

Logistics in India

the wide spectrum



Credits:

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Agenda

Understanding India:

Geographically

Culturally

Demographically

Politically

Economically



Logistics in India

The weak spine of the Economy

Building blocks: modes

Third Party Logistics

Challenges: Efficiency

Challenges: Costs

Foresightedness & Responsibility

Conclusion

Questions to Consider



India: *Geographically*





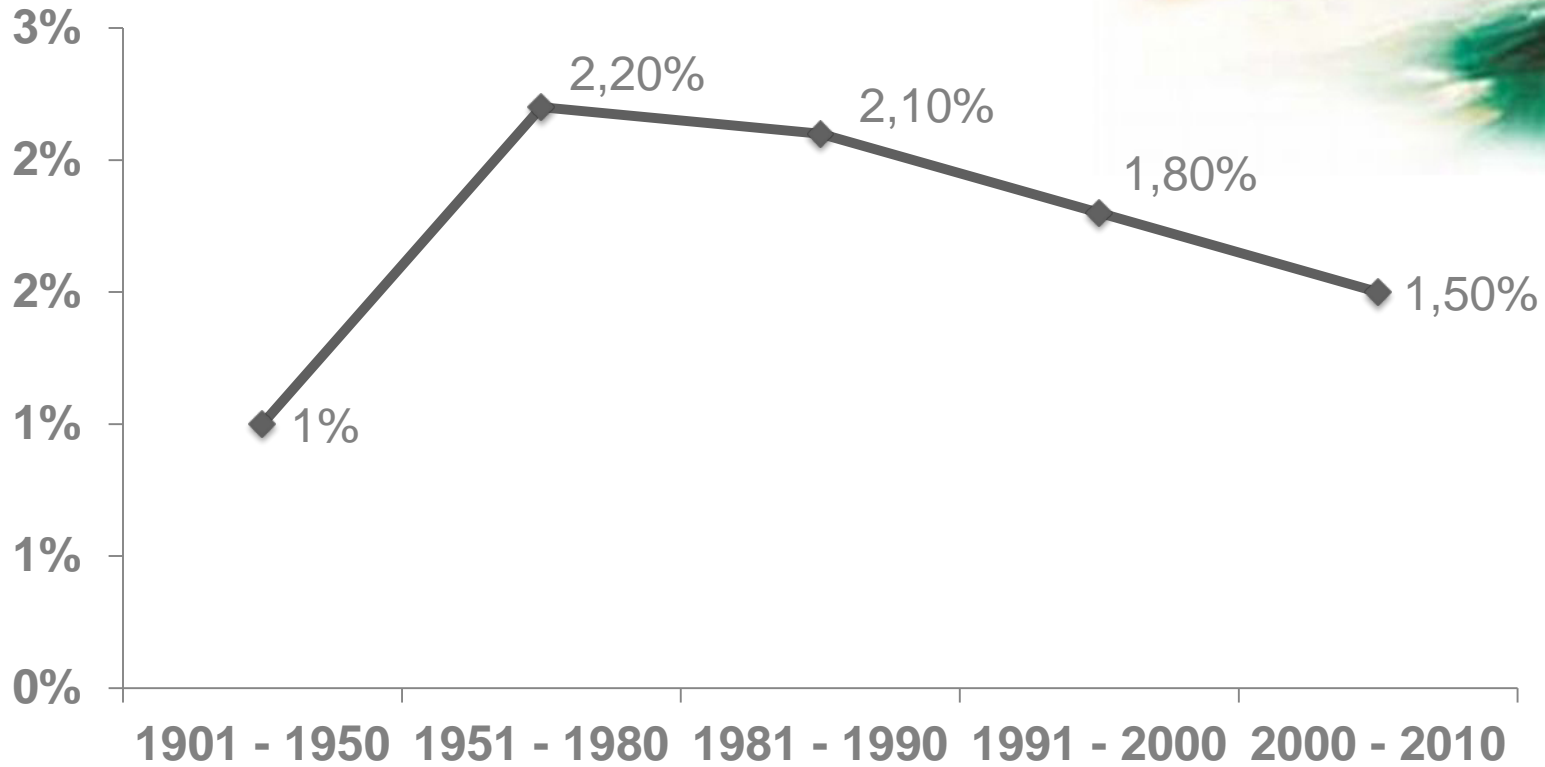


India: *A Land of Culture and Diversity*



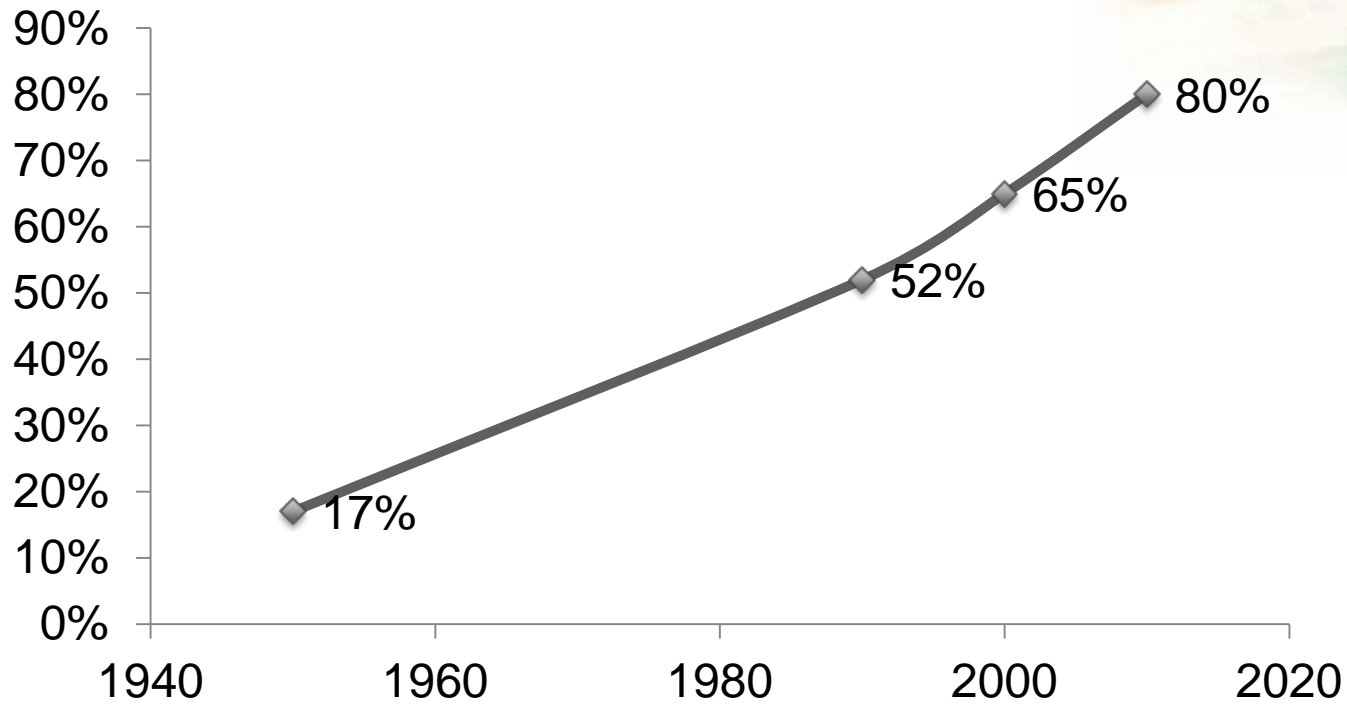
India: *Demographics*

Population Growth: *slowing*



