Uttar Pradesh Warehousing and Logistics Policy 2018

Introduction

With emergence of new technologies, new customer expectations and new business models, the logistics industry is rapidly expanding round the globe. In terms of revenue, the industry is expected to expand at a CAGR of 7.5% between 2015 and 2024. By volume, the industry is expected to expand at CAGR of 6% between 2016 and 2024 (Transparency International Report, 2016). Asia Pacific is the largest and rapidly growing market in the world, with India as one of most promising markets.

India’s logistics performance index ranking has been improving, and shot up by 19 places to 35th position in 2016 (World Bank). The industry is expected to grow at a CAGR of 15-20% between 2016 and 2020 (CARE Ratings, 2016), and by 2019 the industry is expected to reach over INR 13,000 Crores.

Share of freight transportation in India through road constitutes about 60% of the total freight traffic, while Rail and coastal shipping account for about 32% and 7%, respectively. Share of inland waterways transportation and air is less than 1% each, signifying scope of expansion with development of National Waterways programme and Regional Connectivity Scheme in aviation sector.

Recently, 100% FDI under automatic route for all logistics services has been allowed (except in air cargo and courier where 74% FDI is allowed). And, Goods & Services Tax (GST) is likely to bring down total costs of logistics industry. Earlier, companies had to maintain warehouses in every state due to different taxation slabs. But with the implementation of GST, the need to have several small warehouses is likely to be mitigated in favour of larger and consolidated warehouses at strategic locations. Furthermore, the sector has recently been extended infrastructure status in the country.

Taking forward the Make in India vision of Govt of India, the State of Uttar Pradesh has already launched Industrial Investment and Employment Promotion Policy 2017 and Food Processing Industry Policy 2017 to create a supporting ecosystem for investments in industries and related infrastructure such as warehouses, cold storages, silos, etc. Therefore, the State is committed towards strengthening its foothold in the logistics sector.

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1 IMaCS Analytics: Refer https://www.ibef.org/download/indian-logistics-industry-gaining-momentum.pdf
2 Refer http://pib.nic.in/newsprintrelease.aspx?relid=169021
**Advantage Uttar Pradesh**

Since Uttar Pradesh is the third largest economy contributing nearly 8% to India’s GDP and largest consumer base with over 200 million population, the logistics industry has set its foot to grow in the state. There has been 13.26% growth in exports (CAGR) recorded in the state in last 5 years (2012-17). With a strong agriculture and food processing base in India, UP is amongst top 5 manufacturing states in India and has second highest number of MSMEs (organized & unorganized) in India.

**Enabling ecosystem**

Strategically located on the golden quadrilateral, and having largest rail network spanning over 8949 kms, the state of UP is poised well to meet the requisites of expanding logistics industry. Connected to Major national and international airports, the state has strategic advantage of access to market. Further, 8.5% of DMIC across 12-districts in UP and 57% of AKIC catchment area falls in Uttar Pradesh. Major national and international airports are operational at Lucknow, Allahabad, Gorakhpur and Varanasi.

*Indicative route map of Eastern Dedicated Freight Corridor and Delhi-Mumbai Industrial Corridor (Left to Right) – Catchment Area in Uttar Pradesh*
The upcoming Multi-city metro rail projects, coming up at Lucknow, Kanpur, Meerut and Varanasi, and upcoming international airport at Jewar and Kushinagar are adding strength to State’s connectivity advantage. The National Waterway-1 (Allahabad-Haldia Inland Waterway) project is best suited to benefit the exporting hubs in eastern Uttar Pradesh. Existing logistics infrastructure at Uttar Pradesh includes Moradabad rail linked combined domestic and EXIM terminal, Rail linked Pvt Freight Terminal and Inland Container Depot in Kanpur, ICD at Dadri Terminal and Kanpur ICD. Besides, three multi modal logistics/ transport hubs are proposed at Noida, Boraki and Varanasi.

With all these developments and more in pipeline, there are several investment zones and logistics hubs that can be developed in the state, besides areas along DMIC and EDFC catchment area. This includes Logistics hub at Meerut along Delhi-Meerut Expressway and near proposed Bhaupur Industrial Area. Similarly, Azamgarh alongside the Purvanchal Expressway near the upcoming Mughalsarai- Varanasi-Mirzapur Investment Zone over 3,000 hectares is a promising location.

