



FREE TRADE WAREHOUSING ZONES A GAME CHANGER FOR INDIAN AGRI FOOD SUPPLY CHAIN

FICCI FOODWORLD INDIA 2010
25th November 2010, Mumbai

FTWZ



Rail Infrastructure



Domestic Distripark



Logistics



Supply Chain Management



Technology



Stage	Product and Process Characteristics	Impact on Supply Chain
Overall	<ul style="list-style-type: none"> ▪ Shelf-life constraints ▪ Recycling of materials required 	<ul style="list-style-type: none"> ▪ Time & Information constraints ▪ Return flows
Growers / Producers	<ul style="list-style-type: none"> ▪ Long production times ▪ Seasonality in production ▪ Variability of quality and quantity of supply 	<ul style="list-style-type: none"> ▪ Responsiveness ▪ Flexibility in process & planning ▪ Information flow across all supply chain stakeholders
Auctions / Wholesalers/ Retailers Processors	<ul style="list-style-type: none"> ▪ Quantity & Quality Variability ▪ Seasonal supply ▪ Specific Storage Requirement ▪ Variable process time & yield ▪ Product dependent process ▪ Capital Investment (machinery etc) 	<ul style="list-style-type: none"> ▪ Pricing issues ▪ Global sourcing strategy ▪ Specialized transportation & storage solutions ▪ Production planning & scheduling - <i>to ensure capacity utilization</i>



- **Agri & Food Chain Network ORGANIZATION**
 - *globalization, urbanization and agro-industrialization, are placing increasing demands on the organization of agri-food chains & networks*
- **Globally INTERCONNECTED Systems**
 - *food and agribusiness supply chains and networks are now rapidly moving towards globally interconnected systems with a large variety of complex relationships.*
- **Demand and supply have become INTERNATIONAL processes.**
- **Need for improved COORDINATION & continuous INNOVATION**
 - *market exerts dual pressure on agri-food chains, forcing improved coordination among buyers and sellers and continuous innovation*
- **The recent trends encompasses the development and implementation of ENHANCED QUALITY, LOGISTICS AND INFORMATION SYSTEMS**



These developments put dynamic requirements on the performance of the agrifood system, thus triggering a reorientation of companies with regard to their roles, activities and

■ India's Present Logistic Realities

- *Logistic cost at 14% of GDP, as against 8% - 9% in most developed nations.*
- *Logistic in-efficiency/opportunity to tune of over USD 50 billion (on a trillion GDP)*
- *Clearance Time of about 19 days at Indian ports compared to 3 - 4 days in Singapore*
- *Only 7 mn TEU's handled compared to Dubai (12 mn), Singapore (24 mn) & China (186 mn)*
- *India burns USD 2.5 bn of fuel on account of trucks standing idle on state check-posts*
- *Despite poor road infrastructure, road transport currently account for approx 60% of total Indian freight transport and rail account for 35% share*

■ Are we ready for the future...

- *India currently carries approximately 2.8 billion MT of cargo; which is expected to grow to approximately **5.2 billion MT** by 2020 (@ CAGR of 6%)*
- *By 2020, country to have approx **615 mn middle class** population, thus fueling trade*



ARSHIYA LOGISTICS INFRASTRUCTURE SOLUTIONS

FTWZ

FREE TRADE AND WAREHOUSING ZONES

- First movers in this space in India
- 5 strategically located FTWZs in India
- Rail connectivity with domestic distripark facilities between FTWZs
- Integrated infrastructure inclusive of:
 - Integrated CY/ ICD & Container Storage / Maintenance Yard
 - Warehouses (Shelf, Bulk, CAP, Freezers & Chillers)
 - Strong room, Clean room (Moisture/Humidity/Temperature controlled)
 - Dedicated space for high-end luxury goods
 - Dedicated storage for hazardous cargo
 - Exhibition centers
 - State of the art integrated infrastructure & material handling equipments
 - Commercial complex, business centre, banking, insurance, courier, travel, fuel station, cafeteria & other essential services inclusive

