

AL CONSULTING

India – Logistics & Warehousing Sector

An Overview



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GLOSSARY

WORDS

MEANING

CAGR

Compound Annual Growth Rate

FDI

Foreign Direct Investments

FY

Financial Year

INR

Indian Rupees

USD

United States Dollar

[YEAR]E

Estimate calculation / value for [YEAR]

GST

Goods and Services Tax

LPI

Logistics Performance Index

Bn.

Billion

Mn.

Million

sq. ft

Square Feet

3PL

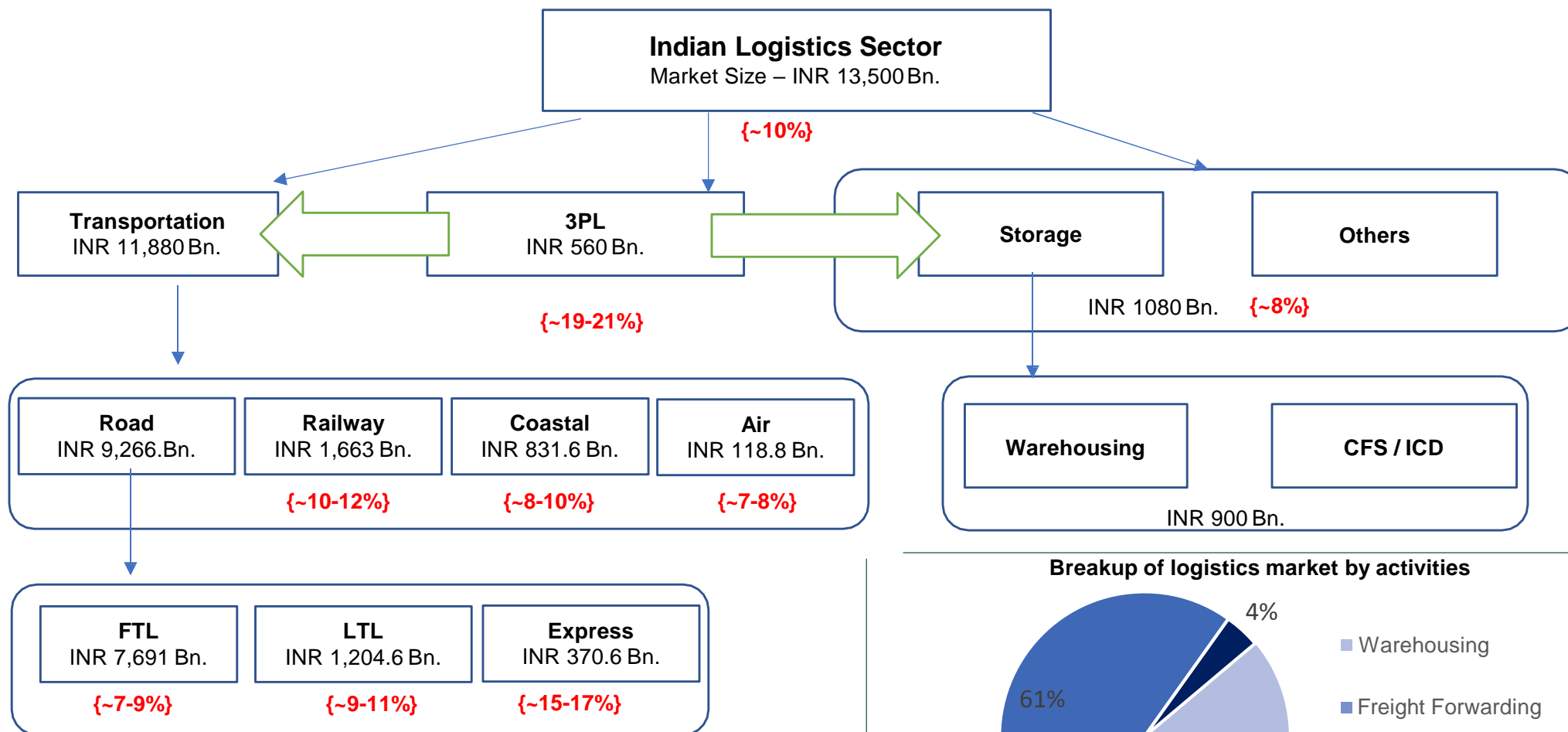
Third-party logistics

Mtr.

