

Uttar Pradesh Warehousing and Logistics Policy 2018

1. 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 (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 Indian logistics 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 logistics 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 (IIEPP) 2017 and Food Processing Industry Policy 2017 to create a supporting ecosystem for investments in industries and related infrastructure. The Uttar Pradesh Warehousing and Logistics Policy 2018 aims at complementing the UP IIEP Policy 2017, and strengthen the state's foothold in the logistics sector.

2. Advantage Uttar Pradesh

Uttar Pradesh is India's 4th largest state and 3rd largest economy. Amongst the top five manufacturing states of India, UP is home to second highest number of Micro, Small and Medium Enterprises (organised and unorganised) in India. The exports from the state recorded 13.26% CAGR in last five years (2012-17). With largest consumer base of over 200 million population, the logistics industry has set its foot to grow in the state.

2.1. Enabling Infrastructure

Strategically located on the golden quadrilateral, and having largest rail network spanning over 8949 kms, the state of UP is well positioned to meet the requisites of expanding logistics industry. Connected to Major national and international airports, the state has strategic advantage of access to market. Major national and international airports are operational at Lucknow, Allahabad, Gorakhpur and Varanasi.

The 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 also expected to benefit the exporting hubs in eastern Uttar Pradesh. The long term strategy of the GoUP is to create a connectivity web of air, water, road and rail network that will help the state's industries and manufacturing units switch seamlessly between different modes of transport as they send their goods to markets in India and abroad.

2.2. Promising Freight Corridors and Industrial Corridors

Further, considerable share of two industrial and freight corridors – Delhi Mumbai Industrial Corridor (DMIC) – Western Dedicated Freight Corridor (WDFC) and Amritsar Kolkata Industrial Corridor (AKIC) – Eastern Dedicated Freight Corridor (EDFC) falls in Uttar Pradesh.

- A. Western Dedicated Freight Corridor (WDFC) and Delhi Mumbai Industrial Corridor (DMIC):** The upcoming WDFC that stretches from Dadri in Ghaziabad to Jawaharlal Nehru Port at Mumbai, will help the state boost its economic activity by reducing the travel time to ports. Uttar Pradesh has a vast area of 36,000 sq. km, extended across 12 districts along DMIC. With an aim to derive maximum value out of DMIC, Govt of UP is already promoting projects such as Integrated Industrial Township at Greater Noida, Multi-Modal Logistics hub at Dadri and Multi-Modal Transport Hub at Boraki. The corridor can lead to development of new industrial regions such as Meerut Muzaffarnagar Industrial Area.
- B. Eastern Dedicated Freight Corridor (EDFC) and Amritsar Kolkata Industrial Corridor (AKIC):** With a catchment area of 57% in Uttar Pradesh, the EDFC project connects the western region to the eastern one. In order to maximum the value out of EDFC and AKIC, Govt of UP is already promoting Integrated Industrial Townships, Integrated Manufacturing Clusters and logistics hubs along the corridor. Furthermore, to develop new industrial zones along the corridor, the Govt is identifying Greenfield railway stations and zones where related logistics infrastructure can be developed. The Government intends to expand market for freight consigning industries in the state along the Eastern Dedicated Freight Corridor.

2.3. Key logistics and investment zones

The 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 also proposed at Noida, Boraki and Varanasi.

With the development of all these road and railway networks, there is a strong reason to develop several investment zones and logistics hubs to attract maximum benefits from these infrastructure projects. Besides areas along DMIC and EDFC catchment area, there are many more places where logistics infrastructure can be developed. 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 DeenDayal Upadhaya Nagar (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.

3. About Policy

The Govt of Uttar Pradesh realises that to achieve the vision of sustainable industrialisation in the state, the development of warehousing and logistics infrastructure will be a critical factor. A vibrant warehousing and logistics sector would increase the competitiveness of goods produced in the state, both in the domestic as well as export market. The sector has high potential to boost manufacturing and job creation in the state, and can therefore can be instrumental in improving the State's GDP. With this view, the Govt of UP envisions this "Warehousing and Logistics Policy" to maximise the benefit of the strategic geographical location of the state, and spur far reaching economic benefit.

