



**Anshul Singhal**  
Managing Director  
Embassy Industrial Parks

Recent policy initiatives such as the GST and 'Make in India', National Manufacturing Policy (NMP), granting of infrastructure status etc; all these are coupled with massive urbanisation and demographic dividends, which are expected to last at least a decade, thereby providing demand visibility to organised players. Recognising their long-term potential, more organised players are investing in creating large and quality warehousing facilities to attract investments."

### Staying ahead in time

According to **Ram Tiwari**, Director - Marketing, Shine Logistics, "There is growing demand for warehouses all over India to handle and facilitate e-commerce and 3PLs clients demands but these warehouses need to be well-equipped with modern technology to have smooth handling. We are still learning about how to manage according to international standards. It is easy to invest and set-up a warehouse, but it will not be successful until it is properly managed with advanced technology to avoid errors. The e-commerce business is growing

but at the same time, they are in competition with other service providers and there is no room for any excuse. We must be competitive to have better a market share."

"Warehousing and logistics players are increasingly adopting modern solutions to handle inventory management, usage of fleet management software & RFID (radio frequency identification) systems. A strategically placed warehouse not only improves the consumer services but also facilitates proper supply chain management. In

highly competitive global market, organisations must find innovative and organised way to deliver products to their customers. The increasing need for industries to compete with its products in a global market across cost, quality and service dimensions has given rise to the need to develop more efficient supply chain strategies. Another significant point is the infrastructure status to logistics sector, covering warehousing facilities; a move that is likely to attract more funding at competitive rates for these segments. The definition

“  
The growing need for organised logistics to improve time, cost and quality efficiencies in India is propelling growth opportunities  
”





of logistics includes industrial parks, warehouses, cold storages and transportation,” adds Singhal.

**Ajit Jangle**, COO - Last Mile & Spare Parts, TVS Logistics Services, notes, “Businesses that had never outsourced their logistics are realising the impact of GST on their supply chain management and costs. They are now not only seeking basic transportation and warehousing services but are also demanding value added solutions including application of technology, integrated services, scalability, better space utilisation, optimum load planning, scheduling and visibility. The contractual value of the agreements has also substantially increased after GST. Customers are quickly realising the benefits of outsourcing non-core functions to organised players who bring with them many years of experience; and the efficiencies of scale emanating from larger sized facilities.”

“This push from the market has introduced many organised players entering into the logistics and warehousing development sector as till now the sector had small time or individual warehouse developers who were constructing the B standard conventional warehouses. According to a report, investment in warehousing can

provide an opportunity of realising returns in the range of 10–24 per cent per annum to investors willing to explore this sector. Now, with the increase in demand of the modern warehouses and world class infrastructure, a lot of organised players have ventured into the market and developing millions of warehousing space across the country. Furthermore, with the boom in warehousing space, many big time PE investors have started pumping their funds in the logistics and warehousing infrastructure to name a few are Milestone, Blackstone, Warbug Pincus, etc,” reveals, **John Thomas**, Associate Director, Realistic Realtors.

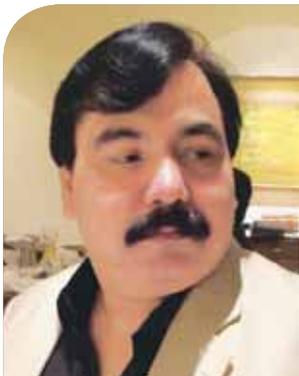
“3PL providers are also negotiating with their customers to offer them pan India transportation rates. In this sense, manufactur-

ing and e-commerce sectors are not just outsourcing a non-core function but they are outsourcing complexities and associated risks to organised supply chain solution providers, who have robust solutioning and analytical capabilities. Those LSPs who had started investing in space, infrastructure and technology few years back, have the competitive advantage today; that is; waiting for an LOI and then investing,” Jangle informs.