Source: *Anges Madison and Finance Ministry*

Literacy Rate: *rising*



Source: *Anges Madison and Finance Ministry*



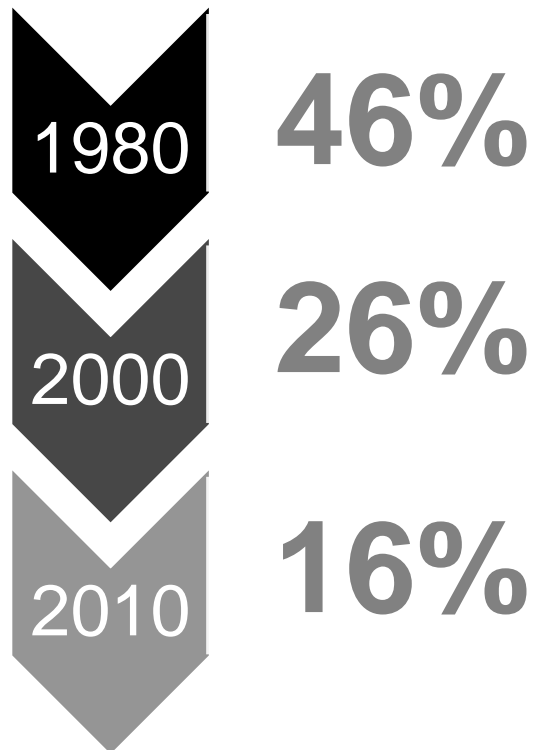
Middle Class: *exploding*



Year	% of total population	Number of people (in million)
1980	8.00 %	65
2000	22.00 %	220
2010	32.00 %	368

*Source: Angus Madison and
Finance Ministry*

Poverty: *declining*



*Source: Angas Madison and
Finance Ministry*

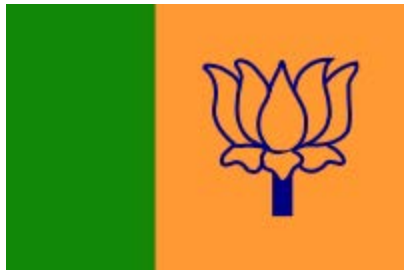


Young India





India: *Politics*



Challenges





Reforms

- Opened economy to trade on investments.
- Broke public sector monopolies.
- Retail reforms on fast track.
