



## The India Opportunity



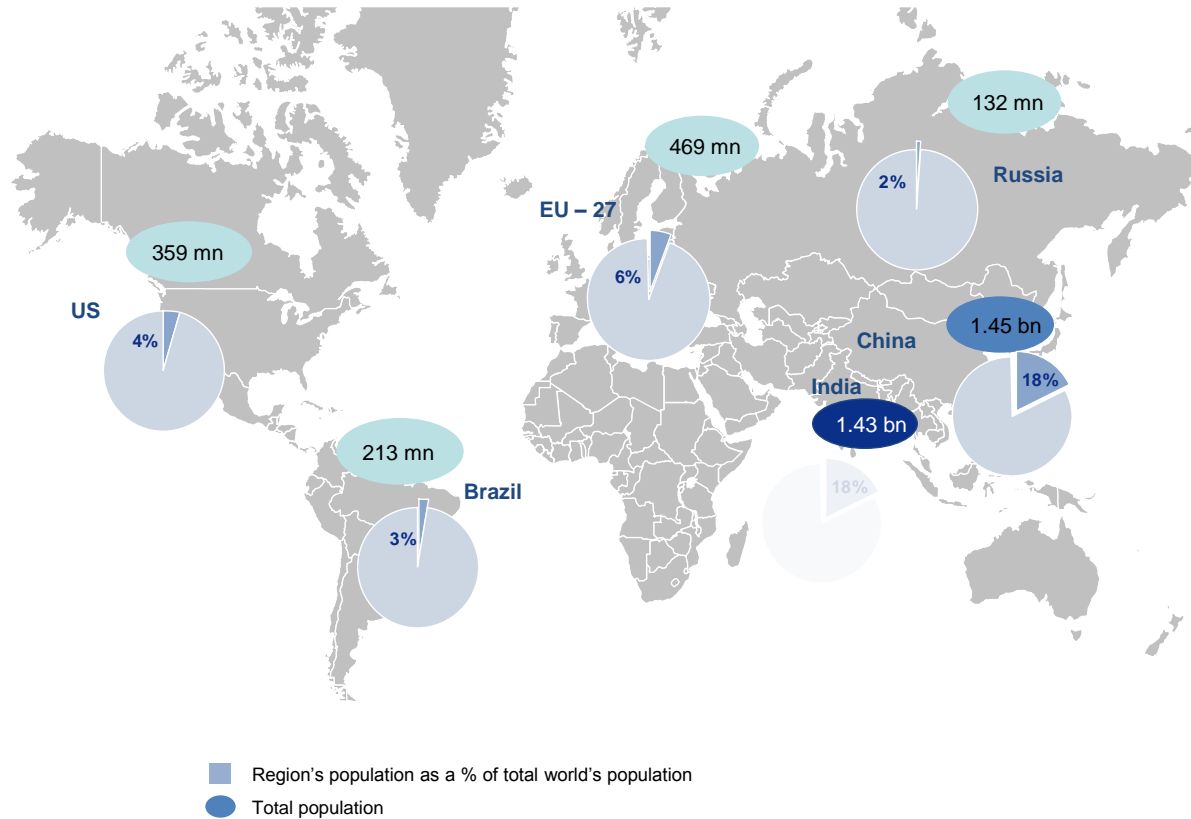


# Doing Business in India

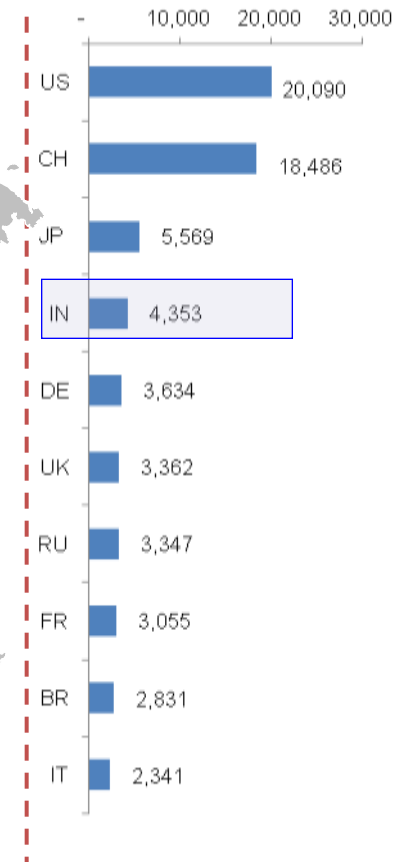
# India is expected to be the 4<sup>th</sup> largest economy and will continue to be the 2<sup>nd</sup> largest population in the world by 2025



World Population by 2025 – 8,000 mn



Top 10 GDP Countries by 2025

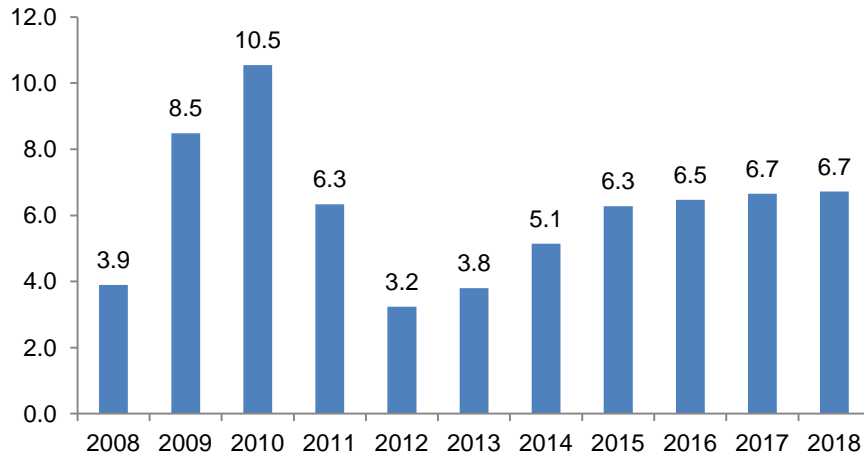


Sources: United Nations population studies (Medium variant prospects); Goldman Sachs Economic Research (GDP estimates); International Monetary Fund; Reed Analysis

Also, the Indian economy has been witnessing healthy growth rates in the past with the services sector making the major contribution to the economy



