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Azadi Ka
Amrit Mahotsav



केन्द्रीय भण्डारण निगम
(भारत सरकार का उपक्रम)

CENTRAL WAREHOUSING CORPORATION

(A Govt. of India Undertaking)

जन-जन के लिए भण्डारण/Warehousing for Everyone



No.CWC CO-CD0WO/596/2021-COMM

Date: 06.07.2023

CIRCULAR- 05/2023

Subject: Minimum Profit Margin for Hiring of Godown on Asset Light Model.... Reg

Reference is invited to this office Letter No. **CWC CO-CD0WO/596/2021-COMM** dated 08.05.2023 vide which guidelines regarding hiring of warehouse under Asset Light Model have been communicated to the Regional Offices in order to increase the storage capacity to meet the warehousing demand along with expanding CWC's presence across the country.

Considering various inputs/proposals and queries from ROs the clarification about minimum margin benchmark for hiring a warehouse is given as under.

For each and every hiring proposal, the Regional Office has to do Cost Benefit analysis as per the calculation sheet provided with above referred letters. ***"If the minimum profit margin comes out to be 15% (Without taking RO/CO overheads) then RMs can take decision at their own and in the special cases where profit margin is below 15% but hiring is strategically important or in the interest of the Corporation, then the proposal for hiring of godown may be sent to Corporate Office with justification and recommendation of RM for taking approval of CA".***

Other terms & conditions of aforementioned circular dated 08.05.2023 shall remain unchanged till further orders. These instructions are applicable with immediate effect.

Enclosed: As Above

Digitally signed
by RAJEEV
KUMAR BANSAL
Date: 2023.07.06
10:44:16 +05'30'

(Rajeev Kumar Bansal)
Group General Manager (Comm.)

Copy to:

- 1) The GGM (Systems), CWC, CO, New Delhi- For kind information and with request to uploading at the CWC website.
- 2) The GGM (Finance), CWC, CO, New Delhi-For kind information.
- 3) All Regional Managers, CWC, ROs-for information and necessary action.
- 4) PS to MD, CWC, CO, New Delhi for kind information.
- 5) PS to Director (M&CP), CWC, CO, New Delhi for kind information.

निगमितका0: 4/1, सीरीइंस्टीट्यूशनलएरिया,अगस्तक्रांतिमार्ग, हौज़खास,नईदिल्ली-110016

CO: 4/1, Siri Institutional Area, August Kranti Marg, HauzKhas, New Delhi-110016 ☎011-47049063, 41051165 ई-मेल: gmcomm@cewacor.nic.in



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No.CWC CO-CD0WO/596/2021-COMM

Date: 08.05.2023

CIRCULAR- 04/2023

Subject: Hiring of Godown on Asset Light Model.... Reg

Reference is invited to CO Letter No. CWC-CO/CD-V/Hiring/Circular/2020-21 Dated: 05.06.2020, CWCCO-CD0WO/540/2020-COMM dated: 05.07.2021, CWCCO-CD0WO/540/2020-COMM Dated: 06.07.2021 and CWC CO-CD0WO/540/2020-COMM Dated: 23.02.2022 vide which guidelines regarding hiring of warehouse have been communicated to the Regional Offices in order to increase the storage capacity to meet the warehousing demand, by hiring godowns under the Asset Light Model with a target of expanding CWC's presence across the country.

However, till date, no significant improvement has been observed under the Asset Light Model. The said issue has been discussed in detail during Regional Manager's Conference held at Kochi and it was concluded that there is immense need to extend more delegations to the Regional Managers (RMs) so as to ensure substantial growth in this Vertical. Hence, with the approval of the Competent Authority, in addition to the existing DOP of hiring, RM's are empowered with following delegations which may be exercised with detailed business potential survey, justification and due diligence:-

