

Infrastructure Today
Investors warm up to govt moves

Date: 21-04-2011 | Edition: National | Page: 26 | Source: Bureau | Clip size (cm): W: 19 H: 26

COVER STORY



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Investors warm up to govt moves

Going forward, a 25-28 per cent growth is envisaged in the cold storage industry. Even so, it will be a while before prices are arrested, exports of cold storage commodities take off, and indeed, before a heady rush of private participation is a reality, say the industry's practitioners and best experts.

What are the major implications of the acceptance of the infrastructure status on the cold storage industry?

N AGARWAL

The change to infrastructure status immediately implies that it is identified as a high priority sector, critical to the growth and development of the nation. It also implies long-term commitment towards this industry by the government.

Considering that it is capital-intensive activity with lead time of at least six to eight months depending on size of the area being built, not many private investors have been ready to jump in to cold storage. Now, with the announcement of tax incentives and viability gap funding (VGF), financial pressures are well cushioned and will hence result in building of various facilities. To aid in reaching break even, the VGF will allow a window to develop new business to reach capacity utilisation so that the investor need not worry about the immediate returns on commencement of operations.

Moreover, since the demand for space is much more than the supply, it is a good catalyst for new infrastructures to do well in this space.

The major implications in accordance of the infrastructure status on the cold storage activity is the provision for tax holidays on new infrastructure setup for 10 consecutive years of 15 years. We know that the economic-value multiplier is very high in horticulture produce and investments in cold storage

will impact the economy in a positive way.

V AGARWAL

The inadequate support infrastructure which is the biggest bottleneck is expanding the food processing sector includes long and fragmented supply chain, inadequate cold storage and warehousing facilities, road, rail and port infrastructure, lack of modern logistics infrastructure such as logistic parks, integrated cold chain solutions, last mile connectivity, dependence on road over rail, customised transportation, technology adoption (barcoding, RFID) and government support by incentivising private public partnerships. The recent announcements will go a long way in bringing down operational costs in managing cold storage units.

ARORA

One of the benefits is that the price of cold storage manufacturing material has gone down. That will have an impact on the capex for cold storage. It will be marginal, not really substantial or significant. But it will be a cushion for existing brands or people who are planning to enter this market. They will have a better internal rate of return (IRR) or better return on their investments.

The real trigger of it being classified as infrastructure is still being explored by the CPCs and the CAs—what will be the fiscal benefits, of incentives or deferral of taxation, etc.