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## India's warehousing boom is creating winners in unexpected corners


**PREMIUM**

Developers are compelled to look outside the established hubs, where land costs would range between ₹2-2.5 crore an acre. Finding clean-titled land is also hard in or near major cities. (Photo: Mint)

9 min read . Updated: 14 Apr 2021, 05:35 AM IST

**Madhurima Nandy, Goutam Das**

- The proliferation of these tech-savvy storage spaces is creating new opportunity. Who stands to benefit?
- It is in small towns, where other opportunities aren't easy to come by, that the impact on the labour market is the most significant. It also works out from a social mobility perspective.



**BENGALURU/NEW DELHI** : Every day, Shiv Kumar sets out to work on his new Hero Splendor from Patherheri village in Haryana's Gurugram district toward Tauru Road—a long stretch just off the National Highway 48. Over the last few years, the road—surrounded by fields of wheat, jowar, bajra and mustard—has slowly metamorphosed into a [warehousing](#) hub, thanks to the e-tailing boom.

Kumar saved up over the last three years to buy the bike. Savings entered his vocabulary after he started working with [Mahindra Logistics Ltd](#), a third-party logistics (3PL) provider. He is a "picker". He picks brown boxes from pallets stored inside the warehouse and loads them onto trucks for shipment. The job isn't fancy, but it is a key position in the serpentine e-tail logistics chain. And it has changed Kumar's life many times over.

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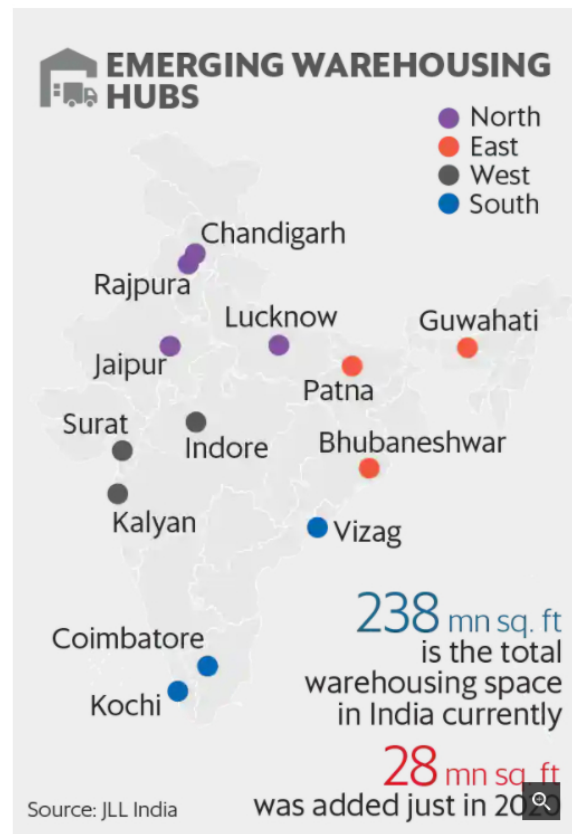


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2 min

Kumar's previous job was at a kirana store, where he worked as a daily wage. Now, he has transitioned to a formal job. Besides minimum pay, he gets social security benefits. "I can send my

minimum pay, he gets social security benefits. I can send my kids to a good school," Kumar said, sitting masked at the warehouse. His village has changed too, mimicking the mushrooming of warehouses on Tauru Road. "A new school opened in our village. There used to be no proper roads," Kumar said. "But over the last three years, better roads have been built. And with streetlights," he added.



Emerging warehousing hubs



About 7,000 live in Patherheri; nearly 400 of them work in the logistics sector, Kumar estimates. Like Kumar, many of them transitioned from odd jobs or farm work. In the warehousing sector, bottom-of-the-pyramid workers today earn between ₹10,000 and ₹15,000 a month. Not everyone is a permanent employee—the industry employs thousands of gig workers during peak seasons. Nevertheless, the warehousing boom has driven up collective incomes, and along with it, the local economy.

Surging demand from 3PL providers such as Mahindra Logistics, Ecom Express and other e-commerce operators has somewhat accelerated the decade-long transformation of warehouses from 'godowns' into organized, tech-savvy storage spaces in the past year. The emerging new centres of consumption in tier-3 and tier-4 towns, along with an omni-channel push by existing brick-and-mortar retailers, has led to this boom in the large storage space business, even in small towns.