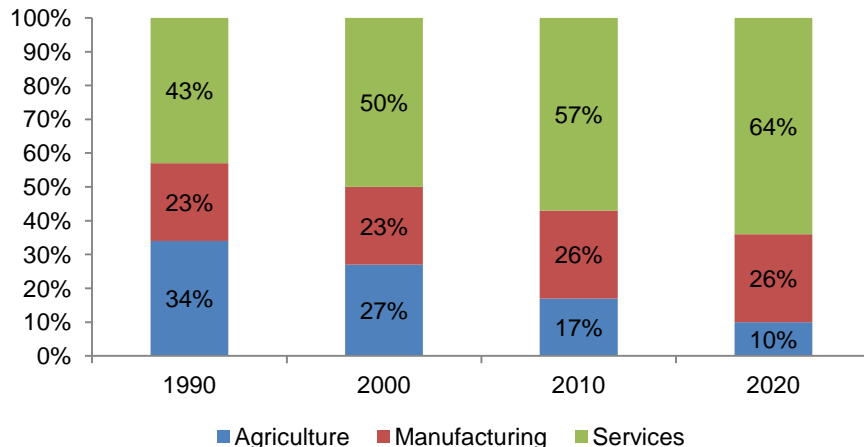
Real GDP Growth



Source: Worldbank

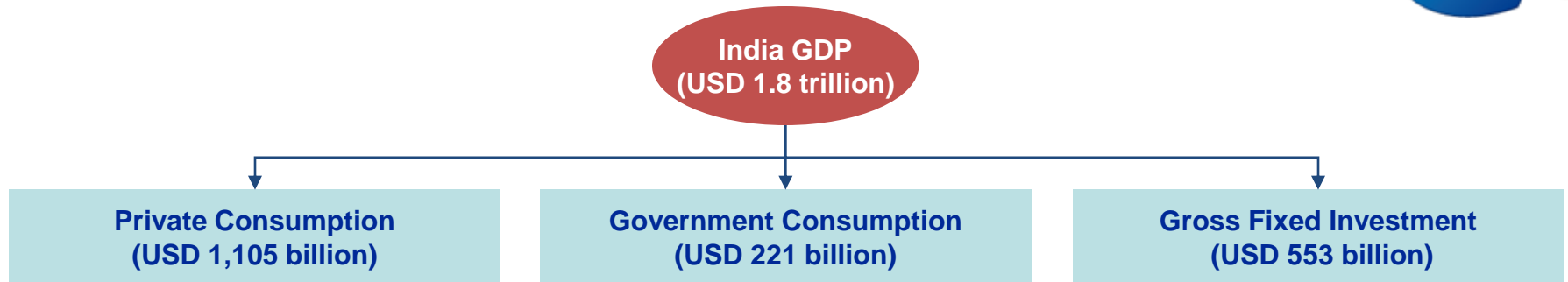
- The share of agriculture has been declining over the past few years and the trend is expected to continue in the future.
- However, the government realizes that a service sector based strategy may not be sustainable over a long horizon.
- Accordingly, it is expected that policy push on infrastructure and acceleration in the pace of reforms and investment in key sectors, is likely to keep India on its high growth trajectory.

GDP – Sector Contribution

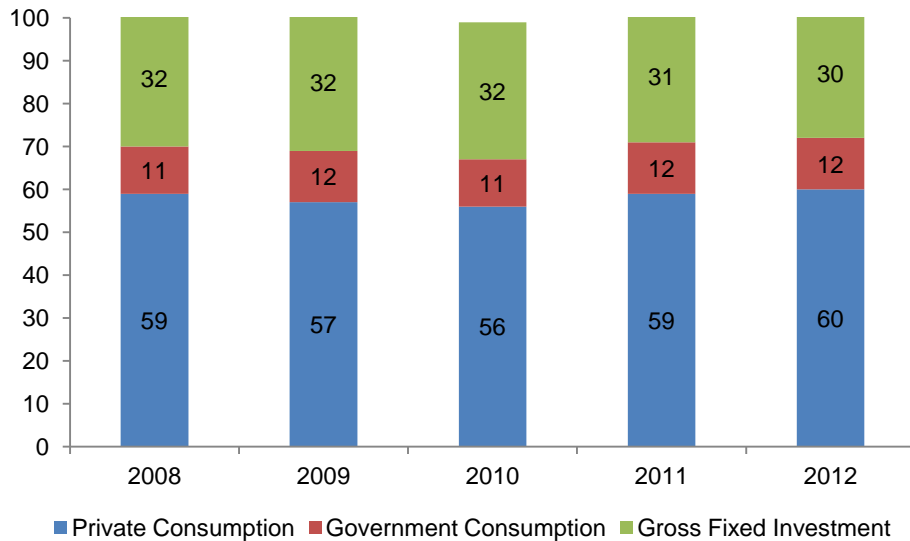


Source: Economic Survey of India

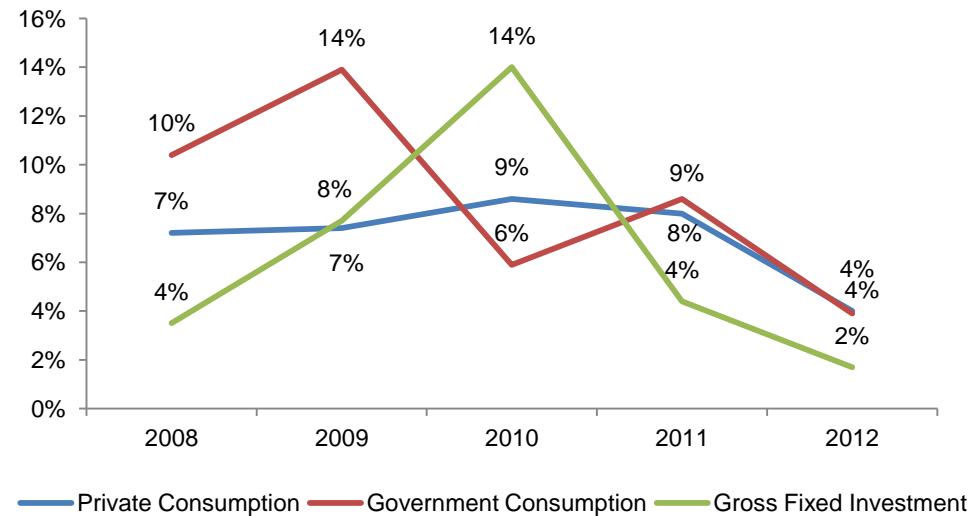
# India's economic growth is driven primarily by domestic market (private consumption), followed by investments...



