Warehousing scenario in India: Yet to gain the steam – a macro perspective

Among 3 prominent areas of logistics ‘transportation, distribution and storage’, both transportation and distribution gained the significant momentum and growth at least prominently in urban and semi urban geography of India. Still ‘storage’ domain under nourished and under invested or its significance not prominently realized so for. Government (central & state) machinery would be solely responsible for policy making and development of robust infrastructure of warehousing sector in two angles, in order to support logistics concern, towards industry (macro perspective –organized sector) and MSMEs & Agro products (micro perspective – unorganized sector). Warehousing expenditure approximately constitute 15% to 35% of total logistics cost and they are long term return provider (high returns of asset turnover) in comparison with transportation and distribution.

Estimating the total warehousing requirements between 2014 to 2019, from 919 mn.sq.ft to 1439 mn.sq.ft with annual growth rate of 9% of compounded annual growth rate (CAGR). Inland Container Depot (ICD) and Container Freight Station (CFS) are taken into the consideration.

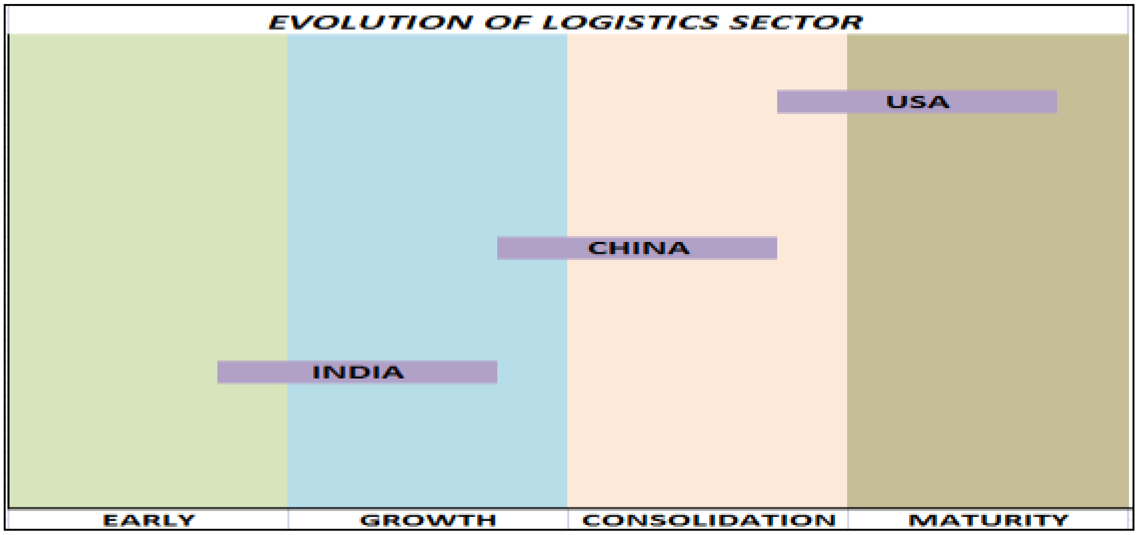
Demand for Warehousing Space in India (mn.sq.ft.)

	Total warehousing space requirement		CAGR*	Total additional space required from 2014-2019	Annual additional space required from 2014-2019
	2014 (E)	2019 (P)			
Manufacturing	631	939	8%	307	61
Consumption	76	115	9%	39	8
Exim**	211	386	13%	174	35
Total Warehousing	919	1439	9%	520	104

Source: Knight Frank

Looking into the feasible investor returns, while other commercial entities are struggling to yield at least 12%, this sector proved to provide 15% - 20% which is significantly high and attractive.

As India, mapped at the growth stage of product life cycle (PLC) of warehousing, prominent functions at growth stage are, internal integration at the company level, better coordination between involved service providers, hiring/ contracts are given to transportation, forwarding and storage, shift from tradition go downs to beginner level functional warehouses.



When considering the position of China, greater external integration (both Meta markets and infrastructure facilities),sizeable contribution of PPP in infrastructure development, paving the network of 3PL service providers with consistency and advanced warehouses with automation leverages been incorporated.

Looking at the apex of PLC, USA gained most desired outcomes like ‘strategic focus on cost reduction and redundancies along with customer value optimization, global supply chain management and operations, highest integration solutions to single operator in multiple geographies with 4 PL and 7 PL exercises’.

Warehouse requirements:

Considering the quality warehousing stock / volume requirement according to JLL (a leading real estate company in India) report says that 102 million sq.ft in 2015, 140 million sq.ft in 2017 and expected to reach 247 million sq.ft in 2020. Approximately Rs.45,000 crores would be projected to be invested in this sector between 2018 and 2020. Knight Frank reports that transaction volumes of warehousing space has jumped 85 per cent in 2017 to 25.7 million sq.ft across India's top eight cities or Mumbai, NCR, Ahmadabad, Bangalore, Pune, Chennai, Hyderabad and Kolkata.

Major upcoming infrastructure projects in India:

1. Dedicated Freight Corridor (DFC)
    a. Eastern Corridor (Punjab, Haryana, Uttaranchal, Uttarapradesh, Madyapradesh, Bihar & West Bengal
    b. Western Corridor (Maharashtra, Gujarat, Rajasthan, Haryana & Delhi)
2. Delhi- Mumbai industrial corridor
3. Amritsar-Delhi-Kolkata industrial corridor
4. Chennai-Bangalore industrial corridor

The DFCs were launched to solve the purpose of:

- "Reduce unit cost of transportation by speeding up freight train operations & higher productivity
- Increase rail share in freight market by providing customized logistic services
- Segregate freight infrastructure for focused approach on both passenger and freight business of Railways
- Create additional rail infrastructure to cater high levels of transport demand
- Introduce of high-end technology & IT packing of Freight Services
- Introduce time tabled freight services & guaranteed transit time‡"

The above mentioned projects are ambitious and largely projected to get completed in the coming decade. If they are commissioned for utility may triple the existing business scenario in concerned with supply chain needs and as well as spin off multiple possibilities towards development sizeable meta markets in these corridors largely.

Warehousing (Development and Regulatory) Act – WDRA 2007:

Government of India formulates and amends WDR Act 2007, i.e. "An Act to make provisions for the development and regulation of warehouses, negotiability of warehouse receipts, establishment of a Warehousing Development and Regulatory Authority and for matters connected therewith or incidental thereto." It provides details space for developing framework for warehousing as business and regulates and endorses all the stakeholders directly or indirectly involved.

GST impact:

Post GST implications brings a scenario of making India as single market which directly helps all the players like - farmers, manufacturers/producers of agro products, raw material suppliers, producers of perishable commodities, original equipment manufacturers, industries, transporters, distributors and end consumers. Burden of central and state taxes based upon the travel and distance might posed a threat pre-GST scenario would be then abolished now. Producers and Marketers are given free hand to develop their access and reach across India as geographically synchronized zone. But nature of classification goods/services and GST tax slabs and Tolls across the nation still posing concern to be made industry friendly.

Developing linking macro networks:

Still major areas like 'surface development (NHAI & state highway network), port development & waterways development and augmentation of freight capacity of existing international airports and establishments high frequency services with domestic airports' still to be explored in larger scale prospects. Developing national level institutions exclusively designed for supply chain/ freight logistics/ warehousing development focus' would play a vital role as consultant / expert towards both central and state governments.

<u>Questions:</u>

1. What are the findings in this case which is providing gap to fill the actual needs?

2. What is your recommendations and suggestions?

References:

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