

01 Outlook

Realising tremendous economic potential of the North-East region, Government of India is actively pushing for greater investments in the eight NE states.

02 Infrastructure

Due to favorable policies and incentives, NE region is witnessing entry of some of the large logistics players and manufacturing companies.

03 Market profile

NE is predominantly consumption driven economy and demand center for commodities including FMCG, construction material, and food grains.

04 Growth prospects

As central Guwahati is congested, majorly due to heavy concentration of logistics activities, new areas in north and west of city limits are opening up.

05 Policy support

Assam government has taken up various policy initiatives to further boost investments and develop an efficient logistic ecosystem.



Realising the potential of logistics sector in North-Eastern region of India

ASCELA has been closely studying NE region and monitoring recent developments of NE states to analyze business potential in logistics and warehousing sector in the region.

Outlook

North East (NE) region is strategically important as it shares international border of 5,182 km with countries like Bhutan, China, Myanmar and Bangladesh. Almost all land-based trade destined towards NE is facilitated through Siliguri corridor (also called **Chicken neck**), which narrows down to barely 27 km at one point and causes slow and costly road traffic movement between NE region and rest of India. Moreover, the corridor holds extreme importance for trade between India-Bhutan, Bhutan- Bangladesh, and India-Nepal. At present, the region facilitates trade with these countries through various Land Custom Stations (LCS) spread across the region.

Since 2014, the **Look East Policy (now Act East)** announced by the government recognized the strategic importance of the North-Eastern region of the country.

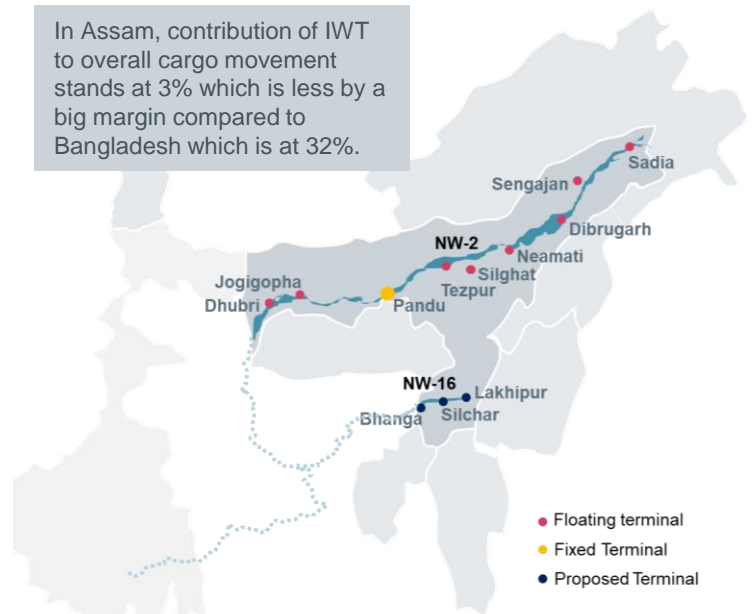
In terms of road-based connectivity, a large part of the region comprises of hilly terrain, which makes the states largely dependent on road network. Distance between Agartala and Kolkata through Siliguri corridor is 3X than through Bangladesh.

In terms of rail-based connectivity, NE India has about 3,780 km of railway lines, but till now only two state capitals are connected by railways, with most of the lines lying in states of Assam and Tripura.

With a view to strengthen trade ties with neighbouring countries, increase accessibility to NE states via alternative routes, reduce logistics roadblocks leading to the impediment of industrial development and reduce the existing pressure of traffic on the Chicken's Neck corridor, efforts are being made to develop Inland Water Transport (IWT).

River Brahmaputra runs across the NE region, stretching across Assam and Arunachal Pradesh. Stretch on Brahmaputra river from Dhubri to Sadiya (891 km) is declared as National Waterway (NW)-2, and that on Barak river from Bhanga to Lakhimpur (121 km) as NW-16.