Metre

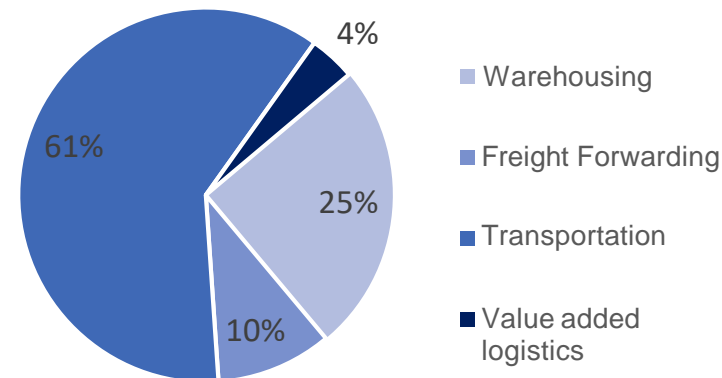
INDIA LOGISTICS SECTOR

SEGMENTATION



{CAGR over FY 2018 - 2021E}
~Expected Growth Rates

Breakup of logistics market by activities

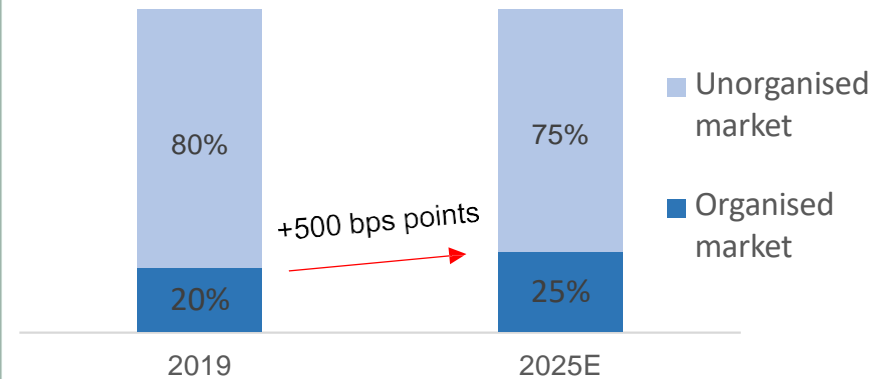


Source: Philips India – India Logistics report 2020

LANDSCAPE

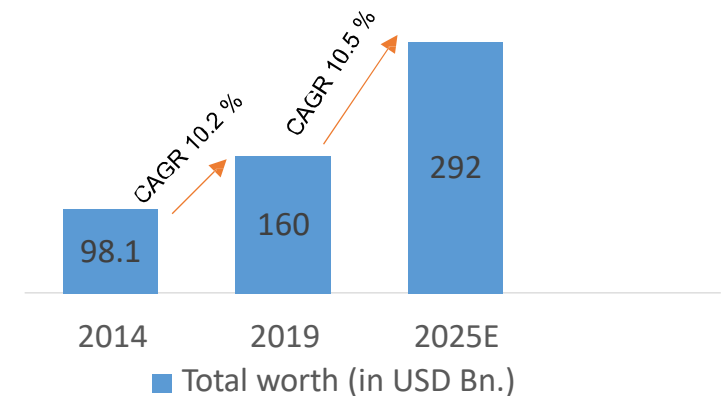
- ❑ 2017 - Indian logistics sector granted infrastructure status and included in the 'Harmonized master list of infrastructure sub-sectors' under a new head 'Transport and Logistics.'
- ❑ Infrastructure status permits the Logistics Sector to avail the following benefits:
 - Infrastructure lending at easier terms with enhanced limits.
 - Access to larger amounts of funds as External Commercial Borrowings
 - Access to longer tenor funds from insurance companies and pension funds
 - Eligible to borrow from India Infrastructure Financing Company Ltd.
- ❑ 2019 - the Government of India published draft 'Integrated Transport and Logistics Policy' that aims to transform India's logistics from a 'point-to-point' to a 'hub and-spoke' model,
- ❑ Multiple economic corridors, several multimodal logistics parks at least 15 locations, 10 intermodal stations, among other things to be set-up by the government.
- ❑ Focus is on reducing logistics costs to 10% of GDP by 2025 from current 13-14% – to increase business competitiveness.
- ❑ Recent initiatives towards this:
 - Direct Port Delivery ('DPD') and Direct Port Export ('DPE') in exim trade.
 - Online services; lower paperwork.
 - Bharatmala project - construction and upgradation of about 35,000 km of national highways by 2022.
 - Sagarmala project – Modernizing India's existing ports, developing of 14 Coastal Economic Zones ("CEZs") and Coastal Economic Units, enhancing port connectivity via roads and rail

Logistics market – dominated by unorganised players



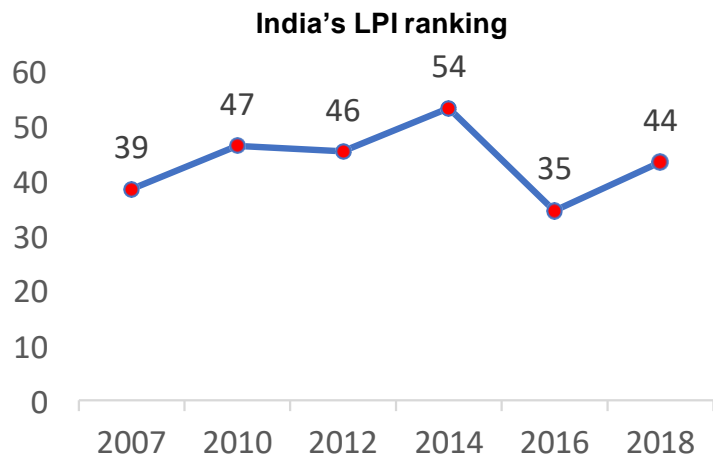
Source: Philip Capital, India Logistic sector report 2020

Indian logistics industry



Source: Frost and Sullivan Research, Make in India –Logistic sector report 2019

A COMPARISON

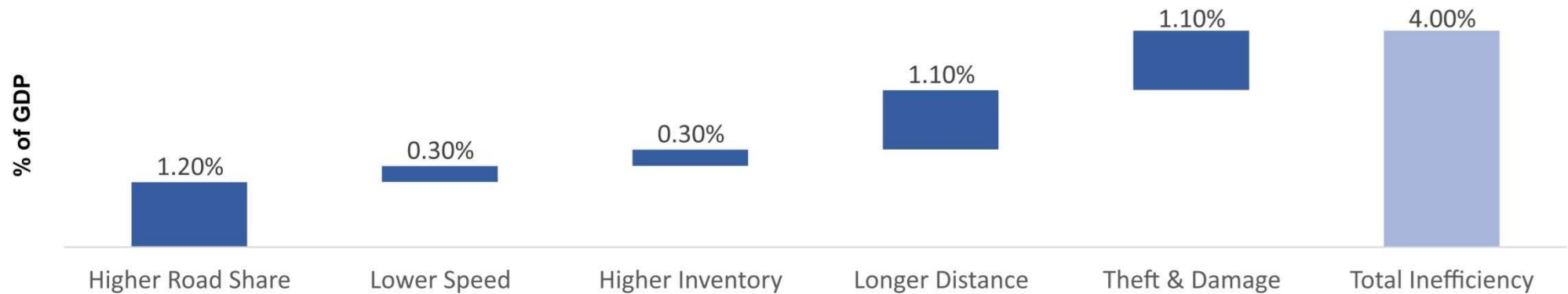


Source: World Bank.

Rank	Country
1	Germany
2	Sweden
3	Belgium
4	Austria
5	Japan
14	United States of America
26	China
44	India

Key Parameters	India	Global
Average truck speed (km/hr)	30 – 40	60 – 80
Average freight rail speed (Km/hr)	24	25 – 35
Airport waiting time – Export / import (Hours)	50 / 182	12 / 24
Logistics cost as % of country's GDP	13 – 14 %	Germany 8%, BRICS 11%