1. DOP for hiring, de-hiring of godowns, vests fully with the Regional Managers.
2. RMs shall conduct proper business survey and shall also look after the available warehousing infrastructure in the area, and depending upon the prospective business potential, RMs shall hire the warehouse to create inventory of warehouses and then market it for getting business. Hiring should be done only when the occupancy of CWC's own Warehouse, if any, in the same locality, is greater than 85%. Hiring at present is resorted to when own capacity is unavailable and a confirmed depositor is on hand. Whereas we create additional capacity on our land in anticipation of demand based on business potential and market survey and once the capacity is created, it is marketed. Similar concept needs to be applied to hiring to expand business through ALM as many times when we start looking for warehouse after customer approaches us and then precious time is lost leading to loss of business opportunity. Therefore, instead of playing a passive role, we need to create inventory of warehouses based on business potential and market survey. Aggressive marketing should be done to get customer for such inventory created through hiring. But still if any warehouse so hired based on business potential and market survey remains unutilized for three months then Region shall not continue to hold it and de-hire such unutilized inventory immediately. Detailed marketing efforts made with justification for de-hiring shall be recorded in the file. Periodic report on monthly basis shall be submitted by RO to CO for such de-hired capacity.
3. Cost of service should be taken into consideration while fixing the tariff for the prospective Depositors in such warehouses. Cost of service should be calculated on

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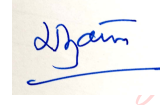
actual Expenditure. Further, if any additional cost is to be incurred, that shall also be included in the cost of service.

Cost of Consumption of Chemicals, Covers & Dunnage and Wages should not be considered in case of dedicated warehousing, if the party is not availing such services. However, if the party is willing to avail such services, the additional cost is to be added accordingly, before fixing the tariff.

Cost of insurance should be added in the total cost only if the tariff is inclusive of insurance.

4. For each and every hiring proposal, the RMs have to do a Cost Benefit analysis at RO level as per the calculation sheet provided with above referred letters. **The minimum margin prescribed is 15%.**
5. All-out efforts are to be made at RO level to achieve this margin for taking a well-considered decision on hiring of godowns. It can be achieved through following strategies:-
 - a) Negotiating the rent of the godown with the godown owner and bringing it to the level that minimum benchmark i.e.15% margin can be ensured.
 - b) If there is a constraint in getting the rentals reduced, other measures to reduce the cost (Establishment & operating) to run the hired unit profitably shall also be explored.
6. If the benchmark profit margin is still not achieved and the Depositor is in dire need of storage space and is ready to pay higher charges, then in such cases the option of charging higher storage charges from the depositor may also be explored.
7. Despite all the above efforts, if the margin is below 15% but the RM still feels that the hiring proposal is in the business interest of CWC, considering the volume and duration of business, its contribution to the top line of the region etc., then such case shall be forwarded to CO for necessary approval on case basis.
8. For better monitoring of these warehouses, a monthly statement needs to be prepared by RO, mentioning the expenditure, tariff, efforts done for marketing the warehouses and revenue generated from the same.
9. The lease / hiring agreement is required to be registered and all expenses connected with the registration and execution of the said deed and the stamp duty shall be borne by the Owner. However, on the request of Owner, initially the same may be paid by CWC for and on behalf of Owner and the same shall be adjusted from the Rent amount payable by CWC.
10. If so desired by the prospective Depositor or if so required by law in force at the relevant time in the relevant region, the sole responsibility to insure the premises/building/structures at its own cost, against such events as may be desired by the prospective Depositor or as may be required by law - shall lie with the Owner.
11. The GST guidelines issued vide GST circular no.09 dated 01stFeb,2018 read with the Corrigendum dated 5th March 2018 and the Corrigendum no. 2 dated 2nd March 2022, shall be applicable, in relation to payment of GST on the lease / hiring agreement.

Regional Managers are advised to ensure compliance of the above instructions scrupulously.

 Digitally signed by
RAJEEV KUMAR
BANSAL
Date: 2023.05.08
10:36:28 +05'30'

(Rajeev Kumar Bansal)
Group General Manager (Comm.)

Enclosed: As Above

Circulated to:
All Regional Managers
Regional Offices, CWC

Copy to:

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