

Quarterly Market Observatory



# Logistics & Warehousing Market in India Outlook Update – Q3 2020

September 2020



# The Eighty – 20 of Industry: What Matters?

## Leading Edge

### Tier II, III cities to emerge as preferred destinations for the warehousing industry as smaller cities gaining traction

At a time when the Indian economy has been facing a slowdown, the warehousing segment has emerged as a promising investment opportunity for investors. Restricted movement due to the nationwide lockdown has underscored the importance of in-city warehousing, with tier II and III locations emerging as preferred investment destinations. Though the supply of new warehousing space in 2020 could be merely 12 million sq ft as against the previous estimate of 45 million sq ft due to COVID-19 crisis, in the long-term, the demand for warehousing space will grow significantly and there will be capacity addition in almost 30-35 new tier II and III cities.

These markets are still at a nascent stage and are contributing around 13 percent to overall warehousing demand however recorded a tremendous growth rate of 20 percent in FY-2020. The fastest-growing E-commerce market has undoubtedly increased the demand for warehousing in various cities. Moreover, the e-commerce market, which has witnessed strong growth in the last few years, is estimated to be at 70 billion dollars in 2019 and is forecasted to reach over 160 billion dollars by 2022 with strong investment opportunity in tier II & III cities.

### COVID-19 brings opportunities for investment in Warehousing Segment in India

#### Warehousing Segment



Close to 20 million sq. ft of warehousing space are under various stages of development with over 10 million sq. ft. space waiting to be transacted across tier II cities



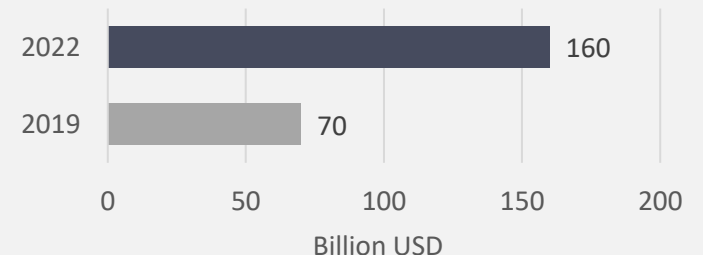
Due to nation wide lockdown, Ecommerce has created a need for faster delivery, even in markets beyond the major cities.

To strengthen this trend, e-commerce and 3 PL players capitalize on demand in smaller cities.



Series of policy changes including tax reductions, SEZ amendments, and establishing electronic and medical devices clusters will further lead to boosting demand for large warehousing spaces in India

Estimated E-commerce growth market in India (Billion USD)



Source: eninrac consulting & Channel checks

## Numbers to Focus Upon – Q2 2020



### Indian Aviation industry posted USD 3 Billion loss in Q2 2020

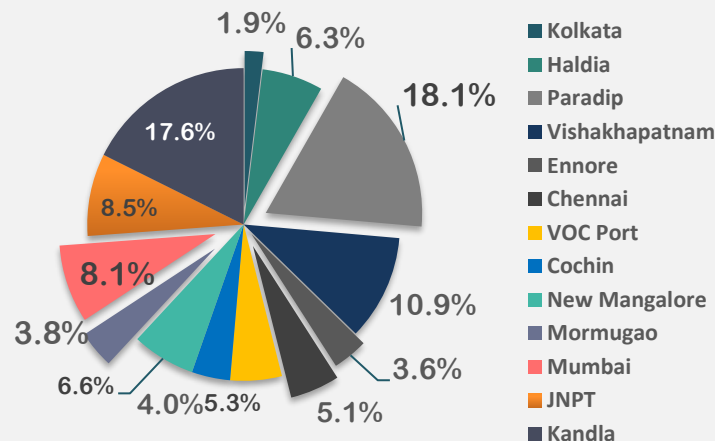
India's aviation industry is estimated to post losses of \$3-3.6 billion in Q2 2020 due to COVID-19-related disruptions. With travel sentiments staying muted and fares capped, airlines are looking at huge losses in the coming quarters of 2020. The focus of the national air carrier in this period has been the evacuation of the Indians from foreign countries through "Vande Bharat Mission"



### Traffic handled at Major Ports in Q2 2020 – Pan India Status

In Q2 2020, the total traffic handled at major ports are 14.1 MT witnessed decline of 19.6% as compared with Q2 2019 due to the supply chain disruption amidst COVID-19 pandemic crisis. Kandla Port and Paradip imported largest cargo during Q2 2020 with share of 17.8% and 18.1% respectively.

Share of Port-wise cargo handled (%) during Q2 2020 – Pan India Status



Source: eninrac consulting, Channel Checks

## Key Features Expected



### Coronavirus Is a Wake-Up Call for local Supply Chain Management in India

India should engage with the world by inviting investment, rather than entering into FTAs. For this to work, the state would need to develop these Zones with private partnerships to the extent feasible.

## Deployment Trends - Projects

### 01 Welspun One Logistics Parks looks for land parcels in big cities to set up warehouses

Welspun One Logistics Parks is looking for land parcels across major cities to expand business as it sees demand for warehousing and industrial space rising in post-COVID era. Company is looking to acquire land in other major cities such as Delhi, Bengaluru, Pune and Kolkata, and even tier-II cities.

### 02 FM Logistic India Aims To Add 40 Lakh Sq Ft Of Warehousing Space

FM Logistic India plans to add 40 lakh sq feet of warehousing space under its operations over the next three years and aims to log 35 per cent growth year-on-year during this period. Pune-based FM Logistic India, which is part of the contract logistics provider FM Logistic, had last year announced setting up of a 31-acre multi-client logistics facility at an investment of USD 30 million, which is expected to be completed by this year end.

