

# Storage Infrastructure Market in india 2017 Industry Analysis, Growth, Size, Share, Trends, Forecast to 2022

*Storage Infrastructure -Market Demand, Growth, Opportunities and Analysis Of Top Key Player  
Forecast To 2022*

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## Description

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Current State of Affairs - dominance of unorganised sector

- The Indian warehousing industry accounts for about 15% of the total logistics market in India. It is the second most important component in the logistics value chain after transportation.
- The industry structure is highly fragmented especially the industrial warehousing segment with the unorganised players accounting for over 80% of the total warehousing space.
- Agriculture warehousing and the container freight stations (CFSs) and inland container depots (ICDs) industry, on the other hand, are dominated by the public sector players.
- The market for mechanised and state-of-the-art warehouses has increased overtime, mainly due to an exponential growth in the demand for the e-tailing and e-commerce segments.

Emerging Trends – GST triggers consolidation in warehousing segment

- The industry holds a very positive view about GST implementation. It will not only lead to the creation of hub and spokes for the end users but also streamline processes. The focus of the players has now shifted to enhancing the supply chain efficiencies.
- Value-creating sophisticated centres have become a new norm for the warehousing segment.
- Growing end-user industries as well as the demand for one-stop solutions with specialised value added services are driving the demand for integrated storage facilities like multi-modal logistics parks, free trade warehousing zones (FTWZs), industrial parks, etc.
- E-commerce is driving substantial growth into the warehousing space. Demand in Tier II cities is rising, as user industries, third party logistics (3PLs) and e-commerce players are rapidly expanding into these areas due to increasing consumer demand, low rentals and improving transport connectivity.

- Investor confidence in the Indian warehousing space has grown significantly. The segment has seen a surge in the private equity activity over the years with the participation of a wide range of foreign investors. This is owing to the fact that players are expanding their operations from single mode/segment or two-mode operations to multi-modal operations.
- Established players are also bringing in new technologies in the market. This is leading to mechanisation of costs and better cost management.

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#### Key Government Initiatives

- One of the most awaited initiatives was the launch of the GST regime.
- In February 2017, the central government issued the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2017 to ensure better and effective regulation and supervision of existing warehouses.
- 'Make in India' campaign is expected to increase manufacturing activities in India, and thus the demand for warehousing.
- In September 2017, the Ministry of Consumer Affairs, Food and Public Distribution launched the web portal of Warehousing Development and Regulatory Authority (WDRA) and Electronic Negotiable Warehouse Receipt (e-NWR) System

#### Key Constraining Factors

- Majority of the facilities are small in size and often serve as merely covered storage spaces.
- There is low level of technology adoption due to unorganised nature of the market and high cost involved
- Acquiring land with a clear title and proper approvals is one of the biggest challenges in setting up of warehouses
- Highly fragmented and unorganised nature of the industry has devoid the industry of standards and certification as well as of economies of scale
- Banks are skeptical about the unorganised nature of this sector and the high transaction costs for loan appraisal. Thus, securing funds for warehousing projects is difficult.
- There is huge dependency on manual labour to carry out majority of the warehousing operations, which affects the profit margins of players. FTWZ, touted as game change for the logistics industry, has not taken off in India due to lack of clarity on various policy fronts such as duty drawback, service tax, bills of entry, etc.

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#### Outlook

- Going forward, prospects for the Indian warehousing segment are very bright.
- Growing end-user industries as well as the demand for one-stop logistics solutions with specialised value-added services are driving growth in the sector.

- There is huge pipeline of projects with more than 11 FTWZs; over 100 cold chain projects, several mega food parks, 35 logistics parks; 50 CFSs/ICDs on the anvil.
- As per India Infrastructure Research and other industry evaluations, the warehousing segment is expected to attract an investment of close to Rs 150 billion till 2022-23.
- Industrial warehousing will remain the major growth driver of the warehousing industry.
- However, for CFSs/ICDs players, volumes might continue to show modest growth of 4-6% if significant increase in international container trade volumes is not achieved.
- For Indian cold chain players, the major risk factor will be the power costs, which account for a significant portion of their costs. The players also need to maintain quality and expand their presence across the value chain.
- Unless clarity on various policy issues is made, the concept of FTWZ is not likely to take off.

### Needs and Requirements

- Improvements in multimodal connectivity will certainly drive growth in the market.
- In order to step up import/export volumes, there is a need to change the face of the segment from unorganised to organised.
- Selection of the right location, optimal usage of storage facilities, offering value-added services, and achieving economies of scale are steps needed to enhance efficiency.
- The sector can ride the growth path if adequate investment is made in digitisation and e-commerce.

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