Jhansi National Investment and Manufacturing Zone (NIMZ) proposed over 5567 hectares alongside National Highway – 44 is another promising location giving gateway to the northern states to southern India. Nonetheless, Allahabad is one the most attractive location to develop a logistics park alongside the upcoming Inland waterways route to Haldia port.
Rapid industrialisation in Uttar Pradesh is creating higher demand for more sophisticated logistics infrastructure in the State. With GST, India has become a unified market, and UP has a lot to offer to emerge as a manufacturing and warehousing hub of the nation. Thereby calling for a strong warehousing and logistics set-up in the State. Presently, there are only some 174 warehouses in UP with 71.84 lac MT capacity. Though the state has huge storage capacity, with large numbers of warehouses under State Warehouse Corporation, cold storages under National Horticulture Mission, other cold storages, and Grameen Bhandarans (Rural Godowns) under NABARD, but not enough to suffice the rising storage needs. Therefore, expanding the storage capacity in the state is being emphasized in UP. The state envisages to establish itself as a strategic location in North India to provide an economic option for cargo transit and logistics after GST.

Opportunities in the logistics sector in Uttar Pradesh include the following –

- Warehousing, Silos, Cold Storages
- E-Commerce hubs
- Real time logistics - With higher use of internet and e-commerce, there is scope to provide services that helps in tracking and monitoring the transported goods.
- Digitalisation - Development of technological solutions for improve the work process of logistic organization.
- Robotics & Automation – In order to provide third generation facilities for loading, unloading, in order to supplement logistics services, investment in robotics is an attractive opportunity.
- Unmanned Aerial vehicles and Drones
- Physical Internet Solutions
- Skill Development and Training

Uttar Pradesh is undoubtedly a state of inherent potentials and emerging as a growth engine of New India. This policy takes ahead the vision and objectives of State’s Industrial Investment and Employment Promotion (IIEP) Policy 2017 and supports the directions laid down by State’s Food Processing Industry Policy 2017. The policy provides incentives and develops supporting ecosystem to create a competitive logistics market in Uttar Pradesh. This policy provides the strategic direction for development of logistics industry in the state in next 5 years (2018-2023).

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3 State Warehousing Corporation Data, Refer [http://upswc.com/?q=warehouses](http://upswc.com/?q=warehouses)
4 Refer [http://farmer.gov.in/CWC_Link.aspx](http://farmer.gov.in/CWC_Link.aspx)
Objectives of the Policy

- The policy aims at promoting private investments in setting up logistics facilities in the state with backward linkages.
- This includes upgrading and improving the existing state infrastructure in order to boost economic activities in the state, so as to generate mass employment opportunities.
- The policy intends to enhance the warehousing capacity to promote the interests of both primary and secondary sectors.
- In this process, the policy promotes green and innovative logistics to develop a competitive logistics infrastructure in the State.

Definitions

Incentives under this policy will be applicable to the Logistics Park and other logistics units as defined in this section -

1. **Logistics Park**  –
   A logistics park that includes Container Freight Station (CFS)/ Inland Container Depot (ICD), Air freight stations, Warehouse, Cold Chains, and related infrastructure developed on atleast 100 acres of land area as multimodal hub is eligible for incentives under this policy. The park will include –
   - **Logistics services** like cargo aggregation/segregation, distribution, inter-modal transfer of material and container, open and closed storage, apt condition for storage in cargo transit period, material handling equipment, and business & commercial facilities and common facilities as per requirement of the park.
   - **Supporting infrastructure** including construction of internal roads, communication facilities, open and green spaces, water pipelines, sewage and drainage lines, disposal facilities, setting up power lines, feeder, solar panels and others as per the requirements of the park.

2. **Container Freight Station (CFS)/ Inland Container Depot (ICD)** with minimum investment of INR 50crore and minimum built up area of 10acres.

3. **Warehousing facility** with minimum investment of INR 25crore and minimum built-up area of 3acres. Expansion projects in Warehousing will be eligible for incentives under the policy meeting the same investment and land requirements, or augmenting atleast 5000MT capacity.

4. **Cold chain facility** with minimum investment of INR 15crore and minimum built up area of 1acre
Eligibility

1) This policy will come into effect on the date of its notification and will remain in force for the period of 5 years.
2) If at any stage a situation arises which necessitates any amendment or supersession of the policy, only the cabinet will be authorised to approve such amendments/supersession.
3) In case of any amendment in this policy, if any package of incentives is already committed by the state government to any unit, will not be withdrawn and the unit will continue to remain entitled to the benefits.

1. Policy Framework

1.1. Infrastructure Status to Logistics Sector – In order to emerge as a strategic logistics hub in North India providing competitive logistics services in Uttar Pradesh, the state reiterates the step taken by Govt of India granting infrastructure status to logistics sector. This will include multimodal transport and logistics hubs, comprising Container Freight Stations (CFS)/Inland Container Depot (ICD), appropriate Storage facilities such as warehouses, cold chains and other related infrastructure. The status will facilitate easy funding to logistics businesses in the country.

