

GOVERNMENT OF TELANGANA
ABSTRACT

Industries and Commerce Department – Telangana State Logistics Guidelines
2021-2026 – Orders Issued – Reg.

INDUSTRIES & COMMERCE (IF CELL-L&B) DEPARTMENT

G.O.Ms.No.17

Dated:06.08.2021

ORDER:

Indian logistics sector is estimated at USD 215 billion in 2020 and is expected to grow steadily led by e-commerce penetration and government initiatives such as "Make in India", 100% FDI in warehouses, food storage facilities, etc.

2. India's logistics cost as a percentage of GDP is estimated at 13-14% for India whereas global average is 9-10%. The high logistics cost is due to under-developed material handling infrastructure, fragmented warehousing, multiple regulatory/policy making bodies, lack of seamless movement of goods across modes and lack of integrated IT infrastructure/modern technology. Improving logistics sector has huge implication on exports and it is estimated that a 10 per cent decrease in indirect logistics cost can increase 5-8 per cent of exports.

3. The sector is also labour-intensive and provides employment to more than 21 million people in India and expected to employ 31 million by 2022 as per the estimation of National Skill Development Council (NSDC).

4. As the sector offers huge growth opportunities in next few years, encouraging private sector to investment in Logistics infrastructure will reduce the cost of logistics and provide employment opportunity if right facilitation from the Government is made available.

1. Initiatives from Government of Telangana:

After the formation of state in 2014, Government of Telangana has conducted a detailed study to identify the key thrust sectors for the state. Based on the study, the state has identified 14 thrust sectors, Logistics being one of them. To leverage this opportunity, Government of Telangana wants to improve the logistics sector in the state to ease the challenges and attract private investments.

Telangana, one of the fastest growing economies in India, is registering double digit growth. The growth of economy is sustained through many landmark policy interventions and implementation of robust industrial policy frameworks like TS-iPass etc. Development of Logistics sector in the state will benefit Manufacturing sector and Agriculture and Food Processing sectors in the state.

In manufacturing sector, Government of Telangana has taken up many development initiatives such as Hyderabad Pharma City, National Manufacturing & Investment Zone (NIMZ) in Zaheerabad, Kakatiya Mega Textile Park at Warangal, Electronic Manufacturing Clusters in Shamshabad, Medical Devices Park at Sulthanpur, Mega MSME Park in Dandumilaram, Defence Manufacturing Hub in Adibatla etc and all these manufacturing clusters are expected to supply the final products across Country and Globally also.

In Agriculture and Food processing sectors, harvest of paddy has brought cheers to Telangana as prestigious irrigation projects such as Kaleshwaram, Mission Kakatiya and availability of 24X7 electricity supply to farmers. The state expects paddy cultivation in around 70 lakh acres in coming years and capable of producing around 2.25 crore tonnes of paddy per annum. This means the yield of over 1.50 crore tonnes of rice each year. All these initiatives will make Telangana the new "Rice bowl of India" with record cultivation of paddy both in Vanakalam and Yasangi seasons.

As mentioned above, initiatives of Government of Telangana have resulted in growth of both manufacturing and agriculture allied sectors. As next step to strengthen industry in Telangana, Government is keen to develop logistics sector to serve the economy of the state in a cost-effective manner so that the products

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manufactured in the State ('Make in Telangana') ('Make in India') will have cost competitive advantage across the Globe while generating employment opportunities in the logistics sector.

In view of above growth factors, Government of Telangana has formulated draft "**Telangana State Logistics Policy – 2021-26**". The aim of the policy is to encourage growth of logistic sector in the state and to attract private sector investments in logistics sector to optimize overall cost and time involved in logistics.

2. Purpose & Vision of the Policy and objectives:

The overarching aim of the policy is to serve the existing and future economy of the state by improving ease of logistics, thereby reducing the cost of logistics. This policy endeavours to provide fiscal and non-fiscal benefits to logistics companies to establish and operate logistics facilities across the state.