- Dismantled controls.
- Lowered tariffs.
- Dropped tax rates.



Moved from CST to GST



India: *Economy*

GDP: *India vs. the world*

Rank	Country	GDP in trillion US\$
1	USA	14.66
2	China	5.90
3	Japan	5.40
4	Germany	3.31
5	UK	2.20
6	India	1.84



*Source: Angus Madison and
Finance Ministry*

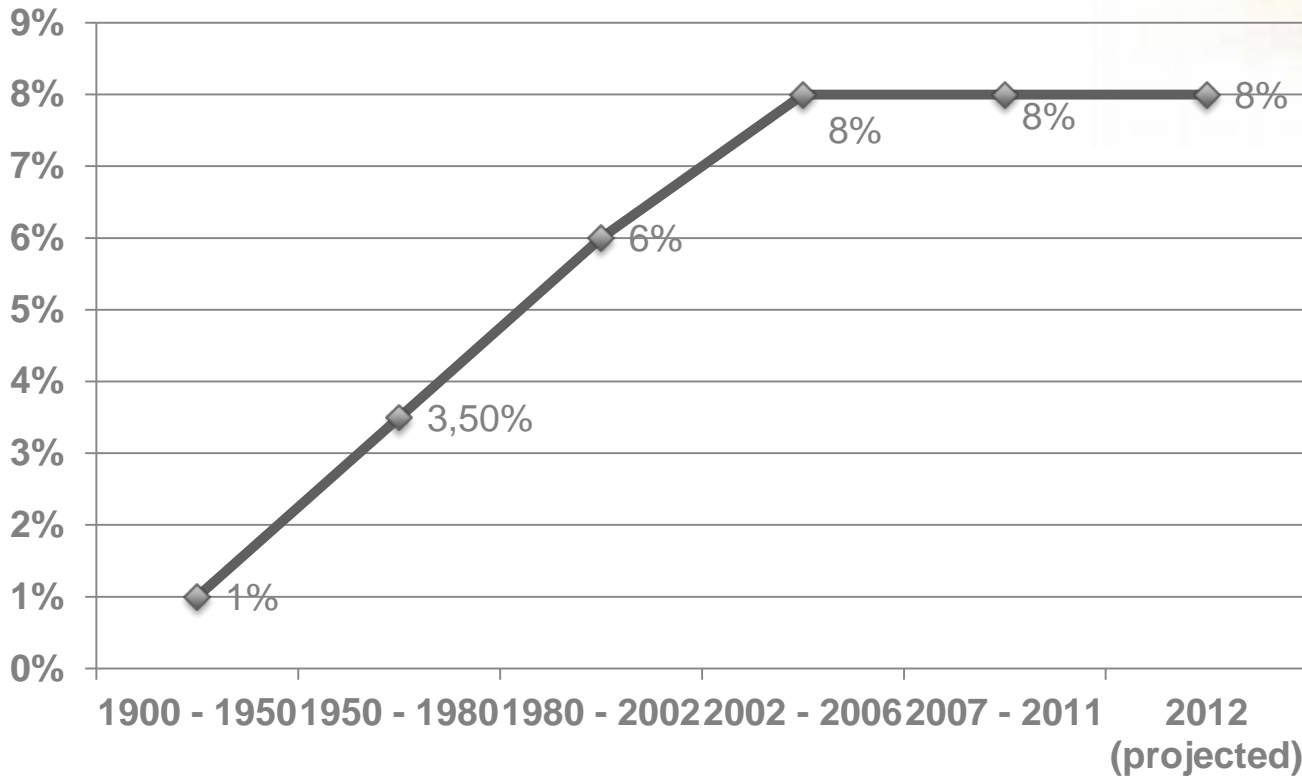
- Productivity led GDP growth
- Accounts for 30 – 40% of Indian GDP.
- Real GDP growth is outstripping the population growth.
- Current per capita income is Rs. 50,000 (\$909)
- Indian Economy is poised to achieve the 3rd global position if steered in the right direction.