**Private Consumption, Government Consumption & Investment (as % of GDP)**



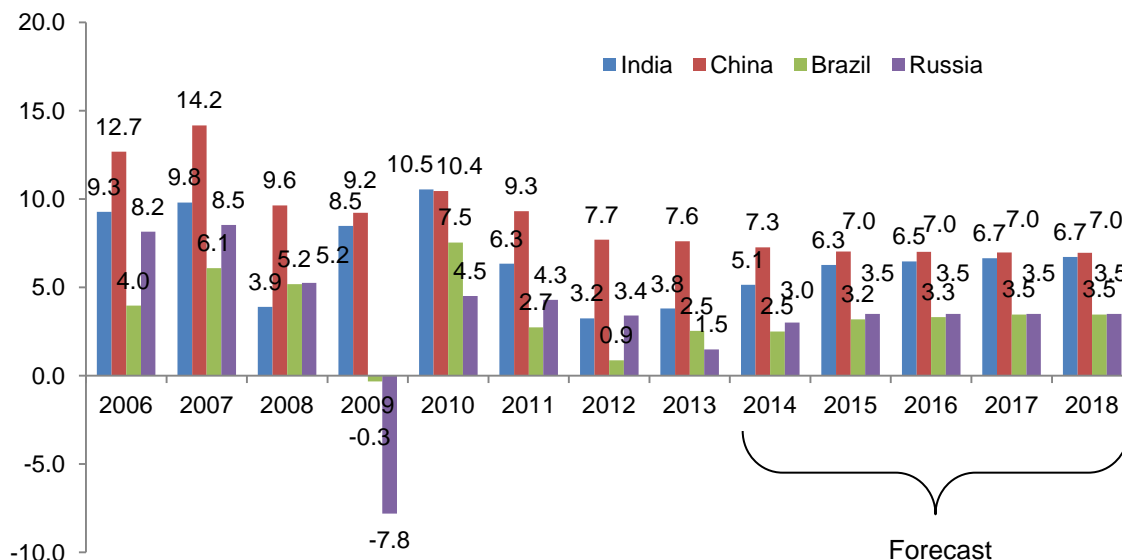
**Private Consumption, Government Consumption and Investment Growth Rate**



....thereby making its growth more sustainable, resilient and relatively more consistent than other BRIC countries



### Real GDP Growth Rate



### GDP Growth

- India & China fared well during the credit crunch compared to Brazil & Russia, who had negative growth rates.
- While India and China are expected to witness similar GDP growth rates (~7%) over the forecast period.
- Comparatively, both Brazil and Russia are expected to register lower GDP growth rates

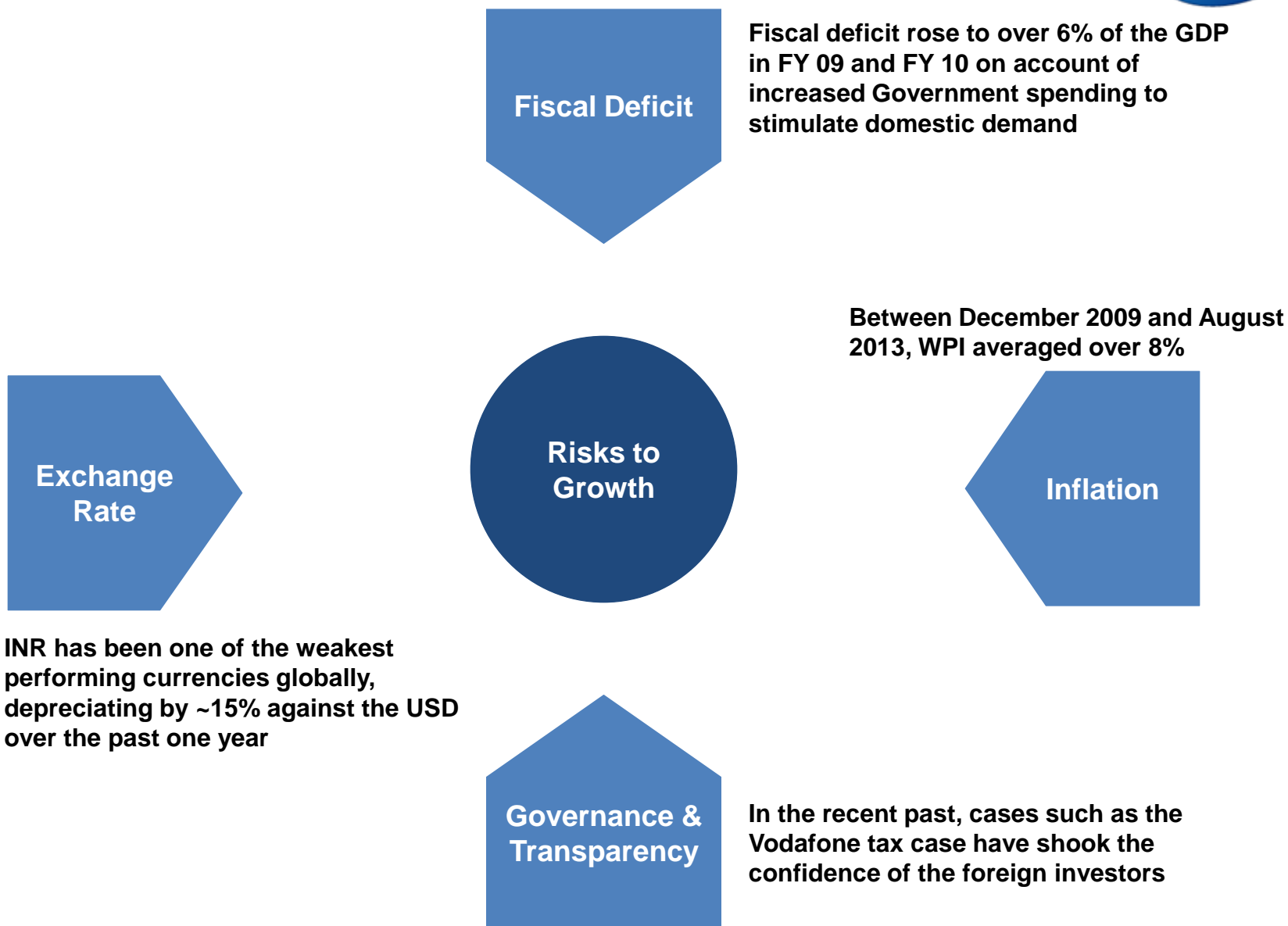
### Growth Drivers

- Private Consumption key contributor to GDP growth in India, Brazil and Russia.
- Compared to this, China's growth is driven by capital investments (~46%).

