



MECHANISATION & AUTOMATION KEY to LOGISTICS & WAREHOUSING GROWTH

Covid 19 pandemic has disrupted the logistics and warehousing sector. While government policies have already given a boost to the warehousing and logistics sectors, the pandemic further necessitated innovation and automation. **Prajakta Karnik** speaks to industry experts about the challenges and opportunities for these two sectors.

India's warehousing and logistics sectors have evolved significantly in the recent past. The advent of organised retail and e-commerce have modernised the warehousing industry, while the implementation of the Goods and Services Tax (GST) has transformed the logistics sector.

On the other hand, India is emerging as an alternate manufacturing investment destination. Several international companies are planning to set up their manufacturing base in India, which will not only cater to the demand here but also serve as a hub for its exports. This has further accelerated the growth of warehousing and logistics sectors in the country.

WAREHOUSING

Indian warehousing sector has evolved from providing not only custody for goods but also offering value-added services such as sorting. With the evolution of an organized retail sector,



modern warehouses for the storage of perishable goods have become indispensable. According to ratings agency Care, warehousing constitutes only 15-35% of the total logistics costs but its importance is significant with respect to the role it plays in the smooth functioning of supply chain networks.

From just being a 'storage space' to being an integral part of the logistics chain, it has been a journey of change for Indian warehousing over the past few years.

"It will take time to assimilate growth trends with the rising demand, but things are moving – and at a fast pace. As demand grows, it is fuelling enhanced capacity of Grade A warehouses in tier 2 and 3 locations, as also in geographies which earlier were not considered as ideal for warehousing, going by the 'Octroi' factor. The Indian economy is changing, and in sync with this change, Metro cities are no longer the only places showing huge demand – obviously, Grade A warehouses are coming up not just in Tier

2 and 3 locations, but also geographies which earlier were not considered," **Niranjan Hiranandani, Co-Founder and MD, Hiranandani Group** said.



Niranjan Hiranandani
Co-Founder and MD
Hiranandani Group

The sector is witnessing a rising demand from 3PL firms, e-commerce and pharma industry, among others.

"Majority of the e-commerce demand is now being generated from Tier 2 and Tier 3 cities. With strong internet and smartphone penetration in these cities, e-commerce and 3PL firms are expanding their facilities in smaller cities like Ludhiana, Lucknow, Kochi, Coimbatore, Nagpur etc. And accordingly, the demand for Grade A warehousing in these locations is also increasing," **Shaishav Dharia, CEO – Townships & Rental Assets, Lodha** said.



Shaishav Dharia
CEO
Townships & Rental Assets,
Lodha

He noted that the introduction of GST and the growing customer preference for same-day delivery has laid down the need for distributed warehousing network that is closer to bigger and smaller cities alike.

According to **Anshul Singhal, Managing Director, Welspun One Logistics Parks** In India, traditionally



Anshul Singhal
Managing Director
Welspun One Logistics
Parks

companies have focused on land just outside the top few cities in order to store inventory and transport them to key consumption centres. However, the advent of many online-only brands and the recent introduction of omnichannel retail by the existing players has led to the emergence of new consumption centres in Tier 2 and 3 cities.

"The lockdown restrictions and the general fear of stepping out gave a massive boost to online shopping in these cities. The pandemic also led to a major chunk of the workforce shifting base to their native towns and

villages - and now that there's more buying power across cities, people expect the same shopping experience that they would have got in the metros. As per a recent ICICI Securities report, e-commerce growth in tier 2 and tier 3 cities in India is outpacing that of tier 1 cities," he said.

TECHNOLOGY TAKES THE LEAD

Till a few years ago, warehousing in India had not kept pace with international trends, neither in terms of quality nor quantity. But now the scenario has changed and organised players are not just ramping up their capacities, but also bringing in automation in response to the pandemic, Hirandani observed.

Echoing similar views, **Kesavan Krishnamoorthy, Head - Sales, Godrej Storage Solutions** noted that



Kesavan Krishnamoorthy
Head - Marketing
Godrej Storage Solutions

adoption of technology is the only way to provide optimal solutions to those sectors which are quickly scaling new peaks in warehouse throughput and complexity in operations never before seen in India.

