

'2018 may see M&As worth \$50 billion'

PTI
NEW DELHI, 6 JANUARY

India is likely to see mergers and acquisitions (M&A) worth \$50 billion in 2018 on the back of plenty of stressed corporate assets on offer at tempting valuations, according to a report. The Assocham Year Ahead Outlook observed that India's M&A transactions witnessed a quantum jump of 170 per cent in valuations and over 70 per cent in the number of transactions in the year gone by on the basis of various estimates.

According to different data compilations, there were a total of 944 transactions (664 domestic and 280 cross-border) in 2017 worth \$46.5 billion (\$13.1 billion domestic and \$33.4 billion cross-border), said the chamber.

This was against a total of 553 transactions (358 domestic and 195 cross-border) worth \$17.5 billion (\$7.2 billion domestic and \$10.3 billion cross border) in 2016.

The chamber pointed out that there has been a quan-

tum leap in M&A transactions in India with more focus on sectors such as healthcare, telecom, energy, real estate, media and entertainment, banking, insurance, oil, cement and consumer products.

"The M&A opportunities in 2018 would remain robust given the fact that lot more assets continue to remain under stress. Several big ticket projects referred to the NCLT (National Company Law Tribunal) under the Insolvency and Bankruptcy Code would see change in promoters in areas such as real estate, steel etc," Assocham secretary general D S Rawat said. The chamber suggested easing of guidelines and legislative support in the Income Tax Act and the Competition Act to boost mergers and acquisitions (M&A) activity in India.

"Amendments in the Stamp Act, 1899 to bring uniformity of Stamp Duty in all Indian states particularly to M&A transactions can prove to be a catapult for the future M&A's in India," Assocham said.

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Logistic Logic

A new GoI division intends to reduce India's massive logistics cost to less than 10% of GDP. Will it cut the red tape or add to it?



WHO CARRIES INDIA'S FREIGHT

Shipping

12 major and 187 non-major ports handle about 95% of the country's foreign trade by volume and 70% by value

Inland waterways carry only 0.15% of the cargo transported within India

Roads

3.83 million km long, 2nd largest in the world

Carries 85% of passenger traffic and 65% of freight

Railways

Carries about 1.1 billion tonnes of freight annually

It accounts for 26% of total freight

Aviation

Air freight accounts for 2% of logistics movement in terms of volume, and 30% in terms of value

Warehousing

It accounts for 5% of Indian logistics market (excluding inventory carrying costs)

What India Lacks

Seamless movement of goods across modes

Right inter-modal transport (costly roadways commanding 65% of freight and mere 26% for railways is flawed)

Skilled manpower in logistics

An integrated IT infrastructure with a single window system

Coordination among various logistics stakeholders, ministries (the logistics division's first inter-ministerial meeting will be held next week)

Benchmarking and standardisation

Source: Ministry of Commerce and Industry, media reports

:: Shantanu Nandan Sharma

Last month, India's chief statistician, TCA Anant, called for a meeting of officials of the economy and infrastructure ministries to brainstorm on how to capture logistics as a separate head in calculating India's gross domestic product (GDP). It sounds odd, but India does not have an official figure on the nation's logistics cost to the GDP unlike in the US (9.5%), Germany (8%) and most other nations.

A number of government documents, including a presentation made to a committee of secretaries in October last year, however, mentioned the figure at 13-14% while making an argument that India's logistics cost was high, making products

costlier and the export uncompetitive. The 14% figure, in fact, was borrowed from a report prepared by industry lobby Assocham in 2016, forcing the Ministry of Statistics and Programme Implementation, headed by Anant, to step in to search for an official number.

But the confusion is not restricted to the logistics figure. Till the Allocation of Business Rules of 1961 was amended in July 2017, to create a new logistics division under a special secretary-ranked officer in the Ministry of Commerce and Industry, logistics was handled by at least seven ministries – railways, road transport and highways, shipping, civil aviation, commerce and industry, finance and home affairs.

Then regulatory agencies such as

ALL ABOUT LOGISTICS DIVISION

It was created in July 2017 under the Ministry of Commerce and Industry by amending the Government of India (Allocation of Business) Rules, 1961

Headed by special secretary-ranked officer Binoy Kumar, IAS. He is also the ex-officio head of the newly constituted panel on logistics to coordinate with other government agencies handling logistics

Other officials include IRPS officer Anant Swarup, who had worked closely with Suresh Prabhu in the Ministry of Railways as executive director. He was brought into the division as second-in-command (joint secretary-level) in November, after Prabhu became the minister of commerce and industry

There's a director-level officer. The division is likely to recruit more consultants and young professionals rather than sarkari officials

Total Employees (concluded strength):

45

Targets: Bring down the logistics cost to less than 10% of GDP from current 14%* (US spends 9.5%, Germany 8%)

Increase jobs in logistics sector* to 40 million by 2019, from 22 million now

Develop a logistics IT backbone

Improve India's ranking in World Bank LPI (Logistics Performance Index) from 35 to 15

Reduce cargo release time – for example, in case of imports, three days for sea and two for air, from five days now

Source: Ministry of Commerce and Industry

*According to Assocham 2016 report but there is no clarity on this figure

WHAT'S BEEN ACHIEVED

The Finance Ministry in November approved the division's proposal and granted infrastructure status to the logistics sector; the move will help logistics companies access cheaper loans



The government's intention may be good, but the new logistics division may turn out to be just another bureaucratic structure. What's needed is better coordination among ministries handling logistics, and not another entity"

Sachin Pilot, former Union minister and Congress leader

Animal Quarantine Certification Service, a body under the Agriculture Ministry that checks entry of exotic diseases while importing livestock products, and the Food Safety and Standards Authority of India, an agency under the Ministry of Health that issues food import clearances, also come into play in the logistics domain.