#### Shift has only begun

With people in metros as well as beyond shifting in large numbers to online modes of purchase, the supply of good storage facilities is already playing catch-up with a sharp rise in demand.



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India's organized warehousing sector is still at a nascent stage. Warehousing space in and around the top eight cities—Delhi-NCR, Mumbai, Bengaluru, Chennai, Pune, Kolkata, Hyderabad and Ahmedabad—added 28 million sq. ft to reach a total storage space capacity of 238 million sq. ft in 2020, according to data by property advisory [JLL India](#).

This year, JLL estimates India will add another 35 million sq. ft of fresh supply, some of which is a spillover from 2020 when construction got disrupted due to pandemic restrictions.

As e-commerce marketplaces such as Flipkart and Amazon chase every serviceable pin code in the country, warehouse developers are also compelled to look beyond the outskirts of major metros. In established hubs, land costs would range between ₹2-2.5 crore an acre. Finding clean-titled land is also hard.

"Last year, the big focus was on 3PL and e-commerce, but we are now also seeing demand for space for cold storage and pharmaceuticals," said Abhijit Malkani, country head, ESR India, a Warburg Pincus backed logistics real estate firm. "We are just starting with cold storage facilities. We are buying land and setting up parks in established locations as well as along emerging corridors like Nagpur and Rajpura (in Punjab)."

In 2018, ESR had acquired 90 acres in Uluberia, about 50km from Kolkata, from Mahabharat Motors to build a warehousing facility. The land in question had originally been set aside for a two-wheeler plant. Two attempts were made, but it never took off. Since the start of the new warehousing project, with 3,000-4,000 people working at the site, the area has gone through a huge socio-economic change already, Malkani said.

For a long time, companies used to focus on land just outside the top few cities in order to store inventory and transport them easily to key consumption centres. That is changing. "Warehousing is no longer a '50km away from the city' phenomenon. With growing consumption in tier-2 and 3 cities and the launch of online-only brands, the demand across India has gone up significantly," said Anshul Singhal, MD, Welspun One Logistics Parks Ltd. "As soon as a seller moves online, it pushes up the need for warehousing space."

This has a ripple effect on the workforce too. Pravin Agarwala, CEO of Betterplace, a company that helps large e-commerce firms hire and manage employees, said that the shift to the formal economy has helped warehousing workers—and India's consumption economy—in multiple ways.

In the informal sector, people often work seven days a week with the same pay, but the formal sector rewards the extra-time and effort. "Because there are more benefits, if one works more, there is the possibility of building up disposable income. They have started spending on white goods," Agarwala said.

The logistics sector is also working out from a social and career mobility perspective, he added. "People are often more respected if they have a formal job. And large companies do offer the opportunity to learn and grow even though only a tiny fraction moves up the ladder, say, from being a picker to being a warehouse manager," Agarwala added. Betterplace hires between 42,000-45,000 logistics workers a month.

#### **The e-commerce factor**

Located 40km from the heart of Bengaluru, Malur, in Kolar district, is a slightly offbeat location for a warehousing hub. Analysts call it an "emerging" location—where land prices are lower, but demand is on the rise due to well-connected roads and public transport.

The quiet town, with about 28,000 people, shares its border with Hosur, Tamil Nadu (a prominent warehousing location) and is also close to the Andhra Pradesh border. For half of the roughly 5,000 locals who work at Flipkart's 500,000 sq. ft fulfilment facility (FC) in Malur, which opened last September in the midst of a raging pandemic, it is their first job. About 30km away, in Soukya Road, Whitefield, the e-commerce major also has a smaller 150,000 sq. ft FC that employs 1,600 people.

Bengaluru alone has five major logistics corridors that stretch out like spider webs around the city—Tumkur Road, Mysore Road, Bellary Road, Old Madras Road/Hoskote and Hosur Road.

Flipkart's Malur FC is right in front of rival Amazon India's FC, which opened in October at the AllCargo Logistics and Industrial Parks Pvt. Ltd's park on a 100-acre land parcel. French sports goods retailer Decathlon SA has also signed up for a million sq. ft of space in the area.