### Next big markets

Informing the segments in which warehousing is going to grow, Swaminathan says, “It’s industrial, retail, e-commerce, agri-warehousing and temperature-controlled warehousing, etc. There is a huge demand for warehousing space in seven cities, of which NCR and Mumbai have the highest space demand, followed by Pune, Bengaluru, Chennai, Hyderabad and Ahmedabad, which make these cities most favoured destinations for warehousing investments. Apart from these Tier 1 cities: Kanpur, Lucknow, Ranchi, Coimbatore, Ludhiana, Ambala, Tiruchirappalli, Nasik, and Jaipur have the potential for becoming warehousing hubs in the country.”

“There has been a gradual transition in the mindset of occupiers to use the services offered by organ-



**Ram Tiwari**  
Director - Marketing  
Shine Logistics

“There is growing demand for warehouses all over India to handle and facilitate e-commerce and 3PLs clients”

### FACT FILE

■ According to a report, investment in warehousing can provide an opportunity of realising returns in the range of 10–24 per cent per annum to investors

■ Through the suitable government initiatives, India is set to close ₹50,000 crore investment in warehousing

ised segments. The factors driving this wave of change includes, quality consistency assurance required by clients, economies of scale being achieved through larger warehouses, safety and security of goods, efficiency in operations, quicker turnarounds, need for efficient warehousing designs and the advent of e-commerce and other multinational businesses that prefer to occupy only complaint facilities. This opportunity has attracted global pioneers in warehousing expertise to Indian shores. As per our research the top industrial markets for warehousing and logistics spaces are – Delhi, Ahmedabad, Pune, Kolkata, Bengaluru, Haryana, Mumbai & Chennai,” explains Singhal.



**Ajit Jangle**  
COO - Last Mile & Spare Parts  
TVS Logistics Services



**John Thomas**  
Associate Director  
Realistic Realtors

Those LSPs who had started investing in space, infrastructure and technology few years back, have the competitive advantage today

With the boom in warehousing space, many big time PE investors have started pumping their funds in infrastructure



“Sectors like e-commerce, retail and FMCG are expanding their network and presence in these markets because they estimate quicker growth here – for these sectors the major warehousing hubs need to be supported by satellite facilities. For example, a hub in Bhiwandi cannot, on its own, supports a consumer centre 200 kilometre away. So, these consolidation points or warehousing markets are important, but the real differentiator will be the capability of the secondary and last mile distribution network and how efficiently it can connect the consolidation point to the final customers,” tells Jangle. He further adds, “The eight-primary consumption-led markets of Delhi-NCR, Mumbai, Bengaluru, Pune, Kolkata, Hyderabad and Ahmedabad, will continue to lead as top warehousing locations. Thereafter depending on a sector’s speed to market requirement (how fast do their end-consumers expect deliveries), feeder hubs would need to be created closer to point of consumption – there is no one size method that fits here. In the next five years, the growing consumer markets will be Tier 2 cities.”

“The top-warehousing markets are NH-8 warehousing cluster,

Ghaziabad warehousing cluster, Bhiwandi and Panvel in Mumbai, Nelamangala-Dabaspete in Bengaluru, Sriperumbudur-Oragadam warehousing cluster and Periyapalayam in Chennai, Chakan-Talegaon and Wagholi - Ranjan-gaon in Pune, Jeedimetla-Medchal warehousing cluster in Hyderabad, Aslali-Kheda and Changodar-Bagodara belt in Ahmedabad. The total warehousing space requirement in these markets is expected to grow at a compounded annual growth rate (CAGR) of eight per cent from 621 mn sq ft in 2016 to 839 mn sq ft by 2020. Hence, over the next four-year period, an incremental 218 mn sq ft or 54 mn sq ft per annum of warehousing space will be required in the top seven markets of India. Apart from the above, the Tier-2 cities like Ambala–Chandigarh, Indore, Nagpur, Guwahati, Lucknow are going to be the big warehouse space drivers,” Thomas explains.