High Inefficiencies in India's logistics sector



Source: Edelweiss- India logistics report, 2018

INDIA WAREHOUSING SECTOR

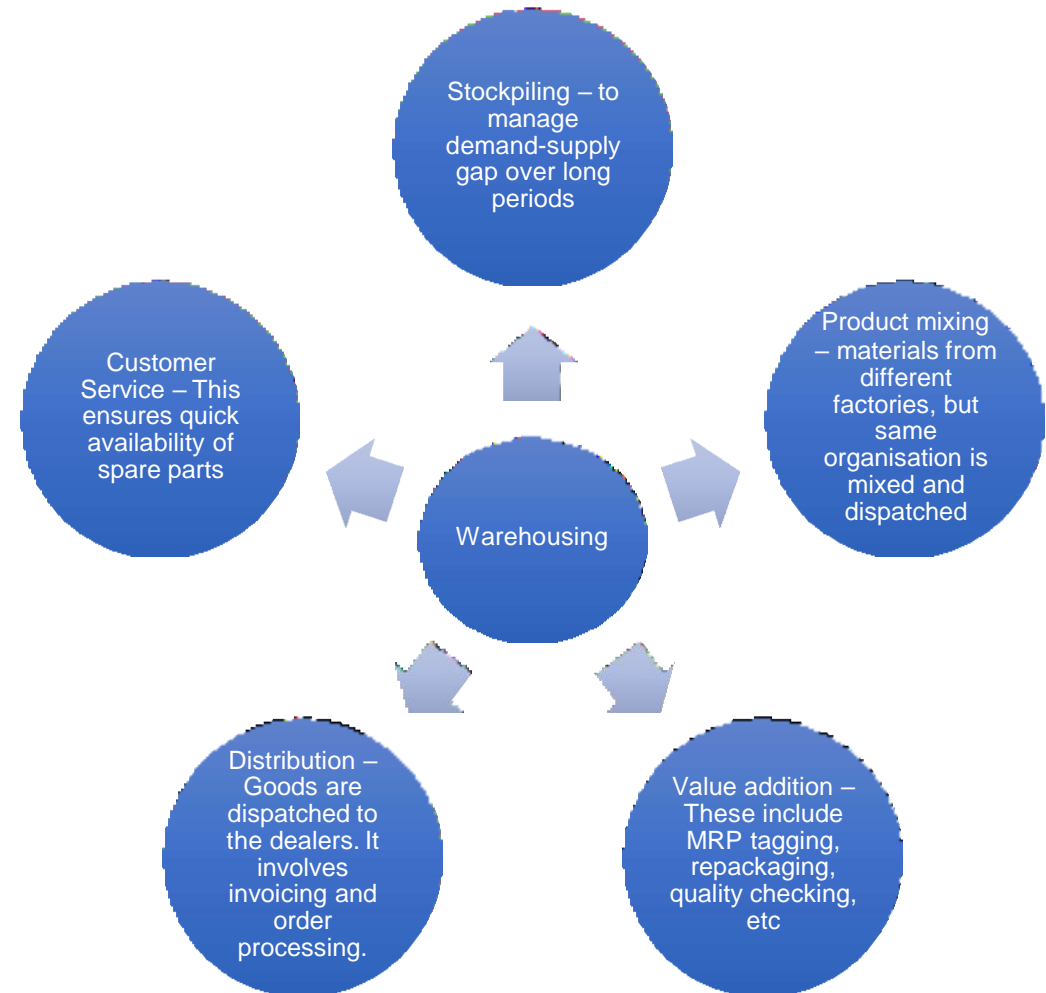
OVERVIEW

- ❑ Warehousing is an important component of the logistic value chain and plays a significant role in quality storage of goods and merchandise during the varied stages of transportation.
- ❑ Warehousing constitutes only 15% of the logistic sector but accounts approximately 25% of the logistics cost.
- ❑ Predominated by Unorganised market – Medium to low quality, public owned, below 10,000 sq. ft in area.
- ❑ Growth Opportunity in Organised market – High quality, Private owned including Multimodal Logistics parks – constitutes only 16-20% of the overall sector.
- ❑ This result in high inventory holding costs. Excessive storage and improper material handling leads to damage of the product

Core warehouse activities



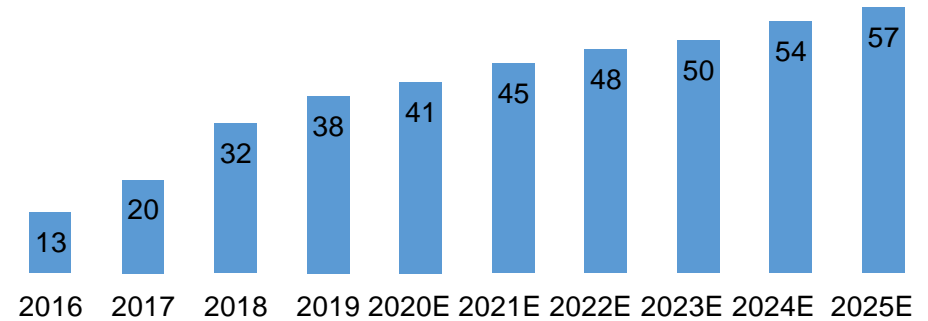
Additional modern warehouse activities



INDUSTRIAL LANDSCAPE

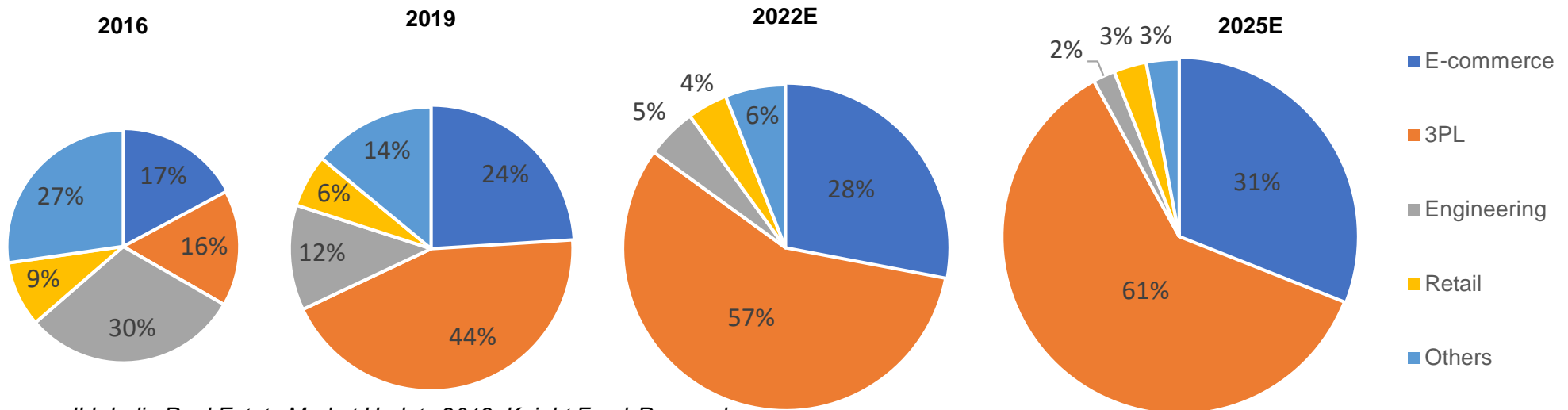
Occupier type	Major Consumers
3PL / Logistics	DHL, Nippon Express, TATA, Vision Freight, Yusen Logistics, APM Terminals, Rhenus Logistics
E-commerce	Amazon, Mynta, Flipkart
Engineering	Bosch, Baxter, Yaskawa, Schneider
Retail	FMCG and consumer electronics
Others	Agricultural products, Auto and Ancillaries, etc

Warehouse - Net Absorption in Mn. sq. ft (growth forecast)



Source: JLL-India Real estate market report 2019
Net Absorption is the net warehouse space occupied.