The vision of the policy is to build a reliable, robust and efficient logistics infrastructure to optimize overall cost and time.

The key objectives of the policy are:

- I. **Development of Robust Infrastructure** - Development of robust logistics infrastructure by encouraging the investors for development of Multi Modal Logistic Parks (MMLPs), Integrated Logistic Parks, Large Scale Storage infrastructure facilities across the state.
- II. **Improve Quality of Services** – Measures to improve the quality of services provided by logistics companies requiring improvement to match international standards. This shall be achieved by attracting 3PL/ 4 PL/ 5PL services providers in the state with logistic experience.
- III. **Increase Technology penetration:** Technology plays important role in improving efficiency of the logistics business. Currently, technology penetration in the sector is low. All the companies in the value chain of logistics are encouraged to embrace state-of-art technologies in their business activities and help the state in improving productivity as well as traceability across value chain.
- IV. **Improve skilled manpower availability:** Logistics sector is one of the fastest growing sectors and will demand availability of skilled manpower. The policy shall aim to increase awareness on employment opportunities, skill development infrastructure and create pool of skilled manpower.

3. Policy tenure:

This policy shall be effective for period of 5 years from the date of notification by Government of Telangana. This policy shall be read in conjunction with "**Telangana State Industrial Policy 2015**" (T-IDEA) and its further amendments as issued under G.O.Rt.No.52, Department of Industries and Commerce, dt:28.03.2019, Government of Telangana.

4. Framework for implementation of the policy:

The policy aims to meet the above-mentioned objectives through a strategic framework. The framework consists of **building logistics infrastructure, strengthening transportation infrastructure, skill development and by providing assistance for technology and quality standards as explained below.**

5.1 Building logistics infrastructure in the state:

Government of Telangana intends to encourage private sector participation to

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improve the logistics infrastructure in the state with the following policy incentives:

A	<p>Development of Multi Modal Logistics Parks / Dry Ports /Integrated Logistics Parks etc falling under Mega Project Category of "Telangana State Industrial Policy 2015" or T – IDEA:</p> <p>I. Multi Modal Logistics Parks / Dry Ports / Integrated logistics Parks or Infrastructure projects developed shall be treated as 'Mega Projects' as mentioned in Telangana State Industrial Policy Framework 2015. Mega projects are projects which have investment of above INR 200 Crores or providing employment to more than 1000 persons</p> <p>II. Government of Telangana shall develop these projects through Public Private Partnership (PPP) mode or by accepting project development proposals from private developers.</p> <p>III. In addition to standard large category industry incentives, these projects will receive tailor made incentives based on requirements of the project. The broad areas of incentives shall be Road, Rail, Land, Power, Water, tax rebates and interest subsidiés.</p>
B	<p>Development of ICDs/ Dry Port/<u>not</u> falling under Mega Project Category (Rail based)</p> <p>Government of Telangana shall encourage private developers to construct rail connected ICDs/ Dry Ports/ any other logistics infrastructure across state. For these projects, Government of Telangana shall provide the following incentives</p> <p>I. Allotment of Land: Government of Telangana will identify land at strategic locations for development of ICD/ Dry port. These projects will be developed on PPP mode. Private developers willing to develop these projects in Telangana can submit proposal for the same and the land required for construction of these projects shall be allotted as per the procedure laid out in "Industrial Policy Framework for the State of Telangana 2015".</p> <p>II. Interest Subsidy: Government shall provide interest subsidy of 35% of annual interest payable by the company on loan taken for construction of the Projects. The interest subsidy shall be provided for period of 7 years from date of commencement of Commercial Operations. The interest subsidy is capped at INR 50 Lakhs/ year/ unit. The interest subsidy is provided for PPP projects initiated by Government as well as the projects developed by private developers.</p> <p>III. Complimentary infrastructure: Government will provide complimentary infrastructure such as rail connectivity (from nearest railway station), Road Connectivity (from nearest state highway / national highway), power, water, sewerage and internet services. The total cost of implementation of complimentary infrastructure shall not exceed 10% of the fixed Capital in building, plant and machinery (Excluding land) or INR 10 Crores (For Rail based infrastructure the upper cap will be 20% or 25 crores) whichever is lower. The complimentary infrastructure is provided for PPP projects as well as projects developed by private developers.</p> <p>IV. Exemption of Development Charges: In view of making project viable and promoting private investment, Government of Telangana shall exempt 'Development Charges' for projects -ICDs/ Dry Port/<u>not</u> falling under Mega Project Category (Rail based).</p>
C	<p>Development of Integrated Logistics Parks in various districts of state</p> <p>Government of Telangana shall encourage development of Integrated Logistics Parks in each district of the state. These Integrated Logistics Parks shall act as logistic Hubs and will help in consolidating the logistics</p>

