

terms of setting new directions for the future economic growth. The major highlight this time I believe is the emphasis on going beyond metro, tier I and tier II locations and provisioning for a facelift of the rural infrastructure. That too in a holistic manner by committing for better employment opportunities, physical assets, sanitation and education related avenues in the pockets where real India lives.

Take for instance, Rural Infrastructure Development Fund (RIDF). The allocation has been enhanced to Rs 20,000 crore. But it's not merely the allocation hike which is the shining point. The point is there is a strong endeavor to push rural productivity with better wherewithals and hence out of Rs 20,000 crore allocation, Rs 5000 crore has been provided for just creating warehousing units. For our fraternity, it's a matter of delight that at last the government is thinking in terms of structured and inclusive expansion of the storage and distribution units.

Another encouraging signal is the setting up of 8,800 km of highways construction target for 2012-13. The government has clearly sent the message that it is quite serious about expediting the road infrastructure development exercise, something which is so critical for us going ahead. To make it happen, the FM has not only enhanced the allocation for the Ministry of Road Transport & Highways to Rs. 25,360 crore – a 14 % increase, but also proposed to allow External Commercial Borrowings (ECB) for capital expenditure on the maintenance and operations of toll systems for roads and highways.

However, there is a sense of disappointment with ambiguity still remaining on the issue of implementation of GST. Though the FM has given a date, what remains to be seen is whether all state governments would contribute their bit within the stated deadline to finally convert the idea into reality.



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Like always, this year's budget adds focus to selected sectors and growth aspects in India's development story. And like always, benefits accrued across any such sector is going to bring benefits in terms of hard business to the associated logistics sector. The sad element is, that while no country's development can be complete without logistics serving as its lifeblood, this time, again

as always, there has been no real structured move to view or support logistics as an industry to reckon.

True... there have been measures announced, aimed at improving fund availability (both expenditure and working capital: from

warehousing across to airlines), but consistent direction to the logistics sector as an industry is missing. I fear that investment linked deductions and such measures will only allow for more fragmented development of infrastructure in the logistics landscape. This budget lacks in providing continuity to strategic direction to this hopeful 'industry'.

India, seems to continue to want to develop capacity in terms of infrastructure, yet ignoring that development of such hard assets should be in synchronicity with the larger directional road map of a nation's development. Case in example, a strong focus is evident to make a success of the National Manufacturing Policy (NMP) with weighted deduction being tabled for skill development in manufacturing. This same allowed for skill development in manufacturing sector should include logistics – frankly, my take is that all manufacturing will come to naught, unless skills are developed in the management and movement of said goods across that value chain. The acknowledged dearth of skill in the logistics trade is not addressed in any proposal. In fact, I would suggest that it is this kind of capacity building which should attract utmost importance in the logistics arena today.

Other aspects covered, such as enhanced allocation for NHAI coupled with customs duty exemptions (including CVD/SAD) on importing of road associated equipment; the maritime agenda targeting new major and hub ports; etc, will also indirectly impact the logistics trade... any improvement to available infrastructure is bound to. Yet, a cohesive approach in policy and planning such development is expected so that such infrastructure is not isolated from the larger intent.

One good sign is the promoting of trending unitisation of cargo through the thrust on facilitating new development of container freight stations. This coupled with declared intent for mechanisation of cargo handling, should give strategic direction for the future to both logistics and manufacturing sectors. Any increase in unitised handling of goods will bring efficiencies to operations and benefit the nation at large. One truly hopes this will fructify so!

Rationalising point of taxation rules, alignments to harmonize the tax code, amendments to the service taxations, etc seem evidential forerunners towards preparing for GST. Any changes to ST and other cost changes would typically be passed through to end users, whereas the proposal for monthly filing of service tax returns could add somewhat to administrative costs. The announcement to roll in a GST IT network within this year is a healthy signal - one hopes that the logical conclusion is secure and not again subject to other vagaries.