"Adoption of technology now stems forth not just from need to optimise, but also the need to ensure a safe working environment in the current pandemic situation. For ensuring safety and hygiene, we have seen a spurt in demand for UV based disinfection conveyors for SKUs, sanitiser dispensers integrated with storage systems, motorised trolleys for disinfection of material using mist/spray technologies and add-ons to prevent crowding and operator concentration on multi-tier storage systems. From the efficiency and throughput improvement angle and also for lowering dependence on erratic manpower availability, there has been a spurt in demand for automated material conveying and storage systems," he added.

Anil Lingayat, EVP and Business Head, Godrej Material Handling opined that as warehouse

operations are growing in scale and complexity, technologies such as fork trucks integrating with warehouse management systems, are gaining ground for material handling. IoT is another useful



Anil Lingayat
EVP and Business Head
Godrej Material Handling

tool emerging quite rapidly to monitor fleet health, provide proactive or predictive maintenance and optimize fleet size.

The Covid-19 pandemic has also accelerated the speed at which warehouse owners adopt technology.

"Challenges that emerged in the last 2 years such as implementing social distancing, speeding order delivery, creating extra space for backup inventory, and flexibly responding to changing regulations have pushed for adoption of technological solutions," **Rohit Dashrathi, Founder and Director, Rucha Yantra** said.



Rohit Dashrathi
Founder and Director
Rucha Yantra

COVID IMPACT

Like other businesses, the Indian warehousing sector has also been impacted due to the Covid crisis. On the bright side, however, the pandemic helped the warehousing segment in India to grow manifold, in the medium-to-long term.

"The Covid pandemic and the resulting lockdowns have prompted companies to re-evaluate their supply chains in a bid to make them more efficient and have further underscored the importance of ensuring business continuity. The impact on manufacturing firms and logistics companies have prompted them



to opt for compliant facilities closer to the major consumption centres. Further, the importance of being in proximity to a well-developed social ecosystem for their employees to live and travel from has gained significant importance," Dharia said.

The pandemic made us look at things unconventionally, buying patterns and customer behaviour changed drastically which in turn accelerated the scope and pace of online shopping, Singhal noted.

"Trust in e-commerce has increased the warehousing demand, from 14% in FY18 to 23% in FY20. Some trends from China suggest that there was a 20% sustained demand even after the lockdown was lifted, with us battling the second wave, we sure expect this surge to continue in India as well. Driven by the fast pace of digitisation in India, the e-commerce market is one of the fastest-growing sectors today," he added.

FUTURE GROWTH

The warehousing market in India was valued at Rs 1,050 billion in 2020. According to a report by ResearchandMarkets.com, the sector is expected to expand at a compound annual growth rate (CAGR) of 14.86% between 2021 and 2025, to reach a value of Rs 2,028.86 billion by 2025.

The usage of the warehousing system in India has gained significant prominence over the past few years. In India, the warehousing and cold storage space occupation increased by 77% from 2019 to 2020.

At present, warehousing in India is mostly concentrated in tier-I cities, such as Bengaluru, Chennai, Kolkata, Mumbai, Delhi-NCR, Ahmedabad, Pune, and Hyderabad. However, with the rising demand for e-commerce activities and doorstep delivery services in the tier-II and tier-III cities.

While the other real estate asset classes including residential and commercial are still struggling for a bounce back, experts believe that warehousing would be among the first real estate segments, to recover.

As **Vivek Chandy, Joint Managing Partner, J Sagar Associates** sums up, "Traditionally ranked amongst one of the overlooked sectors, warehousing



Vivek Chandy
Joint Managing Partner
J Sagar Associates

today, is one of the sectors critical to underpinning a country's future economic growth. Even though several industries faced challenges this past year on account of Covid-19 related lockdown restrictions, the warehousing industry has remained relatively

resilient, mostly fuelled by growth of complementary sectors such as e-commerce (primarily B2C) and manufacturing. From a foreign investment perspective, 100% FDI in the warehousing sector is permitted under the automatic route, in addition to FVCI investment (subject to meeting prescribed conditions). The sector has witnessed increased M&A activity and private equity investments by several institutional investors, who are betting big on returns. Continued investments and M&A activity, coupled with a growing demand for warehousing spaces having capabilities to meet the needs and demands of consumers in a timely manner, is set to propel the sector towards a higher growth trajectory in the long term."