activities at one place in the district.

Government of Telangana shall develop Integrated Logistics Parks at strategic locations through PPP mode. For these projects, Government shall identify suitable land and follow bidding procedure for selection of developer for construction of the project. Government shall also encourage private developers to construct Integrated Logistics Park in private land or submit a proposal to government for allotment of land on cost basis. The incentives for these projects are given below.

I. Incentives for projects developed on Government land:

Government of Telangana shall provide interest subsidy for development of integrated logistics parks developed in Government land through PPP mode. The interest subsidy shall be 35% of annual interest payable by Entity which has opted for loan taken for construction of integrated logistics parks. The interest subsidy shall be provided for period of 3 years from date of commencement of Commercial Operation. The interest subsidy is capped at INR 50 Lakhs/ year/ unit.

II. Incentives for projects developed on private or leased land:

Government of Telangana shall provide interest subsidy and capital subsidy for development of integrated logistics parks in private lands or leased lands. The interest subsidy shall be 35% of annual interest payable by the company/ entity which has opted for loan taken for construction of integrated logistics parks. The interest subsidy shall be provided for period of 3 years from date of commencement of Commercial Operations. The interest subsidy is capped at INR 50 Lakhs/ year/ unit.

The capital subsidy shall be 10% of fixed capital invested in building, plant and machinery. The subsidy will be paid after the date of commencement of Commercial Operations. The capital subsidy is capped at INR 50 Lakhs/ unit.

III. Complimentary infrastructure for Integrated Logistics Parks:

Government shall endeavor to provide complimentary infrastructure such as rail connectivity (from nearest railway station), Road Connectivity (from nearest state highway / national highway), power, water and internet services. The total cost of implementation of complimentary infrastructure shall not exceed 10% of the fixed Capital in building and infrastructure facilities (Excluding land) or INR 10 Crores whichever is lower.

IV. Exemption of Development Charges: In view of making project viable and promoting private investment, Government of Telangana shall exempt 'Development Charges' for projects - Integrated Logistics Parks.

V. Integrated Logistics Parks developed by HMDA will only be permitted within HMDA area. Outside HMDA area, government lands will be made available without any concession on the rates, other than under exceptional circumstances.

D Government of Telangana intends to increase the storage capacity in the state by encouraging warehouses and cold storages of larger capacities. Therefore, the incentives are applicable for warehouses of capacity greater than 1,00,000 Sq.ft of storage area and cold storage capacity greater than 20,000 Sq.ft of storage area. Further, to improve storage capacities near tribal zones (within 20 Km from outskirts of tribal zones), Government shall incentivize development of warehouses with capacity greater than 10,000 Sq.ft and cold storages of capacities greater than 5,000 Sq.ft. For these projects, the following subsidies are applicable.