1.2. Dedicated agency for development of logistics – The State intends to set up a dedicated Logistics Division headed by a Secretary rank officer under Industrial and Infrastructure Development Department, Govt of Uttar Pradesh. The division will be responsible for following -
   - Bringing down logistics costs and reduce cargo-release time.
   - Develop logistics IT backbone in Uttar Pradesh
   - Creating digital logistics platform for the industry to estimate cost and transit period for consignments.
   - Generate more employment opportunities in logistics sector
   - Promote Green and Intelligent Logistics in the state
   - Attracting investors, alongside framing and executing broad strategies for developing warehousing and logistics facilities in the state.

   This Dedicated Division will ensure better coordination between Department of Civil Aviation, Transport, Power, Food & Agriculture, and other related departments in setting up logistics infrastructure in the state.

1.3. Free Trade and Warehousing Zone (FTWZ) – On lines of special economic zones, the state shall develop free trade and warehousing zones to improve logistics infrastructure to facilitate trade in U.P. These FTWZs will be established near airports or railway terminals, which have good connectivity to rail or road network. The State will identify at least 100 acres of land in minimum
10 districts to be developed as ‘Free Trade & Warehousing Zones’ (FTWZ). These FTWZs will have facilities like customized warehousing, cold storages, dry cargo storage, container depots, office spaces, transportation facilities and support facilities such as medical centres, canteen, etc.

1.4. **Development of Green Channel for Exim Cargo** – The state shall identify a Green Channels (with less inspection during transit) in order to prevent delays for vehicles carrying Exim cargo. This includes development of comprehensive Transport zones (Transport Nagar) in every city, including truck terminals near major National and State Highways, Expressways, Investment zones and Industrial corridors. These comprehensive Transport zones and Terminals will have common facilities for Goods Vehicles such as workshops, canteens, rest-houses, etc.

1.5. **Promotion of Inland Container Depots (ICDs)** – Presently, there are only few major ICDs in the state (viz. at Dadri, Agra, Mirzapur, Moradabad, Kanpur, etc.) and three multimodal logistics/transport hubs at proposed (viz. one each at Noida, Boraki, Varanasi). Therefore, the Govt of Uttar Pradesh shall focus on strengthening dry ports and inland container depots at suitable locations with access to road corridors, quality network of 4-lane and 6-lane highways, interlinking roads, aircraft maintenance hubs, etc.

1.6. **Quality Storage facilities** – In order to meet the requirements of rapidly growing agro and food market and other industries such as Pharmaceutical, etc., in the state, Govt of Uttar Pradesh will promote development of quality storage facilities particularly, food storage facilities in rural areas. The storage facilities include warehouses, silos, and cold storages and related infrastructure. State will encourage private entities in developing these facilities at appropriate locations, and improve the existing storage facilities. The main focus is to ensure that these units meet specified quality requirements.

1.7. **Encouraging Public Private Partnership** – Government of Uttar Pradesh will encourage public private partnership in construction of modern logistics facilities in the state, be it Silos, Rural Godowns, Cold Chains or Warehouses.

1.8. **Logistics Zone** - Through this UP Warehousing and Logistics Policy, Government of Uttar Pradesh declares Dadri as Logistics Zone and incentives under the policy shall be applicable to all eligible units setting up their base in this zone. This Zone already has seamless connectivity, infrastructure, Logistics support, 24X7 water-power availability, Social Infrastructure, International Schools, hospitals, Nearest International Airport & cut across through DMIC & EDFC corridors.
1.9. **Identification of logistics hubs** – In order to assess the requirement of setting up additional logistics hubs and related facilities, particularly along DMIC, EDFC, Purvanchal Expressway, National Waterway-1 (Allahabad-Haldia), Bundelkhand area (Jhansi along NH-44), and other strategic locations, Govt of Uttar Pradesh will commission a survey. The State Govt will also conduct surveys and studies on regular basis to assess requirements for setting up Warehouses, Silos and Cold Storages, etc.

1.10. **Encouraging Innovations and Intelligent Logistics** – In order to enable access to efficiency enhancing mechanisms and adapt to modern techniques, the state will encourage R&D so as to acquire better equipment such as larger and equipped trucks, higher load capacity railway wagons, etc. This extends to developing standardized layout for inter-modal transport and logistics hubs to include containers, pallets, cranes, etc. with consistency, and develop better quality supporting infrastructure such as inter-linking roads on economic costs. Further in this context, the policy aims at promoting digitisation techniques, innovations and automation in supply management chain. Thereby, Intelligent Logistics and innovations will be incentivised.