Mumbai FTWZ Operational Live from August 2010

Delhi FTWZ to be operational by Q3 2010

FOR IMPORTS

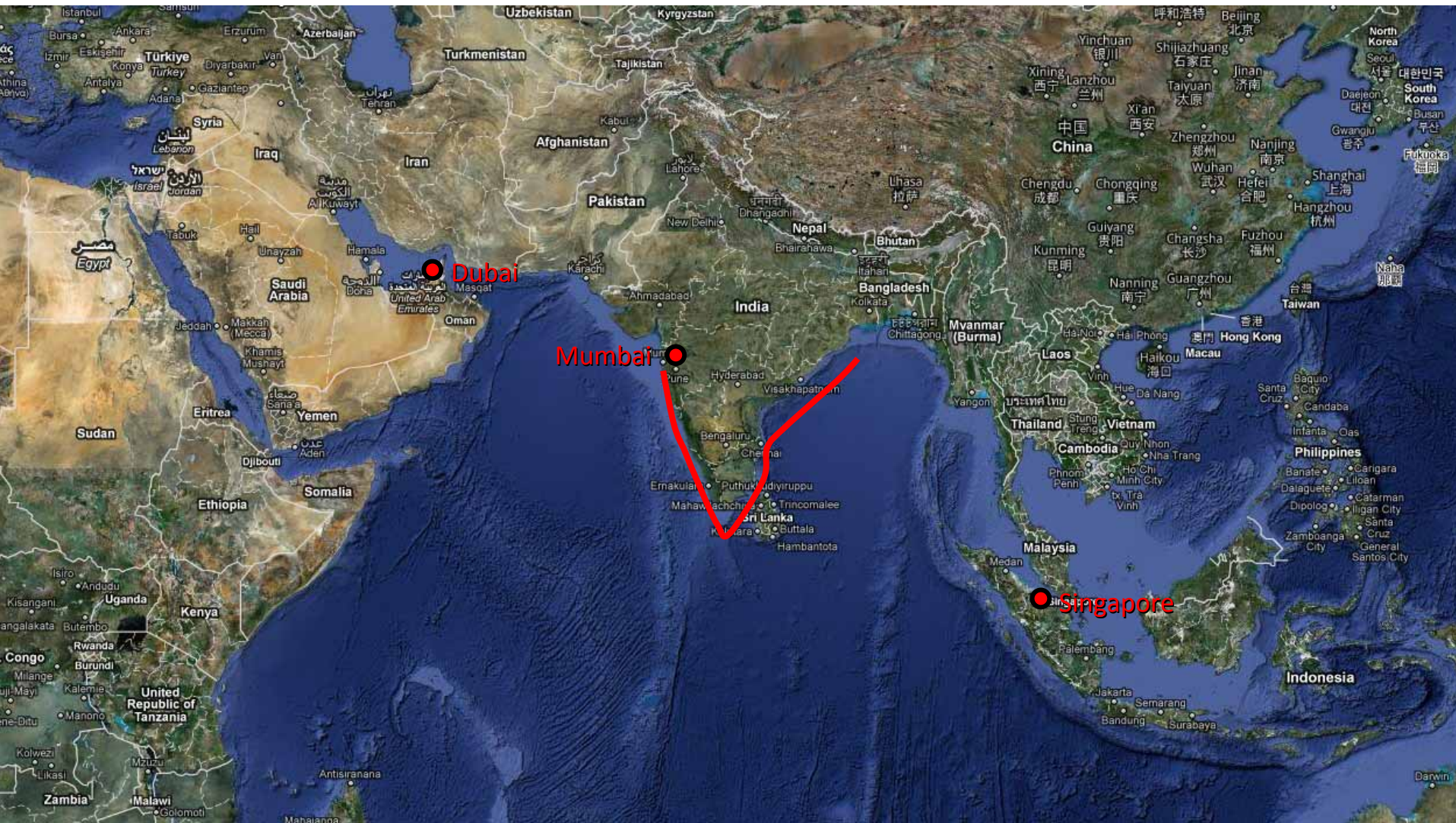
- Flexibility towards end-distribution in India
- Duty deferment benefits (freeing up working capital)
- Quality control capability prior to duty- payment
- Hassle-free re-export regulatory /duty implications
- Reduced buffer stocks
- Service Tax exemption on services availed; including transportation inside India
- Lowered product costs
- Foreign exchange transaction capability

