

Infra status for logistics sector

The Centre has granted infrastructure status to the logistics sector, allowing it to avail loans at competitive terms that come along with the status.

“The need for integrated logistics sector development has been felt for quite some time in view of the fact that the logistics cost in India is very high compared to developed countries,” the government said in a statement.

“High logistics cost reduces the competitiveness of Indian goods both in domestic as well as export markets. Development of logistics would give a boost to both domestic and external demand thereby encouraging manufacturing and ‘job creation.’

“This will, in turn, be instrumental in improving country’s GDP.”

“The cost of logistics is extremely high in India with some estimates putting it at about 13% of GDP, which is higher than the U.S. (9) and Germany (8),” said Pirojshaw Sarkari, CEO, Mahindra Logistics, in a statement. “Hence, the logistics sector needs improvement in efficiency. We believe that the infrastructure status will reduce the cost of capital in transportation and warehousing, thereby reducing the cost of logistics.”

“There are a number of benefits that the infrastructure status has,” said K. Ravichandran, senior vice president, ICRA said.

Longer maturity period

“Number one, infrastructure industries get longer maturity loans compared to typical manufacturing sector. They are also eligible for slightly higher equity ratios while applying for the loans. The third is that the external commercial borrowing guidelines say that the infrastructure sector has certain advantages and flexibility, and they can also do refinancing with specialised lenders like IDFC, IIFCL, etc.”

The inclusion of the logistics sector in the Harmonised Master List of Infrastructure Sub-sectors was discussed at the 14th Institutional Mechanism (IM) Meeting held on November 10, 2017, where it was approved by Finance Minister Arun Jaitley.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com