In Assam, contribution of IWT to overall cargo movement stands at 3% which is less by a big margin compared to Bangladesh which is at 32%.



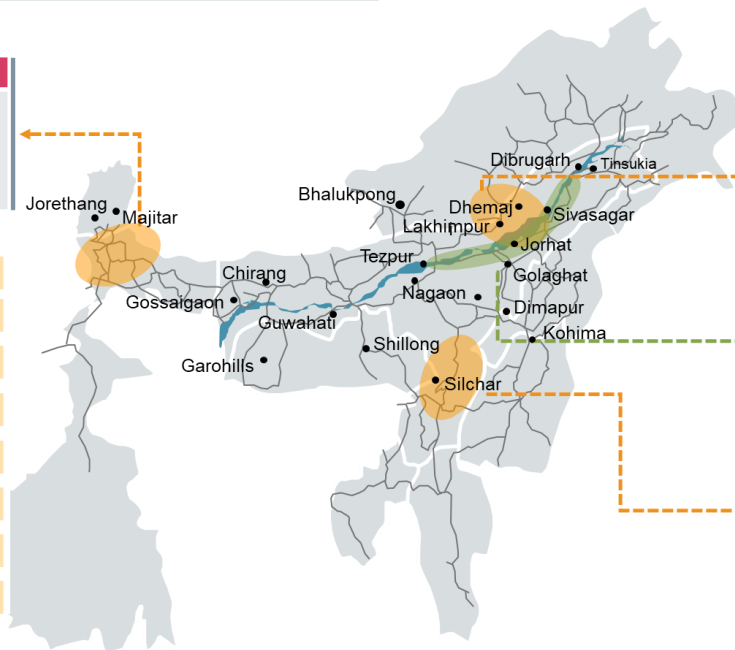
Transport Infrastructure

Choked "Chicken Neck"

Siliguri corridor narrows down to barely 27 km at one point and causes slow and costly road traffic movement between northeast region and rest of India

States/ UTs NH Length

States/ UTs	NH Length
Arunachal	1,992 km
Assam	2,836 km
Manipur	959 km
Meghalaya	810 km
Mizoram	927 km
Nagaland	494 km
Sikkim	62 km
Tripura	400 km



Disconnected Route Links

Disconnected road link between Sivasagar and Tekelipota-Dhakukhana-North Lakhimpur-Majuli leads to high cost for logistics operation

Deplorable Road Condition

Deplorable condition of NH-37, connecting Golaghat to Dibrugarh is the major bottleneck for supply chain in Assam as well as between Assam and Manipur

Dilapidated Silchar-Guwahati road network

Traffic along NH-6, connecting Silchar to Guwahati, remains suspended for days during rains due to frequent landslides

NE states have been lagging in terms of transport and logistics infrastructure. Efforts are being made through various proposal, including East-west freight corridor, ASEAN highway, ACT East Policy, various efficient transportation infrastructure projects, and prioritizing socio-economic development of the region.