1.11. **Promoting Green Logistics** – In the process of expanding its industrial base and mechanising the supply management chain, Uttar Pradesh aims at building an eco-friendly and sustainable logistics and transportation system. Green logistics are techniques that aims at minimizing ecological impact of logistics activities, including eco-friendly transportation, reducing carbon emissions, solid liquid waste management, scientific disposal techniques, use of biodegradable items, adopting recycling techniques, renewable energy, etc. Thereby, green logistics initiatives will be incentivised under this policy. Further, in this context use of electric and hybrid vehicles will be promoted at Multimodal Transport & Logistics Parks.

1.12. **Promoting Solar Powered Logistics Park** – Supporting the cause of clean energy, Uttar Pradesh encourages industrial development using new and renewable sources of energy. Therefore, State Government will promote developers of Logistics Park to meet their power requirements from Solar energy.

1.13. **Logistics Skill Development** – With expansion in logistics industry, demand for skilled personnel such as warehouse managers, logistics managers, professional heavy vehicle drivers, etc. is rising. Therefore, state of Uttar Pradesh will emphasize upgrading the training infrastructure and will collaborate with institutes of technology, engineering colleges, and driver training institutes, in order to meet the growing demand.
2. Incentives to Private Logistics Park

Govt of Uttar Pradesh will provide incentives to Logistics Parks developed on more than 100 acres of land area, in a time span of 4 years from the date of allotment of land. These parks will be given following incentives as provided under UP Industrial Investment and Employment Promotion Policy 2017–

2.1. Interest subsidy in the form of reimbursement of interest of up to 50% of annual interest on the loan taken to buy land, calculated on the basis of prevalent circle rate, for 7 years subject to a maximum ceiling of upto INR 50 lacs/per annum/per logistics park.

2.2. Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building logistics services and supporting infrastructure at the logistics parks subject to maximum limit of INR 10 crore per year with an overall ceiling of INR 50 crore per logistics park.

2.3. Interest subsidy in the form of reimbursement of interest of up to 60% of annual interest for 7 years on the loan taken for building common facilities for workers at the logistics parks subject to maximum limit of INR 5 crore per year with an overall ceiling of INR 30 crore per logistics park.

2.4. The developer shall be eligible for 100% reimbursement of stamp duty paid on purchase of land for building the logistics park, and 50% exemption on stamp duty paid by first individual buyers on purchase of plots at the logistics park.

Expansion projects expanding the existing parks on atleast 100 acres of land area will also be applicable for incentives defined here.

3. Incentives

Other logistics units such as defined in the policy, will be eligible for following incentives on case to case basis, as under Uttar Pradesh Industrial Investment and Employment Promotion Policy (UP IIEPP) 2017 –

3.1. **Capital Interest Subsidy** in form of reimbursement to logistics units to the extent of 5% per annum for 5 years on loan taken for procurement of material handling equipment, loading and unloading plant & machinery, subject to maximum INR 50 lacs per annum per unit.

3.2. **Infrastructure Interest Subsidy** in form of reimbursement to logistics units to the extent of 5% per annum for 5 years on loan taken for development
of infrastructural amenities for self-use like roads, drainage, erection of power lines, solar panels, etc. subject to an overall ceiling of Rs. 1 Crore.

3.3. **Electricity duty exemption**: 100% exemption for 10 years to new logistics units set up.

3.4. **Stamp duty exemption**: 100% exemption on purchase of land in Bundelkhand & Purvanchal region, 75% in Madhyanchal & Paschimanchal (except GB Nagar, Ghaziabad) and 50% in GB Nagar and Ghaziabad districts.

3.5. **EPF reimbursement facility** to the extent of 50% of employer’s contribution to all new Logistics units providing direct employment to 100 or more unskilled workers, and additional 10% of employer’s contribution on direct employment to 200 skilled and unskilled workers.

Other incentives to the defined logistics units will include the following -

3.6. **Subsidized Land use conversion & development charges** – 50% subsidy in form of reimbursement on land use conversion and development charges paid by defined new logistics units on purchase of land in areas prescribed by Govt of Uttar Pradesh.

3.7. **SGST reimbursement** – 90% reimbursement to new warehousing and cold chain facilities for 5 years, 60% reimbursement to Container Freight Stations/Inland Container Depots for 5 years. This is subject to annual ceiling of 20% of capital investment or actual tax deposited, whichever is lower.

