recovery (imf.org)
- <https://pib.gov.in/PressReleasePage.aspx?PRID=1793829>
- <https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-1-8217.pdf>
- <https://content.knightfrank.com/research/677/documents/en/india-warehousing-report-india-warehousing-market-report-2019-6468.pdf>

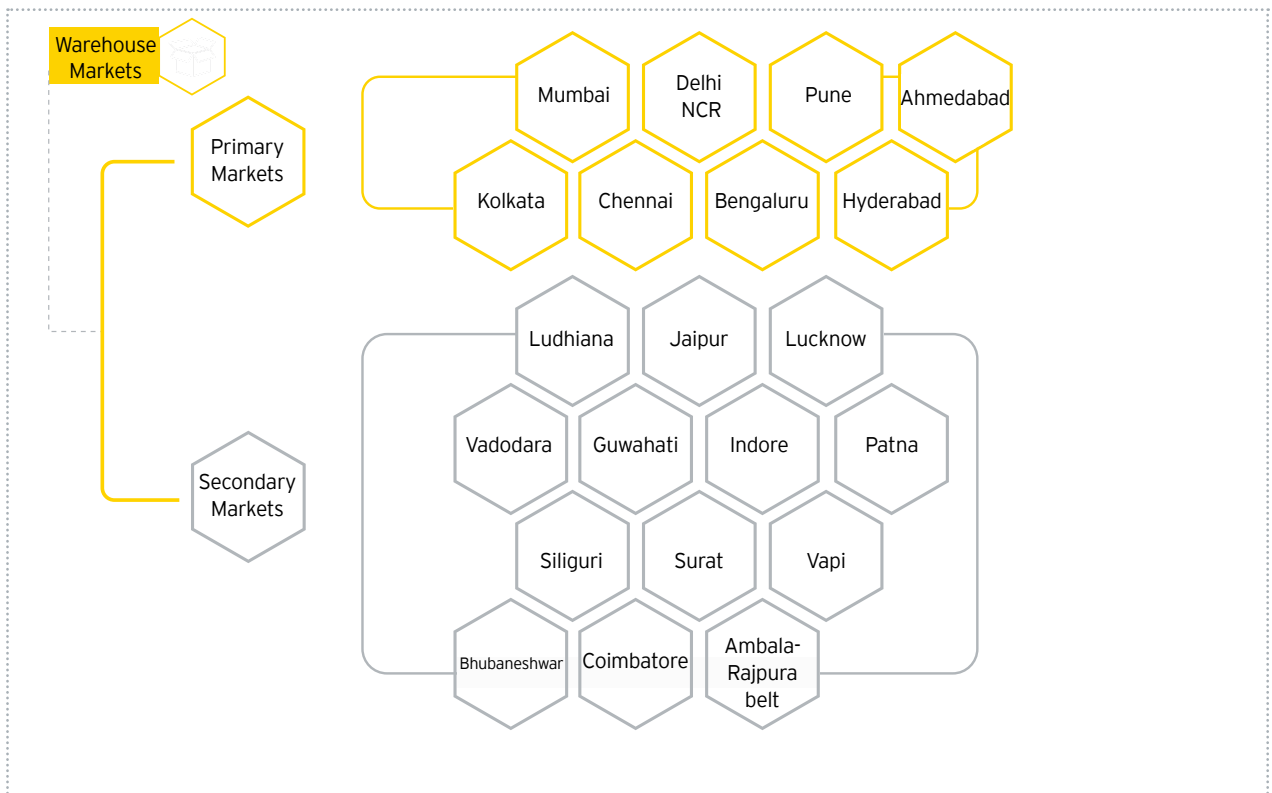


It is generally seen that the majority of warehouses operating in India do not meet the features considered hereinabove. The absence of efficient quality warehouses may result in non-fulfilment of demand that is expected to increase in the future. It thus becomes imperative to spread widespread awareness of the benefits of standardisation for industry to realise and follow.

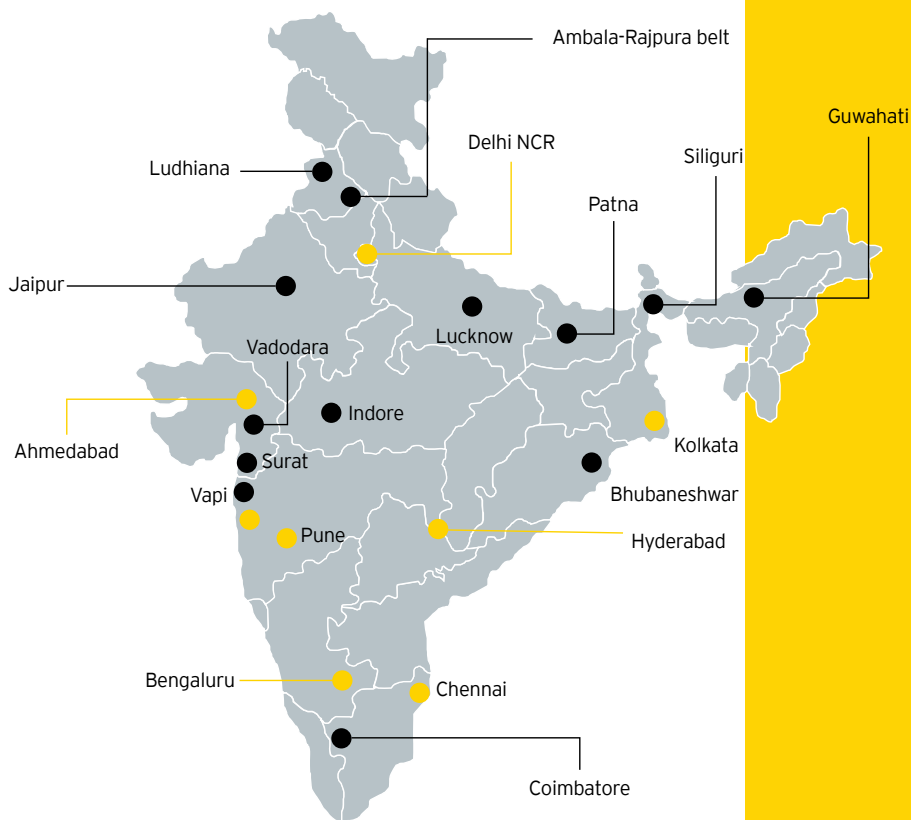
National snapshot/ map of warehousing centers

To serve the requirements across India, the warehousing facilities are primarily located in certain key clusters which enables them to cater to the demand and address the market requirements efficiently.

While 8 major cities/regions across India comprise of the primary warehousing markets, another 13 cities form part of the secondary warehousing markets¹¹.



11. <https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-i-8217.pdf>



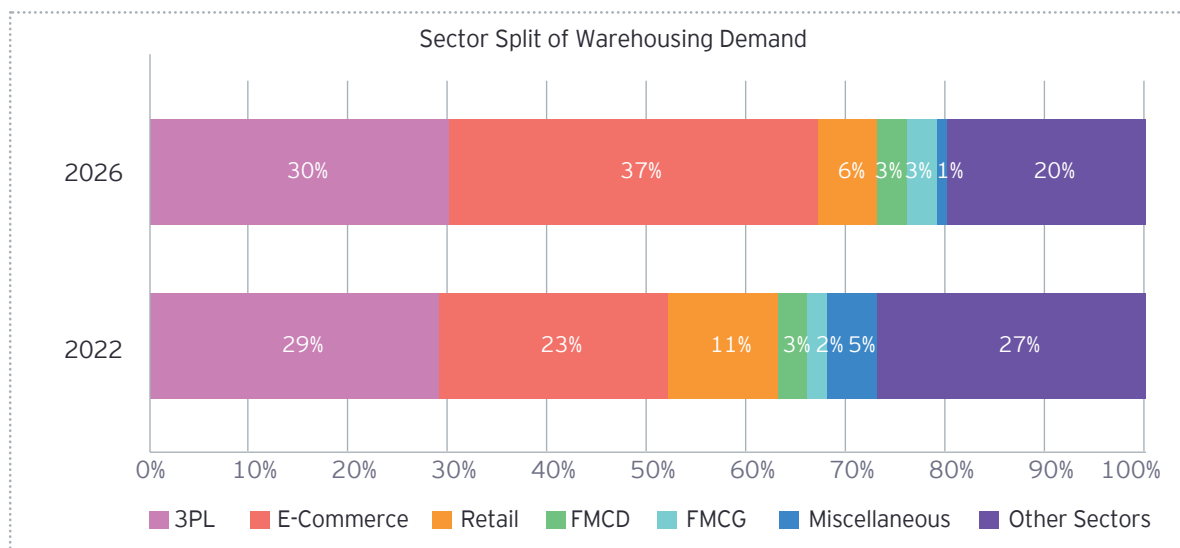
The primary markets have been the major contributor to the market share. In fact, an approximate of the 60% warehousing stock (in terms of mn. sq. m.) is located in Mumbai and Delhi NCR¹²

While warehousing in itself serves as a catalyst to logistics industry and the broader economic vision, it is also important to understand the contributors to the growth of warehousing.

Segment wise demand in warehousing

In 2022, across 8 primary markets in terms of transactions per square feet (i.e. space transacted), 29% was of third-party logistics ('3PL') players, 23% was of e-commerce, 11% of retail and remaining of others (such as FMCD, FMCG, other sectors and miscellaneous etc.).¹³

In 2026 too, e-commerce and 3PL are expected to retain significant market share¹⁴. A split of current warehousing demand in FY 2022 alongside estimated projections in FY 2026 is illustrated below¹⁵:



Present performance of India on key indicators

Given the growth potential of the warehousing sector projected by Knight Frank above, it is expected to entail higher investments and inflows in the sector. To accelerate investments and help achieve the creation of better warehousing facilities in the country, it is crucial to attract businesses and institutions in the sector. Amongst other factors, the Ease of Doing Business ('EoDB') and Logistics Performance Index ('LPI') act as a barometer for investors and have a likely impact on investment as better EoDB and LPI ranking may translate to higher foreign direct investments in the sector.