I. Capital subsidy for large warehouse and cold storages: The capital subsidy shall be 10% of fixed capital invested in building, plant and machinery. The subsidy is paid for projects opting for loan

for construction and paid after the date of commencement of Commercial Operation. The capital subsidy is capped at INR 50 Lakhs/unit. For warehouses and cold storages constructed near to tribal zones, capital subsidy shall be 20% of fixed capital invested in building, plant and machinery and capped at INR 75 Lakhs / unit.

II. **Interest subsidy for warehouse and cold storage:** An interest subsidy of 35% of annual interest payable by the company on loan taken for construction of warehouses and cold storages. The interest subsidy is capped at INR 50 Lakhs/ year/unit. The interest subsidy is provided for 3 years after the date of commencement of Commercial Operation. For warehouses and cold storages constructed near to tribal zones, interest subsidy shall be provided for period of 5 years from date of commissioning and capped at INR 50 Lakhs/ year/unit.

Other Government Departments can use the upcoming warehouses and cold storages in accordance with G.O. RT. No. 460 dated 16.09.2016, issued by Agriculture and Cooperation (MKT-I) Department, Government of Telangana.

Primary Agriculture Credit Society (PACS) & / Mutually Aided Cooperative Society (MACS) of Government of Telangana can also avail the benefits of the scheme.

As Telangana's agriculture output is expected to grow at considerable rate in coming years, each district will be developed to have a "Special Food Processing Zone" to facilitate domestic transport of processed products and export the same. For these projects, incentive from other schemes will be tapped.

5.2 Strengthening of High Capacity Commercial Fleet in the state:

Government of Telangana intends to improve efficiency of transport industry by increasing number of high-capacity commercial vehicles available for logistics activity. Trucking is a fragmented activity and Government intends to structure it by attracting sizeable trucking companies to set up their services in Telangana. The incentives are available to those entities that shall buy at least 20 commercial vehicles with in 1 year in Telangana and having registered office in Telangana. The incentives provided shall be in the form of reimbursement of vehicle registration cost and reimbursement of cost of national permits.

Class of vehicle	Reimbursement amount
For Non reefer vehicles	
Carrying capacity of truck - >30 MT (Gross Weight)	100% of vehicle registration and 100% of national permit cost
Carrying capacity of truck - >20 MT and < 30 MT (Gross Weight)	50% of Vehicle registration cost and 50% of national permit cost

Class of vehicle	Reimbursement amount
For Reefer Vehicles	
Carrying capacity of reefer truck - >15 MT (Gross Weight)	100% of vehicle registration and 100% of national permit cost

The reimbursement of registration cost is one-time cost, whereas national permit cost shall be reimbursed for a period of 5 years.

5.3 Skill Development in logistics sector

Following initiatives proposed under Skill Development Area:

I	<p>Establishment of Center of Excellence (CoE): Government of Telangana shall establish a Center of Excellence (CoE) along with Telangana Academy of Skill and Knowledge (TASK). The CoE shall be developed in association with leaders in industry segment. The aim of CoE shall be to provide end to end training needs of the logistics sector. The functions of CoE are as follows:</p> <p>Upgrading skill: CoE shall house facilities required for up-grading skill set of people. The facilities shall be built to conduct technical and non-technical trainings at CoE.</p> <p>Constitution of Logistics Advisory Network T-LoG: Government of Telangana envisions to form a Telangana Logistics Advisory network - T-LoG under the aegis of Government of Telangana. T-LoG shall be an advisory platform where Industry leaders from Logistics Industry and Government officials will be part of advisory network.</p>
II	<p>Reimbursement of cost involved in skill up gradation and training: Government of Telangana shall reimbursement 50% of cost involved in skill up gradation and training local manpower limited to Rs.5000/- per person.</p>
III	<p>Encouragement for involvement of Women/Physically Handicapped in logistics sector: Government shall reimburse 100% PF contribution done to woman/Physically Handicapped employees who are recruited from the TASK accredited Logistics training institute or CoE (as mentioned above). The PF will be reimbursed for a period of 3 year from date of appointment of woman employee.</p>