FOR EXPORTS

- Products from India entering the FTWZ are treated as deemed export - providing immediate benefits to suppliers.
- Local Tax Exemption (eg. CST, Sales Tax, Excise & VAT) on all activities conducted inside the FTWZ
- Increased efficiency through lowered reverse logistics through quality control before dispatch from India
- Foreign exchange transaction capability
- Increasing supply chain efficiencies (forward & reverse) while enhancing capital cash flow

VALUE ADDITION

- Service tax exemption on all activities conducted inside the FTWZ including rental & labour
- Exemption from custom and stamp duty on products imported into FTWZ; meant for re-export out of India
- Income tax exemption on profit where applicable
- Hassle-free re-export process
- Permission of 100% FDI for the set-up of units by the unit holder of the FTWZ
- Ability to leverage India's cost, skill & geographic positioning advantage as a hub for regional/global distribution post Value Addition activities



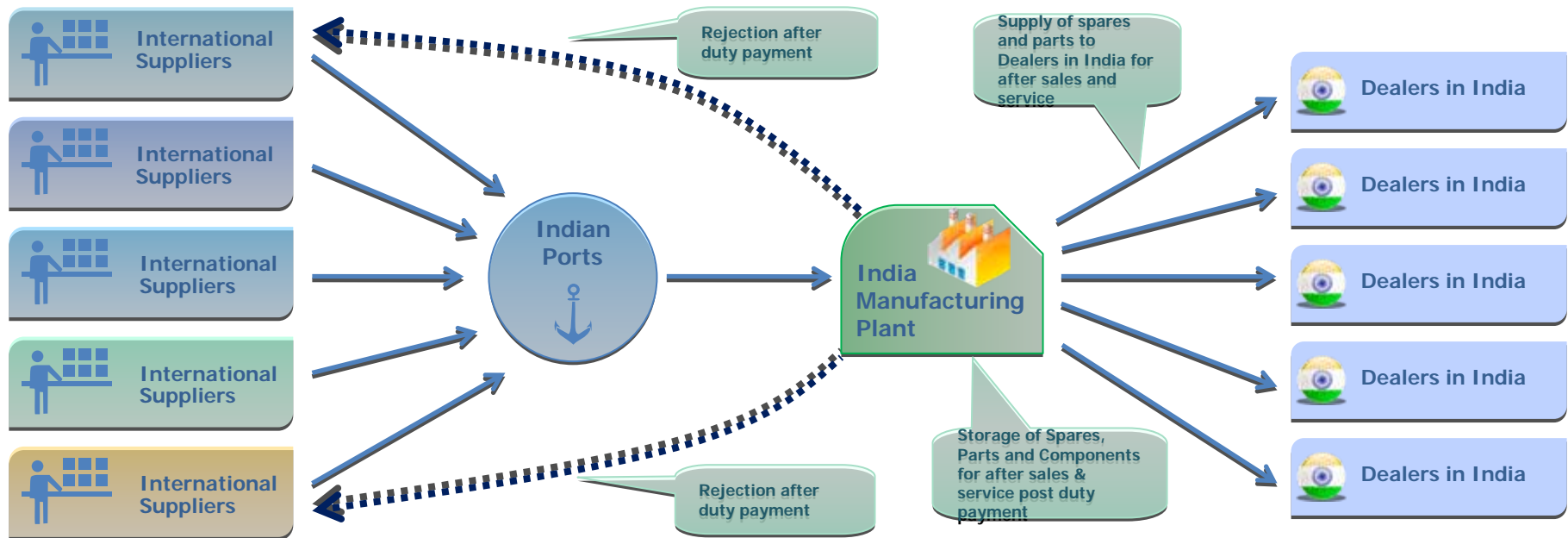


WAY STUDY