“In coming days or years, e-commerce market is going to grow in many folds by offering many commodores which is not being offered now due to non-availability of right service provider, such as ready-to-eat food, fruits/vegetables, medicines, cosmetic and beauty products and many other cold chain supply products. Since, we do not have warehouse faculties readily available, many international clients are looking for similar facilities in India. They see India as big potential market for their other products but are not able to market it because of lack of facilities,” emphasises Tiwari.

### Lack of competitiveness

“The recipe for competitiveness is rich and balanced mixture of modern infrastructure, sector knowledge, capability, technology, and business intelligence. Any



bottlenecks that delay speed to market and limit the reach to Tier 2 and 3 cities, where growing consumer base is located, will cause a manufacturer and by association their LSP to lose competitive edge in the market. A strong pan India presence supported by visibility especially in last mile through some form of mobility application is also a very crucial differentiator today. At the warehouse level also, an LSP can help their customer be more competitive by investing in inventory management technologies, harnessing the data and analysing trends to enable credible forecasts," elucidates Jangle. As per Singhal, building up a complex logistics ecosystem is a very costly affair. "The lack of sufficient physical infrastructure is one of the challenges, the time-lag between devising and implementing strategies due to the lack of international warehousing standards, is another. Indian warehousing players face challenges and bottlenecks at various stages of their operation lifecycle. Some of these challenges are strategic, while others are operational and need to be managed," tells Thomas.

### He enlists several other challenges too:

- Lack of good and decongested

road infrastructure

- Lack of land availability with all kind of approvals and sanctions from government
- Lack of standardisation in terms of demand of warehouses from different segments
- High cost of credit for construction of the warehouses
- Power outages in almost all the cluster of warehousing, is a major problem
- Lack of expertise in warehousing technologies

"The number of service providers greatly influences the level and degree of competition. Higher the number of warehouses, greater is the extent of competition. The organised warehousing industry in India is in a nascent stage and consists of a limited number of large players leading to lack of competitiveness in the short run. Lack of information on tariffs/price discovery pertaining to warehousing on public domain are some factors," opines Swaminathan.

### Attracting investments

If there are challenges, then there are opportunities too. According to Swaminathan, "Investment in the warehousing sector is primarily dependent on the cost and location of land. Land at subsidised

rates generally attract larger investments as they ensure higher returns due to lower interest costs. The strategic location of the land ensures efficient logistics. The location is considered strategic generally based on the availability of infrastructure facilities like road/rail connectivity, electricity, water etc. Apart from that, the regulatory environment also plays an important role in attracting investments."

Explains Thomas, "With the high demand and less supply for modern warehouses in India, warehouse and logistics sector promises to be the best investment opportunity in the current scenario. It has been observed that ` 125,000 crore has been invested through private equity in warehousing space since 2014. Other major factors for this sector to be attractive for investments are understanding of the various nuances of this sector, acquisition of a feasible land parcel, development control regulations, infrastructure development and the best alternate usage of land."

"The warehousing industry in India is forecasted to grow at CAGR 13 per cent to ` 9.2 trillion by 2019-20, from ` 6.4 trillion in 2016-17. Therefore, it is estimated that Grade A and B warehousing stock will grow at a CAGR of 21 per cent year-on-year taking the total tally of warehouse space in India to 297 million sqft by the end of 2021. Also, the government's initiatives to streamline India's logistics ecosystem, particularly custom clearances and overall infrastructure has resulted in India ranking at 35 out of 160 countries on the 2016 World Bank's Logistics Performance Index (up from 54 in 2014). All these factors have attracted global investors," notifies Singhal. 📍

## FACT FILE

■ According to JLL report, the warehousing sector will create two lakh job opportunities in the next 3 years though GST implementation & growth of e-commerce sector

■ Grade A and B warehousing stock will grow at a CAGR of 21% YOY