5.4 Assistance for technology up gradation and improving service delivery:

I	<p>Providing assistance for installation of tracking devices in transportation / trucking vehicles: Government of Telangana shall reimburse 50% of cost of installation of tracking devices or INR 1,000 per tracking devices per truck, whichever is lower of cost. This is a onetime cost reimbursement provided by Government for commercial, registered vehicles in Telangana for the companies having registered offices in Telangana.</p>
II	<p>Providing assistance for installation of logistics management software: Government of Telangana shall reimburse 50% of cost of installation of logistics management software or INR 20,000 per installation per company; whichever is lower of cost. This is a onetime cost reimbursement provided by Government for companies which are having registered offices in Telangana.</p>
III	<p>Providing assistance in implementation of quality management system: Government of Telangana shall reimburse 50% of cost incurred for implementation of Quality Management System (IMS /ISO 9001/ ISO 14001/ OHSAS 18001/SA 8000) in their infrastructure. The incentive will be capped at maximum INR 5 Lakh to improve quality of delivery of goods and services. This is a onetime cost reimbursement provided by Government for cold storage / warehouse / integrated logistics parks/ MMLP / any other logistics infrastructure.</p>

IV	Providing assistance in implementation of fire detection system: Government shall reimburse 20% of cost of implementation of fire safety system or INR 10 Lakhs at cold storage / warehouse / integrated logistics parks/ MMLP / any other logistics infrastructure for existing as well as upcoming infrastructure guided by the definitions of the policy.
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5.5 Encouraging innovation in logistics sector:

I	Government of Telangana shall provide 20 reserved office spaces / seats for upcoming start-ups in logistics sector through T-Hub/ Startup Ecosystem partner.
II	The state shall propose a special innovation Fund of INR 1 crore for supporting start-ups in Logistics (for first two years)

5.6 Other Initiatives:

I	Government of Telangana shall demarcate at least 5 Acres of land in upcoming Industrial Estates/Industrial parks and SEZs for purpose of development of common logistics infrastructure- such as warehouse/ cold storage / loading/ unloading facilities /Trucking etc.
II	Railway sidings are infrastructure that facilitate intermodal movement of Bulk goods as well as provide opportunity for Rail side warehousing activities. The Government of Telangana may receive proposals from private developer for development of standalone Railway sidings and the need for the infrastructure will be evaluated. Based on evaluation and the level of capital infused by Private developer, Road connectivity up to the siding will be provided. If necessary, the state government may acquire on behalf of the private developer as per the procedure laid out in "Industrial Policy Framework for the State of Telangana 2015".
III	<i>Single Window Facilitation system:</i> To fast-track approvals required for building of any new logistics infrastructure in the state, all the proposals can be applied through Single Window Clearance system of TS-iPASS. Apart from this, Government of Telangana shall establish a separated procedure to fast track the issuance of commercial driver's license and national permit for cargo carrying trucks.
IV	Other industrial incentives such as stamp duty reimbursement, land cost rebate, SGST and land conversion cost (including NALA Tax) shall be provided as per the procedure laid out in "Industrial Policy Framework for the State of Telangana 2015".

The Government of Telangana will appoint a committee to assist Government in implementation of the policy. The committee shall be chaired by Principal Secretary (Industries & Commerce) and responsible for implementation of the policy as well as address issues related to Logistics sector.