Country	Inflation % (CPI) <sup>1</sup>	GDP <sup>1</sup> (Current Prices) in Tn USD	FDI (as % of GDP) <sup>1</sup>	GDP Share (in %) <sup>1</sup>		
				Private Consumption	Government Consumption	Gross Fixed Investment
India	10.4	1.8	1.3	60%	12%	30%
China	2.7	8.4	3.1	36%	14%	46%
Brazil	5.4	2.3	2.7	62%	21%	18%
Russia	5.1	2.0	1.6	48%	19%	22%

Note: 1) 2012 figures  
Source: Worldbank

# However, there are few moderate risks associated with economic growth in India





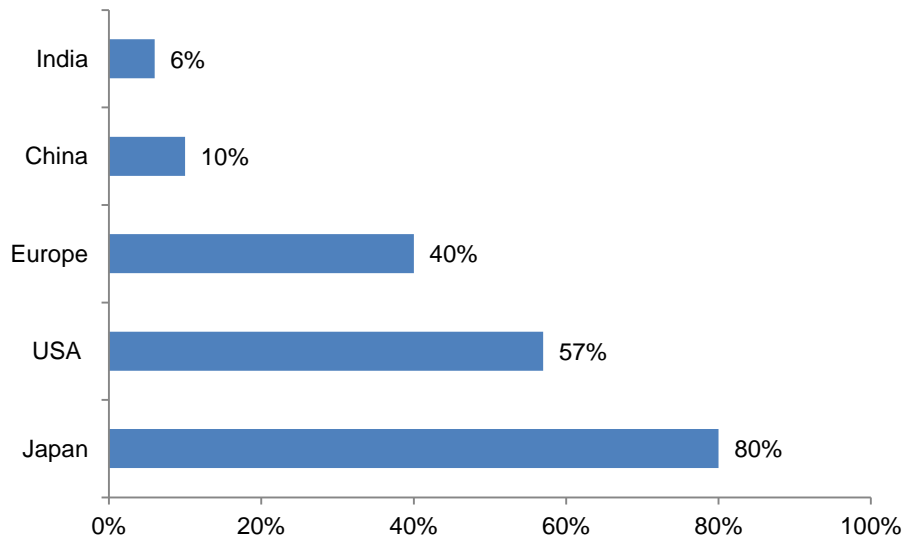
# Logistics in India



# The logistics industry in India has strong growth drivers, is highly fragmented and provides ample opportunities for international companies to establish their presence

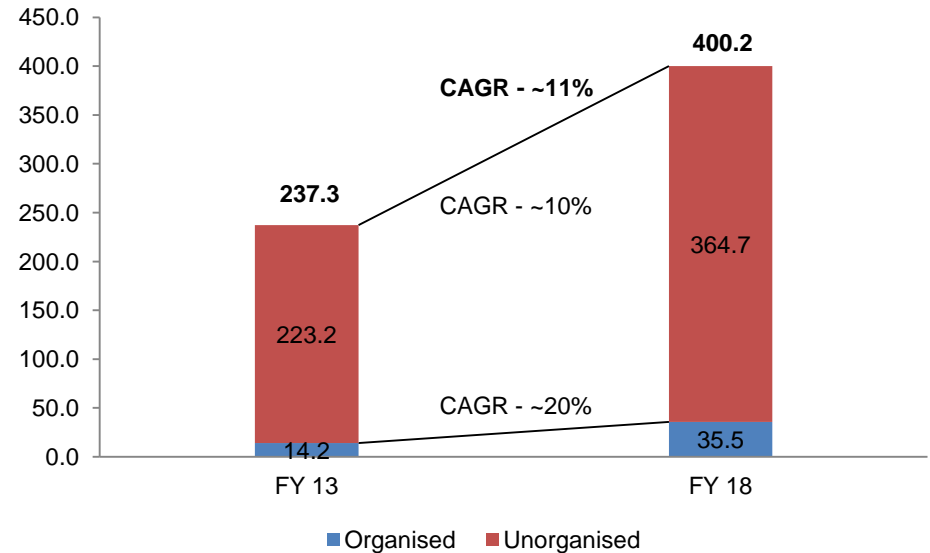


Percentage of logistics activity by organized sector



Source: World Bank report on trade logistics 007, SPA Research

Logistics spend (in USD bn)



Source: Oxford economics Global economic data bank; 13% of GDP is assumed as logistics spend in FY13; 11% of GDP is assumed as logistics spend in FY18

## Strong growth drivers for organized logistics include

- Favourable demographics driving demand
- Increasing urbanization, spread of modern retail and cluster-based manufacturing
- Rising exports (~13% CAGR between FY08 and FY13) and imports (~14% CAGR between FY08 and FY13)
- Demand for higher end services & infrastructure driven by greater presence of MNCs & maturity in end-users

# Positive, though slow, developments are taking place on the infrastructure and regulatory front giving players in the sector flexibility to scale, integrate and innovate



**Rail**

- **PPP policies (container rail, R3i , PFT, Wagon licensing and SFTO policies)**
- **Investment in Dedicated Freight Corridors**



**Warehousing**



**Road**

- **Investments in superior road infrastructure**
- **Policy initiatives**



**Sea**

- **Improving policy environment for private participation in ports**
- **Incentives for coastal and inland waterway movement**
- **Incentives for domestic shipbuilding being mooted**