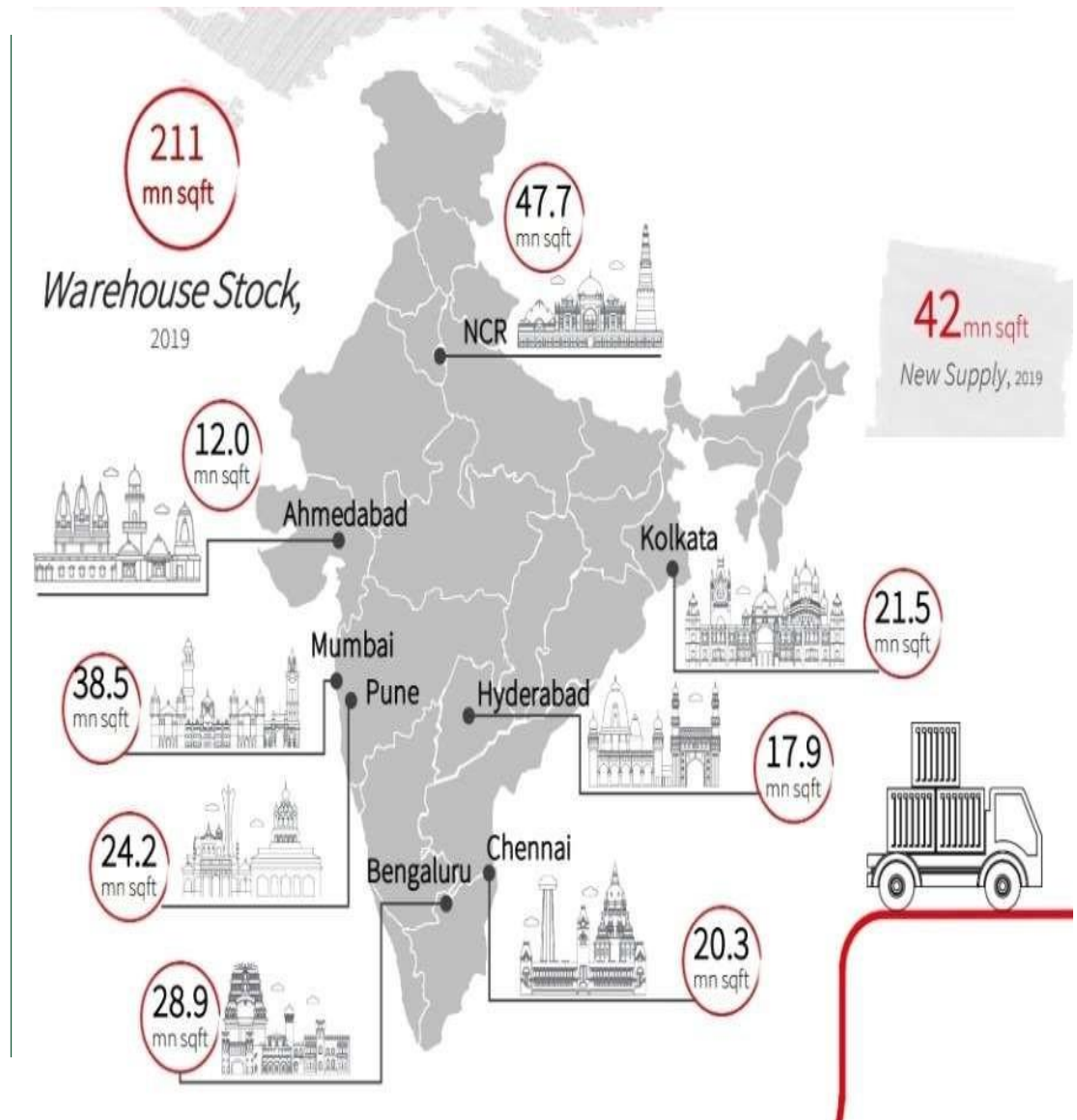
Segmentation of Indian Warehousing market: growth of E-commerce and 3PL



Source: JLL India Real Estate Market Update 2019, Knight Frank Research

RECENT GROWTH

- ❑ Total stock of warehousing space in India grew from 118 Mn. sq. ft in 2016 to 211 million sq. ft in 2019. In 2019 alone, 42 mn sq. ft of space was added as compared to 2018.
- ❑ India's total warehousing capacity is estimated to be 160 Mn. tonnes. Around 30% of this capacity is managed by the private sector, and the rest is divided between Food Corporation of India, Central Warehousing Corporation, State Warehousing Corporation and the State agencies.
- ❑ Taking note of the rapid e-commerce expansion across the country, demand for warehousing spaces has recorded an uptrend in both Tier I and Tier II cities and is touted to trigger realty growth, particularly in the markets of Delhi NCR, Mumbai, Bangalore, Pune and Chennai.
- ❑ Tier II markets such as Lucknow, Ludhiana, Guwahati, Jaipur and Coimbatore also witnessed a hike in demand for warehousing and logistics space as per 99acres.com.
- ❑ As per news reports, a number of private Indian developers are considering investments into the investable grade real estate. These include Panchshil Realty, Gulf Warehousing Company, Future Warehouse Solution, Hiranandani, Lodha Group, Jalan Group, AllCargo among others.



MAJOR PLAYERS



Mahindra Logistics Ltd. manages 15 Mn. sq. ft. of warehouse space at multiple locations across the country. These include a mix of built-to-suit, dedicated and multi-user warehouses. They are also adept in handing the existing warehouses of customers to generate optimal efficiencies in them.



GATI-Kintetsu Express Pvt. Ltd. ("GATI-KWE") is Joint venture between Gati Logistics Ltd and Japan's freight and warehousing major, Kintetsu World Express. GATI-KWE provides customized, state-of-the-art warehousing services for all sections of the Indian industry including e-commerce, Hospitality, Healthcare, Computer peripherals & spare parts, Consumer electronics and Automotive spares. It has 61 warehouses in excess of 3.3 Mn. sq. ft. and 3 e-fulfilment centres across India.



Snowman Logistics Ltd. offers the entire range of cold chain logistics required for storing and transporting frozen and chilled goods. It has a total warehousing capacity in excess of 0.17 Mn. pallets. They have state-of-the-art temperature-controlled warehousing facilities in Mumbai, Chennai, and Bengaluru coupled with integrated distribution solution. Their promoter and largest shareholder is Gateway Distriparks Limited with Mitsubishi and International Finance Corporation being investors.



IndoSpace has a whopping 30 Mn. sq. ft. of dry, wet, cold, fragile and other storage facilities across India that makes it the biggest warehousing company of India. It caters to logistics and warehousing needs of leading players in automobiles, e-commerce, FMCG, 3PL and manufacturing sectors. Its warehouses are spread across 33 logistics parks and industrial parks across the country.



Safexpress is a nationwide supply chain & logistics company with over 6 Mn. sq. ft of warehousing space. It caters to automobiles, FMCG and apparel manufacturers.

Distribution Redefined

MAJOR PLAYERS



VRL Logistics Ltd provides courier services, priority cargo and air chartering and 3PL and warehousing solutions. It operates transshipment hubs in the country through its network of warehouses. The company handles a variety of cargo, from agricultural produce to delicate machinery and other goods at its warehouses.



Allcargo Logistics Ltd. operates customized warehousing and supply through its own warehouses at Goa, Madhya Pradesh, Tamil Nadu and Mumbai. It has additional land banks of 200 across various states and intends to construct 15 Mn. sq.ft of warehousing by 2020.



Transport Corporation of India ("TCI") group is India's leading integrated multimodal logistics and supply chain solutions provider. The company has an impressive 12 Mn. sq. ft. of warehousing space. Additionally, the company's warehousing facilities are backed by a strong network of multimodal transport and over 6,000 trained staff.



Central Warehousing Corporation ("CWC") is an autonomous organization run by the Indian government. CWC provides logistics support to India's huge agricultural business as well as a wide range of clients from the public and private sectors. It operates 432 Warehouses across the country having a combined storage capacity of 9.96 million tons



DHL is part of Deutsche Post DHL Group and is a leading global brand in logistics industry. In 2017, DHL opened India's very first integrated 77,500 sq. ft warehousing facility in Bengaluru. It functions as a duty-free zone and comes with a value creation area that enables labeling, packaging and repacking services.