5. Financial Implications:

Estimated financial implications of the policy are listed below:

S.No	Policy Incentives/ Category	Expected No. of Units	Incentives by Govt per unit	Total Incentives for the category (Rs. Cr)	Land Requirement (Acres)	Expected Investment (Rs. Cr)
1	MMLP/Dry Port /Integrated Logistic Park (ILP) - Mega Projects	1	Rs. 50 Cr per unit	50.00	400	1000

2	ICD / Dry Port/ ILP - Non- Mega Project Category	2	Rs. 18.50 Cr per unit	37.00	150	1000
2.1	Exemption of Development Charges for ICD Projects		INR 300 pr Sq.mt as per GO.Ms.No.2 23 dated 30.08.2016 by MAUD, Government of Telangana	18.00	NA	NA
3	Integrated Logistic Parks	10	Rs. 3.75 Cr per unit	37.50	300	1000
3.1	Exemption of Development Charges for ILP Projects		INR 300 per Sq.mt as per GO.Ms.No.2 23 dated 30.08.2016 by MAUD, Government of Telangana	36.00	NA	NA
4	Cold Storages (>20,000 sft)	20	Rs. 2.00 Cr per unit	40.00	100	500
5	Warehouses (> 1,00,000 sft)	20	Rs.2.00 Cr per unit	20.00	100	500
6	Transportation - Trucks	20000	INR 45400 per truck	90.80	NA	--
7	Skill Development	36000	INR 5000 per person	18.00	10	--
8	Truck GPS	20000	INR 1000	2.00	NA	--
9	Technology upgradation	500	INR 20000 per unit	1.00	NA	--
10	Quality Management system	100	5 lakh per unit	5.00	NA	--
11	Fire detection system	100	10 lakh per unit	10.00	NA	--
12	Reimbursement of PF to Female/ PH employees	3600	INR 10800 per year/person	11.66	NA	--
13	Proposed Special Food Processing zone (Logistics facility)	--	--	--	NA	5000 Cr (Proposed investment for Special Food Processing Zone)
	Total			INR 375.96 Crores	~1060 Acres	INR 10,000 Crore Investment

The expected number of units considered in the table above are arrived based on the future growth of manufacturing zones, agricultural output, stakeholder consultation and benchmarks with other states. The proposed incentives will be initially extended to the numbers specified in the table. Further, in order to promote private sector participation and speed up investments proposed, benefits of policy shall be applicable for first 2 years from the date of issuance of policy by the Government. After 2 years, the effectiveness of the policy will be assessed and suitable decision shall be taken on extension of incentives.

6. Expected Policy Outcome of the Policy:

1	Estimated total investments to the State	Rs. 10,000 Cr
2	Direct employment generated (no's)	~ 100,000 +
3	In-Direct Employment opportunities (based on Thumb rule) (nos)	~ 100,000 +
4	Total Amount of Incentives provided as per policy (estimated) for policy period (2021-2026)	INR 375.96 Cr
5	Land required as per policy	~1060 Acres (spread throughout in State)

5. Considering the growth of the sector and its importance to the state of Telangana, the new logistics infrastructure projects which will come up in the state will generate substantial revenue in terms of Taxes (SGST), Customs Duties and other state taxes along with employment generation.

6. The Commissioner of Industries (Commerce & Export Promotion), Joint Managing Director, Telangana State Trade Promotion Corporation and Director of Logistics, Telangana State Trade Promotion Corporation, Hyderabad shall take necessary action in the matter accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

JAYESH RANJAN
PRINCIPAL SECRETARY TO GOVERNMENT & CIP (FAC)

To
The Commissioner of Industries (Commerce & Export Promotion), Hyderabad.
The Joint Managing Director,
Telangana State Trade Promotion Corporation Limited, Hyderabad.
The Director of Logistics,
Telangana State Trade Promotion Corporation Limited, Hyderabad.

Copy to:-

The P.S to Principal Secretary to Chief Minister.
The Chief Secretary to Government, Telangana Secretariat, Hyderabad.
The P.S to Principal Secretary to Government,
General Administration (Cabinet) Department.
The P.S to Principal Secretary to Government & CIP (FAC),
Industries and Commerce Department.
The P.S to Minister (Industries), Hyderabad.
The General Administration (Cabinet) Department.

//FORWARDED::BY ORDER//

Kamran
SECTION OFFICER