BENEFITS OF IMPORTING PRODUCTS INTO INDIA THROUGH THE FTWZ

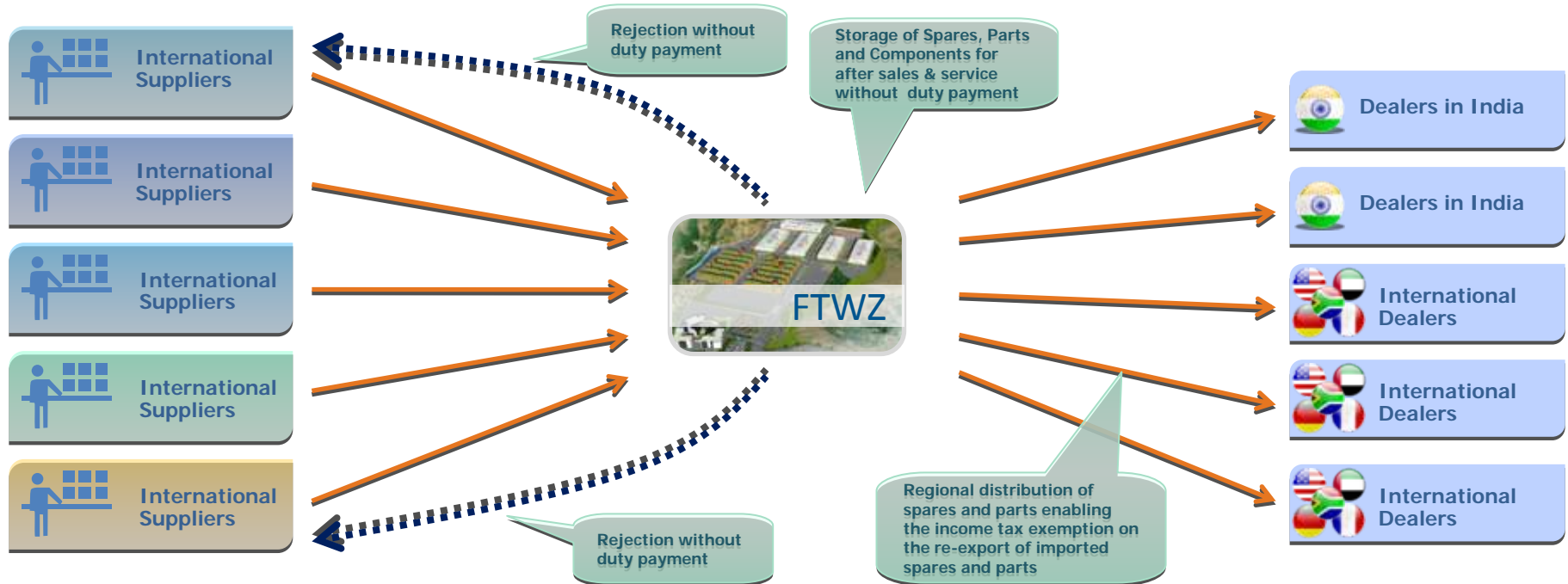
(DEEMED FOREIGN TERRITORY)

WAY STUDY – GLOBAL AUTOMOBILE MANUFACTURER'S CURRENT SUPPLY CHAIN



- ✓ Duty paid storage of spares implicating higher working capital of the supply chain implicating higher cost of product
- ✓ Limitations in volume of storage increasing lead time for customer delivery
- ✓ Higher lead time for client delivery creating customers dissatisfaction (unauthorised spares in the market)
- ✓ Quality control post duty payment increasing hassle for re-export and therefore cost

SOLUTION THROUGH FTWZ



- ▲ Duty deferred storage reducing working capital and therefore cost of product
- ▲ Reduction in lead time in supplying the spares for after sales and limitless capability of spares storage
- ▲ Quality control before duty payment enabling hassle free re-export process and therefore lowering of associated supply chain costs
- ▲ Regional Distribution capability leveraging cost/skill arbitrage of India in addition to Income tax exemption of profits from this activity