EMERGING GROWTH AREAS

3PL

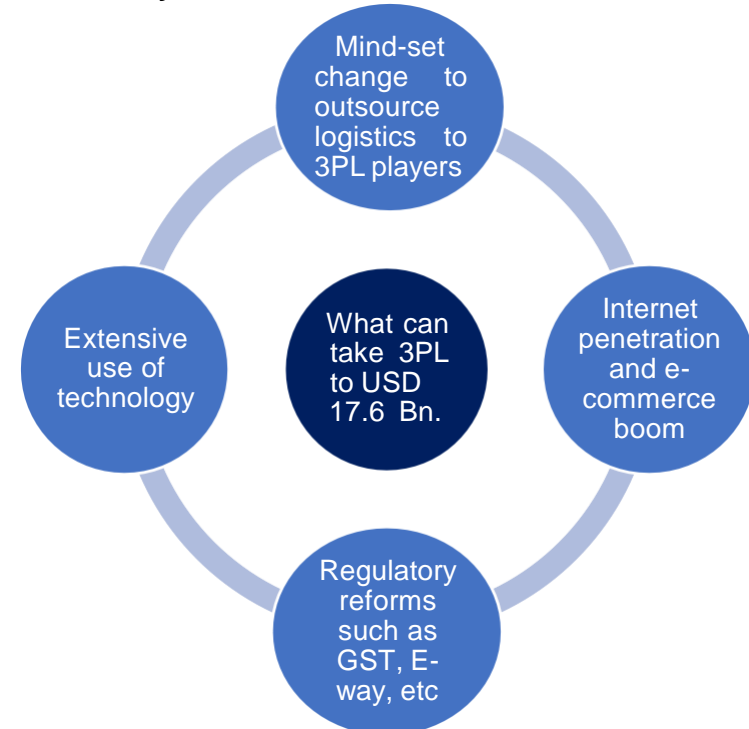
- ❑ 3PL is a service that allows a company to outsource all operational logistics from warehousing, all the way through to delivery, and ultimately enables businesses to focus on their core business.
- ❑ 3PL companies provide any number of services having to do with the logistics of the supply chain.
- ❑ Advantages:
 - Cost reduction- 3PLs have more leverage with trucking companies and can gain incentives / negotiate pricing based on volume and order frequency
 - Network Capacity – 3PLs have access to numerous options and solutions.
 - Scalability - easily manage high and low seasons with the assistance of a 3PL and they can help you quickly respond to increases in demand or expansion
 - Better customer experience: With added attention given to driver communication and problem-solving, 3PLs help brands avoid service issues and keep customers happy.

Automobiles account for a major share of 3PL market

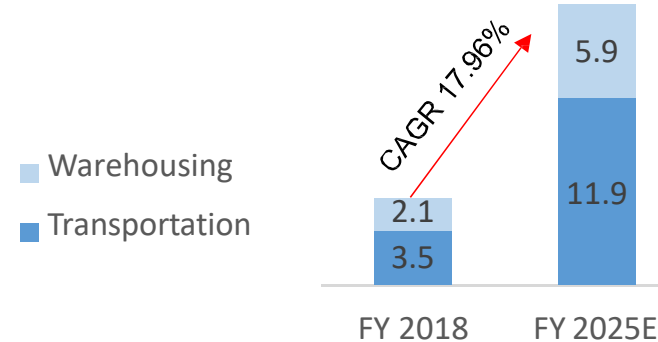
Market in INR Bn.	FY 2017	FY 2020E	CAGR
Automotive components	108	165	15%
Cars & SUV	66	119	22%
CV and Tractors	25	33	10%
2W and 3W	54	81	14%
Others	139	290	28%
3PL	392	688	22%

Source: Philips India – India Logistics report 2020

Key demand drivers and enablers for 3PL



Indian 3PL market in USD Bn.