The government of India is constantly focusing on improving the country's Ease of Doing Business rankings by ensuring improvements in each of the following aspects affecting the rankings:¹⁶

- a. Starting a business
- b. Dealing with construction permits
- c. Availability to electricity
- d. Registration of property
- e. Availability of credit facilities
- f. Protection to minority investors
- g. Tax payments
- h. Trading across borders
- i. Enforcing contracts
- j. Resolving insolvency

12. Knight Frank, India Warehousing Market Report 2021, (<https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-i-8217.pdf>)

13. Knight Frank, India Warehousing Market Report 2021

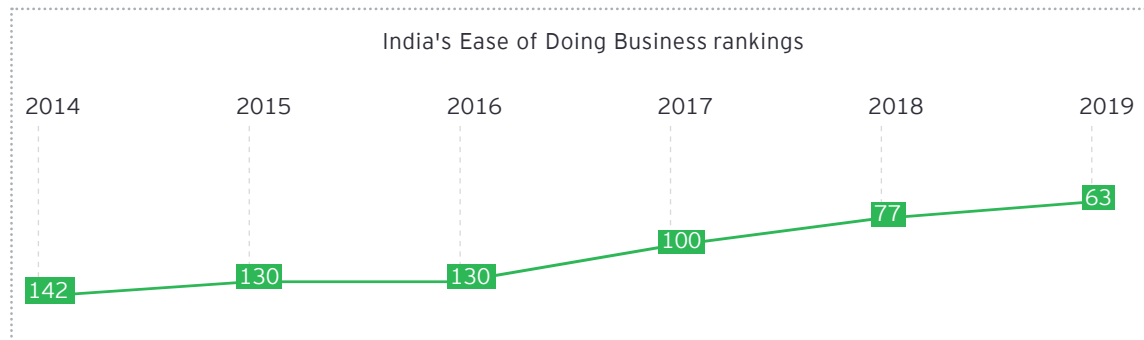
14. Knight Frank, India Warehousing Market Report 2021

15. Knight Frank, India Warehousing Market Report 2021 and 2022 (<https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-i-8217.pdf> and <https://www.knightfrank.com/research/report-library/india-warehousing-market-report-2022-9348.aspx>)

16. IND.pdf (doingbusiness.org)



The persistent policy efforts led to a significant improvement in India's rank from 142 in 2014 to 63 in 2022 with a notable progress of jumping by 79 ranks¹⁷. The government's objective of reducing logistics cost from an estimated 13-14% of the GDP to 9% through the introduction of a National Logistics Policy is another welcome step in this direction¹⁸.



17. <https://www.makeinindia.com/eodb> https://dpiit.gov.in/sites/default/files/Ease_of_doing_business_Booklet_20210710_08Oct2021.pdf

18. <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1595915>

19. LPI2018.pdf (worldbank.org)

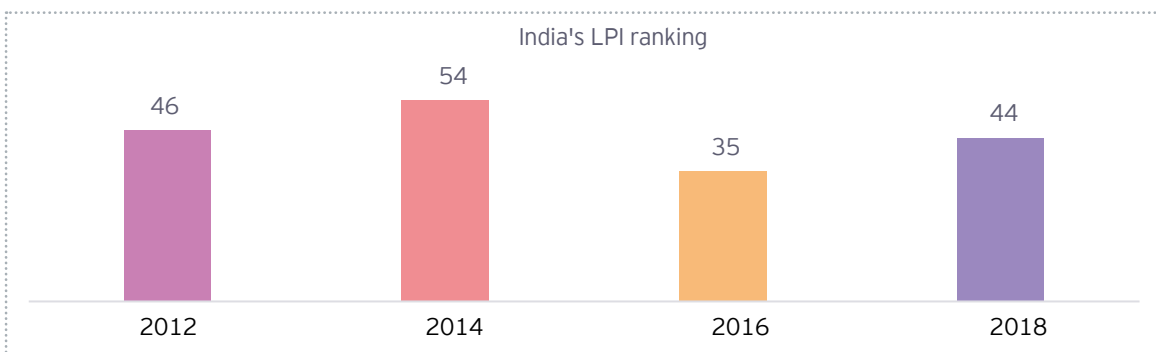
20. <https://openknowledge.worldbank.org/bitstream/handle/10986/29971/LPI2018.pdf>

21. <https://pib.gov.in/PressReleasePage.aspx?PRID=1736822>





While EoDB deals with various aspects of doing business and the related permits in India, the World Bank also measures the logistics performance of a country through a specific index called Logistics Performance Index ('LPI'). Owing to availability of sea routes via the harbors located along its coastline and efficient access to transportation hubs, India has been considered as a top performer in terms of LPI¹⁹. However, despite the above, the rankings have witnessed a decline compared to past performance²⁰.



Considering India's aim to be in top 25 rankings in LPI, significant policy thrust, and reforms are the need of the hour for improving the rankings²¹. This shall also include policy efforts towards warehousing sector given that it forms an integral and important part of the logistics industry.

Despite the promising potential of the warehousing sector illustrated above, the policy landscape in India leaves much to be desired and requires critical evaluation to unlock the true potential of warehousing. Reforms and incentives that help augment the next phase of growth in warehousing are the need of the hour. To add on to this, the Logistics Ease Across Different States ('LEADS') report also ranks Indian states and union territories to increase competitiveness, to boost efficiency and promote healthy competition amongst them in logistics sector. This is likely to bring further efficiencies and catalyze the achievement of a US\$5 trillion economy for India.

Key takeaways

Increase in investments

**US\$ 8 billion
over next 5 years**

Based on historical trend and investment data

Employment opportunities

- ▶ Higher investments shall translate to more employment opportunities
- ▶ Increasing trend of women workforce participation

Increased revenue collection

- ▶ Registration of land parcels = increased stamp duty collection
- ▶ Income tax from industry players and from jobs generated
- ▶ GST on construction and leasing transactions

Other positive spill overs:

- ▶ Infrastructure created to support the warehousing activity likely to benefit surrounding areas e.g. roads, water supplies, sewage treatment, electricity etc.
- ▶ Increase in ancillary commercial activities leading to further economic opportunities
- ▶ Sustainable design and resilient warehousing infrastructure may benefit the economy as under:
 - ▶ Reduced energy consumption
 - ▶ Renewable sources of energy
 - ▶ Efficient waste management





Economic benefits of warehousing

02





As highlighted in the previous chapter, warehousing is a critical component of the infrastructure ecosystem and ensures ready availability of goods thereby decreasing lead time, providing adequate storage solutions for stocking of goods and helps maintain the economic activities concerning supply and demand.

Therefore, the need of the hour is to create a compelling vision for the warehousing sector as a whole and work towards the below objectives for reaping greater economic benefits to the economy:

A. Investment in land and building/automating premises

In FY 2021, the warehousing sector received an equity investment amounting to US\$ 1.3 billion.²² In January to June 2022, the sector has already received investment of US\$ 1.2 billion.²³

Having said above, the warehousing sector is highly fragmented as of now. Approximately 90% of the warehousing space in India is controlled by unorganized players in the form of small-sized with limited mechanization.²⁴ This often translates to higher average inventory holding, in addition to higher storage & handling losses. Lately, the sector has been attracting investments from international players which is propelling the formalization of this sector.²⁵

Based on the historical data relating to investments in the sector and the projected demand for warehousing up to FY 2026, it is estimated that the sector may likely attract investments of approximately US\$ 8 billion in next five years.²⁶

B. Employment opportunities

Setup of new warehouses with increasing investment from international players is estimated to generate employment opportunities, both at the time of construction as well as operational, with a likely increase in women workforce participation. Women are expected to take up leadership roles at the senior and mid-management level in addition to getting into operational and technical roles like material handling equipment operators, shift supervisors, truck drivers, warehouse managers, stores and linefeed supervisors.

C. Increased revenue collection

Also, setting up of new warehouses and development in the existing infrastructure of the warehouses will not only benefit the sector as a whole but is also estimated to contribute towards increased revenue collection for the government. To begin with, registration of land parcels for setting up of warehouses contributes towards increased stamp duty collection. Moreover, on the income earned by industry players as well as the employment provided by them, the government shall accrue Income Tax. In addition to the above, an increase in construction and leasing transactions shall facilitate an increase in GST revenue.

Therefore, the growth in warehousing sector shall also contribute to the government in the form of increased revenue collections, for both central and state governments.

D. Positive spill overs

Construction, development and operation of warehouses is also expected to provide positive ancillary benefits to



the economy as a whole. For example, infrastructure created to support the warehousing activity in the form of roads construction, electricity transmission lines, sewage treatment and water supplies etc. may also benefit the development of the surrounding areas.

Availability of better facilities around warehousing units shall likely contribute to an increase in commercial activities in the area and may lead to generation of indirect jobs as well.

Moreover, focus on sustainable design and resilient warehousing infrastructure may benefit the economy and environment through the following key outcomes:

Reduced energy consumption through energy efficient design of facilities and use of sustainable building materials

Promoting use of renewable sources of energy, with potential to also supply to other occupants or the grid

Efficient waste management, reducing the burden on municipal facilities to manage the same

In the ensuing chapter, we have analyzed the policy landscape in three key states viz. Haryana, Maharashtra and Uttar Pradesh considering their overall dominance in terms of market size and potential for warehousing.

22. Knight Frank, India Warehousing Market Report 2022, (<https://www.knightfrank.com/research/report-library/india-warehousing-market-report-2022-9348.aspx>)
23. Knight Frank, India Warehousing Market Report 2022, (<https://www.knightfrank.com/research/report-library/india-warehousing-market-report-2022-9348.aspx>)
24. https://www.careratings.com/uploads/newsfiles/13042021060144_Update_on_Warehousing_Industry_-_April_2021.pdf
25. Knight Frank, India Warehousing Market Report 2022 (<https://www.knightfrank.com/research/report-library/india-warehousing-market-report-2022-9348.aspx>)
26. Based on past investment trend and projected leased area in Knight Frank's 2021 report (<https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-l-8217.pdf>) Refer Annexure B for more details on the methodology

Key takeaways

The **National Logistics Policy ('NLP')** is aimed at introducing reforms to the **logistics and warehousing sector** and related policy measures to catalyze the efficiency of operations while reducing the cost of logistics simultaneously.