Source: Angas Madison and Finance Ministry

GDP growth: *rising*

% of average GDP growth



Source: *Anges Madison and Finance Ministry*

India's private business space

- 100 Indian companies have a market cap of US\$ 1 billion.
- 1000 Indian companies have received foreign institutional investments.
- 125 Fortune 500 companies have R&D base in India.
- 390 Fortune 500 companies have outsourced software development to India.

*Source: Anges Madison and
Finance Ministry*



DAIMLER



BOSCH



Largest R&D bases outside Europe – At Bangalore



Logistics in India

Building Blocks:

Modes of transport: *Road*



National Highway Development Project (NHDP) - largest road development programme ever undertaken in India



Status of NHDP

(as on September 2011)

Sl. No.	NHDP Component	Total length (km)	Completed 4 laned (km)	Under implementation (km)	Bal. forward (km)
1	GQ	5846	5829	17	—
2	NS - EW	7300	5831	891	420
3	NHDP Phase 3	12109	2617	6112	3380
4	NHDP Phase 4	14799	—	1744	13055
5	NHDP Phase 5	6500	655	2538	3307
6	NHDP Phase 6	1000	—	—	1000
7	NHDP Phase 7	700	—	41	659
	TOTAL	48254	14932	11343	21821

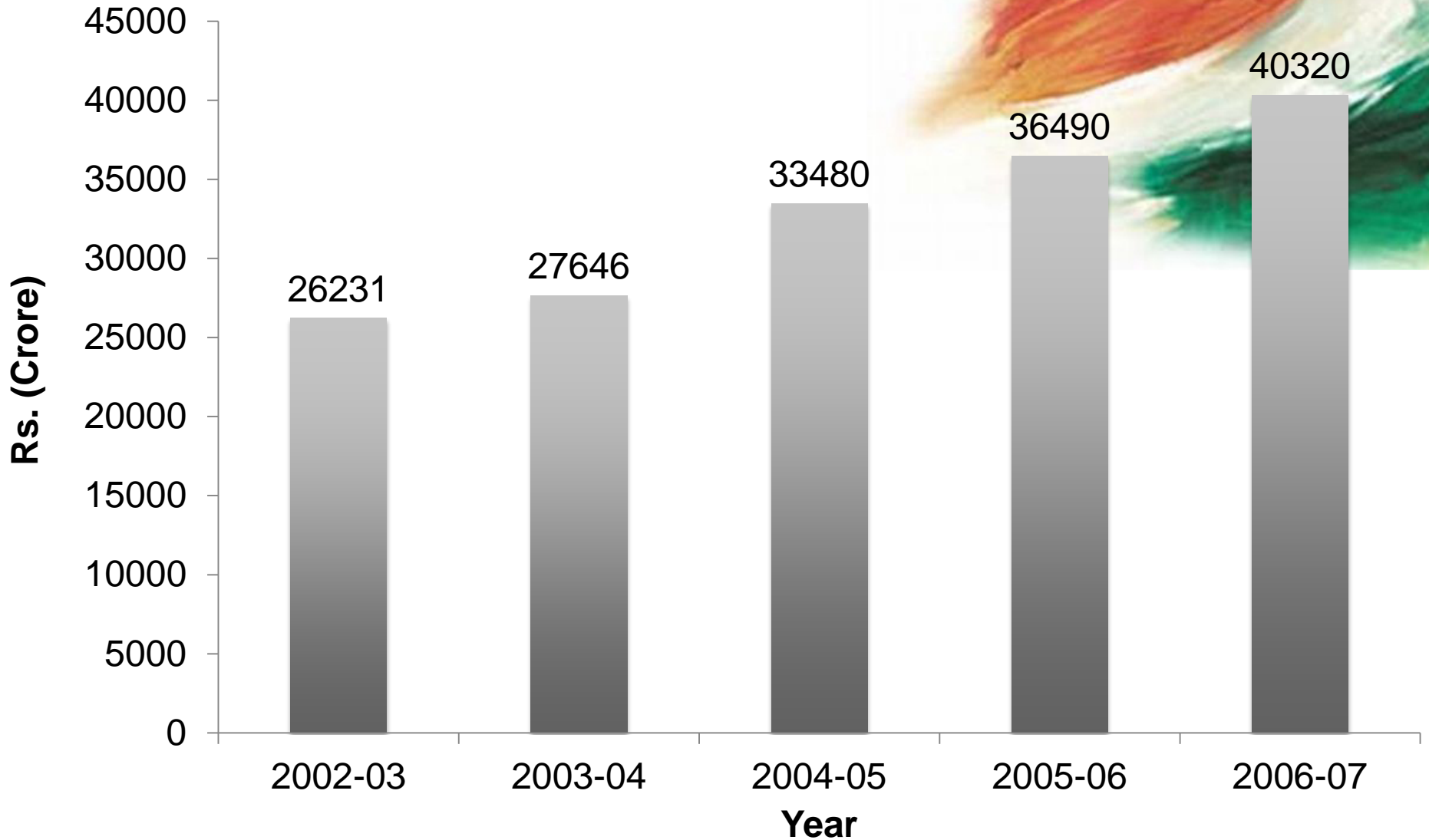


Modes of transport: *Rail*

- Operating about 7,800 trains (with over 11 million passengers daily)
- Freight segment accounts for roughly two-thirds of revenues.
- The tonne/kilometre costs for Indian rail freight are three times that of China.
- Rail services have been liberalized.



Railway Freight Revenue





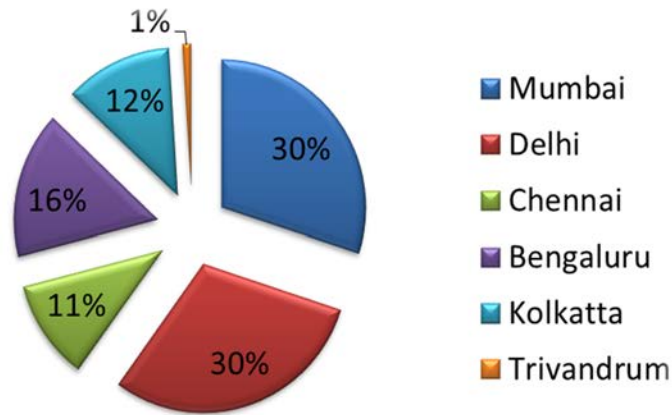
Modes of transport: *Air*

- Foreign Direct Investment (FDI) limits have risen from 49% to 74%
- Air Cargo business has overtaken the ocean freight & rail freight market by expanding at nearly 19%