LOGISTICS

Owing to the increased planned outlay of the government, improved infrastructure facilities and greater access to global markets, the Indian logistics industry has witnessed a rapid growth in the past few years. Additionally, the government's policy initiatives like Make in India and the nation-wide implementation of GST have also been some of the positives for the sector.

Till recently, logistics services in India were not adequately capitalized on the opportunity in the global market. However, with the Covid pandemic has forced the industry to realign itself to meet the growing demand for a robust logistics system.

"The logistics sector in India has gone through a paradigm shift over the past decade. From an increasing number of policy incentives to tech-enhanced warehouses, the sector is now seeing a



Alexandre Amine Soufian
Managing Director & CEO
FM India Supply Chain

change in every aspect of its operation," **Alexandre Amine Soufiani, Managing Director & CEO, FM India Supply Chain** said.

The sector has also seen an emergence



and expansion of third party logistics or 3PL in a short span in the past few years, due to their sheer model of providing end-to-end solutions for distribution, warehousing, and fulfillment services. They became popular as the integrated services offered by 3PLs can be scaled and customized to customers' needs, based on market conditions, to meet the demands and delivery service requirements for their products.

According to Soufiani, the opportunities for 3PLs to optimize its operations for future growth include:

- Flexible and agile service offerings
- Omni-channel Logistics
- Digitalization & automation
- Value added services
- Best-in-class warehousing infrastructure
- Commitment to sustainability
- Urban logistics with green energy
- Safe and secure working environment for collaborators

TECHNOLOGY & LOGISTICS

According to **Manish Porwal**, VP Global Sales Enablement, LogiNext, the logistics sector has been slow to adopting technology but the last



Manish Porwal
VP Global Sales Enablement
LogiNext

decade has seen a change. "Around 2015 is when the intersection of cloud, mobility and mapping gave a major push for SaaS platforms and since then, the change has been percolating. North America is a front runner when it comes to adoption but the APAC and MENA regions are also quickly catching up," he added.

Suresh Kumar R, Chief Executive Officer – India, Allcargo Logistics noted that warehousing companies across the world are switching to automation to



Suresh Kumar R
Chief Executive Officer –
India, Allcargo Logistics

accelerate speed and enhance precision in operations. However, capital intensive nature and longer gestation period makes complete technology adaption a challenging proposition in the Indian context. "In my opinion, 3PL service providers have to strike a balance between technology and human capital to make technology integration feasible. Enabling the manpower by technology should be the way forward," he said.

COVID & LOGISTICS

The pandemic has remapped the manner in which the supply chain and logistics sector operates, **Anil Kabra**, VP Enterprise Sales, XpressBees observed.



Anil Kabra
VP Enterprise Sales
XpressBees

"New technologies have become more relevant and imperative and the need to have the most efficient supply chain management has become paramount because of situations like Covid. Of late, there are rampant changes to ensure a much more robust and emphatic gameplay of supply chain and logistics in overall business efficiency and brand image," he said.

Speaking about the Covid induced challenges, Kabra said, "Due to the curb on movement of people and non-essential goods did affect the supply chain. While we saw a massive upswing in volumes through e-commerce model versus regular brick and mortar, the coronavirus outbreak did affect the movement of raw materials across the borders and labor capacity and underutilization of resources were some of the challenges that affected the business as well."

FUTURE GROWTH

For 3PL service providers, on one hand, because of the Covid 19-related uncertainties, companies are more inclined towards hiring 3PL services with proven ability to adapt to the changing circumstances. 3PL service providers capable of offering resilient and integrated services are better placed to capitalize on the growing demand.

"On the other hand, e-commerce players are aggressively growing their customer base beyond metros, as more and more people prefer the safety of online shopping during the pandemic. To align the business with the evolved buying behaviour, erstwhile offline retail segments such as grocery, medicine, apparel, etc. are going online. This transformation and market expansion opportunities are driving demand for 3PL services," Kumar R noted.

As Soufiani sums up, "There is a bright future for the logistics in manufacturing & e-commerce sectors in India. This is on the back of intrinsic strengths of India - the most important of which is the inherent consumer-demand led growth of both sectors and the continued willingness of all players to work together for creating cross industry efficiencies. It will be interesting to see how soon these sectors would reach their true potential and see heightened growth in the country."