NLP aims to promote seamless **movement of goods and enhance the competitiveness of Indian industries**. Further, the NLP is also cognizant of the warehousing sector as a sub-set of logistics and recognizes the importance of the sector.

At present, **13 states have put in place respective policies governing logistics and warehousing**.

Delhi NCR is emerging as one of the most preferred warehousing destinations in India due to the growth of industrial clusters and high economic activity in the NCR region overall. Similarly, **Mumbai being the economic capital of India alone accounts for 42% of the warehousing stock in India**.

Together, **Mumbai and Delhi NCR markets constitute approximately 60% of the warehousing stock in India**.

Therefore, **the states of Haryana, Uttar Pradesh, and Maharashtra merit a detailed analysis of their policy landscape** as they dominate the warehousing market in the country.

This chapter evaluates in detail **the best practices of states across India and the policies of Haryana, Maharashtra and Uttar Pradesh concerning warehousing sector**.





Existing policy landscape

03





At present, 13 states have put in place respective policies governing logistics and warehousing.²⁷ Central government has also introduced the National Logistics Policy, 2022 ('NLP') on 28 September 2022 with the objective "To develop a technologically enabled, integrated, cost-efficient, resilient, sustainable and trusted logistics ecosystem in the country for accelerated and inclusive growth". The key facets of the said policy are discussed in the later portions of this chapter.

With regard to the states, the capital of the country, Delhi, is bordered by the NCR regions of Haryana and Uttar Pradesh. Connectivity to Delhi, development of manufacturing units and allied services, growth of industrial clusters and high economic activity have contributed to NCR emerging as one of the most preferred warehousing destinations in India.²⁸ Similarly, Mumbai being the economic capital of India alone accounts for 42% of the warehousing stock in India.²⁹

Together, Mumbai and Delhi NCR region constitutes approximately 60% of the warehousing stock in India. Therefore, the states of Haryana, Uttar Pradesh, and Maharashtra merit a detailed analysis of their policy landscape as they dominate the warehousing market in the country. Another likely aspect for their dominance is the availability of better infrastructure in terms of connectivity via roads, railways, inland container depots and airports etc. These states have some of the most important highways and are also connected through vital railway routes covering the larger populace. Therefore, these states have been able to harness the multi-modal connectivity to a greater extent and merit an analysis of their policy landscape.

To provide a fillip to the warehousing sector, various states have implemented measures that are conducive to the business environment, enables quicker set-up of facilities and aims to provide speedy resolution of grievances.

National Logistics Policy

On 17 September 2022, the government of India launched NLP with an intent to channelize below benefits³⁰:

- ▶ Create a single window e-logistics market
- ▶ Focus on generation of employment, skills and make MSMEs competitive
- ▶ Improve India's trade competitiveness
- ▶ Improve India's performance in global rankings and pave the way for India to become a logistics hub

The NLP is aimed at introducing reforms to the logistics and warehousing sector and to introduce various policy measures to catalyze the efficiency of operations while reducing cost of logistics simultaneously.

As per Ministry of Commerce & Industry, the vision of NLP is to drive economic growth and business competitiveness of the country through an integrated, seamless, efficient, reliable, green, sustainable, and cost-effective logistics network leveraging best in class technology, processes, and skilled manpower.³¹

Further, the NLP seeks to reduce the logistics cost from 16 per cent of Gross Domestic Product (GDP) to a global average of 8 per cent by 2030.³² The NLP thus aims to promote seamless movement of goods and enhances the competitiveness of Indian industries. Further, the NLP is also cognizant of the warehousing sector as a sub-set of logistics and recognizes the importance of the sector. The launch event press release emphasized on this aspect as below³³:

“

Focus will be on enabling adequate development of warehouses with optimal spatial planning, promotion of standards, digitization and automation across the logistics value chain and better track and trace mechanisms.

The policy also provides for setting up of a “Services Improvement Group” (‘SIG’) who shall be responsible to improvement in processes, regulatory compliances and digitalization of the logistics sector.

NLP needs to be implemented in letter and spirit to ease the supply chain bottlenecks and expedite the development of an integrated logistics ecosystem in the country. It is expected to further strengthen the warehousing sector by improving the quality of storage infrastructure and increase warehousing capacity by identifying areas of standardization and optimization. While NLP has provided the much-needed thrust and policy focus on the logistics and warehousing sector, various states are also in the process of launching their own logistics policy within the broad contours of the NLP.

In addition to the policy landscape analyzed in the previous section, it is equally important to recognize some of the best practices of the states that may be emulated on a national level and that helps promote healthy competition for enhancing Ease of Doing Business (‘EoDB’) in the country overall³⁴.

Best practices of states

Punjab

1. Single window system for availing various regulatory clearances and efficient parallel processing of application instead of sequential take-up of approvals ladder
2. CLU is part of building plan approval process. Deemed approval mechanism is followed subject to payment of applicable fee
3. ‘Invest Punjab’ has a dedicated team who are sanctioning the plan and Occupancy Certificate for such projects

Gujarat

1. Institutional framework even down to the city level - ease in obtaining approvals and permits
2. Single-window provision, through the State Investor Facilitation Portal, for granting clearances
3. Skilling in logistics domain actively being given a push

Tamil Nadu

1. ‘Priority’ status to logistics and provides taxes (holiday/ rebate) and fiscal incentives to the logistics sector

27. <https://dpiit.gov.in/logistics-division> (accessed: 22 October 2022)

28. Knight Frank, India Warehousing Market Report 2021, (<https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-i-8217.pdf>)

29. Knight Frank, India Warehousing Market Report 2021

30. <https://commerce.gov.in/press-releases/national-logistics-policy-will-be-released-soon-policy-to-create-a-single-window-e-logistics-market-will-generate-employment-and-make-msmes-competitive-nirmala-sitharaman/>

31. <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1595915>

32. <https://www.investindia.gov.in/team-india-blogs/national-logistics-policy-india>

33. <https://pib.gov.in/PressReleasePage.aspx?PRID=1861133>; <https://egazette.nic.in/WriteReadData/2022/239205.pdf>

34. LEADS Report 2021 (https://commerce.gov.in/wp-content/uploads/2021/11/LEADS-2021-Report_Final.pdf)

2. TIDCO appointed as State nodal agency for integrated development of logistics sector
3. Single window facility covers 38 services/clearances about 14 Departments with defined timelines

West Bengal

1. Single window for approval and grievance redressal - Silpasathi
2. Setting up of training centers for truck drivers and other logistics personnel - Utkarsh Bangla
3. Investment in logistics parks and transportation hub

Odisha

1. State Level Single Window Clearance Authority (SLSWCA), set up to approve all logistics facilities projects
2. District Level Single Window Clearance Authority (DLSWCA), set up to approve projects at individual district level
3. Set up a State Project Monitoring Group (SPMG) for grievance redressal and dispute resolution for logistics sector

Karnataka

1. Nominated Nodal agency for supporting logistics
2. Single window mechanism for expedited clearance of infrastructure investment proposal has been set up
3. Rationalization of permits/licenses and reduce overall timelines for regulatory clearances

Uttarakhand

1. Earmarked space for warehousing/ logistics facilities in various state industrial development zones
2. Single window mechanism for processing approvals for logistics facilities
3. Implemented grievance redressal and dispute resolution mechanism

Kerala

1. Nodal officer for the sector, setting up urban freight committee and implementation of digital initiatives measures.
2. Kerala Single Window Interface implementation for Fast and Transparent Clearance (K-SWIFT) provides 75+ services of 21 Departments/Agencies, including approvals for setting up logistics infrastructure.
3. K-SWIFT also acts as a grievance redressal portal for industrial investments

Source: LEADS report, 2021



Analysis of policies of 3 key states

Haryana

Logistics, Warehousing & Retail Policy, 2019



Objectives

1. Creation of at least 5 Logistics Parks across Haryana with private sector participation (by 2023).
2. Attract investments to the tune of INR 10,000 Cr. in Logistics, Warehousing & Retail sectors.
3. Generate employment to the tune of 25,000 new jobs.

Best practices of the state³⁵:

1. Single desk clearance mechanism and assistance in land acquisition for setting up of logistics infrastructure
2. Time-bound approvals by Department of Town and Country Planning ('DTCP')
3. Easy to obtain CLU if land falls under same zone
4. No separate approval required if change in master plan by small variance, say, 5-10%
5. Self-certification through registered architects/engineers/surveyors
6. Lowest Green belt requirement (15% of plot size)

Key challenges:

1. Lack of time bound and deemed approval process in granting CLU
2. Mandatory fire tunnel requirement: Expensive to build and maintain; also impacts the usable area for a warehouse
3. Lack of land availability at competitive prices for in-city warehousing
4. High External Development Charges ('EDC') for in-city warehousing
5. Online as well offline submissions are required for fire and building plan. This consumes more time and causes delays
6. Restrictive conditions related to night shift for women workforce in warehousing sector

35. LEADS Report 2021 (https://commerce.gov.in/wp-content/uploads/2021/11/LEADS-2021-Report_Final.pdf)

Maharashtra

Maharashtra's Logistics Parks Policy, 2018



Objectives

1. Make Maharashtra a part of the global supply chain.
2. Upgrade from traditional warehousing to provider of fully integrated value-added logistic services.
3. Improve overall logistic infrastructure of the state to ensure last mile connectivity.
4. Improve efficiency and reduction in logistic costs.