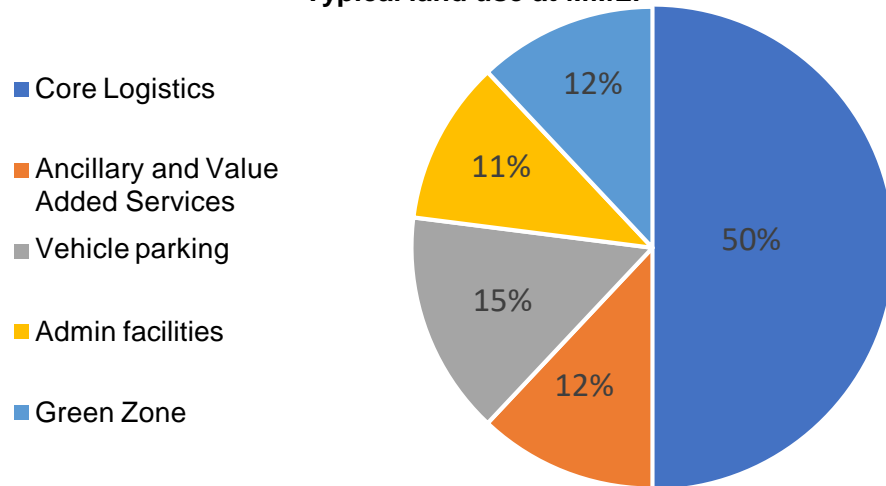


Source: Edelweiss – India Logistics Report 2018

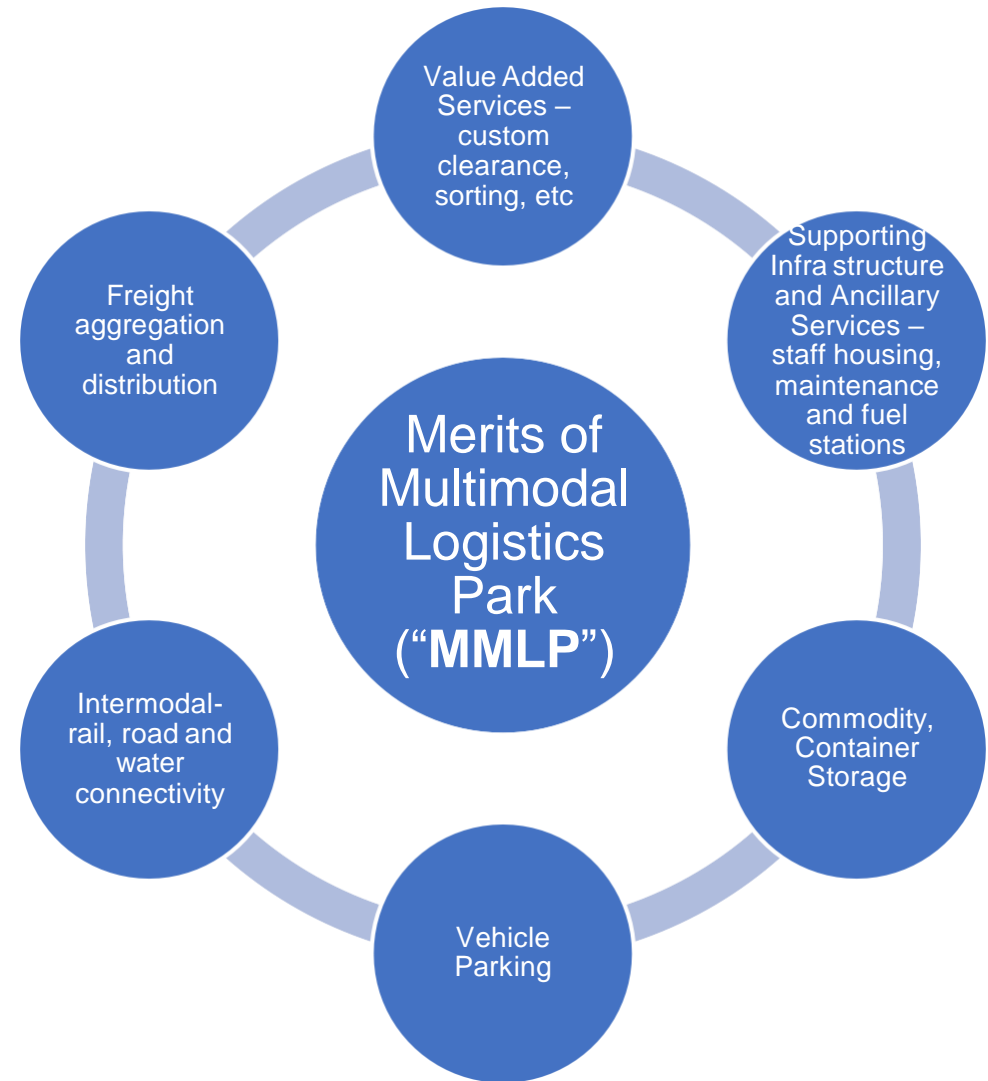
MMLP

- ❑ MMLP are logistics parks with a wide array of services ranging from freight transportation, warehousing, material handling, protective packaging inventory control, order processing, marketing, and other value-added services.
- ❑ They are developed on continuous land of 100 to 150 acres with warehousing space of about 25,000 sq. ft. per acre. Approach and internal roads are up to 90 Mtr. wide, allowing easy movement of larger trailers. Warehouses are equipped with natural light, heat-resistant coating, fire-fighting equipment, water drainage, and they follow safety compliance.
- ❑ Upcoming Logistics parks in India:
 - Debaspete MMLP, Karnataka
 - Jogighopa MMLP, Assam
 - India aims to establish 35 logistic parks to service its growing population

Typical land use at MMLP



Source: Philips India – India Logistics report 2020



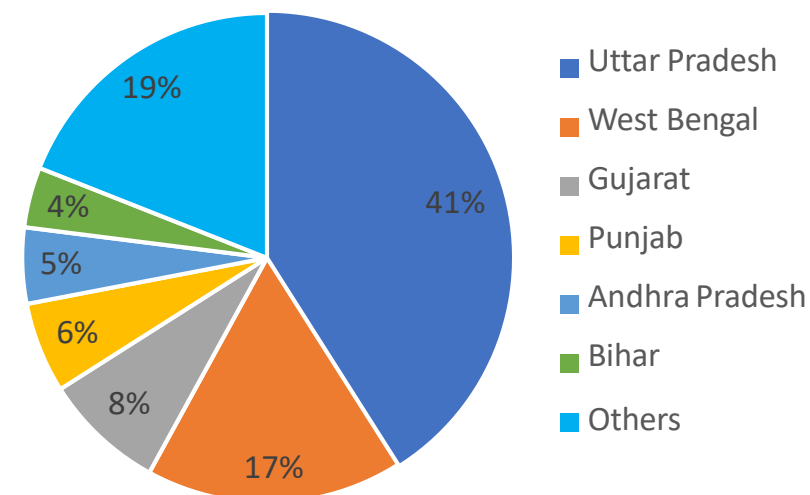
COLD CHAIN TRANSPORTATION & STORAGE

- ❑ India needs strong investment in reefer (refrigerated container) transport capacity for a successful and seamless cold-chain supply chain – from the farm-gate to the consumer.
- ❑ India is the second-largest producer of fruits and vegetables in the world with a production of 269 Mn. tonnes. But the processing levels for fruits and vegetables in India are at a meagre 2%, with 5-16% wastage loss across different crops. The total harvest and post-harvest losses in India amount to USD 14 Bn. annually.
- ❑ National Centre for Cold-Chain Development has identified a gap of 3.2 Mn. tonnes in cold storage capacity in India, a need for +69,000 pack houses (places where fruit is received and processed before being distributed to the market), more than 50,000 reefer trucks, and about 8,000 ripening chambers.
- ❑ Lower penetration and high wastage provides huge opportunities for development of post-harvest logistics, storage marketing infrastructure, and innovation technology in cold-chain infrastructure.

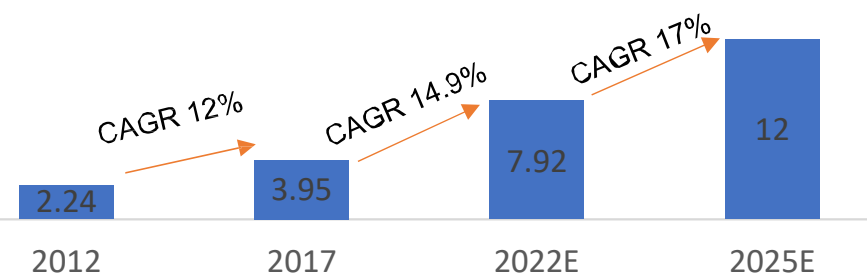
COVID-19 VACCINE CHALLENGE: UP SCALING INDIA'S COLD STORAGE

- ❑ Smooth delivery of COVID-19 vaccines to more than 1.3 Bn. people is supported presently by 27,000 cold chain facilities.
- ❑ Snowman Logistics plans to set aside 1 chamber each across its 31 facilities in India. Plans to deploy refrigerated trucks for vaccine distribution
- ❑ Gati Ltd to use 120 trucks for delivering vaccines and plans to expand its cold storage post January 2020.
- ❑ India Cooling Action Plan (“**ICAP**”) emphasizes the cold chain infrastructure and discusses the gaps and opportunities country can leverage from providing the cold chain facilities at the rural level

State-wise % share of Cold-storage capacity in India



Cold chain industry market (in USD billion)