**Air**

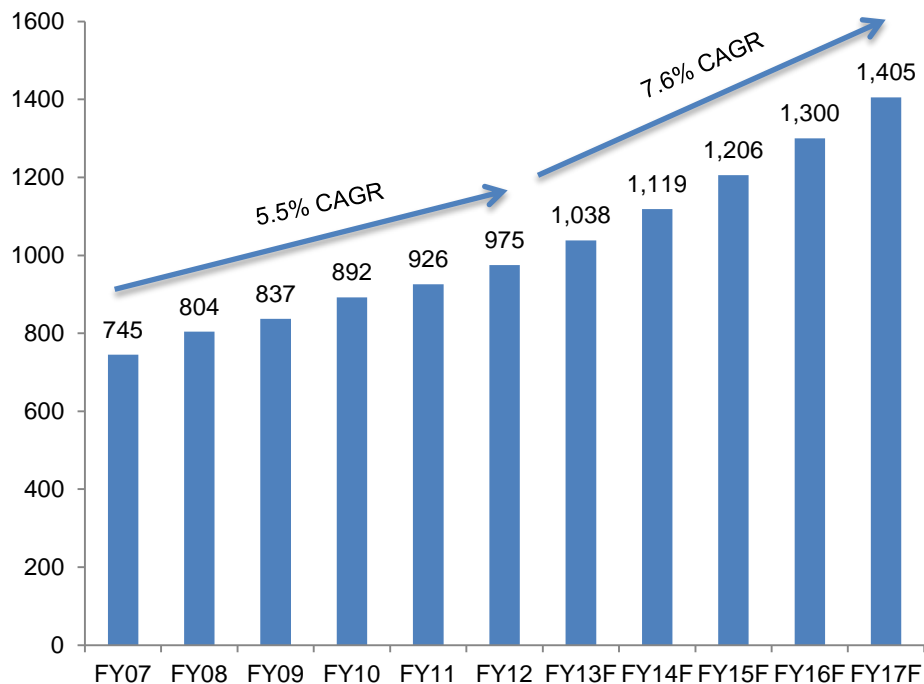
- **Private airports with superior cargo handling infrastructure**

- **Implementation of the Warehousing Bill – upside for agri logistics**
- **Proposed rationalization of tax structure (GST) and FDI in Retail**
- **Incentives for cold chains**
- **PPP policies to facilitate private investment in Rail based warehouses and terminals**
- **Multimodal Transport Act**
- **Thrust on development of Multi-modal logistics parks**

# Rail freight traffic is expected to expand at a CAGR of 6.6% to 1.4 billion tonnes by FY17 from 745 million tonnes in FY07



Freight Traffic (Million Tonnes)



Source: Ministry of Railways, Planning Commission, Aranca Research

## Drivers of rail freight in India

Government investment in building rail infrastructure

Increasing private participation due to favourable policy measures

Dedicated Freight Corridor

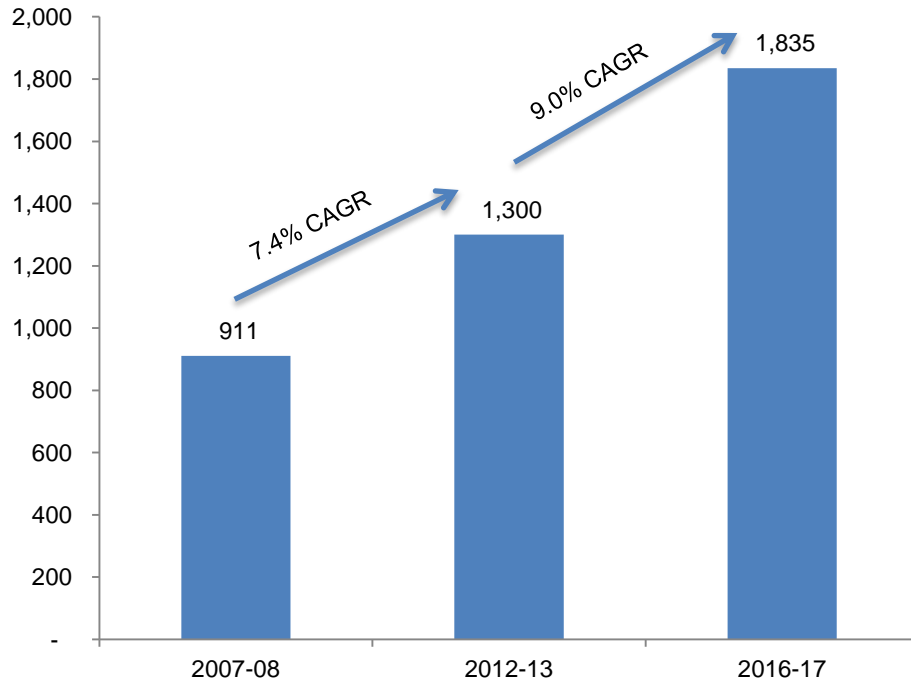
Rising industrialization

- As of FY12, railways accounted for 31% of India's freight traffic
- Railways has set a target of having a freight market share of 50% by 2030

Road transportation industry has been the most significant constituent of the Indian logistics industry. However, the segment continues to struggle to cater to the country's size and widely spread consumption hubs



Freight Traffic (billion tonne kilometres)



Source: Ministry of Road Transport & Highways, KPMG Research

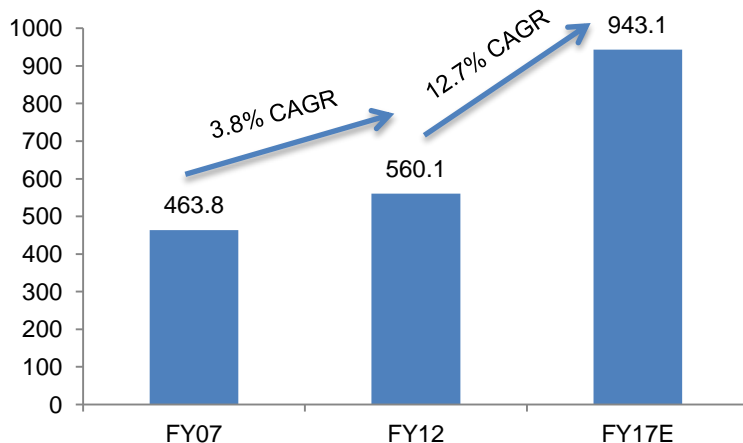
Drivers of road freight in India

- Rising domestic consumption
- Improvement in quality of road infrastructure
- Lack of suitable rail infrastructure

# Cargo traffic is on the rise at both major and non-major ports due to the growing demand, policy support and increasing investments in the sector in India