Best practices of the state³⁶:

1. Investor facilitation cell and online Single Window portal have been established under MAITRI
2. MAITRI cell also acts as a grievance redressal cell
3. Land bank for development of logistics infrastructure and provides for deemed conversion of 'CLU'
4. MIDC reserved a minimum 500-acre industrial area for the development of logistics and warehousing facilities

Key challenges:

1. Lack of time bound and deemed approval process overall
2. Lack of parallel processing of application: Until earlier file is cleared for one building; subsequent building's approval cannot be submitted
3. Even if there is a slight variance in approval plans, fresh application is required for such variance approval. Causes delays
4. A single authority with requisite powers to decide and approve the application is needed to expedite projects
5. Government has accorded 'industry status' to the warehousing and logistics units notified by MIDC through Section 14 of the Integrated Logistics Parks Policy ('ILP'). However, for seeking approvals for conversion of electrical connections into industrial category, one has to approach several departments in the state machinery. Obtaining benefit of industrial tariff for electricity is a challenge at present.

36. LEADS Report 2021 (https://commerce.gov.in/wp-content/uploads/2021/11/LEADS-2021-Report_Final.pdf)

Uttar Pradesh

Uttar Pradesh Warehousing and Logistics Policy, 2018



Objectives

1. Promoting private investments in setting up logistics facilities to promote the interests of both primary and secondary sectors in the state with forward and backward linkages.
2. Upgrading and improving the existing warehousing and logistics infrastructure to boost economic activities and generate mass employment opportunities.
3. Promote green and innovative practices to develop a competitive logistics infrastructure in the State.

Best practices of the state³⁷:

1. Integrated State Logistics Plan, for uniform and comprehensive development of the logistic sector
2. Industry status to the sector
3. NIVESH MITRA - single-window system for redressal mechanism for the logistics and warehousing sector
4. Skilling in logistics domain actively being given a push

Key challenges:

1. Lack of time bound and deemed approval process overall
2. Non-permissibility of warehousing in industrial areas

37. LEADS Report 2021 (https://commerce.gov.in/wp-content/uploads/2021/11/LEADS-2021-Report_Final.pdf)

Key snippets of policies of Haryana, Maharashtra and Uttar Pradesh

Parameters	Warehousing Sector			Logistics Sector		
	Haryana	Maharashtra	Uttar Pradesh	Haryana	Maharashtra	Uttar Pradesh
Recognition as "Industry"	✓	✓	✓	✓	✓	✓
Minimum area and investment norms						
Minimum Area	2 acres	-	1 lac sq. ft.	Logistics park - 25 acres Integrated/ MMLP - 100 acres Cold chain facility - 20,000 sq. ft. Retail Hub - 5 acres	Integrated Logistics Park-5 acres (70% area to be used for logistics service) Logistics Park-20,000 sq. ft. built up area (80% area to be used for logistics service)	Private Logistics Park- 25 acres Container Freight Station (CFS) / Inland Container Depot (ICD) - 10 acres Cold chain facility- 20,000 sq. ft.
Minimum Investment	-	-	INR 25 crore	Logistics park-INR 25 crore Integrated/ MMLP-INR 100 crore Cold chain facility - INR 15 crore Retail Hub - NA	-	CFS/ICD - INR 50 crore Cold chain facility - INR 15 crore
Fiscal Incentives						
Capital Subsidy (% of fixed capital investment)	25% Maximum limit of INR 5 crore	-	-	Logistics Park -25% (maximum limit of INR 15 crore) Integrated/ MMLP -25% (maximum limit of INR 25 crore)	-	-
Interest Subsidy/ reimbursement *(subsidy on loan taken to meet working capital requirements) # (reimbursement on loan taken for setting up automated supply chain technology)	5%* Maximum limit of INR 10 lakhs (per year for 3 years)	-	5% p.a. for 5 years (for specific uses) Maximum INR 50 lacs p.a. per unit	Logistics Park- 5%*Maximum limit- INR 20 lacs (per year for 3 years) Integrated/ MMLP- 25%*Maximum limit of INR 50 lacs (per year for 3 years)	-	Private Logistics Park- 5% p.a.#Maximum limit of INR 1 crore per park Others - 5% p.a. for 5 years (for specific uses); up to INR 50 lacs p.a. per unit
Capital Interest Subsidy (reimbursement on loan taken for procurement of material handling equipment for 5 years)	-	-	5% p.a.(subject to maximum INR 50 lacs p.a. per unit)			Private Logistics Park- 5% p.a. (subject to maximum INR 2 crore p.a. per unit, overall ceiling of INR 10 crore) Logistics Units- 5% p.a. (subject to maximum INR 50 lacs p.a. per unit)

Infrastructure Interest Subsidy (reimbursement p.a. on loan taken for development of infrastructural amenities for 5 years)	-	-	5% p.a.(subject to maximum INR 1 crore p.a. per unit, overall ceiling of INR 5 crore)	-	-	Private Logistics Park- 5% p.a. (subject to maximum INR 2 crore p.a. per unit, overall ceiling of INR 10 crore) Logistics Units- 5% p.a.(subject to maximum INR 1 crore p.a. per unit, overall ceiling of INR 5 crore)
Electricity	Duty 100% exempt for 7 years	At industrial rates, if covered in policy and notified by MIDC	Duty 100% exempt for 10 years	Duty 100% exempt for 7 years	At industrial rates, if covered in policy and notified by MIDC	Duty 100% exempt for 10 years
Stamp Duty (reimbursement/ exemption)	100%	-	Nil-100% based on area	100%	-	Private Logistics Park: 100% Others: Nil-100% based on area
EDC and Commercial License fee	100% (for Warehousing cum retail)	-	Up to 75% concession on EDC	50% (in C&D category blocks)	-	Up to 75% concession on EDC
Incentives for capacity building of workers	✓	-	✓	✓	-	✓
EPF reimbursement facility	-	-	✓	-	-	✓
Land use conversion charges concession	-	-	50%	-	-	50%
Development charges exemption	-	-	75%	-	-	75%

Parameters	Warehousing Sector			Logistics Sector		
	Haryana	Maharashtra	Uttar Pradesh	Haryana	Maharashtra	Uttar Pradesh
Single desk clearance mechanism	✓	✓	✓	✓	✓	✓
Ground Coverage	60%	75%	60%	60%	75%	60%
Focus on special zones for set up of facility	✓	✓	✓	✓	✓	✓
Support in Land acquisition	✓	-	-	✓	-	-
Increased functioning hours (24 X 7 (three shifts))	✓	-	-	✓	-	-
Part time employment	✓	-	-	✓	-	-
Women allowed in all shifts	✓	-	-	✓	-	-
Increase in overtime working hrs in Factories Act, 1948	✓	-	-	✓	-	-
Modification of Labour Law	-	✓	-	-	✓	-
Land for set up of industrial warehouses/ logistics parks	In IMTs (HSIIDC) - 5% of area reserved	-	-	✓	-	-
Dedicated agency for development of logistics	-	-	✓	-	-	✓
Infrastructure support/ augmentation	✓	✓		✓	✓	-
Encouraging Innovations and Intelligent Logistics	-	-	✓	-	-	✓
Green cover area	15% green cover area	-	-	15% green cover area	-	-
Initiatives and incentives for human capital/ skill development	✓	✓	✓	✓	✓	✓

Benchmarking of state's policies

S. No.	Particulars	Gujurat	Haryana	Punjab	Tamil Nadu	Maharashtra	Uttar Pradesh	Telangana	West Bengal	Rajasthan	Madhya Pradesh	Bihar	Assam	Delhi
1	LEADS 2021 rank	1	2	3	4	5	6	10	15	16	17	19	21	-
2	Recognition as 'Industry'	✓	✓	✓	✓	✓	✓	✗	✗	✓	✗	✗	✗	✓
3	Policy on warehousing	✓	✓	✗	✗	✗	✓	✗	✗	✓	✗	✗	✓	✗
4	Mentioned in any other policy of state	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
5	State Warehousing Cell / Coordination Committee - Nodal Dept	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
6	Land Subsidy													
	Quantum	-	-	-	-	-	50-100%	-	-	100%	-	100%	-	-
	On	-	-	-	-	-	CLU	-	-	Land Tax 7Y	-	CLU	-	-
7	Electricity duty exemption/ reimbursement													
	Quantum	100%	100%	-	-	-	100%	-	-	100%	100%	100%	-	-
	Duration	5Y	7Y	-	-	-	10Y	-	-	7Y	5-10Y	-	-	-
8	Stamp Duty	Nil-100%	100%	-	-	-	Nil-100%	-	-	-	100%	100%	-	-
9	Skilling - Fiscal support	✓	✓	-	✓	-	✓	-	-	-	-	✓	-	-
10	Quality certification of Warehouses (subject to a ceiling; differs from state to state)	50%	-	-	-	-	50%	-	-	-	-	-	50%	-
11	24x7 Operations	✓	✓	✓	✓	-	✓	-	-	-	-	-	-	✓

Source: Based on analysis of respective state policies

Legend	
● Available	● Not available / Not yet notified

Though certain welcome steps are being made in terms of policies and measures by the states, the sector is facing various challenges which requires a cohesive approach and effort to help remove the bottlenecks and enable the achievement of the objectives of National Logistics Policy. These challenges and potential solutions have been outlined in the ensuing chapters.

Key takeaways



Six broad domains have been identified wherein key challenges persist and support from Government is desired:



Land related issues:

- ▶ Lack of desired land pools
- ▶ Change in Land Use - High cost of conversion vis-à-vis industry and delays in approvals
- ▶ Absence of adequate infrastructure for transportation from MMLPs to demand centers

Laws and regulations

- ▶ Time consuming government approval process: Resulting in increased cost of operations
- ▶ Lack of a true single-window mechanism for timely approvals and single liaison

Permits and licenses

- ▶ Approximately 65-70 licenses are required to be obtained at the pre-establishment, pre-operation, and the post operation phase of a warehouse together
- ▶ Requirements for obtaining various licenses are complex resulting in delays and increased costs in obtaining them
- ▶ Environmental categorization for approvals do not have specific provisions for warehousing sector. The process requires a revamp through a detailed study.