3.8. **Incentives on purchase of Transport Vehicles:**
   - 3.3.1. 2% exemption in vehicle registration fee on purchase of minimum fleet of 50 vehicles with minimum load capacity of at least 10MTs per vehicle.
   - 3.3.2. 50% exemption on road tax on purchase of mentioned fleet of such vehicles.
   - 3.3.3. In case of purchase of at least 50 Hybrid or Electric Cargo Vehicles of minimum load capacity of at least 1MT per vehicle, 100% road tax will be exempted.

3.9. **Quality certification of Warehouses** – 50% of cost of quality certification up to maximum INR 1.5 lacs per unit in a year, will be reimbursed to all new units defined in this policy.
3.10. **Capacity building incentives** - Institutes giving skill training in Warehouse management, Logistics management, etc. will be reimbursed **20% of expenditure incurred in imparting such training** over the period of this policy. Also, **Stipend at the rate of INR1000 per trainee per month over 6months** will be provided to the trainees undertaking such skill development courses over the period of this policy.

3.11. **Incentives for Intelligent Logistics** – Interest subsidy to the extent of **5% per annum subsidy in form of reimbursement on loan taken** for setting up automated supply chain technology in material handling, cargo transportation and de-congesting cargo traffic at Multimodal Transport Hubs or Logistics Parks or CFS/ICDs, subject to maximum ceiling of INR 1 crore per project.

3.12. **Logistics Innovation Centres** - **10% subsidy for setting up Logistics Innovation Centres (LICs) at or in proximity to Multimodal Transport and Logistics Park in the State, up to maximum INR 10 crore per centre.**

- The LICs will be responsible for cutting down fuel costs, idle time, adopting renewable energy and other green and intelligent technologies.
- These centre will also be responsible for training drivers in cutting down idle time, adopting fuel efficient tyres, training supply chain managers to adopt methodologies in reducing operating costs, adopting recycling techniques and bio-degradable materials.

**NOTE –**

All incentives for eligible projects defined under this policy in the form of reimbursement, subsidies, exemptions etc., will be subject to a maximum of 200% of fixed capital investment made by Inland Container Depot and Container Freight Stations, and up to maximum 100% of fixed capital investment made by warehousing and cold chain facilities.
3. **Ease of business**

Taking forward the vision and mission of State’s Industrial Investment and Employment Promotion (IIEP) Policy, 2017, this policy also ensures ease of business in the state.

3.11. **Single Window** - All required approvals to logistics units shall be provided under one roof through single window system by NIVESH MITRA. For this, a dedicated Nodal officer shall be provided to each unit.

3.12. **Time bound clearances** - Providing speedy and time bound clearances is one of the prime intention of this policy. Towards this goal, the GoUP will regularly review all its existing acts, rules and procedures related to industrial services/ clearances/ approvals/ permissions/ licenses and wherever possible.

3.13. **Simplifying procedures** – This policy ensures to rationalise existing regulatory regime and simply procedures by supporting self-certification, deemed approval and third party certification.

3.14. **Ease of Commercial Business** – The business interests of new units will be protected and will be provided conducive environment.

3.15. **Industrial Security** – Govt of Uttar Pradesh will provide safe and secure industrial environment in the state.

4. **Policy Implementation**

Department of Infrastructure and Industrial Development will be nodal department for implementation and monitoring of this policy.

4.11. **Policy Implementation Unit (PIU)** will be set up under the Infrastructure and Industrial Development Commissioner and Principal Secretary, Department of Infrastructure and Industrial Development. The PIU shall take decisions on matters pertaining to effective and successful implementation of UP Warehousing and Logistics Policy 2018. The Unit shall be responsible for providing recommendation and approval for incentives applicable to units defined under this policy, and shall provide timely grievance redressal. The Policy Implementation Unit will comprise of Nodal Officers from various departments and agencies.
4.12. **Empowered Committee** under the chairmanship of Chief Secretary/an officer delegated by him, shall oversee the development of UP Warehousing and Logistics Policy 2018 and monitor the implementation of the same. The Principal Secretaries/Secretaries of different departments will be its member. Secretary of Infrastructure and Industrial Development Department will be the Coordinating Secretary of the Committee. Representatives from CONCOR India Limited and other Industry Associations will be invitee member.

Note – Logistics and Warehousing units availing incentives from any other policy or those sanctioned by the departments of the State government, will also be entitled to avail incentives/benefits mentioned in this policy provided the same kind of benefits/incentives are not being availed from any other policy.

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