## Short Term and Medium term impact of COVID-19 on Logistics & Warehousing Market in India

## Quarterly Update – Q3 CY 2020

### Short Term Impact



Demand levels to **reduce by 50%**



Delay in under construction projects



Stress expected in **3PL segments**



Rent deferrals/structured waivers over reduction

### Medium Term Impact



A **U-shaped demand** curve as demand is recovered from essential services



Rental value may decline by **5-10% over time**



Land values are expected to **witness correction** in overvalued pockets

- In the short run, while few sectors like auto, heavy machinery, chemicals might renegotiate existing rentals, sectors such as FMCG, ecommerce, pharmaceuticals, cold storage will see increased growth and demand for additional warehouse spaces, as well as stringent health norms are facilities. Occupiers will re-align their overall real estate strategy based on post COVID-19 scenarios, such as migrant labour, consumer demand and government support.



### Key Investments – Q3 2020

- Reliance buys Future Group for INR 24,713 cr to bolster its fast growing retail business. Reliance Retail Ventures Ltd (RRVL), subsidiary of Reliance Industries, will acquire the retail and wholesale business and the logistics and warehousing business from the Future Group as going concerns on a slump sale basis.
- SAIF Partners-backed real estate investment platform Strata has raised INR 140 Cr from investors to jointly buy three pre leased warehouses, which collectively account for 700K Mn sq ft warehousing space. The proptech startup highlighted that the asset is expected to offer investors an average rental yield anywhere between 9.5% and 10%



### Key Trends – Logistics & Warehousing Market in India Q3 2020

- Post pandemic, there is likely to be technology infusion in supply chain and warehousing management services in multiple categories. In pre corona phase, there was less infusion of technology in agri based, cold storage facilities. Adoption of automated guided vehicles and robotics in operations by global occupiers is expected.
- Online grocers have seen the demand for groceries and essentials upsurge by 3-5X compared to normal. Moreover, the transition of retail to online and larger inventories by e-commerce players, will speed up the warehousing demand further.



### Key Signpost –Shift In Supply Chain scenario post COVID-19 pandemic

- Occupiers with high dependency on goods from China have been heavily impacted from the slowdown in manufacturing and shipping. It is likely that these business would now look at diversifying their supply chain when COVID-19 has been resolved, to ensure they are not entirely reliant on any one supplier hereon. Moreover, Occupiers will re-align their overall real estate strategy based on post COVID-19 scenarios, such as migrant labour, consumer demand and government support. Also, organizations would also explore de-risking supply-chains and hence will diversify into MITI-V regions, leading to higher demand in India.



## Contents & Coverage – Q3 2020

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### 01 This Quarter

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The section shall showcase the major highlights for logistics and warehouse segment in India including investments, project developments, policy & regulatory interface etc.

### 04 Numbers to Learn

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The status of transportation segment (rail, road, air and ports) in India, number of warehousing spaces available in India Moreover, the numbers for deals secured by logistics and warehouse companies in India

### 07 Deployment Trends

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The pace of deployment of projects at warehousing space levels along with logistics segment growth covering issues like investments, tenders and capacity additions shall form part of this section

### 02 Key Features

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Key features shall cover the major strengths and development map that the industry has shown over the quarter

### 05 The Eighty - 20 of Industry – What Matters?

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In this section the major factors which are acting as the growth catalysts / barriers in the logistics and warehousing segment are highlighted inclusive of policies, regulations etc.

### 08 Technology & Price Trends

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This section shall cover all the latest technology implementation and trends, price benchmarks of logistics and warehousing segment in India

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### 03 Leading Edge

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The current affairs leading business impacts on logistics and warehouse segment with insightful data analytics & our exclusive “Knowledge Grid” feeds covered in the section. Our analyst’s viewpoints with sharp edged objectives shall be central to the section

### 06 Key Signposts

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The business factors which shall govern the course of coming quarters of business and the industry response to the changes shall be the focus area of this segment

### 09 Industry Activities & Corporate Strategies

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All the industry order track & merger’s and acquisition activities shall be tracked. Fresh investments in logistics and warehousing sector as per players profiles shall also be tracked in this section



## Must Buy For

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- EPC Players
- Logistics Service Providers
- Third Party Logistics Providers
- Building Construction Material Providers
- Pre-Engineered Building Manufacturing Companies
- Financial Bodies
- E-Commerce Service Providers
- Builders
- Consultants
- Raw Material Suppliers
- Real Estate Players
- Government Bodies



## For Queries

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## Companies Mentioned

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- Allcargo Logistics Ltd
- Agarwal Packers & Movers Ltd
- Blue Dart Express Ltd
- Container Corporation Of India Ltd
- DHL Express India Pvt Ltd
- FedEx Express TSCS India Pvt Ltd
- First Flight Couriers Ltd
- Transport Corporation Of India Ltd
- Sical Logistics Ltd
- Central Warehousing Corporation
- Future Supply Chains
- Ekart
- National Bulk Handling Corporation
- DTDC
- Khimji Poonja Freight Forwarders
- AWL India Pvt. Ltd.
- OmTrans Logistics Ltd
- Wheelindia SCM Solutions Pvt. Ltd.
- Future Supply Chain Solutions
- Mahindra Logistics
- JUSDA Supply Chain Management
- TVS Supply Chain Solutions



The life of a man consists not in seeing visions and in dreaming dreams, but in active charity and in willing service

- Henry Wadsworth Longfellow

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