Labor

- ▶ Warehouses not allowed to operate 24x7x365 in many states
- ▶ Women not permitted in night shifts in various states

Award of incentives

- ▶ Need for incentivizing the warehousing sector is steadily being recognized by the central and state governments
- ▶ It is imperative that such incentives are timely notified and materialized in favor of the industry players
- ▶ In some states, incentives are offered in areas that are distant from demand centers, lack proper infrastructure and thus, are not optimal for the purpose of setting up warehouses

Absence of skilling initiative

- ▶ Currently, there are no institutions in India that impart training necessary for warehouse workforce
- ▶ Need of the hour is to create a skilling institute that can cater to the warehousing sector

GST credit on construction

- ▶ Any construction, re-construction or renovation related activity is considered as ineligible for availing ITC under GST law
- ▶ Similarly, construction of a pre-engineered building ('PEB') is also considered under the ambit of immovable property
- ▶ Warehouse construction (including PEB) is highly capital intensive and resultantly, denial of ITC negatively impacts the working capital of the industry.
- ▶ Ends up blocking a large amount of liquidity





Key issues impacting warehousing sector

04





To understand improvement opportunities for warehousing, six broad domains were identified where support from Government is desired.

For India to harness the potential of warehousing sector, it is imminent that both Central Government and the State Governments must work towards removal of bottlenecks and resolution of issues hindering the growth of the sector. The launch of the NLP is that step in the right direction to ensure cooperative federalism.



Land related issues

For warehousing, location of land and its availability is of paramount importance. Issues related to availability of adequate land comprises a substantial part of the pre-construction challenges faced by the industry players.

Lack of desired land pools

- ▶ Information related to land availability, associated permits and approvals etc. is asymmetric.
- ▶ Moreover, warehousing is being treated as a commercial activity in most states and thus, land for warehousing not available inside the Industrial estates.
- ▶ No designated area/ zone approved for warehousing close to central business districts.
- ▶ The process requires liaison with multiple departments, authorities.
- ▶ Non-availability of a land pool that is complete with all required permits, of desired size and free of any encumbrances.
- ▶ Restrictions on the maximum size of land that can be acquired. For example, in many states, no more than 17 acres of agricultural land can be acquired by one single buyer.³⁸

Change in Land Use (CLU)

- ▶ Conversion of land for setting up of a warehouse where it takes significant time leading to delays and consequential increase in cost.
- ▶ Moreover, significant differences exist for Change in Land Use ('CLU') rate as in many states, warehousing is considered as commercial.
- ▶ Even though warehousing has been accorded 'industrial' status in many states, the disparities in CLU rates continue to exist. The said differences in Maharashtra and Uttar Pradesh are highlighted below:³⁹

State	CLU rates for Industrial purpose	CLU rates for Commercial purpose (includes warehousing)
Maharashtra	30% of ready reckoner rate	50% of ready reckoner rate
Uttar Pradesh	INR 350-1000 per sq. m.	INR 1000-3000 per sq. m.
Haryana	INR 100-200 per sq. m.	INR 100-200 per sq. m.

This calls for rationalization and the treatment of warehousing sector on par with industry for purpose of obtaining benefits which are accorded to those sectors granted an "Industrial Status".

38. WAI

39. Confederation of Indian Industry & CII Institute of Logistics, Building Logistics Capital



Locations of Multi-Modal Logistics Park ('MMLP')

- ▶ 53 MMLPs have been established across India.⁴⁰ Such MMLPs also provide for demarcated space for setting up of warehouses.
- ▶ The lead time for demand fulfilment from warehouses to urban centers is impacted in absence of adequate infrastructure and transportation facilities.
- ▶ India is yet to establish a fully developed transportation system to complement the MMLPs.⁴¹

Laws and Regulations

Time-consuming government approval process

- ▶ For setting up and running a warehouse, multiple regulatory licenses are required to be obtained under multiple laws.
- ▶ In the absence of any nodal authority, multiple representations are required to be made before multiple government authorities for obtaining the requisite permissions.
- ▶ Moreover, the documentation requirements vary across states and are not uniform.
- ▶ Resultant delays lead to an increase in cost of operations.

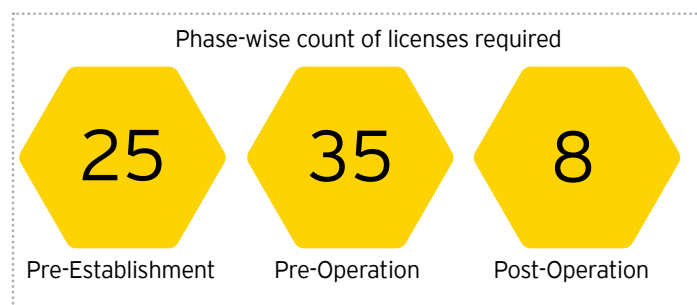
Lack of a true single-window mechanism

- ▶ While various state governments have done the laudable task of creating a single window platform or facilitation center, the on-ground situation needs further improvement.

- ▶ Various government facilitation portals such as Sakala in Karnataka, Saral in Haryana, Nivesh Mitra in Uttar Pradesh, Maitri in Maharashtra etc. have been established by state governments with the objective of providing a single nodal contact for the industry members. This single window generally operates as a liaison office for connecting to respective departments whereas the authority for approvals vests with such departments only.
- ▶ The process requires a modified approach for smooth & efficient functioning.⁴²

High permits and compliance requirements

As per industry estimates, to establish warehouse in India, an approximate of 65-70 licenses are required to be obtained at the pre-establishment, pre-operation, and the post operation phase of a warehouse together.⁴³ For instance, in Karnataka, 68 licenses are needed which may be categorized as below⁴⁴ :



40. <https://www.hindustantimes.com/india-news/11-multi-modal-logistics-parks-planned-in-phaseii-101655445594615.html>

41. Warehousing in India - The smart way (https://sites.temple.edu/abhishekroy/files/2019/11/12-34_State-of-Industry-Abhishek.pdf)

42. WAI

43. WAI

44. WAI. Refer Annexure A for details on licenses/permits

High number of license/approval requirements

Of the 68 licenses outlined above, the requirements for obtaining various licenses are complex resulting in delays and increased costs in obtaining them. The illustrative list of such licenses alongside the broad challenges faced by the stakeholders in obtaining them are as under⁴⁵:

Sl. No.	License/Approval	Concerned department	Challenges faced as per WAI
1	Consent to Establish ('CTE')*	State Pollution Control Board	<ul style="list-style-type: none"> ▶ Takes significant time to obtain CTE. ▶ Requirements to obtain are stringent, even though majority of warehouses does not contribute to pollution and do not deal in hazardous goods.
2	Registration under Shops and Establishment Act, 1961	Labor Department	<ul style="list-style-type: none"> ▶ Required to follow the requirements of business hours, night shift restricts etc.
3	Provisional Fire - NOC - To be obtained pre-establishment	Fire Services Department of relevant jurisdiction	<ul style="list-style-type: none"> ▶ Requirements are not standardized as each state has set out different sets of requirements. ▶ Moreover, in states such as Haryana, fire tunnels are mandated and impact the cost and operations.
4	Change of Land Use ('CLU')	State's Town planning and urban development authorities	<ul style="list-style-type: none"> ▶ Takes considerable amount of time to obtain.
5	Building Sanction Plan approval	Relevant state jurisdictional authority	<ul style="list-style-type: none"> ▶ Norms are not uniform across the states ▶ Various permissions are redundant/ irrelevant e.g., forest access permission or mining department permission for areas not falling in respective zones
6	Approval of Development Plan	Regional development authorities	
7	NOC from Municipal office/ panchayat	Relevant Municipality/Gram Panchayat	<ul style="list-style-type: none"> ▶ The requirements are not uniform and suffer from inordinate delays due to lack of a time-bound process
8	Trade licenses	Relevant Municipality/Gram panchayat	
9	Consent to Operate ('CTO')*	State pollution control board	<ul style="list-style-type: none"> ▶ Takes significant time to obtain CTO. ▶ Requirements to obtain are stringent, even though majority of warehouses does not contribute to pollution and do not deal in hazardous goods.
10	Fire NOC: For warehouses having height above 15 meters - To be obtained pre-operation	Fire Services Department of relevant jurisdiction	<ul style="list-style-type: none"> ▶ Requirements are not standardized as each state has set out different sets of requirements. ▶ Takes considerable time to obtain fire NOC.
11	Contract labor	Labor department	<ul style="list-style-type: none"> ▶ Cumbersome requirements lead to delays in operations and entails increased compliance costs

*A recent Office Memorandum vide F. No. 19-131/2019-IA-III [E128798] dated 4 October 2022 is a welcome step in easing an

45. WAI

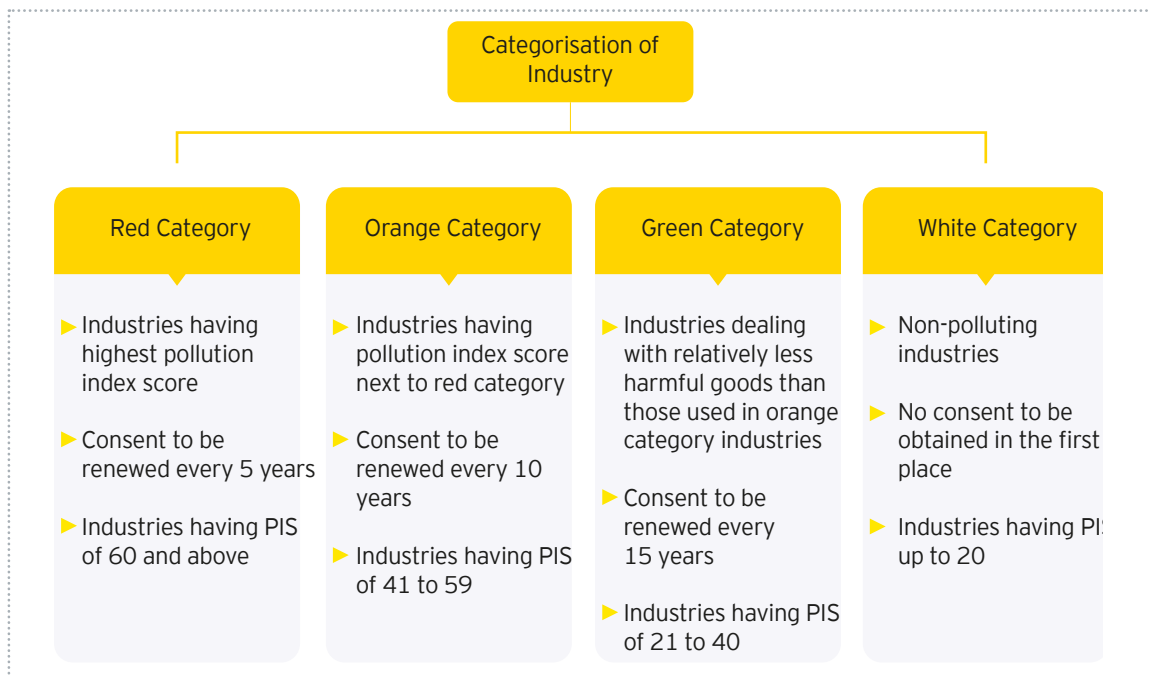
avoidable mandatory requirement and significantly improving the ease of setting up warehouses. The relevant extract of the document is reproduced below:

The Ministry is now in receipt of representations to exempt warehouses for storage of raw materials

- “
- 5 and finished goods of all consumption and industrial products including but not limited to industrial and factory-made products (except hazardous materials) from the requirement of prior EC along with industrial sheds, schools / colleges/hostels for educational institutions as per the provisions contained in item 8(a) of schedule to the EIA Notification, 2006.
 - 6 The matter has been examined in consultation with the concerned sector appraising Infrastructure Projects. Based on the inputs provided by the concerned sector of the IA Division, and further deliberation, the Ministry deems it necessary to clarify that, the word Industrial Shed mentioned in the Notification S.O. 3252 (E) dated 22/12/2014 implies buildings/ warehouses/ sheds (whether RCC or otherwise) which are used for housing machinery of industrial units and/or storage of raw materials and finished goods and industrial products including but not limited to industrial and factory-made products, irrespective of the location and proximity of the Industrial Shed vis-a-vis any Industry. These Industrial Sheds shall strictly implement the guidelines issued vide OM dated 9/06/2015 to ensure sustainable environmental management. However, if any of the activities/processes covered in the schedule to the EIA Notification 2006 are housed in the said Industrial Shed, then the same shall be required to obtain prior EC under the provisions of EIA Notification, 2006.
 - 7 It is further mentioned that if the size of the industrial shed is $\geq 1,50,000$ sq. mtrs of built up area it shall be required to obtain prior EC under item 8(b) of schedule to the EIA Notification 2006, irrespective of the type of industry/ utility it houses.”

Environmental categorization for approvals

The Ministry of Environment, Forest and Climate Change ('MoEFCC') in 1989 had introduced the classification of industry based on the score of pollution ('Pollution index score' or 'PIS') caused by a certain category of industry⁴⁶. Basis the same, industries were broadly classified in three categories viz., Red, Orange, and Green. In 2016, the categorization was amended to include a new category, i.e., the white category for those class of industries/establishments that are non-polluting and thereby does not warrant any consent from the state pollution control boards. A summary of the said categorization is provided as under:



46. Latest_Final_Directions.pdf (cpcb.nic.in)

Specific provisions that deal with the intricacies of warehouses, structure and end-use are the need of the hour for rationalizing the issues related to time-consuming approvals. A detailed study is required to be undertaken to identify and ease provisions pertaining to obtaining and subsequent requirements under various approvals.

Labor related challenges

The restrictive conditions related to timings and operation of warehouses results in non-optimal use of the capacity on account of two primary reasons:



Warehouses not allowed to operate 24x7x365

One of the major challenges faced by the warehousing sector is restriction on business hours for which a warehouse is allowed to operate. A warehouse is classified as a commercial entity (instead of being treated on par with industry) and is required to undertake registration under the Shops and Establishment Acts ('S&E Acts') of the respective state.

In many states, the S&E Act prescribes a timing beyond which a shop (includes warehouses in its ambit) cannot be kept open resulting in limitation on operations carried out by a warehouse.

Coupled with the above, warehouses operate in tandem with the transportation sector, i.e., efficient delivery of goods to the consumers are ensured by coherent operation of warehouses and availability of transport. In major cities across India, commercial vehicles are allowed to operate for a certain period and not 24x7. They are subject to "no entry" provisions wherein their entry to the city is not allowed during daytime. Consequently, there often arises circumstances where even though warehouses are operational, the movement of commercial vehicles is not permitted. Conversely, the vehicles are permitted for movement during night entry but warehouses being unable to work in tandem due to work timings restrictions.

The unwarranted restrictions on business hours and timing mismatch vis-à-vis vehicles movement hampers seamless operation of warehouses with desired efficiency and also impacts the cost of logistics overall.

Women not permitted in night shifts

Women workforce paves the way for comprehensive socio-economic development of a nation and is desirable for the society as a whole. While governments across India have been cognizant of the importance and encourage women participation in workforce; warehouses being covered under S&E Act, are not permitted to employ women in night shift in many states. While some states have recently liberalized the regulations or have introduced policies concerning night shift for women, a uniform implementation across all states throughout India is yet to be achieved.

Award of incentives

1. The need for incentivizing the warehousing sector is steadily being recognized by the central and state governments. In fact, as highlighted in Chapter 3 of this report, many incentives have been introduced for the warehousing sector through logistics policies by various states.
2. However, it is imperative that such incentives are timely notified and materialize in favor of the industry players.
3. Additionally, in some states, incentives are offered in areas that are distant from demand centers, lack proper infrastructure and thus, are not optimal for the purpose of setting up warehouses. Resultantly, the incentives offered are not beneficial to industry players and do not address the challenges faced by them.

Adequacy of skilling initiatives

Currently, there are inadequate skilling initiatives in India to impart training necessary for warehouse workforce. The need of the hour is to create adequate number of skilling institutes that can cater to the demands of the industry and help create employment opportunities for the youth.

GST credit on construction

The GST law allows a person to avail credit of input tax ('ITC') on the expenditure on goods and services that are used in the course or furtherance of business. Allowing ITC ensures that it does not form part of the cost and does not result in cascading effect (i.e. tax on tax).

However, ITC for certain goods or services is treated as ineligible under Section 17(5) of the Central Goods and Services Tax Act, 2017 ('CGST Act') and respective state GST Acts. Amongst such restrictions, works contract services when supplied for construction of an immovable property are also treated as ineligible.

"Works contract" has been defined under GST law to mean a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract. Thus, any construction, re-construction or renovation related activity is considered as ineligible for availing ITC under GST law.

Similarly, construction of a pre-engineered building ('PEB') is also considered under the ambit of immovable property due to the below aspects:

- ▶ It entails construction of a civil structure
- ▶ Such civil structure, even though pre-engineered and constructed, is intended to form a part of a part of the building or larger facility that is meant to serve as an immovable property for a business
- ▶ The end use of a PEB is similar to a construction process being done on-site

Under the GST law, a multitude of advance rulings (across India) have classified GST credit on PEB as ineligible by being covered in Section 17(5)(c) or (d) of the CGST Act.

Warehouse construction (including PEB) is highly capital intensive and resultantly, attracts GST on such huge investments. Denial of ITC on construction activity negatively impacts the working capital of the industry and ends up blocking a large amount of liquidity which would otherwise have been available to the industry.

Since construction of a warehouse (including PEB) is a pre-cursor to the operations and forms a substantial part of the overall cost, the industry members are burdened with significant cost impact by not allowing ITC. This also results in higher rental recovery rates for the industry.

Key takeaways



Short-term measures

- ▶ Simplify land related approvals
- ▶ Rationalise permits and regulations governing warehousing
- ▶ Time-bound approvals (including deemed approval)
- ▶ Creation of a single window for all permissions and permits
- ▶ Permitting use of industrial facilities for warehousing
- ▶ Dedicated parking zones around fulfilment area
- ▶ Flexibility in operations alongside rationalizing the no-entry rules
- ▶ Allow GST credit on construction
- ▶ Embedding principles of sustainability and resilience in warehouse design, construction and operation

Long-term measures

- ▶ Accord benefits of industry status
- ▶ Need for a national programme on warehousing
- ▶ National database of warehouses
- ▶ Skilling initiatives
- ▶ Enabling warehousing in core vicinity of Tier 1 and Tier 2 cities
- ▶ Mandating minimum standards for warehouse





Key recommendations and
action plan for promoting
growth in warehousing sector

05





The economic significance of warehousing sector in enabling a robust and sustainable infrastructure and contribute to the development of the nation merits policy measures that help achieve the following objectives:

Enhance Ease of Doing Business

Attract investment

Remove redundant procedures/ permits and simplify the business environment

Create jobs

Help achieve the Hon'ble Prime Minister's vision of India becoming a US\$5 trillion economy

To augment the above, the policymakers may implement a combination of short-term and long-term measures in a time-bound and proactive manner.

Short-term measures

01 Simplify land related approvals

The recommendations for land approvals can be divided into two parts, namely, approvals related to government owned lands and those related to privately owned lands. The respective recommendations are as under:

1. For government owned lands, i.e., the government procures itself and allots the land for industry use. In this regard, it is recommended that such land should also be permitted to be allotted to warehousing sector treating it on par with industry.
2. For privately owned lands that are notified and on which an industry can be set up, CLU compliance shall be treated as a procedural formality only for the purpose of recording and shall be deemed to be granted within defined timeline.
3. For other type of privately-owned lands such as agricultural land that are not notified, where CLU is mandatory, the timeline for obtaining CLU must be specified. A deemed approval shall ensure time-bound disposal of applications and streamline the commencement of activities on the land.



02 Rationalise permits and regulations governing warehousing

The number of permits and approvals required to build and operate a warehouse needs to be radically re-looked at with an aim to prune the redundant and irrelevant requirements.

The need of the hour is to ensure we have a uniform list of approvals with standardized documentation requirements transparently available to enable industry players to acquire, build and/or operate warehouses quickly.

This shall go a long way in ensuring policy certainty and attract investments in warehousing on a large scale. With the launch of NLP, the time is opportune to re-look at all permits and approvals and undertake a complete overhaul of the processes to revitalize the sector.