The rapid industrialisation in Uttar Pradesh is also creating higher demand for more sophisticated logistics infrastructure in the State. With GST, India has become a unified market, and UP has immense potential to emerge as a manufacturing and warehousing hub of the nation. The state has huge storage capacity with large number of warehouses under State Warehouse Corporation, cold storages including those under National Horticulture Mission, and Grameen Bhandarans (Rural Godowns) under National Agriculture Bank for Rural Development (NABARD). There are approximately 174 warehouses in UP with 71.84 lakh MT capacity. The current capacity is not enough to suffice the rising storage needs. Therefore, expanding the storage capacity in the state is being emphasized in state.

Through this policy, Govt of Uttar Pradesh envisages to attract investments in the following categories but not limited to -

- Warehousing, Silos, Cold Storages and associated infrastructure
- E-Commerce hubs
- Technological solutions in Real time logistics, supply chain management and process improvement.
- Robotics & Automation technologies in warehousing and logistics sector.
- Skill Development and Training

This policy takes ahead the vision and objectives of State's Industrial Investment and Employment Promotion Policy 2017 (IIEPP 2017) and further provides strategic direction for development of the warehousing and logistics sector in the state over the next 5 years.

3.1. Objectives of the Policy

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

3.2. 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) and/or Inland Container Depot (ICD) and/or Air freight stations and/or Warehouses and/or Cold Chains and related infrastructure, developed on **atleast 25 acres**¹ of land area is eligible for incentives under this policy. Such parks 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 internal roads, communication facilities, open and green spaces, water pipelines, sewage and drainage

¹ UP W&L Policy 2018 Amendment June 2020 (Cabinet decision)

lines, disposal facilities, setting up power lines, feeder, solar panels and others as per the requirements of the park.

Taking forward the Govt of India definition of logistics units considered as Logistics infrastructure, this policy will incentivise logistics units meeting following criteria -

2. **Container Freight Station (CFS) or Inland Container Depot (ICD)** with minimum investment of INR 50crore and minimum area of 10acres.
3. **Warehousing facility** with minimum investment of INR 25crore and minimum area of 1lakh sq.ft.
4. **Cold chain facility** with minimum investment of INR 15crore and minimum area of 20,000sq.ft

3.3. Implementation of the policy

- This policy will come into effect on the date of its notification and will remain in force for the period of 5 years.
- 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.
- 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.

4. Policy Framework

- 4.1. **Infrastructure Status to Logistics Sector** – Given the importance of the sector, Govt of India has included “Logistics Infrastructure” as a new item in the renamed category of ‘Transport and Logistics’. Under this, Multi-modal Logistics Park comprising Inland Container Depot (ICD), Cold Chain Facility, and Warehousing Facility as defined under this policy has been granted infrastructure status. This will enable the Logistics Sector to avail infrastructure lending at easier terms with enhanced limits, access to larger amounts of funds as External Commercial Borrowings (ECB), access to longer tenor funds from insurance companies and pension funds and be eligible to borrow from India Infrastructure Financing Company Limited (IIFCL). Govt of Uttar Pradesh will complement Union Government’s vision in developing the logistics industry through this policy.
- 4.2. **Industry Status to Logistics sector** - Warehousing and Logistics units satisfying the ‘Infrastructure Status’ conditions laid out by the Government of India will also be granted ‘Industry’ status in the state. However, for allotment

of land for warehousing, it will be up to the development authorities to frame eligibility conditions and rate. Up to 60% Ground coverage will also be allowed for warehousing and logistic units by development authorities.

- 4.3. **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. This Dedicated Division will ensure better coordination between Departments including Civil Aviation, Transport, Power, Food & Agriculture, and other related departments in setting up logistics infrastructure in the state.
- 4.4. **Development of Green Channel for Exim Cargo** – The state will identify Green Channels (with less inspection during transit) in order to prevent delays for vehicles carrying export-import cargo. Govt of UP envisages the development of comprehensive Transport zones (Transport Nagar) in all major cities, 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.
- 4.5. **Free Trade and Warehousing Zone (FTWZ)** – In order to facilitate the import and export of goods and services, with freedom to carry out freight transactions in free currency, Govt of UP will strive to create FTWZs at strategic locations near ICDs and dry ports and along the existing and upcoming expressways, highways and freight corridors. The Govt of UP envisages the creation of such FTWZs with facilities like customized warehousing, office spaces, transportation and handling facilities including support facilities such as medical centres, canteen, etc. with one-stop clearance of import-export formalities.
- 4.6. **Logistics Zone** – With WDFC and EDFC – the two key freight corridors of the country connecting north India to the western and eastern ports of the country, intersecting at Dadri, the Govt of UP will lay special emphasis on developing the region as Logistics Zone. Similarly, Bhaupur and Naini will also be developed as a logistics zone. The Govt of UP will identify and declare such logistics zones from time to time.
The State envisages to provide seamless connectivity, excellent social and physical infrastructure, 24X7 water-power availability, and other required facilities in these zones. The Private Logistics Parks as defined in this policy will be facilitated by the Government in obtaining peripheral external link infrastructure like road, facilities for drawl of water, drawl of power including substation, gas and effluent disposal etc.
- 4.7. **Identification of logistics infrastructure requirement** – In order to assess the requirement of additional logistics zones, as mentioned above and related