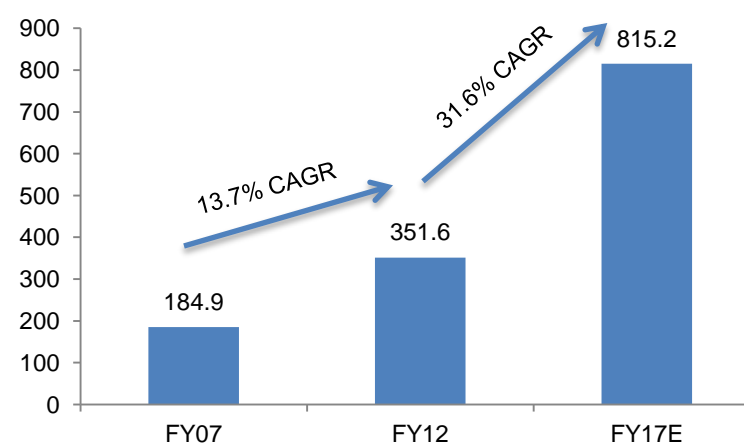


Cargo traffic at major ports (million tonnes)



Source: Ministry of Shipping, Planning Commission, Aranca Research

Cargo traffic at non-major ports (million tonnes)



Source: Ministry of Shipping, Planning Commission, Aranca Research

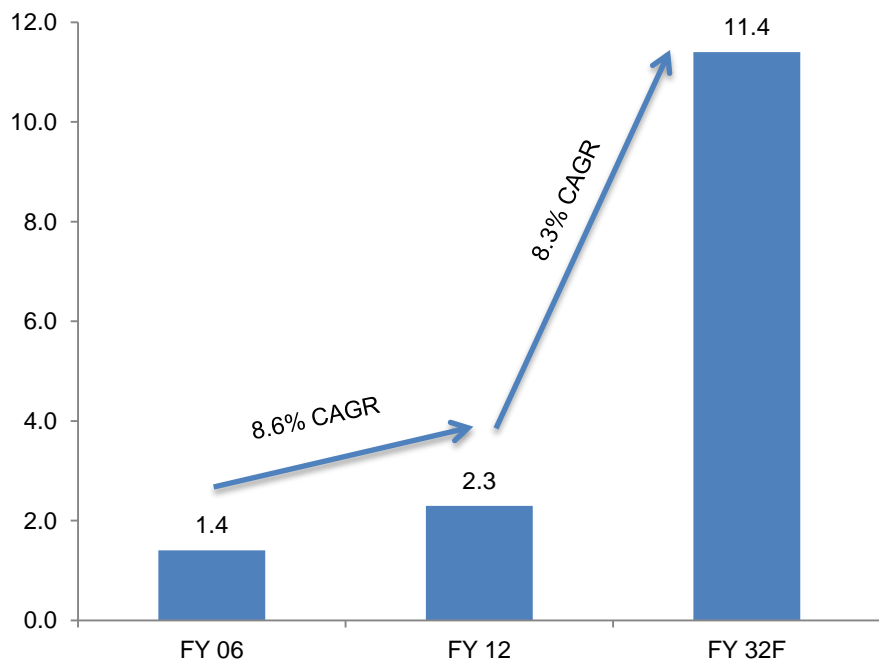
## Strong growth drivers include

- **Growing trade** – India's total external trade has grown at a CAGR of 18% between FY06-13 and container traffic has grown at a CAGR of 10% between FY07-12
- **Government initiatives** – As per National Maritime Agenda 2010-20, Government envisages to create a port capacity of around 3,200 MT to handle the expected traffic of about 2,500 MT by 2020; Proposed investments in major ports by 2020 are expected to total USD 24.9 billion, while those in non-major ports would be USD 35 billion etc.
- **Increasing investment** – The proposed outlay for port sector in the twelfth plan, excluding private investment, is USD4.7 billion. The government anticipates private sector investment of around USD10.6 billion during 12th Plan Period

# Air freight traffic is expected to be five times the current level by the end of the next two decades

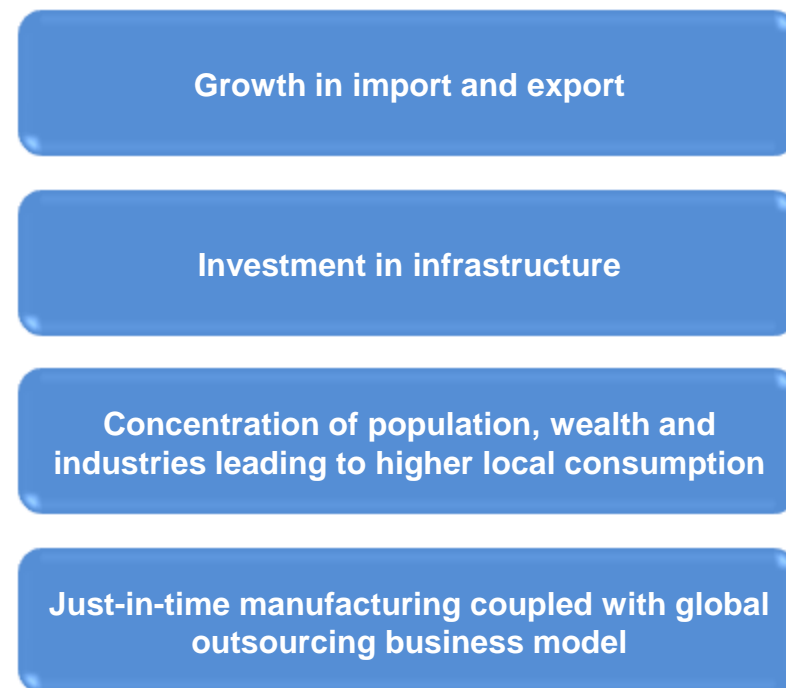


Freight Traffic (Million Tonnes)



Source: Airports Authority of India, Aranca Research

Drivers of air freight in India



- **30% of India's total trade (by value) is undertaken via airways**
- **International freight accounts for 65% of India's air freight traffic**