03 Time-bound approvals

- ▶ While pruning the long list of approvals is a key ask, an equally important priority shall be to ensure time-bound approval process. Timelines must be prescribed in respective laws or policies to provide policy certainty to industry.
- ▶ The need of the hour is to implement a time limit with a deemed approval process if such limits are not being adhered to.

A policy environment where industry is assured of timelines shall go a long way in attracting global investors and open up the sector to large scale investments needed for catalyzing the next phase of growth.

04 Creation of a single window for all permissions and permits

Alongside the rationalization of number of permits and approvals, it is equally important to have a single window mechanism at the state that is transparent, shows progress status online and enables time-bound clearances.

Single window mechanism shall be done with an aim to bring all departments, agencies or authorities under a unified umbrella and remove the time and cost involved in liaison with them individually. The need of the hour is to create a nodal agency/empowered group that is authorized to grant all approvals by itself and truly acts as a single window than being a liaison office merely.

This shall significantly enhance the Ease of Doing Business and also reduce the time involved in the process significantly.

05 Permitting use of industrial facilities for warehousing

Industrial facilities have a reasonably developed infrastructure and is equipped with basic facilities such as water, drainage, electricity, roads etc. At present, warehousing is either not allowed or at best, permitted with a restrictive ceiling vis-à-vis overall area.

This hinders the setting up of warehousing units in industrial areas and adversely impacts the cost of operations due to set-up in non-urban centers and at farther distance from demand hubs. With industries being one of the major demand centers for warehouses, reserving at least 15-20% of the available area for warehousing is expected to generate better synergies and unlock the potential for the sector.

Adequate amendments to laws should be made to explicitly permit setting up of warehouses in industrial areas.

06 Dedicated parking zones around fulfilment area

A fulfilment center caters to regional demand and requires seamless flow of goods in and out of it to fulfil the orders. However, there are limited parking zones in urban areas that often impacts the operations or leads to an unintended violation of traffic norms.

The challenge needs to be addressed through creation of dedicated parking zones around fulfilment areas.

07 Flexibility in operations alongside rationalizing the no-entry rules

Warehouses are one of the key enablers of a supply chain and play a critical role in demand fulfilment, storage and transportation of goods and maintain buffer to accommodate for any exigencies. Warehouse should be treated as an essential activity and permitting round the clock operations is the need of the hour.

The S&E Act should allow 24-hour operations for warehousing sector. This may also reduce the anomalies related to no-entry timings since warehouses would be functional at night too. For example, the Delhi government has allowed 24x7 operations for warehouses.⁴⁷ This practice can be emulated in other states across the country.

Also, the no-entry rules needs to be re-evaluated and amended to allow for certain exceptions or relaxations for the industry. For example, vehicles carrying essential goods or electric vehicles can be permitted without any restrictions on timings. In case of electric vehicles being permitted without restrictions, industry would be incentivized to adapt to such green measures and help reduce the carbon footprint as well.

08 Allow GST credit on construction

Being one of the most significant expenditure, denial of GST credit on construction material and services critically impacts the cash flow for the industry and leads to increased costs resulting in higher rentals.

Construction of a warehouse takes anywhere between 1 to 3 years and blockage of credit on such expenditure has an ominous impact on the overall costs and returns of a project.

To spur growth and investment in warehousing sector, the government should immediately amend Section 17(5) (c) and (d) of Central Goods and Services Tax Act, 2017 ('CGST Act') and respective state GST laws to allow ITC on goods/services procured for construction of a warehouse.

For this purpose, a proviso to the aforesaid clauses may be added to create an exception for warehousing sector.

Assuming impact of 18% on costs (being median GST rate), it shall help augment the cash flows to warehousing sector and result in better returns while ensuring that cost escalations are also mitigated to a large extent.

09 Embedding principles of sustainability and resilience in warehouse design, construction and operation

Sustainable and resilient infrastructure development is the need of the hour, and this applies to the warehousing as well. Specific actions and efforts to spread awareness of its benefits for industry to understand, appreciate and voluntarily adopt may be considered.

A detailed separate study is required to be undertaken.

47. <https://www.livemint.com/news/india/amazon-india-to-gets-approval-by-delhi-govt-to-operate-24-7-in-new-delhi-11665326090734.html>

Long-term measures

01 Accord benefits of industry status

Warehousing sector has been accorded the status of industry and infrastructure by both State and Central Government owing to its economic importance, growth potential, job creation, and other socio-economic benefits etc. Thus, warehouses are subjected to receive incentives to ensure easier operation at lower cost, similar to industry.

In addition to the above, while few states have already accorded industry status to logistics (and by extension, warehousing) sector, the materialization of such status in terms of benefits is required. Similarly, benefits of 24x7 operations, availability of cheap finance, relaxed labor law conditions etc. are not available yet in several states.

02 Need for a national programme on warehousing

A major issue impacting the warehousing sector is the diverse set of regulations and policies. These regulations and procedures may also vary from state to state.

Uniform guidelines or policies aimed at creating transparency in approvals process, rationalizing documentation requirements and providing for time-bound approvals shall help address the key hindrances (in terms of time and money) both at pre-operations and post-operations phase of a warehouse.

Such programme must be formulated with the intention of saving both time and cost for the market players by eliminating redundant licenses/permits, land related issues, permitting in-city warehousing, industry status and so on as have been highlighted in the previous Chapters of this report.

03 National database of warehouses

Warehousing is a demand driven sector. However, the lack of a common portal denoting the database of all warehouses, facilities offered, certifications and their grading etc. creates an opaque information asymmetry. The fragmentation of the sector wherein more than 90% is informal further adds to the woes of the ecosystem.

To help channelize the demand and ensure that good quality warehousing is encouraged across the country, the need of the hour is to create a national database for private warehouses which helps bridge the information, facilitate communication between developers and operators and helps formalize the sector.

The government can play a pivotal role in implementing such initiative.

04 Skilling Initiatives

Availability of skilled manpower is a challenge across industries and warehousing is no exception. Given the current warehousing ecosystem in India being unorganized and fragmented, adequately skilled workforce for handling warehouse operations is scarce and limited. Investing in training workforce with optimal warehousing skills shall pave the way for higher efficiency, improved lead times and higher throughput for the economic activity as a whole.

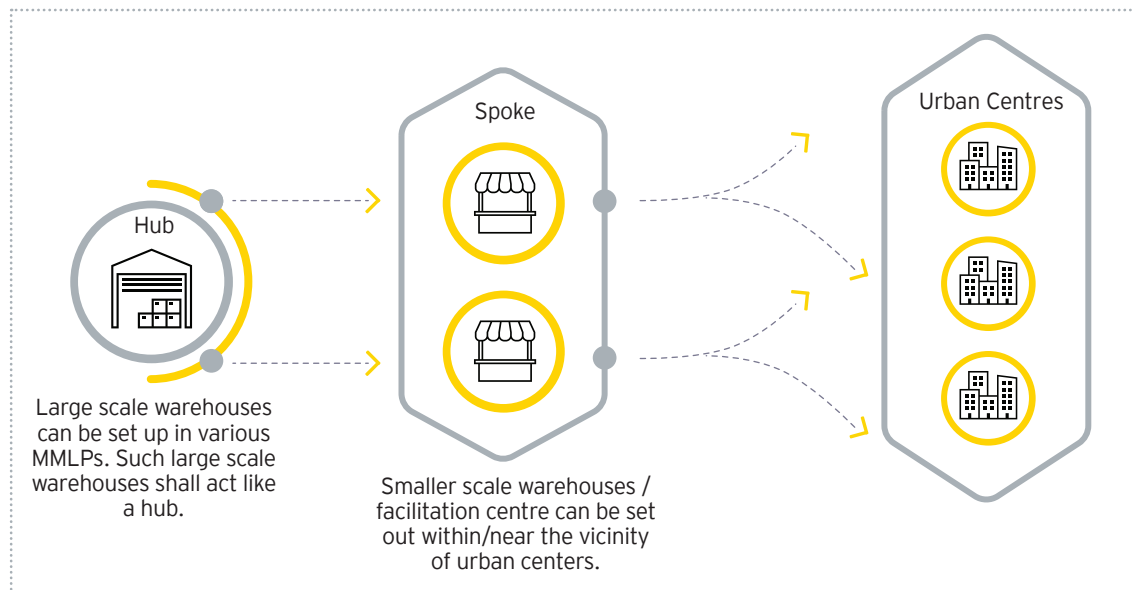
For achieving the objective of the creation of a skilled workforce in this sector, the government may set up training facilities similar to Industrial Training Institutes ('ITI') wherein the industry players having requisite experience can be engaged for imparting training to the interested workforce. Alternatively, the government may directly engage the private players for imparting training to their respective workforce and subsidize the cost associated for such training through incentives or rebates. While many states have announced fiscal incentives for skilling of manpower in their logistics policy, these need to be comprehensively looked at and implemented in a uniform manner across the country.

05 Enabling warehousing in core vicinity of Tier 1 and Tier 2 cities

As highlighted in the aforesaid chapters, one of the major problems faced by the market players in warehousing sector has been availability of adequate land closer to the consumer demand centers. Due to the high population density in the Tier 1 and Tier 2 cities, they tend to be the ideal demand centers. However, availability of land in Tier 1 and Tier 2 cities have been a major concern since heavy cost is incurred in case of buying such land.

In-city spaces such as Bus Depots / Terminals, metro stations, etc. can be leveraged as distribution nodes. It is also suggested that the Government consider organizing a consultation process with industry members who can collaboratively work with the government in identifying the most suitable land parcel for such investments.

Sub-hubs being smaller than MMLPs within the core vicinity of such Tier 1 and Tier 2 cities in India may be setup to reduce lead time for demand fulfilment.



06 Mandating minimum standards for warehouse

In order to cater to the varied public demand, having quality warehousing facilities is a necessity. There should be properly defined criteria/norms for warehousing which done through extensive consultation with industry members, industry associations and other relevant stakeholders would encourage adoption.