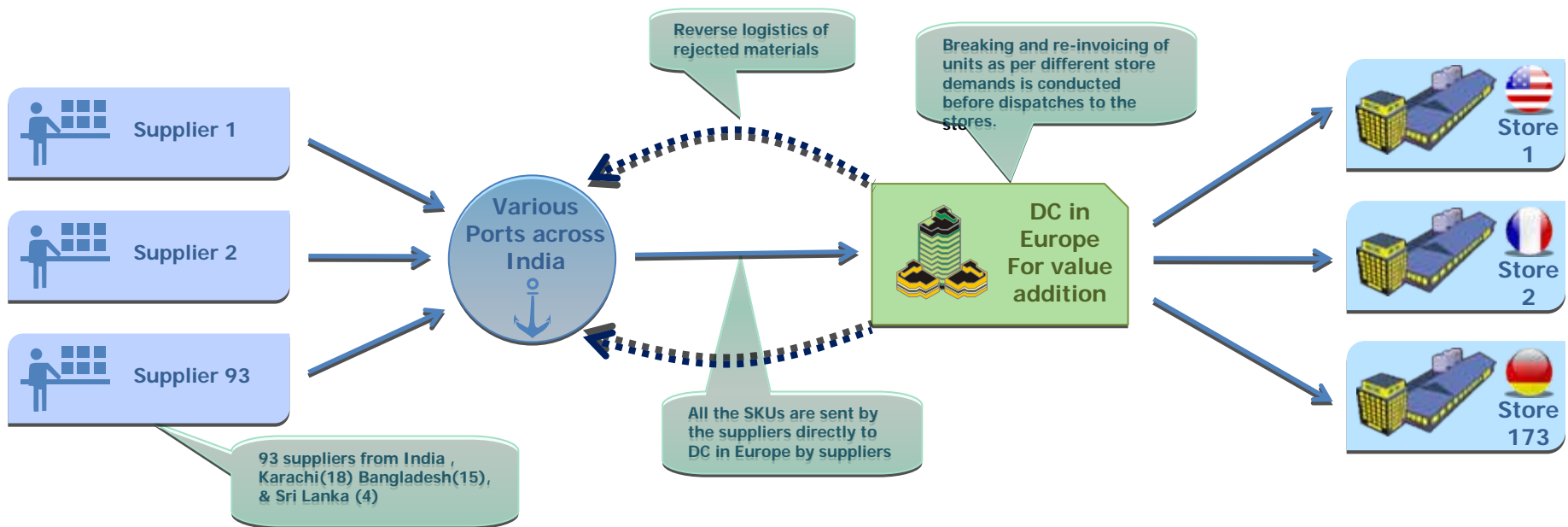


WAY STUDY

BENEFITS OF EXPORTING PRODUCTS OUT OF INDIA THROUGH THE FTWZ

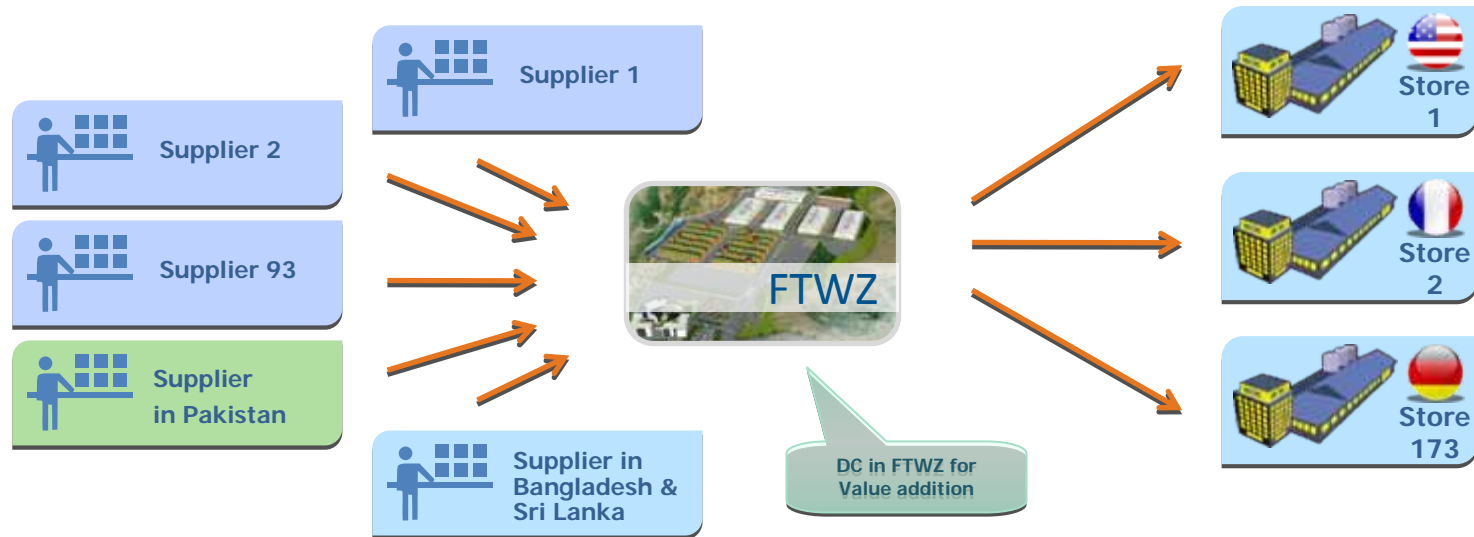
(DEEMED FOREIGN TERRITORY)

WAY STUDY – GLOBAL FMCG MAJOR'S CURRENT SUPPLY CHAIN



- ✓ Distribution Center (DC) in Europe maintained only due to invoicing regulatory limitations where consolidations of products sourced from India is done
- ✓ Increased supply chain cycle lead time and associated costs
- ✓ Company's India trading arm responsible for any under/over invoicing or customs issues with respect to shipments of suppliers without having any control over process
- ✓ Quality control currently in European DC causing higher product returns
- ✓ European DC doing labeling for products made in India/Asian sub-continent

SOLUTION THROUGH FTWZ



- ▲ FTWZ removes regulatory limitations of consolidating product from suppliers in India, Sri Lanka, Bangladesh & Pakistan in Asia
- ▲ Significant reduction in DC operations costs of India Vs. Europe
- ▲ Value addition for end-distribution to world-wide stores done in FTWZ in India lowering costs.
- ▲ Reduction in suppliers working capital due to faster payment cycle
- ▲ Lowered reverse logistics cost
- ▲ Enhanced control and efficiency in inventory management - closer to the suppliers

**Relinquishment of title on rejects
without costs**

Vendor Managed Inventory (VMI)