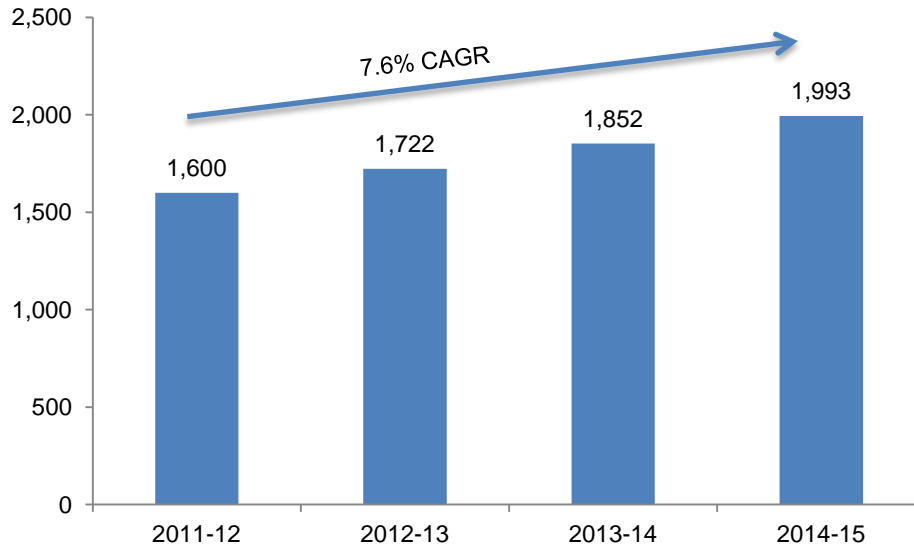


# Key growth opportunities in the logistics sector in India

# The size of the Indian warehousing industry is currently pegged at ~USD 11 Bn and is growing at over 10% annually



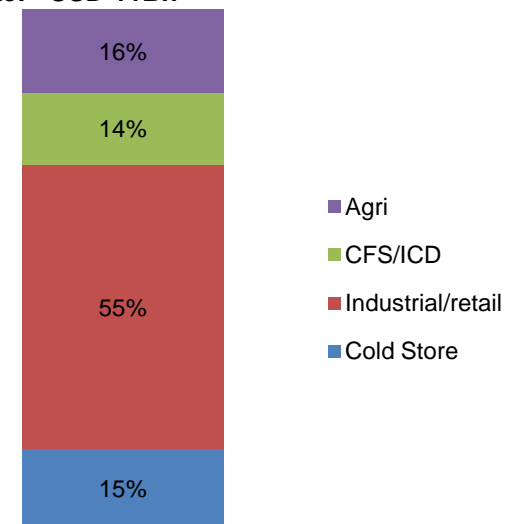
Warehousing capacity (in Mn Sq. Ft.)



Source: CRISIL report on warehousing

Current warehouse industry size with sub segments in FY13

Total Market Size: ~USD 11Bn



Source: CRISIL report on warehousing

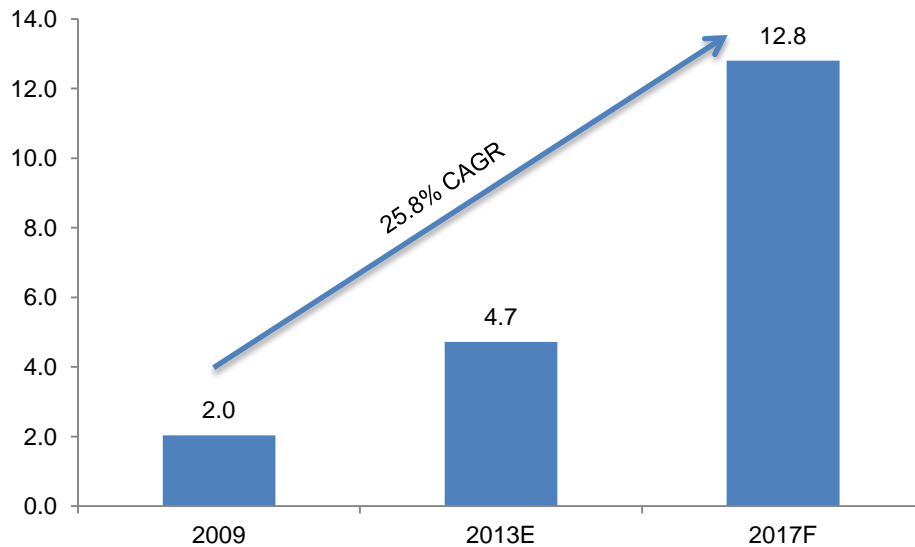
- Traditionally, warehouses in India were “godowns”, gradually they are evolving into modern setups
- By 2015, the share of organized sector of the warehousing industry is estimated to reach 15% from the current 9% indicating immense potential for foreign players
- This demand shall be driven by a combination of growing GDP, maturing industry segments, GST implementation, rising external trade and share of organized retail



# Huge emerging opportunities for foreign companies in the Indian cold chain industry, which is undergoing a major change, due to Government focus on food preservation



Size of Cold Chain industry in India (in USD Bn)



Source: Assocham, US Commercial Service, Media Reports, Reed Analysis

Drivers of the Cold Chain Industry in India

Budget 2011-2012 provided infrastructure status to the cold chain sector

India is the second largest producer of vegetables and fruits in the world after China

Growth in organized retail

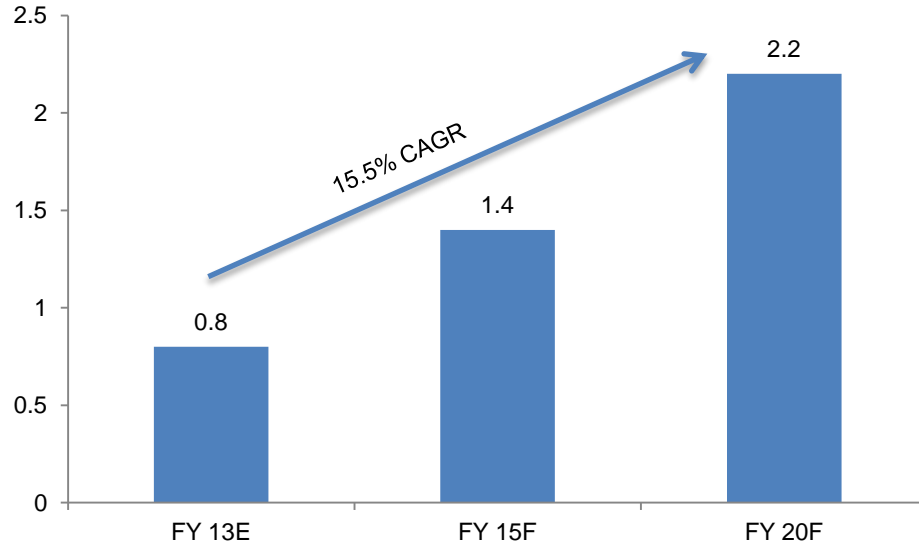
Government initiatives

Demand from pharma

# Growth in logistics has also made segments such as commercial vehicles and material handling equipment attractive opportunities for investment in India