On the Move

Though the logistics division was created on paper in July, it began putting up its team only since November. The Finance Ministry's approval of its proposal to grant infrastructure status to the logistics sector is being counted as its first achievement. The grant of infrastructure status to logistics means the companies associated with the sector will now get access to cheaper and long-term loans.

"Logically, the logistics division has to be in the Ministry of Commerce and Industry. This is the ministry that deals with trade... If there's one impediment that's coming in the way of India becoming a super economic power, it's logistics. We must increase the speed and reduce costs," Commerce and Industry Minister Suresh Prabhu told *ET Magazine*, adding that the new division is already at work to set up a digital platform for logistics industry, government departments and ministries and regulatory bodies (See interview, "We are creating a digital logistics platform").

For the new division, a team of 45 employees is being set up in Udyog Bhawan, home of the Ministry of Commerce and Industry, among others. Binoy Kumar, a 1983 batch Indian Administrative Service officer and the head of the division, has called the first inter-ministerial meeting next week to discuss the country's logistics roadmap and ways for better coordination among its stakeholder ministries. A state-wise logistics ranking report is also likely to be released in the coming week.

Kumar's second-in-command - joint secretary Anant Swarup is an Indian Railway Personnel Service officer who worked closely with Prabhu when the latter was the railway minister till September 3 last year. Swarup was brought into the division in November. Though the sanctioned staff of the division includes 12 junior officials like under secretaries, section officers and stenographers, it is likely to recruit consultants and young professionals rather than take the usual route of hiring government clerks and stenographers, lets on an official.

Prabhu does not want to spell out the division's target in public as yet, but documents reviewed by *ET Magazine* state that two of its immediate targets are bringing down logistics cost to less than 10% of the GDP and increasing jobs in the logistics sector to 40 million by 2019 from 22 million now.

Then, there is scope for further improvement of India's ranking in the World Bank LPI (Logistics Performance Index), which rose from 54 in 2014 to 35 in 2016. Also, the division is likely to map out the most cost- and time-effective modes across India through a digital platform. After all, why should the costlier roadways be allowed to corner 65% of India's freight, with the Indian Railways getting only 26%, or 1.1 billion tonnes of freight, even though the rail is a cheaper mode of transport for journeys beyond 300 kilometres?

A Super Transport Ministry?

"The government's decision to house the new logistics division in the Ministry of Commerce and Industry is a good move. After all, unlike roadways, railways and shipping, commerce ministry is neutral and it does not compete with

other ministries to grab a bigger logistics pie," says RR Joshi, chairman of Associated Container Terminals, a company that established India's first dry port in Faridabad two decades ago.

Joshi, however, cautions that the new division must not venture into capping the logistics pricing in order to bring down overall costs on logistics: "The division should in-



LOGISTIC MAZE

The ministries and regulatory agencies that matter in India's logistics sector

MINISTRIES

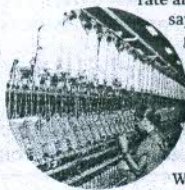
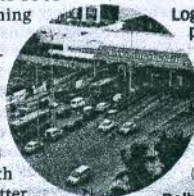
- Railways
- Road Transport and Highways
- Shipping
- Civil Aviation
- Commerce and Industries
- Finance
- Home Affairs

REGULATORY AGENCIES

- Customs (Ministry of Finance)
- DGFT (Ministry of Commerce)
- FSSAI and CDCSO (Ministry of Health)
- Animal and Plant Quarantine (Ministry of Agriculture)
- Bureau of Standards (Ministry of Consumer Affairs)
- Textile Committee (Ministry of Textiles)
- Wireless Planning and Coordination (Ministry of Communication and IT)
- Wildlife Crime Control Bureau (Ministry of Environment and Forests)

ONGOING PROJECTS

- Logistics hubs and road projects (Ministry of Road Transport and Highways)
- E-toll (Ministry of Road Transport and Highways)
- Dedicated freight corridor (Railway Ministry)
- Delhi Mumbai Industrial Corridor (DIPP)
- Port community system (Ministry of Shipping)
- River waterways (Ministry of Shipping)
- Common user cargo terminals, air cargo community system, cargo hubs (Ministry of Civil Aviation)



stead facilitate the industry and remove glitches. The cost will then automatically come down." Joshi is also the president of the National Association of Container Freight Stations.

Congress leader and former corporate affairs minister Sachin Pilot says he does not suspect the government's intention in creating a separate logistics entity. However, he says, "The new logistics division may well turn out to be just another bureaucratic structure. What's needed is better coordination among ministries handling logistics, and not another entity."

"Will one shoe fit all?" asks Pilot, adding each ministry's logistics approach can't be similar.

But then, why should individual ministries be allowed to work in silos and compete with each other to grab a bigger marketshare at the cost of jacking up the logistics cost? And if the railroads, for example, is the right mode for a particular stretch, why should goods be encouraged to be transported via roadways, a far costlier mode?

These are valid doubts, but the far bigger question is whether a division housed in the Commerce and Industry Ministry finally succeeds in positioning itself as a super transport ministry exerting its influence on logistics biggies like railways, roadways and shipping? Time and logistics will tell. ■