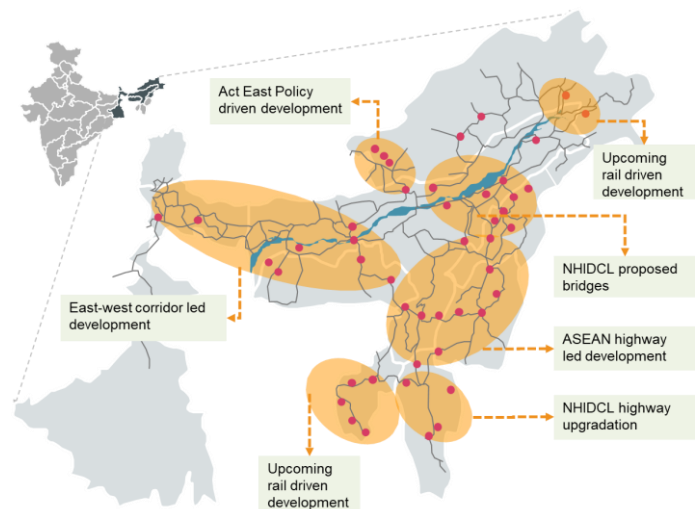
- Upcoming four lane East-West corridor, stretching over 670 km in NE region, is likely to improve regions' trade with the rest of India.
- ACT East policy focuses on enhancing connectivity of NE states through various projects pertaining to efficient development of road, rail and air, and waterways, with an impetus to strengthening relations with neighbouring countries.
- ASEAN highway network, stretching over 306 km in NE region, is likely to provide for greater trade and social interactions between Asian countries, including project capitalizations, connections of major container terminals with transportation points, and promotion of tourism via the new roadways
- National Highway and Infrastructure Development Corporation Limited (NHIDCL) has conceptualised North East Road Sector Development Scheme, undertaking construction and upgradation of 5,806 km length of critical roads and bridges, at an estimated cost of INR 213.97 crores.
- Year 2018 witnessed construction of Bogibeel bridge, India's largest rail-road bridge, stretching 5km over Brahmaputra river, connecting Dibrugarh in Assam and Dhemaji in Arunachal Pradesh, reducing travel time by 4 hours.
- North-East Frontier Railway Zone also proposed provision of railway links through 20 major railway projects: encompassing 13 new lines, two-gauge conversions and 5 doublings, with a length of nearly 2,624km.

Total domestic inbound/outbound rail freight cargo is ~18 MTPA of which ~5 MTPA is Guwahati bound.

Major commodities include Food and food grains, edible oil, sugar, salt, potato, onion, cement, bitumen, iron, fertilizers, while major inbound commodities include Food and food grains, maize, coal, dolomite, cement, PoL, fertilizers, bamboo, gypsum, paper.

Only 0.6 MTPA of cargo was moved on NW-2 during FY 2016-17, pertaining to merely 11 MTKM, indicating that the existing cargo movement is primarily for river crossing and not longitudinal.

Recently, movement of cement from Pandu (Guwahati) to Dhubri has been initiated using barges of 2,000 tonnes capacity.



Market profile

It is observed that ~18.5 MTPA of cargo related to infrastructure development and household consumption moves into NE region from various origin points across the country. Both road and railways traverse through Siliguri Corridor carrying this cargo of which railways carries about 58% and the rest is served by road transportation.

Exports are through Land Container Depots (LCD) with the neighboring states of Myanmar, Bhutan and Bangladesh.

Kolkata / Haldia is the gateway port for all EXIM movement out of the North East region