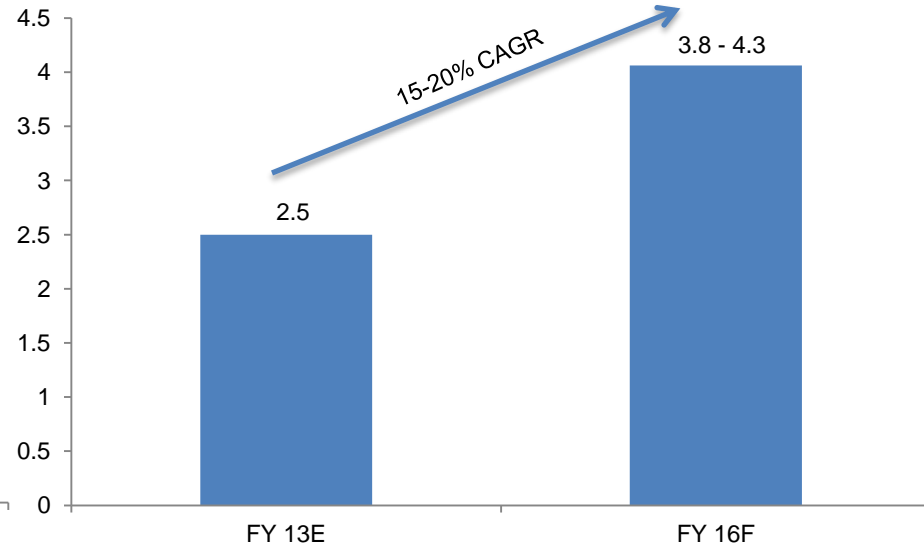


**Demand for Commercial Vehicles in India (in Mn Units)**



Source: SIAM, Vision 2020, Aranca Research

**Demand for Material Handling Equipment in India (in USD Bn)**



Source: The Hindu, Reed Analysis

## Key Growth Drivers

- Better infrastructure
- Easy availability of credit
- Rapid urbanization
- Policy support

## Key Growth Drivers

- Growth in underlying sectors to drive demand
- Infrastructure spend by the Government
- Rising amount of cargo and freight traffic
- Need for increase in efficiency

# India Material Handling & Logistics Show in Pictures



# India Cold Chain Show in Pictures





# Appendix

# Some Government policies stimulating growth in the Rail sector



- **R3i Policy (Railway Infrastructure Investment Initiative)** - Aimed at attracting private sector participation in rail connectivity projects in order to create additional rail transport capacity. As per the policy, private companies would be authorized to build tracks up to 20 km or longer distance.
- **PFT (Private Fright Terminal Policy)** - A PFT operator can handle various types of goods for the Railways and provide value-added services such as storage and distribution. This is different from private rail sidings where Railways permitted specific type of cargo to be handled, usually on a captive use basis for use by the company that built the siding. By allowing companies to earn revenue by handling cargo of various types, the Railways expect to get some incremental cargo, and attract some cargo from the road as well
- **Wagon investment scheme** - Indian Railways launched the Wagon Investment Scheme in 2005 to offer freight rebates and supply a guaranteed number of rakes for a period of 7 – 15 years for different types of wagons. The Ministry of Railways has proposed to set up five wagon factories in Secunderabad, Bardhaman, Bhubaneswar/ Kalahandi, Guwahati and Haldia under the JV/ PPP model
- **Special Freight Train Operator (SFTO) scheme** – Scheme will facilitate private players to invest in wagons and earn profits through transportation of commodities. Through this scheme, operator would privately own the freight train for transportation of identified commodities
- **Automobile Freight Train Operator (AFTO) Scheme** - The scheme provides logistic service providers and road transporters an opportunity to introduce their own special wagons to run on the railways' network and avail of freight rebates in return
- **Dedicated Freight Corridor** - The plan is to construct dedicated freight lines along the Eastern and Western parts of India. Total length of project is estimated to be 3,300 kilometres, costing USD 16.7 billion and scheduled for completion in FY17

# Some Government policies stimulating growth in the Road sector



- **Infrastructure is a key government priority** - The Government targeted USD 500 billion worth of spending on infrastructure in the 11th Five-Year Plan (FY08-12); the amount is set to double to USD1 trillion in the 12th Five Year Plan (FY13-17)

- **Tax Benefits** - Companies enjoy 100 per cent tax exemption in road projects for five years and 30 per cent relief for the next five years.

- **Budgetary Support** - For FY14, the Planning Commission has provided an outlay of USD 6.9 billion for the road sector. The budget outlay for road transport and highways increased at a robust CAGR of 19.4% between FY09 and FY14

# Some Government policies stimulating growth in the Marine sector



- **Policies encouraging private participation –**

- The government has allowed FDI of up to 100% under the automatic route for projects related to the construction and maintenance of ports and harbours
- A 10-year tax holiday to enterprises engaged in the business of developing, maintaining, and operating ports, inland waterways, and inland ports
- Private ports enjoy price flexibility, as the government allows non-major ports to determine their own tariffs in consultation with the State Maritime Boards; at major ports, tariffs are regulated by the Tariff Authority for Major Ports

- **Incentives for domestic shipbuilding being mooted –** Recommendation to introduce interest subvention scheme (Interest subvention is a scheme where the government pays a certain percentage of the borrowing cost to bring down the net borrowing cost). The Shipping ministry has also sought a 15% subsidy scheme for the shipbuilding sector

- **Incentives for coastal and inland waterway movement –** Government has plans to divert at least 20% of the cargo through coastal shipping by 2015 and 40% by 2020. An incentive system is being drawn up by the Government wherein operators would get incentives, while shipper would get discounts in port charges. Financial assistance under consideration for which a Coastal Shipping Fund would be established



# Some Government policies stimulating growth in the Aviation sector



- **Investments** – The Indian aviation sector likely to see investments totalling USD 12.4 billion during the Twelfth Five Year Plan. Of the total investment, USD 9.2 billion is expected to come from the private sector
- **PPP Model** – Recourse to the Public Private Partnership (PPP) model has boosted private sector investments in airports. PPP route for five international airports (Delhi, Mumbai, Cochin, Hyderabad, Bengaluru) most noteworthy. These private investments have not only led to an increase in the passenger handling capacity but also the cargo handling capacity at airports



**Thank You!**