Source: Philips India – India Logistics report2020

INITIATIVES BY GOVERNMENT

- ❑ Make in India:
 - setup of industrial corridors to promote manufacturing clusters by connecting them via intermodal and multimodal transportation.
 - Five industrial corridors are planned by the Government of India. They are:
 - ✓ Chennai – Bangalore Industrial Corridor
 - ✓ Bangalore – Mangalore Industrial Corridor
 - ✓ Delhi – Mumbai Industrial Corridor
 - ✓ Amritsar – Kolkata Industrial Corridor
 - ✓ Vizag – Chennai Industrial Corridor
- ❑ Free Trade Warehouse Zones (“FTWZ”)
 - Come under the category of special economic zones with focus on trading and warehouse.
 - The objective is to create an infrastructure to facilitate the import and export goods and services with a freedom to carry out the transaction with free currency.
- ❑ FDI
 - Government of India allows 100% FDI in warehouse sector in India.
 - According to JLL India report, there is to be an investment of up to INR 450 - 500 billion in creation of warehousing facilities in all states by 2020.
- ❑ Financial assistance
 - Ministry of Food Processing Industry offers financial assistance (grant-in-aid) of up to 35% of the total cost of plant and machinery and technical civil work for cold –chain storage.
 - For value-added and processing infrastructure, including frozen storage and deep freezers, financial assistance from the government is 50% with maximum limit of INR 100 million. Some states also supply power to cold-chain infrastructure at lower tariffs.
- ❑ GST has had a positive impact on warehousing in India.
- ❑ Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters
 - focuses on creating a modern infrastructure with efficient supply chain management from farm produce to the retail market.
- ❑ Logistics Efficiency Enhancement Program
 - Ministry of Road, Transport and Highways, Government of India has planned 35 MMLP to help the logistics sector by lowering the logistics cost, traffic congestion, cutting warehouse cost and reduce carbon footprints.
- ❑ Logistics Data Bank:
 - As a part of the India-Japan bilateral cooperation, a Logistics Data Bank Project has been commissioned to track containers on a ‘near-real-time’ basis. RFID tags are placed on every container coming out of the ports to track the container’s movement. The project has already expanded to various ports in India and covers almost 90% of the total container volumes in India.
- ❑ Logistics Portal:
 - A National Logistics Portal is being developed in phases to serve as a transactional e-marketplace by connecting buyers, logistics service providers and relevant government agencies. This portal will be the single window market place to link all stakeholders.
- ❑ Expenditure on investment in logistics, including infrastructure, will touch USD 500 billion, annually, by 2025. This will create millions of jobs and also do away with the hurdles hampering India’s internal and global trade.

Source: Make In India Listicles.

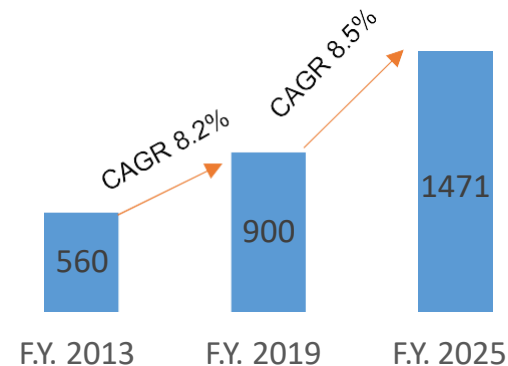
KEY INVESTMENTS

Investor	Investee	Property Location	Investment type	Investment Value (USD)
Gateway Partners	TVS Supply Chain Solutions	Pan India	Minority Stake	100 million
Partners Group Holding AG	Cella Warehousing Pvt. Ltd. and Vessel Warehousing Pvt. Ltd.	New Delhi (NCR)	Share Purchase	250 million
Adani Logistics Ltd	Snowman Logistics Ltd.	Pan India	66.25% Stake	93.63 million
Blackstone Group Inc.	Hiranandani	Pune, Chennai, Nashik	Platform level	60 million Potential development of 12 millionsq. ft. warehousing space.
Blackstone Group Inc.	All Cargo	Ahmedabad, Hyderabad	Platform level	53.7 million
Flipkart, IFC, Nokia Growth Partners, Mirae Asst Global Investments, Qualcomm Ventures	Shadowfax	Pan India (South India Dominant)	22.56% stake	60 million
Mapletree Investment Pvt. Ltd.	KSH Infra	Pune	Platform level	46.3 million Potential development of 1.2 million sq. ft. warehousing space
LOGOS India Logistics Venture	Casa Grand Distripark	Chennai	Acquisition	98.7 million (Warehousing Business)
Welspun Group	One Industrial Spaces	Mumbai	Platform level	Undisclosed. Potential of development of 5 million sq. ft. warehousing space

GROWTH FORECAST-WAREHOUSING

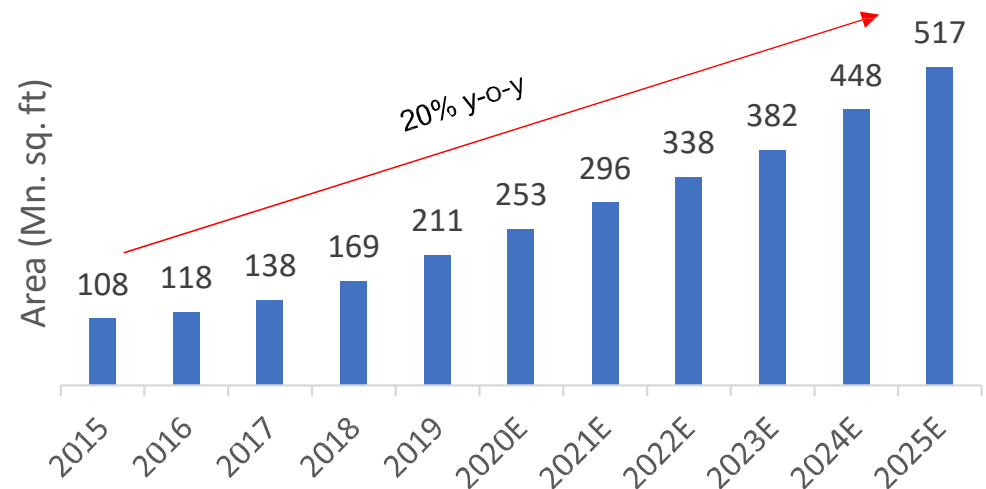
- ❑ Currently, there is less than 10% vacancy in the warehouses across India. This is largely due to COVID-19 crisis and the ensuing lockdown. This is expected to continue for the remaining few months until industries start functioning fully.
- ❑ As per news report, over the last three years, warehousing sub-sector has seen an investment of nearly USD 6.5 billion.
- ❑ Additionally, warehousing has attracted investment to the tune of INR 254 billion since 2017 and the same is to touch INR 495 billion by 2021.
- ❑ The e-commerce market in India, which was growing at a CAGR 19.6% since last year has suddenly shown a sharp increase of 25.9% since the lockdown. This growth is primarily led by market giants like Amazon and Flipkart.
- ❑ Also, over the next couple of years, industrial warehousing is expected to see a growth spurt as manufacturing units look to shift or diversify out of China. India, as part of its plan to attract such manufacturing units is looking at building warehouses at a frantic pace.

India's warehousing market size – growth forecast in INR Bn.