Primary Catchment

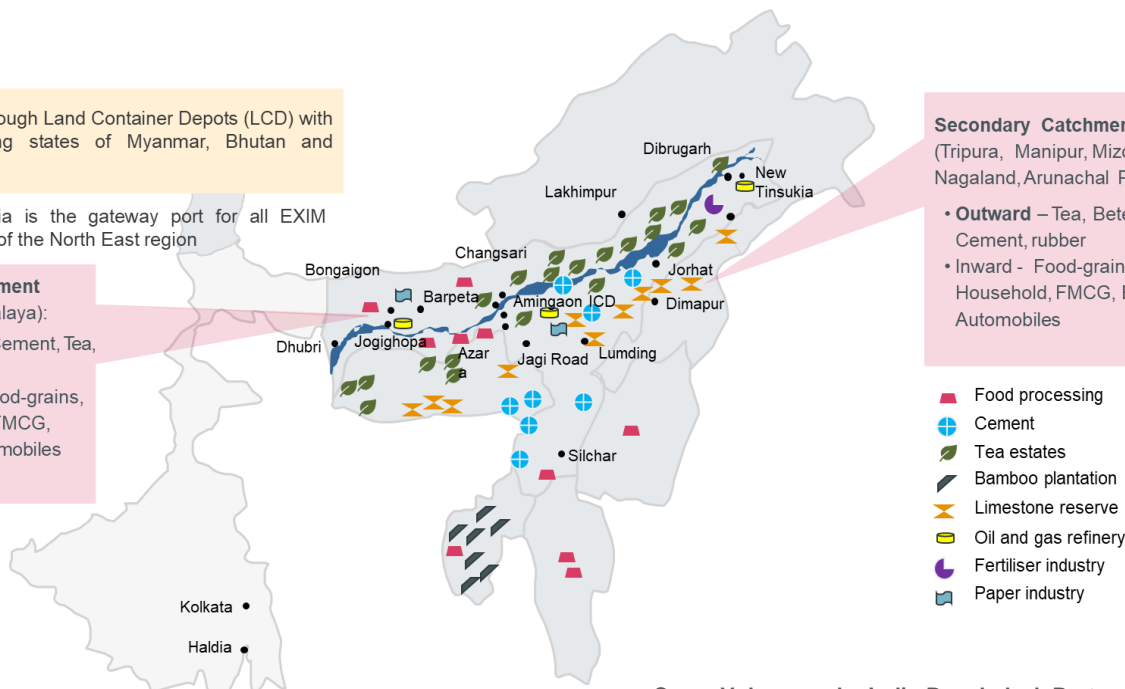
(Assam /Meghalaya):

- **Outward** – Cement, Tea, Clinker
- **Inward** – Food-grains, Household, FMCG, Ballast, Automobiles

Secondary Catchment

(Tripura, Manipur, Mizoram, Nagaland, Arunachal Pradesh):

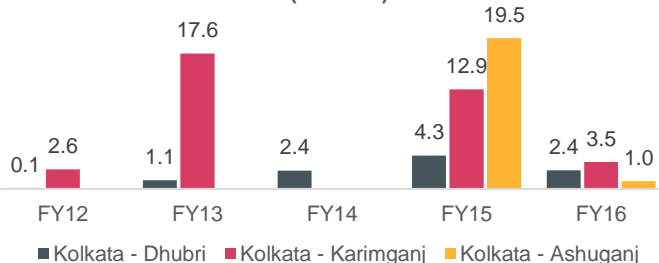
- **Outward** – Tea, Betel nut, Cement, rubber
- **Inward** - Food-grains, Household, FMCG, Ballast, Automobiles



MoU between India and Bangladesh has initiated a joint fairway development of upper reaches of rivers in Bangladesh viz. Ashuganj-Zakiganj stretch of Kushiyara River and Sirajganj-Daikhawa stretch of Jamuna River.

Coastal shipping is expected to enable movement of cargo up to Chittagong and thereafter by road/inland waterways to/from NE region.

Cargo Volume under India-Bangladesh Protocol (in MTPA)



Source: Protocol of Inland Water Transit & Trade (PIWTT)

Strength

- › Guwahati continues to be trade gateway for North East India and is a fast-growing metropolis.
- › Tea production drives a large part of the north eastern economy and is the major export commodity. Assam remain the highest producers of Tea in NE region.
- › Condition of roads has improved in recent times, enhancing logistics network in the region.
- › NE region is strongly linked to the prosperous south east Asian states like Malaysia, Thailand and Singapore

Weakness

- › Poor road infrastructure causes slow and costly road traffic movement between northeast region and rest of India.
- › Even after GST, toll tax has been one big barrier for the movement of goods in Assam.
- › High onward transportation (trucking) cost due to lack of return cargo for trucks moving in NE from rest of India.
- › States other than Assam and Tripura remain a laggard in logistics performance because of the poor operating condition in the state and poor rail/ road connectivity.
- › Inadequate availability of ICD/ CFS in the region. Only ICD in the region, Aminagaon, is highly saturated.