Based on the above parameters and the demand criteria for warehousing by various sectors, a grading exercise shall be undertaken to encourage clarity of policy, to drive demand and create a common database mapping such information.

Thus, highlighting the minimum standards for warehouses merits policy intervention at the earliest. Pertinently, the release of Handbook on Warehousing Standards by the Government of India in collaboration with WAI can be seen as a step in the right direction.



Conclusion

The warehousing sector stands out to be an active contributor to the Prime Minister's vision of making India a US\$ 5 trillion economy and complements well the PM GatiShakti program. Collaborative and active participation from all stakeholders including Government is fundamental to meet and maintain demands from industry and consumers. The three States referred in this study would provide insights into forward looking warehousing and logistics policies as good case studies. Further, recommendations in this study will strengthen and improve existing warehousing facilities and serve as good guidelines for the States that are formulating logistics policies.

The warehousing sector continuous to have facilities without minimum standards that are required for the efficient working of a warehouse. It is imperative that widespread awareness of the benefits of standardisation be done for industry to realise, seek standards and adopt them.

While various types of concerns have been highlighted in the above chapters, two major causes for concern for the industry players that warrants the immediate attention of the regulatory authorities has been the time and cost for procurement of land for construction of warehouses and obtaining requisite licenses for setting up and operating a warehouse. Both these issues require short-term as well as long-term measures to be remedied. Resolving these constraints alone will significantly boost the warehousing sector.

The implementation of the policy measures suggested in this report shall go a long way in development of warehousing sector, enabling capacity and scale, and help achieve the Hon'ble Prime Minister's objective of reducing cost of logistics to global standard by 2030. This shall propel the growth of warehouses, bring in the much-needed efficiencies and remove the bottlenecks to help spur the next phase of growth that is formalized, creates job and contributes to the economic development of the country.

The time is opportune when the states are in the process of or have already launched a logistics policy in tandem with NLP. The policy focus on the logistics sector merits a deep-dive into the warehousing sector and prioritizing the implementation of solutions at Central as well as State level.

Summary of key challenges and recommendations

Considering the plethora of challenges and recommendations discussed in the report, a summary of the discussed challenges and recommendations are as under:

Sl. No.	Challenges	Recommendations
Land related issues		
1	<p>The process requires liaison with multiple departments / authorities for the purpose of acquisition.</p> <p>Considerable delay in conversion of land for setting up of warehouses owing to multiple approvals.</p>	<ul style="list-style-type: none"> ▶ For Government owned lands - such land should also be permitted to be allotted to warehousing sector treating it on par with industry. ▶ For notified privately owned lands - CLU compliance be considered as a mere procedural formality. ▶ Other types of privately owned lands including agricultural - Timelines be set for communicating government decision ▶ Fix the timelines for approval along with deemed approval mechanism for ensuring time-bound approvals process
2	Non-availability of adequate land for setting up warehouse within or near the vicinities of urban centers	<ul style="list-style-type: none"> ▶ Allow warehouses to be set up within industrial parks ▶ Dedicated parking zones shall be earmarked
Laws and Regulatory challenges		
1	<ul style="list-style-type: none"> ▶ Inefficient regulatory license obtaining process in the absence of nodal authority ▶ Multiple representations are required to be made before multiple government authorities for obtaining the requisite permissions ▶ Lack of a true single window clearance mechanism 	<ul style="list-style-type: none"> ▶ Create a nodal agency/empowered group that is authorized to grant all approvals by itself and truly acts as a single window than being a liaison office merely ▶ Fix the timelines for approval along with deemed approval mechanism for ensuring time-bound approvals process
2	Fiscal incentives, though provided for in various policies, are not actualizing to warehousing sector	<ul style="list-style-type: none"> ▶ Notify the incentives alongside time bound processing of applications for grant of incentives ▶ Accord the benefits of industry status to warehousing sector thereby extending the incentives available to industries to the warehousing sector too e.g., electricity tariffs at concessional rates, financing, 24x7 operations etc.
Permits and compliance requirements		
1	Approximately 65-70 licenses are required to be obtained at the pre-establishment, pre-operation, and the post operation phase of a warehouse	<p>Rationalize the number of permits and approvals required to build and operate a warehouse</p> <p>Recommended to have a uniform list of approvals with minimal exceptions across the country for greater clarity and transparency in the process</p>
2	Documentation requirements for obtaining licenses vary across the states	Ensure uniform documentation requirements for approvals and permits

Labor related challenges		
1	Since warehouses qualify as commercial establishment/shops, restrictions are imposed on 24x7x365 operations of a warehouse	<ul style="list-style-type: none"> ▶ Allow 24x7x365 operations for warehouses by creating enabling provisions for warehouses by amending the S&E Acts of each state ▶ Recently, Delhi has allowed 24x7 operations for warehousing. Such practice can be emulated across India. ▶ Introduce exceptions/relaxations to vehicle entry rules in all states e.g., electric vehicles, essential goods etc. ▶ Introduce an online portal wherein alternate routes are provided for goods carrying vehicles. Such portal shall have help desk facilities for the aid of the logistics sector.
2	Women workforce restricted from being part of night shifts with the exception of few states	Removal of restriction on woman workforce by amending the S&E Acts to permit working in all shifts
Tax challenges		
1	Credit of GST paid for construction of warehouses (including pre-engineered buildings) is not permitted	Amend GST law to allow credit of GST paid on construction of warehouse and pre-engineered buildings
Miscellaneous challenges		
1	Absence of a skilling institute to impart training specifically to warehouse workforce	Establish training centers similar to ITIs for warehouse workforce
2	Cost for making available resources like electricity and water are undertaken by the warehouse operator/constructor in cases where warehouses are located in areas far from urban centers	Ensure ready availability of essential resources in warehouses located in remote locations
3	Lack of information related to warehousing across India	Establish national database on warehousing
4	Sustainability and resilience in warehouse design, construction and operation	Incentivize and encourage measures to promote sustainability and green initiatives in warehouse design, construction and operation

Annexure A

List of various licenses required for setting up and operation of warehouses⁴⁸:

Pre-Establishment	
Sl. No.	License/Approval Type
1	License for establishment of Drug Store (Retail)
2	Consent to Establish
3	Registration Under Shops and Commercial Establishments, 1961
4	Change of Land Use
5	Demolishing Permission
6	Building Sanction Plan Approval
7	Boundary Wall Construction
8	Ground Water Withdrawal Permission / Borewell
9	Municipal Water Connection
10	Excavating and Land filling permission
11	Issue of Certificate to use Forest Land for Business purpose
12	Temporary Service Connection from District Electricity Supply Company (DESCOM)
13	Provisional NOC - Fire
14	DG Set Installation Certificate (CEIG)
15	Tree NOC
16	Zoning Permission
17	Approval of drawings of the electrical installation (Industrial Installations/ Other Installations only)
18	Registration of Establishment under the Building and Other Construction Workers (Regulation of employment and Conditions) Act,1996
19	NOC from Municipal office/ Panchayat
20	Copy of Encumbrance Certificate
21	Water Connection
22	Environment Clearance
23	Road Access Permission
24	Land Allotment
25	Storage Material for Construction
Pre-Operation	
Sl. No.	License/ Approval Type
1	Disposal of Registration Application under Plastic waste Management Rules, 2016
2	Disposal of Authorization Application under Hazardous & Transboundary Movement) Rules, 2016
3	Consent to Operate
4	Disposal of Registration Application under E-Waste Management Rules, 2016
5	Inter-State Migrants
6	Trade License
7	Fire NOC- High Rise- Presently for warehouses above 15 meters
8	Occupancy Certificate
9	Goods Carriage Permit
10	License to sell, Stock or Exhibit for sale or Distribute Insecticides
11	Packing Registration and Repackaging License
12	Contract Labor License (CLRA)
13	Cold Storage
14	Copy of Original sale deed of land

15	Legal Metrology Import License
16	IEC Code (Import-Export Code)
17	Permanent Connection from District Electricity Supply Company (DESCOM)
18	Warehouse License for Private warehouse / Co-operative societies
19	Plinth Inspection/Commencement Certificate
20	Issue of New License to Manufacturer/Dealer/Repairer of weights and Measures State Jurisdiction
21	Stability Certificate
22	OSP License
23	Sharing License
24	APMC
25	Municipal Health NOC
26	Sugar license
27	Veterinary License
28	365 Day Exemption
29	Dairy product license
30	Airport Authority India NOC
31	NHAI NOC
32	PESO (Petroleum) - approval of specs
33	Storage - PESO (Petroleum)
34	Approval from EB /GAIL
35	FSSAI
Post-Operation	
Sl. No.	License/Approval Type
1	Disposal of Renewal Application under Plastic waste Management Rules, 2016
2	Disposal of Renewal Application under E-Waste Management Rules, 2016
3	Renewal Under Shops and Commercial Establishments, 1961
4	Signage License for Advertisement
5	Property tax paid receipt/ Land Tax receipt
6	Essential Commodities
7	Taxes
8	State Excise

Annexure B

Historical investment trend ⁴⁹

Year	Investment (US\$ million)
2017	2,191
2018	1,987
2019	1,744
2020	848
2021	1,313
Total	8,083

Warehousing leased area trend and projections⁵⁰

Year	Warehousing leased area (in mn sq. m.)
2017	2,191
2021	1,987
2026P	1,744

Potential investment based on the data above (extrapolated):

Investments between 2017 - 2021 (US\$ million)	6,770
Increase in leased area between 2017 and 2021 (mn sq. m.)	1.66
Investment per mn sq. m. (US\$ million)	4,078
Increase in leased area between 2021 and 2026 (mn sq. m.)	4.13
Estimated investments between 2021-2026 based on the data above (US\$ million)	16,843
Conservative estimates (50% of data estimated above) (US\$ million)	8,422

49. Knight Frank report 2022 (<https://www.knightfrank.com/research/report-library/india-warehousing-market-report-2022-9348.aspx>)

50. Knight Frank report 202 (<https://content.knightfrank.com/research/2269/documents/en/india-warehousing-market-report-2021-i-i-8217.pdf>)

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