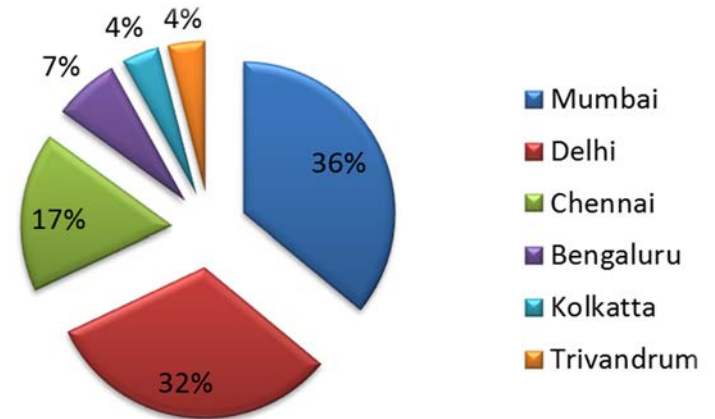
International and Domestic Air Cargo traffic at six major airports which carry 88% of the total air cargo.

More than 60% of the domestic as well as international cargo is handled at Delhi & Mumbai Airport .



Domestic air cargo traffic →

← International air cargo traffic





Modes of transport: *Sea*

- Vast coastline of approx. 7,600 kms.
- Scattered with 12 major ports and 187 minor ports
- Use of coastal shipping is limited to a few industries
- Coastal shipping reports a very little share of the Indian logistics industry.