facilities, particularly along WDFC, EDFC, existing and upcoming expressways (viz, Agra-Lucknow Expressway, Purvanchal Expressway, etc.), National Waterway-1 (Allahabad-Haldia), Bundelkhand area (Jhansi along NH-44), and other strategic locations, Govt of Uttar Pradesh will commission regular studies and surveys.

- 4.8. **Promotion of Inland Container Depots (ICDs)** – Presently, there are major ICDs in the state at Dadri, Agra, Mirzapur, Moradabad, Kanpur, etc. and major multimodal logistics/transport hubs are proposed at Noida, Boraki, Varanasi. The Govt of Uttar Pradesh will 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, etc.
- 4.9. **Quality Storage facilities** – In order to meet the requirements of rapidly growing agro and food market and other industries such as pharmaceutical, electronics manufacturing, etc., in the state, Govt of Uttar Pradesh envisages to promote development of quality storage facilities particularly, food storage facilities in rural areas. The storage facilities will include warehouses, silos, cold storages and related infrastructure. State will encourage private entities to develop these facilities at appropriate locations, as well as improve the existing storage facilities, as per prescribed quality standards.
- 4.10. **Encouraging Public Private Partnership** – Government of Uttar Pradesh will encourage public private partnership in construction of modern logistics facilities in the state.
- 4.11. **Encouraging Innovations and Intelligent Logistics** – In order to enable access to efficiency enhancing mechanisms and adopt modern techniques, the state will encourage acquisition of better equipment such as larger and well equipped trucks, higher load capacity railway wagons, etc. Govt of Uttar Pradesh will also promote developing standardized layout for inter-modal transport and logistics hubs to include containers, pallets, cranes, etc. with consistency. Also, the state will encourage developing 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 chain.
- 4.12. **Promoting Green Logistics** – Govt of Uttar Pradesh aims at building an eco-friendly and sustainable logistics and transportation system in the state. 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 bio-degradable items, adopting recycling techniques, using renewable energy, etc. Thereby, green logistics initiatives are promoted under this policy. Further, in

this context use of electric and hybrid vehicles will be promoted at Multimodal Transport & Logistics Parks.

- 4.13. **Promoting Solar Powered Logistics Park** – Supporting the cause of clean energy, Govt of Uttar Pradesh will encourage private logistics park developers to use new and renewable sources of energy.
- 4.14. **Logistics Skill Development** – With expansion in logistics industry, demand for skilled personnel in warehouse management, logistics management heavy vehicle drivers, etc. is rising. Therefore, the Govt of Uttar Pradesh will introduce sector specific courses and will emphasize upgrading the existing training infrastructure as per needs from the industry.

5. Incentives to Private Logistics Park

Govt of Uttar Pradesh will provide incentives to Logistics Parks developed on more than 50 acres of land area. These parks will be given following incentives –

- 5.1. **Capital Interest Subsidy** in form of reimbursement 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 2 crores per annum per unit, with an overall ceiling limit of INR 10 crores.
- 5.2. **Infrastructure Interest Subsidy** in form of reimbursement to the extent of 5% per annum for 5 years on loan taken for development of infrastructural amenities like roads, drainage, erection of power lines, solar panels, etc. subject to maximum INR 2 crores per annum, with an overall ceiling limit of INR 10 crores.
- 5.3. **Stamp Duty** –
The Developer of the logistics park will be eligible for 100% reimbursement/exemption of stamp duty paid on purchase of land.
- 5.4. **Electricity duty exemption** - 100% exemption for 10 years.
- 5.5. **Incentives on purchase of Transport Vehicles:**
 - 5.5.1. 2% exemption in vehicle registration fee on purchase of minimum fleet of 50 vehicles with minimum load capacity of at least 10MTs per vehicle, by the developer.
 - 5.5.2. 30% Road tax exemption on purchase of mentioned fleet of such vehicles by the developer.
 - 5.5.3. In case of purchase of at least 50 Hybrid or Plug-in-Electric or Electric Cargo Vehicles of minimum load capacity of at least 1MT per vehicle, by the developer, 100% road tax will be exempted.