**Quality check and value addition
hub**

**Hassle free re-export and faster
export credits**

**MRO facility with duty free
storage of spares & parts**

Introduce new product ranges in India

**Hubbing, transshipment, consolidation
and regional distribution out of India**

**Flexibility in end distribution
without tie up of working
capital**

Conversion from EXW to CIF

Reduction in air shipments

Duty deferment

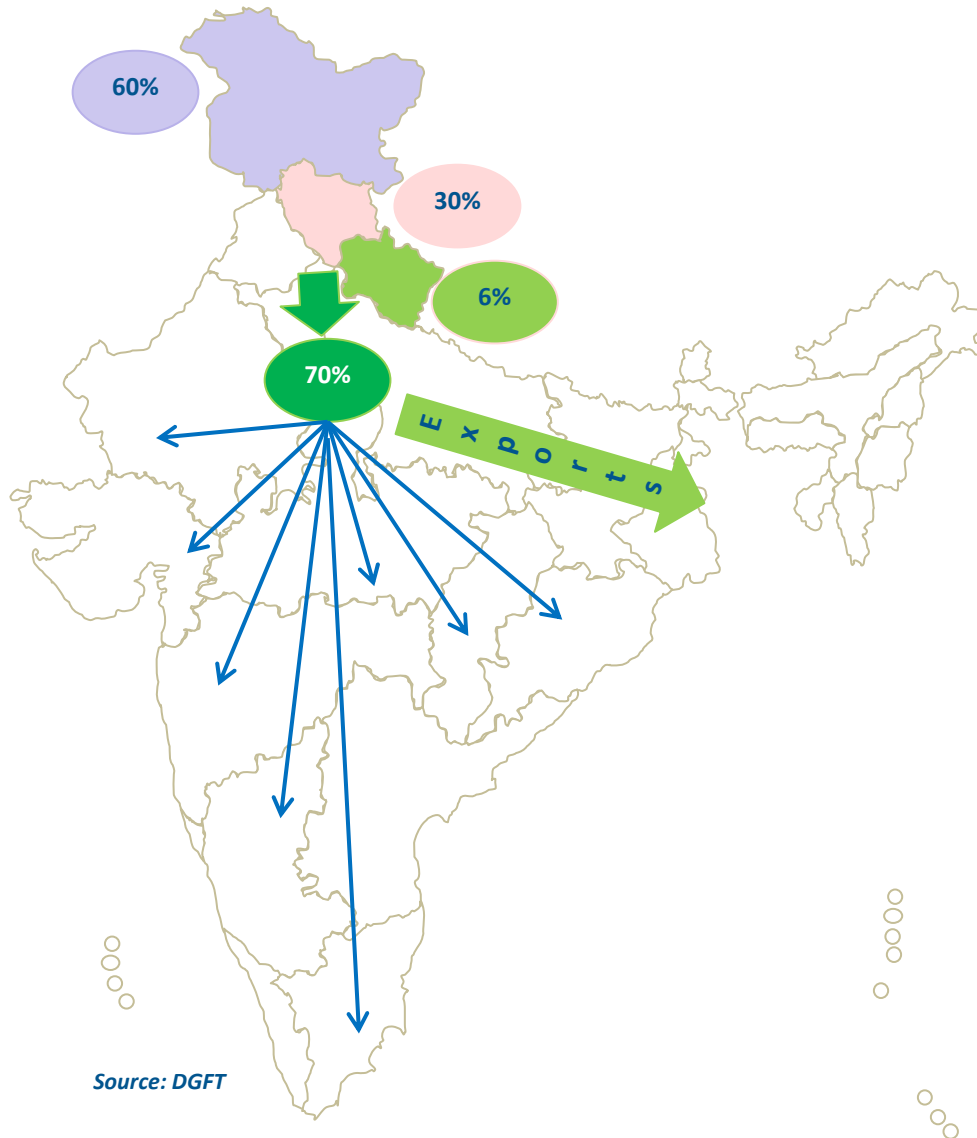
**High end product exhibition
without duty payment**