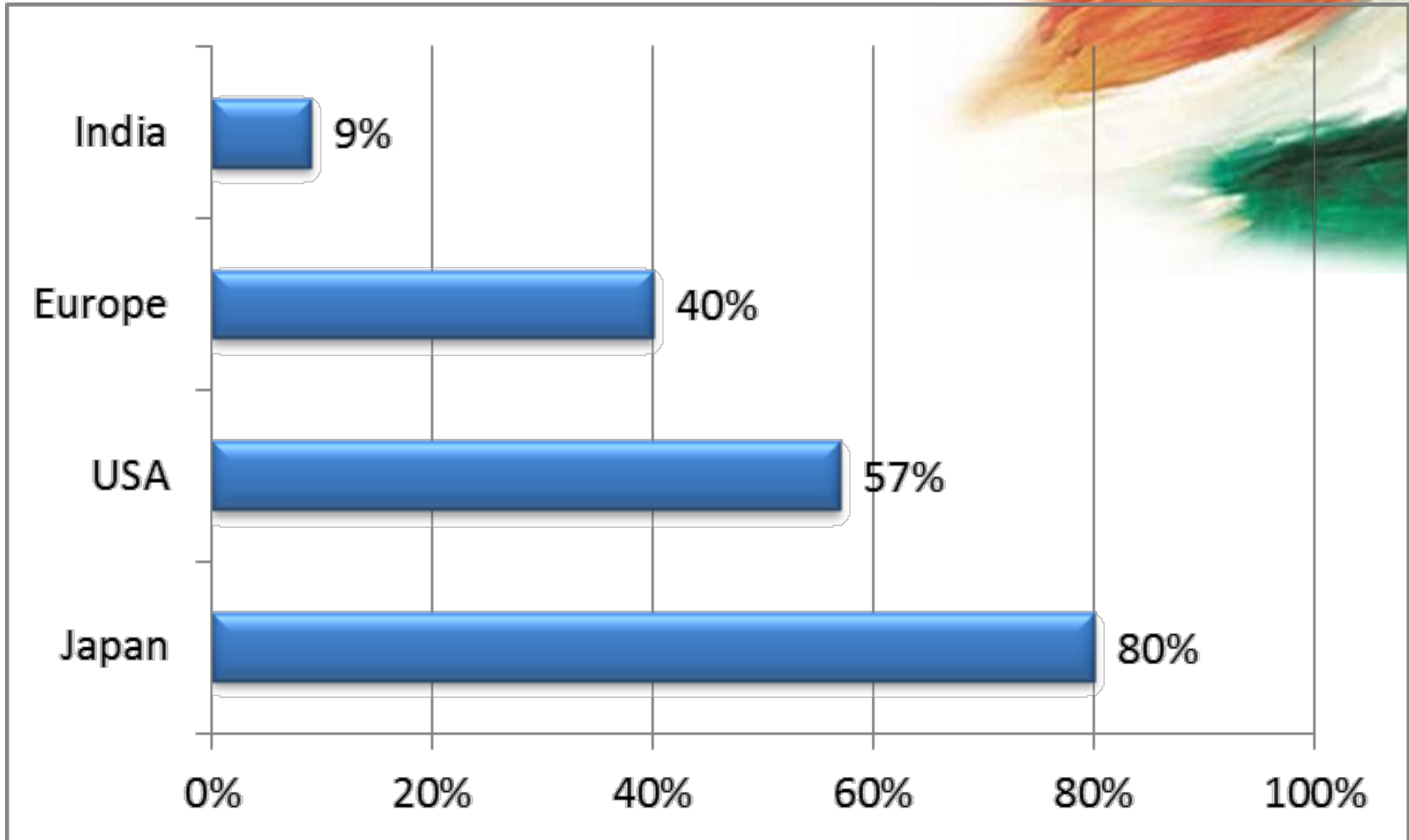


Particulars	India	Global
Road Transportation		
Avg. truck Speed (in kmph)	30 - 40	60 - 80
Four Lane road Length (in kms)	7000	34000
National Highway Length (in kms)	66590	1900000
Avg. distance travelled by a truck per day (in kms)	200	400
Air Transportation		
Airport waiting Time - Exports (in hrs)	50	12
Airport waiting Time - Imports (in hrs)	182	24
Ports & Sea Transportation		
Turnaround time at ports (in hrs)	84	7
Annual container handling capacity	8.4mm TEUs	60mm TEUs
Container handled per ship, per hr (Max.)	15	25 - 30



Third Party Logistics in India

3PL Market Share





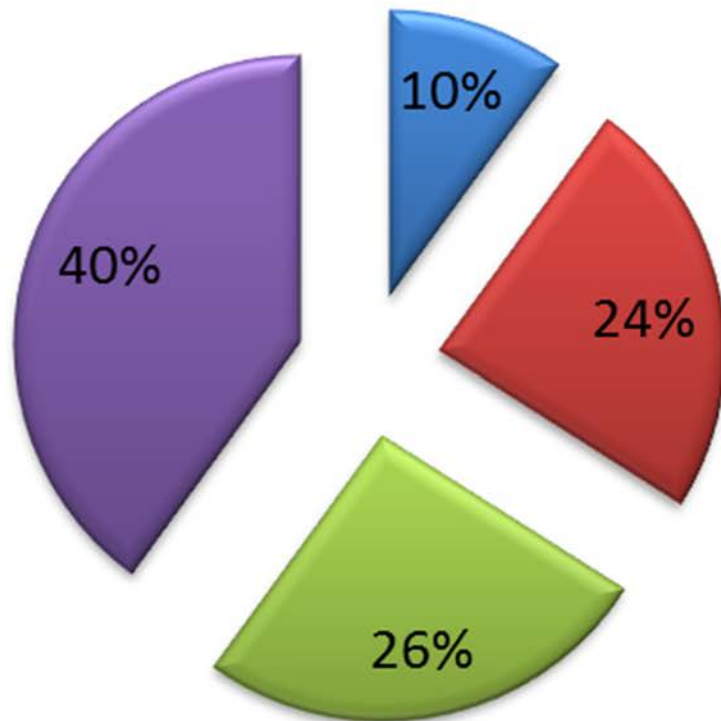
Challenges: *Efficiency*

- India's freight transport relies excessively on roads
- Inefficiencies in India's logistics network leads to a loss of 45 billion USD
- A 2.5 times increase in freight traffic in the next decade puts further pressure on India's logistic infrastructure
 - New policy needs to include
 - a) tangible objectives
 - b) define a set of programmes
 - c) governance structure