- 5.6. **EPF reimbursement facility** to the extent of 50% of employer's contribution to the developer of the Park 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.
- 5.7. **Land use conversion charges –**
50% concession on land use conversion charges to the developer.
- 5.8. **Development Charges –**
Development charges will be levied only on the facilities used by the unit in the Master Plan area of the concerned Development authority and only 25% of the total charges will be charged². Developer must select the site carefully to ensure that adequate trunk services such water supply, drainage, waste disposal, power supply and adequately wide connecting road is available maximum within 50mtr radius. The incentive will not be applicable if the required trunk infrastructure is beyond 50 mtr radius from the proposed site. In such cases, developer will be charged full development charges and land use conversion charges.
- 5.9. **Skill Development incentives –** Developer providing skill training in Warehouse management, Logistics management, etc. will be reimbursed INR1000 per trainee per month for 6months up to maximum 50trainees per annum for 5years.
- 5.10. **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 park.

6. Incentives to Logistics units

Logistics units as defined in the policy, will be eligible for following fiscal incentives–

- 6.1. **Capital Interest Subsidy** in form of reimbursement 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.

² UP W&L Policy 2018 Amendment July 2019 (Cabinet decision)

- 6.2. **Infrastructure Interest Subsidy** in form of reimbursement 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 maximum INR 1 Crore per annum, with an overall ceiling of INR 5crores.
- 6.3. **Electricity duty exemption:** 100% exemption for 10years to new logistics units set up.
- 6.4. **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.
- 6.5. **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.
- 6.6. **Land use conversion charges** – 50% concession on land use conversion charges to defined logistics units.
- 6.7. **Development Charges** – Development charges will be levied only on the facilities used by the unit in the Master Plan area of the concerned Development authority and only 25% of the total charges will be charged³.
- 6.8. **Quality certification of Warehouses** – 50% of cost of quality certification upto maximum INR 1.5 lacs, will be reimbursed to units defined in this policy.
- 6.9. **Skill Development incentives** – Units providing skill training in Warehouse management, Logistics management, etc. will be reimbursed INR1000 per trainee per month for 6months up to maximum 50trainees per annum for 5years.

NOTE 1–

- A. An additional 10% incentive on Capital interest subsidy and Infrastructure interest subsidy, to eligible Private Logistics Parks and Logistics Units, as mentioned in this policy, will be provided in Bundelkhand, Purvanchal regions and notified logistics zones. Hence, Capital interest subsidy and Infrastructure interest subsidy in form of reimbursement to the extent of 5.5% per annum would

³ UP W&L Policy 2018 Amendment July 2019 (Cabinet decision)

be provided to Private Logistics Parks and Logistics Units, subject to a maximum limit of INR 2.2 crores per annum, with an overall ceiling of INR 11 crores.

- B. All incentives for eligible projects defined under this policy in the form of reimbursement, subsidies, exemptions etc., will be subject to maximum 100% of fixed capital investment made by defined units in this policy, subject to annual ceiling of 15% of fixed capital investment.

7. Ease of doing business

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

- 7.1. **Single Window** – All required approvals to logistics units shall be provided under one roof through single window system of the state, directly monitored by the Chief Minister's office.
- 7.2. **Time bound clearances** – Providing speedy and time bound clearances is one of the prime intentions of this policy. Towards this goal, timely delivery of services, clearances, approvals, permits, etc. will be guaranteed through act.
- 7.3. **Quality Power** – Govt of Uttar Pradesh is committed to supply 24X7 reliable, quality power to warehousing and logistics sector as per provisions in Industrial Investment & Employment Promotion Policy 2017.
- 7.4. **Industrial Security** – Govt of Uttar Pradesh will provide safe and secure industrial environment in the state.
- 7.5. **Simplifying Sanctions** – The policy aims to rationalise the sanction of incentives under this policy, and towards this –
- 7.5.1. **Administrative simplification** - An Empowered Committee will be set up to simplifying sanctioning and disbursement of incentives under this policy.
- 7.5.2. **Financial simplification** - One sanction-order will be issued for all incentives under the policy and a Single budget head will be created.

Note 2– 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.