Opportunity

- › There is significant potential for conversion of goods traffic from road to rail and IWT.
- › After GST implementation, government in North Eastern States have defined transit time for the Logistics Service Providers in terms of a fixed amount of kilometers to be covered, which would likely result in faster turnaround.
- › Upcoming developments like Indo Bangladesh trade protocol, East West Corridor Act East Policy, ASEAN Highway, Kaladan Multi-Modal Transit Transport Facility would likely strengthen connectivity of NE region with neighboring countries and rest of India and would reduce logistics cost and time and improve traffic conditions at Siliguri chicken neck.
- › Government has recently announced infrastructure status to the logistics industry which would likely enable companies in the logistics and warehousing sector to access funds at lower cost, longer tenure and enhanced limits.

Threat

- › Cost of supply chain to states south of Assam is marginally higher due to inadequate transport connectivity.
- › Due to hilly terrain, rail connectivity is unavailable in many parts and cargo movement is solely depends upon roads.

Growth prospects

- Assam contributes to more than 50% of India's total tea production and is the single largest tea growing area in the world, positioned as one-seventh of the global tea production.
- To boost infrastructure in the state, Assam State Government has approved various infrastructure projects during 2014-15 to 2018-19, including development of logistic hubs, jute park, agro hubs, and chemical hubs
- As per Budget 2017-18, in order to promote inclusive industrialization of the State, 'Primary Production Centres' are being proposed to be set up at the point of production for primary processing of food/agriculture produce
- A tea park is being set up at Chaygaon by AIDC in Kamrup District in an area of approximately 100 acres of land. The park would provide facilities for blending, storage and transshipment of Assam tea for the world market
- India's government has sanctioned an agri-export zone for the state for fresh and processed ginger. The zone is located in eight districts: Kamrup, Nalbari, Barpeta, Darrang, Morigaon, Nagaon, Karbi Anglong and North Cachar (NC) hills of Assam.
- Upcoming developments, including ASEAN Highway, East West Corridor, and DFCCIL, are likely to facilitate large volume of trade in Assam.
- Broad Gauge railway network in Assam connects it to all major cities in India.
- Assam has 6 operational airports including an international airport, Lokpriya Gopinath Bordoloi International Airport, at Guwahati & domestic airports each at Guwahati, Tezpur, Jorhat, Dibrugarh, Silchar and North Lakhimpur. Freight handled at Guwahati, Dibrugarh and Silchar airports was 22,345 TPA, 665 TPA, and 522 TPA, respectively, in 2017-18



Policy support

- Under Central Sector (Plan) Scheme, FCI has allocated funds as grants-in-aid to the State Governments of the North-Eastern States and Jammu and Kashmir for construction of intermediate storage godowns.
- NABARD loan for Cold Storage and Warehouse (2013-14) facilitates loan for a tenure of 7 or more years for up to 75% of total project cost.
- Private Entrepreneurs Guarantee (PEG) Scheme for construction of warehouses is applicable for construction of storage warehouses in PPP mode through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) to overcome storage constraints and ensure safe stocking of food grains across the country.
- NABARD envisages Warehousing Infrastructure Fund (WIF) for extension of loans to Public and Private sectors for construction of warehouses, silos, cold storages and other cold chain infrastructure.
- Under Private Warehousing Scheme scheme, godowns are hired by FCI from private parties on lease + services basis through open tender enquiry minimum for a period of two years extendable by maximum another one year.

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About ASCELA

ASCELA is a Management Consulting firm established to provide independent strategic insights to organizations and individuals in Infrastructure development space. We assist our clients in anticipating, innovating, and creating sustainable solutions.

ASCELA was established with a vision to provide independent strategic insights in Infrastructure and build environment. ASCELA's founder members have rich multi-sectorial experience, including skill sets in sectors comprising Infrastructure, transportation, management, economics, and design and build solutions. Our combined knowledge assists clients in providing a holistic perspective and comprehensive business solution.

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