Challenges: *Costs*



- Order, Procurement & Administration
- Inventory
- Warehousing
- Transportation



Foresight & Responsibility

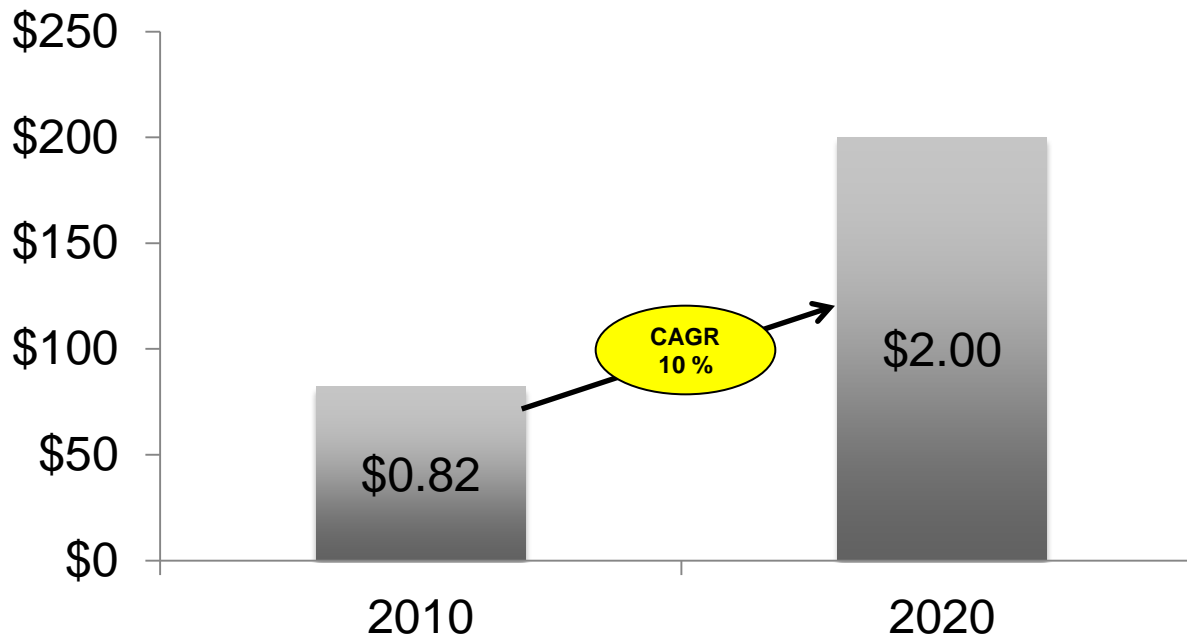
A black and white photograph of a hand holding a rectangular sign. The sign is white with the word "FORESIGHT" written in large, bold, black, sans-serif capital letters. The hand is positioned on the right side of the sign, with fingers spread. The background is dark and out of focus.

FORESIGHT



Conclusion

Total Logistics spend is 6.2% of the GDP \$1.53 tr.
Sector will grow by 20% from 2010 to 2015
Cross \$200bn. mark by 2020



□ Tax reforms: making distribution efficient

□ Modes –

- Quality

Professional Handling, Security etc.

- Technology

RFID, WMS, TMS

- Efficiency

Cost optimization

modal optimization (inland waterways)

□ Moving from unofficial, unorganized and fragmented LSPs to standardized and competent LSPs (3PL).

□ Foresight and responsibility are vital.





Questions to consider for Foreign Entrants/ Investors

- 
- Which segments of the Indian logistics industry are attractive for entry?
 - What are the opportunities and risks in the segments of your choice?
 - What are the tax and regulatory considerations for the segment?
 - What are the key considerations for direct market entry?
 - Who are the potential joint venture partners you can tie up with?
 - Are there any attractive acquisition targets?
 - What kind of due diligence do you need to do before a JV or acquisition?
 - How do you integrate an acquisition with your global operations?
 - What do you need to do to run an efficient operation India?

“BE THE EARLY BIRDS, PARTICIPATE IN THE INDIAN LOGISTICS GROWTH”