The enhanced deductions on infrastructure build for agri-produce and cold chain, and equating with the same deductions

**This year's announcement is a mixed bag..., things could have been much better, had the government taken a stand to put together a strategic growth plan for making India a key point in global supply chains.**

## An annual ritual which is awaited with anticipation by all like expectant parents, the budget for 2012-13 was possibly not as joyous as when a baby is born.

to large hospitals, brings to fore, that our food chain is perceived equally critical to the health of our future. Yet, I fear that in taking advantage of such enhanced deductions, various non logistics players would view this as opportunity and build captive capacity; adding to inexperience and in-efficiencies. Such blanket allowances lead to infrastructure build-outs which are not necessarily conducive to efficient supply chain and logistics. Clear directional impetus as an industry would have been more welcome.

Logistics is the sole crucial physical link between producer and markets. There can be no efficient trade, or growth in any nations GDP, unless logistics serves to close the product life cycle loop. An inefficient and unskilled logistics industry will always surface as the bottleneck on a country's developmental roadmap. Logistics is not just road networks or warehouses or ports and it seems that several critical expectations are not formally appreciated.

In ending, I would say that this budget has little definitive impact on the logistics players, leaving this sector to its own innovative devices to support India's forward motion.



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While Government has finally shown some positive direction in GST but still it does not give a clear intention of whether it will finally be introduced in August 2012. The dual GST with 16% for services and 12-20% for goods is just a mathematical effort of balancing act. However, if GST is introduced it would completely change the way business is conducted and the way supply chain is planned

in India.

There would be major consolidation of warehouse facilities and hopefully larger and more modern infrastructure will come into existence. For the first time probably from locating warehouse at consumption centre now there will be probably plan to locate the mother warehouses near the manufacturing base which definitely would lead to good inventory management and storage would be based on actual transportation cost and economics rather than tax saving effort by doing branch transfer.

Even much needed FDI in multi Brand retailing was not introduced this time. While Government showed haste in increase of 2% service tax, a cohesive approach of simultaneously introducing GST and allowing FDI in multi branding retail also would have a very positive impact in the market.

With increase in Excise in FMCG goods, the impact is going to be inflationary and the relief given to individual in his income tax is not good enough to offset the inflationary pressure on the common man.

Allocating substantial funds for farm development, and plan to have 15 mega food parks and incentives for cold chains and storage infrastructure for farm products definitely looks interesting from theoretical point of view, how much is actually converted into practical benefit is to be seen. However few large corporate are already trying to utilize this opportunity by foraying in a big way into organic farming and Food parks.

Over all it was a so-so budget for logistics and supply chain and retail industry.



**TS Narasimhan**  
Executive Director  
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“I must be cruel only to be kind” and the FM said it all. Fewer reprieves to common man battered by continuing inflationary pressure as goods and services to cost further more as Excise, service tax going up to 12 percent. Growth without inflation has been a monetary policy challenge and FM has done a reasonably good job within the political frame and balancing act

required.

Mobilization through tax free bonds of Rs. 60,000 crores for financial infrastructure projects is a welcome sign. So is the 8800 km of road projects to be awarded against 7300 km in 2012. Allocation of the Road Transport and Highways Ministry enhanced by 14 percent to Rs.25,360 Crores seems and FM's thinking on this line is a good augury for logistics infrastructure boost.

Skill development has been the issue not only for logistics sector but also in other sectors too; allocation is Rs.1000 core and 6.2 crores persons targeted in 10 years.

Regulatory frame work getting strengthened -Tax reforms: Direct Taxes Code (DTC) at earliest; GST network to be operational by August 2012 hopefully achieved! Central Excise and Service Tax being synchronized, way forward for GST.

A General Anti-Avoidance Rule (GAAR) to be introduced to counter aggressive tax avoidance. When seen with open mind all these measures would make the economy more resilient. Looks like ground is being prepared for India becoming largest economy in 2050. With all these India's Logistics Performance index (current ranking at 47 out of 155 countries) is expected to scale up!