Source: Edelweiss: Logistics sector update

India's warehousing space – growth forecast

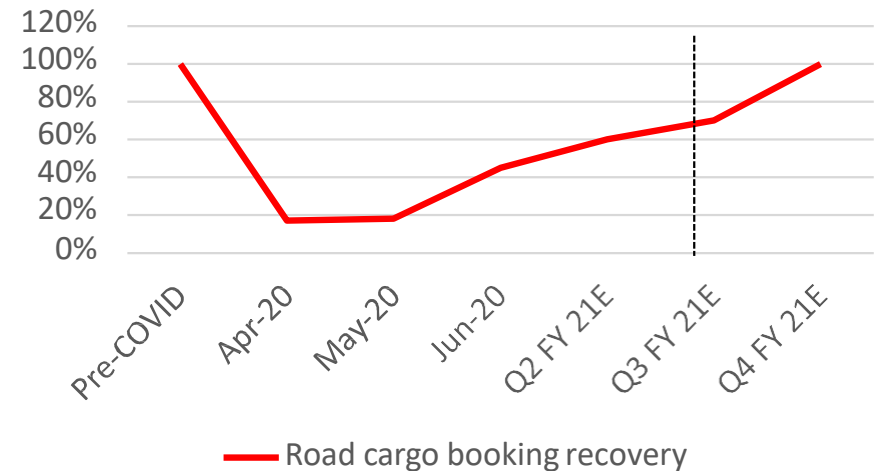


Source: JLL India Real Estate Market Update 2019

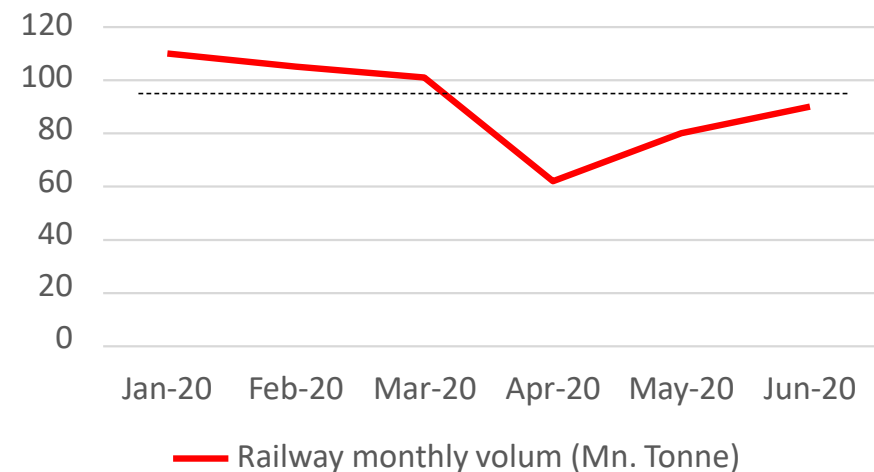
COVID-19 – WAREHOUSING INTERPLAY

- ❑ COVID-19 has increased the focus on contactless environment and companies look to increase logistics efficiency, and reduce expenses, giving rise to a higher demand for automated technologies
- ❑ The COVID-19 outbreak has also had an implication on Indian consumers buying behavior's pushing them to embrace e-commerce. There is rise in online spending as wary consumers stay at home.
- ❑ A lot of new brands and retailers are expected to go online in the next 6 to 12 months following the D2C model. Those already online will ramp up efforts to reach out to customers directly.
- ❑ Over the next few years, greater amalgamation of technologies such as radio frequency identification, automation and robotics to be amalgamated to enable companies to more efficiently coordinate inventory management, warehousing, and delivery.
- ❑ All players are focused on digitization now, and use e-POD and e-billing etc. Increased budget for IT spending and reduction in excess manpower will ensue.
- ❑ Large companies will permanently shift to MMLP as they provide a holistic logistics ecosystem.
- ❑ Cargo volume through railways is back to 70% of pre Covid-19 levels and is doing better than road cargo which is expected to make full recovery till Q4 of the FY 2021.

Road cargo booking recovery



Railway monthly volume



Source: Philips India – India Logistics report 2020

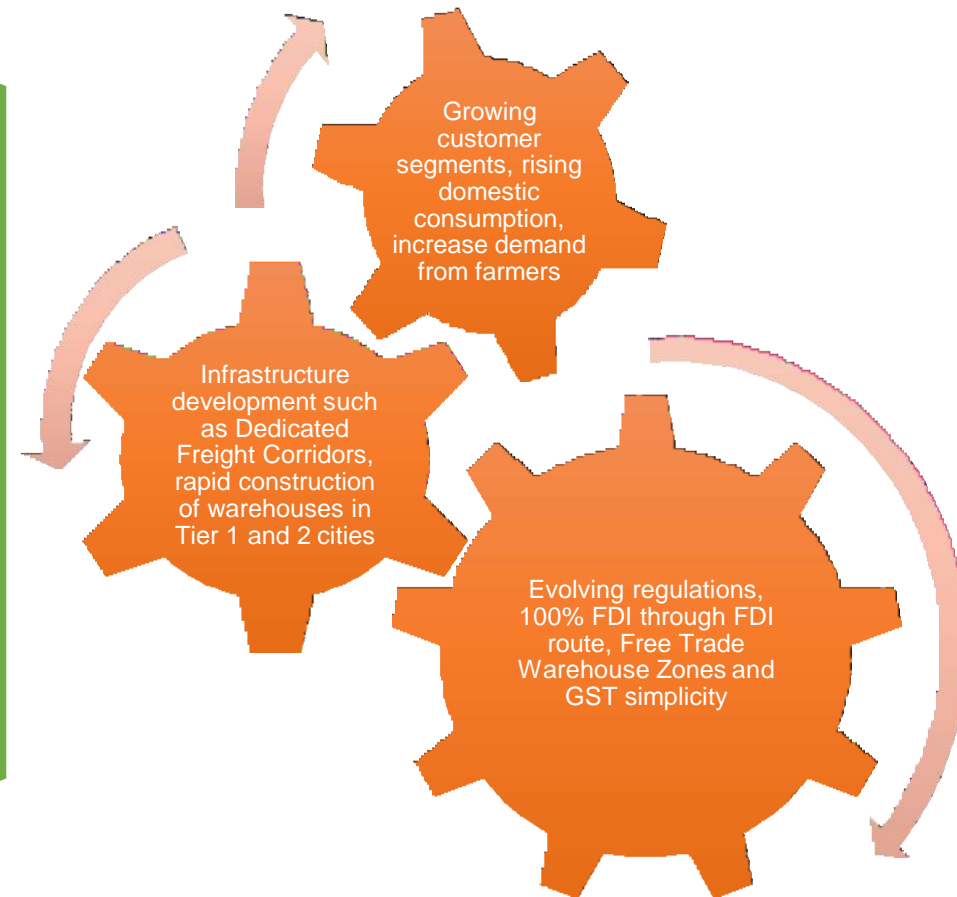
Logistics & Warehousing Sector: On The Path Of Transformation

Challenges

- Lack of timely & adequate credit due to high risk perception of banks.
- Presence of multiple regulatory leading to procedural challenges.
- Fragmented warehousing market, presence of small players.
- Infrastructural Bottlenecks leading to lack of seamless movement.
- Shortage of skilled workforce, hence the process is inefficient
- Lack of modern technology and lack of technical knowhow.

Way Forward

- Infrastructure status hence ease in credit availability.
- Formulation of integrated logistics policy.
- Development of national-level centralized warehousing model.
- Development of dedicated freight corridors.
- Investing in potential emerging technology.
- Rising domestic consumption and India being viewed as an alternative manufacturing hub to China.



SOURCES

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- ❑ Edelweiss - India Logistics: Clear Road ahead report 2018
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- ❑ CRISIL Opinion – GST to cut logistics cost, June 2015
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- ❑ National Skill Development Corporation - Human Resources and Skill Requirements in the Transportation, Logistics, Warehousing & Packaging Sector (2013-2017, 2017-22)
- ❑ <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1540616>

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