**Avoid unnecessary double
taxation**

**Assistance in meeting EPCG
liabilities**



CASE STUDY: CURRENT APPLE MOVEMENT - INDIA

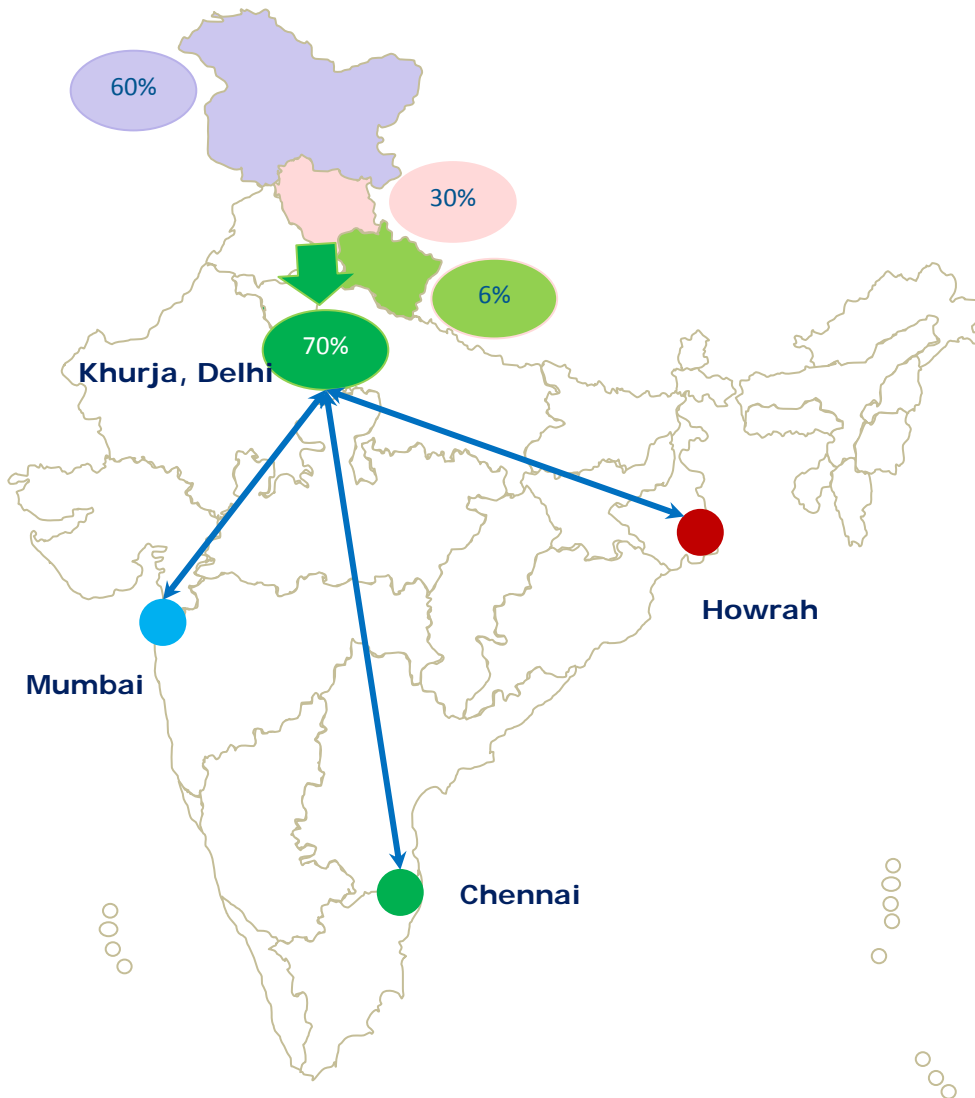


- 20 lac MT apple production; only 60% has potential for CA storage
- Infrastructure for 2 lac MT, required for another 10 lac MT
- J&K , HP and Uttrakhand accounts for > 95% of country production
- 70% of production reaches Azadpur mandi (Delhi), then further distributed to various parts of the country
- Transportation from the storage centres to consumption locations in normal trucks
- Cold storages used at mandi level for domestic & for exports
- Around 90% of apple exports to Bangladesh, which happens in ambient temperatures and normal trucks

Source: DGFT

PROPOSED SOLUTION

APPLE MOVEMENT ALONG DFC & FTWZ



- Infrastructure for another 10 lac MT of apples still at Khurja (near Delhi) and Consumption Center (Mumbai, Chennai, Kolkata)
- Utilize Rail Movement along Khurja to Mumbai, Khurja to Kolkata and Khurja to Chennai Route
- From major storage centers it will further distributed to various parts of the country
- Each Rail Rake capable of carrying 90 TEU (Reefer), load of 1500 Metric Tons per Trip
- Nearly 670 Rakes required for all three destinations
- Availability of return traffic on suggested route
 - Kolkata to Khurja – Potato and Mango
 - Chennai to Khurja – Imported Apple
 - Mumbai to Khurja - Onion Orange, Banana

MUMBAI FTWZ - *Design & Schematic*





MUMBAI FTWZ – *Customs Office*





MUMBAI FTWZ – *Container Yard*





MUMBAI FTWZ – Warehouse Interiors & Loading Dock



KHURJA FTWZ : DESIGN & ENGG. SCHEMATICS







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