At Malur, which houses both Flipkart's mother hub and FC, multiple security and covid protocol checks finally leads one onto a massive floor with a line of staging stations, where trucks come in and offload stock. Once an order is placed online, the product reaches a packing table and then moves to one of the six quality check desks. Like other FCs, the Malur centre also holds a large amount of inventory in preparation for orders to stream in.

B Sarvanna, a small-time landowner and real estate broker in Malur, is in the middle of planning two 'layout' or platted

land, is in the midst of planning the layout of several projects about 7-8km away from the AllCargo park. "Land prices are inching up since last year and it's a good time to monetize the land I have. Now, there is also talk of a couple of apartment projects coming up (in town), which is quite uncommon for the area," Sarvanna said.

If Amazon, Flipkart and 3PL firms like DHL are among the top occupiers of new space, business-to-business (B2B) e-commerce firms like Udaan have aggressive expansion plans. The Bengaluru-based unicorn recently said it plans to increase warehouse capacity by five-fold to 50 million sq. ft across multiple states over the next 7-8 years.

3PL companies emerged as the largest occupiers of warehouse space in 2020, followed by e-commerce. Together, they contributed to almost 60% of the total absorption in 2020. This year, specialised cold storage for pharmaceuticals, including vaccines, and food and grocery are expected to scale up.

Anoop Chauhan, chief operating officer-supply chain, Avashya CCI Logistics, a subsidiary of AllCargo Logistics Ltd, said: "E-commerce is one of the market drivers right now, which has further enhanced after pandemic. As e-commerce players enter smaller cities, they may not have warehouses everywhere, which means facilities in tier 2 cities will have to cater to tier 3 and 4 towns. Smaller towns are getting developers and covid has only increased the pace."

AllCargo has projects in the planning stage for 3 million sq. ft. Welspun's Singhal said it is looking at opportunities in Guwahati, Surat, Patna and Lucknow, where people are tech savvy and have disposable income. However, Singhal said finding the right piece of land to develop a Grade A facility continues to be the top challenge.

#### **Neighbourhood warehouses**

The online shopping frenzy has also led to significant behavioural change—nobody wants to wait for a product for too long. The pressure to deliver just-in-time has never been higher. With hyperlocal and 2-hour express deliveries picking up, small-format warehouses inside large cities are also fast emerging as the next big thing.

Imagine walking into a busy residential neighbourhood in Delhi or a high street in Mumbai and finding a swanky multi-storey warehouse. That might turn into reality soon because there is surging demand for converting existing properties into multi-storey delivery hubs or micro-fulfilment centres, and even sortation centres that stock inventory for companies.

"Urban logistics as we call it is expected to grow significantly. E-commerce and FMCG firms are increasingly asking for such spaces to reach the maximum number of pin codes in the shortest possible time. Globally, in-city logistics is also a rediscovery of real estate space. These centres can be as small as 5,000-15,000 sq ft," said Chandranath Dey, senior director, head-industrial operations, JLL India.

ESR, for instance, has just entered the in-city segment, starting with ground+3 or 4 structures. "The requirement is huge," ESR's Malkani said. "We will look to buy land for this format, which would be 3-7 acres per centre. Globally, ESR builds in-city facilities where trucks can go up to the top level. With the kind of capital we have, it's a long-term plan for us."

All of this is good news for those seeking employment, particularly at a time when many other industries aren't hiring.

Smaller logistics centers are also easier to build and then subsequently scale up.

But it is in small towns, where other opportunities aren't easy to come by, where the impact on the labour market might be the most significant. On Haryana's Tauru Road, just across the Mahindra Logistics' warehouse is another huge steel structure—the fulfilment centre of logistics company Ecom Express.

Hujefa, a supervisor who works at the Ecom warehouse, lives in Tauru village in Haryana's Nuh district, once considered to be among India's most backward districts. "Earlier, people from the village used to be in driving jobs, which was more stressful," Hujefa said. The village has transformed in just a few short years and nearly resembles a town today. "Tauru has furniture and shoe showrooms. There are gyms and beauty parlours," he said.

More women are also managing to find work. Ecom Express has 114 women workers at the Tauru Road warehouse. Some of them fund their families' education; others use the money to pay rent—all of it the result of shifting parcels around in India's vast, newly emerging logistics chain.

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