



COVID CRISIS UNPRECEDENTED role of warehousing

Warehouses are an essential component of supply chain which are mostly operational amid the lockdown, however not without challenges though. The industry experts believe that warehousing segment is one of the segments that is likely to benefit more from the COVID-19 outbreak and a post COVID-19 world and shares the same with **CARGOTALK**.



 Kalpana Lohumi

The COVID-19 pandemic has impacted the entire value chain, from transportation to warehousing. A warehouse is an essential centre for procurement, manufacturing and distribution services but the industry is facing challenges to keep the business going. Warehouses are meant for essential and non essential goods, and since approvals are granted for essential commodities only, so the facilities for non essential are abandoned. The KPMG report says that in the times of this global pandemic, storage facilities

such as warehouses which are majorly dependent on EXIM and domestic trade are expected to experience reduced cargo volume impacting revenue. **CARGOTALK** discovers how COVID-19 has impacted the warehousing sector and sector's requirements from government.

While there is usual pessimism about the likely recessionary trend as forecasted by IMF and other bodies, **Sandeep Chadha**, Founder & CEO, Warehouser Capital Advisors India observes that the general outlook is positive and

encouraging for the warehousing sector. He continues, "Industry in general and customers in particular are realising the importance of stocking up goods for any likely eventuality. Warehousing as an essential ingredient of the erstwhile supply chain, are mostly operational. Due to the pan-India lockdown, supply chain has been disrupted especially the one dependent on road transportation. So some challenges still prevail."

"Considering the changing habits and social distancing caused a lot of frustration and also could lead to social divisiveness. So, the growth prospects are looking very promising for this sector. The regulatory orders prohibiting shopping malls and high-street retail from operating would result in e-commerce emerging as an undisputed winner in the wake of same. And that also means an enhanced demand for strategically located warehouses," he adds.

Since warehousing is considered as an essential service and is active in the times of COVID-19, **Rajesh Jaggi**, Managing Partner – Real Estate, Everstone Group, informs "All IndoSpace parks are operational and we are following the protocols advised by the government to ensure safe and infection free workplace. Once the lockdown period is over and

operations are running in a full-fledged manner, we are expecting sectors like pharmaceuticals, e-commerce and food industries to ramp up their storage capacities in line with the demand."

The COVID-19 menace has affected all sectors and warehousing is no exception to that. Amid the lockdown, current reports show that the domestic warehousing industry is facing challenges to keep the business going. However, **Abhishek Bhardwaj**, Chief Marketing Officer, Shristi Infrastructure Development Corporation, believes, "Once the lockdown is lifted, the warehousing sector is well positioned to weather the COVID-19 disruption and bounce back stronger," in adding, "On the one hand, demand for warehousing is likely to move down due to reduced production and EXIM activities and reduced cargo volumes will affect revenues. In the short run, investment in real estate logistics might take a hit too. However, on the other hand, a surge in online purchases due to social distancing norms will result in retailers carrying higher inventories, and the warehousing sector would be a direct beneficiary to such a trend."

"Investment in this sector will increase in the coming days as interest rates, at its lowest levels, would make the sector



Sandeep Chadha
Founder & CEO, Warehouser Capital Advisors India and India Cargo Awards Winner 2019

 Industry and customers are realising the importance of stocking up goods. The changing habits and social distancing could lead to social divisiveness 



Rajesh Jaggi
Managing Partner – Real Estate Everstone Group

 We are expecting sectors like pharmaceuticals, e-commerce and food industries to ramp up their storage capacities in line with the demand, post COVID-19 

more lucrative than ever. The need for storage of pharmaceuticals to cater to future emergencies will also be high. Hence, warehousing sector is expected to be one of the foremost sectors to cope up with the COVID crisis and bounce back stronger," he added.

PROBLEMS AND OBSTACLES

Naveen Rawat, Co-Founder of Holisol Logistics, shares the struggles warehousing segment is facing in the times of COVID-19. He says, "Getting individual curfew passes for the warehouse team was initially a challenge. Different local administrations were having different procedures and requirements which were creating confusion and delays. Nevertheless, things have improved lately with most of the e-curfew pass process having gone online now. Apart from this, getting the team to the facility is an issue. We have organised pick and drop facilities for the co-workers at the warehouse because of the total restriction on public transport."

Aditya Virwani, Spokesperson, Embassy Industrial Parks & COO,

Policy

 A comprehensive policy guideline and procedure regarding the essential delivery services is needed under such circumstances.

 Since it's going to be a long drawn out emergency, the government should facilitate the minimum wages by helping, even if partially. The industry on its own may not be able to sustain the steeping salaries without the commensurate revenue, so a stimulus package needs to be chalked out.



Abhishek Bhardwaj
Chief Marketing Officer, Shristi
Infrastructure Development Corporation

✈️ **Once the lockdown is lifted, the warehousing sector is well positioned to weather the COVID-19 disruption and bounce back stronger** ✈️



Naveen Rawat
Co-Founder
Holisol Logistics

✈️ **We are ensuring that a minute to minute update of the situation on the ground is being shared with our customers regarding any unexpected delays** ✈️

Embassy Group states the challenges the Indian warehousing sector is currently facing amidst the lockdown, even though the ports get jammed with cargo. He points, "Some warehouses in specific regions need approval to operate from local administration which is currently taking more than a week while such approvals generally come in two days. It is because a warehouse is not always a fulfillment centre or a manufacturing unit; it may not always be essential commodity warehouse. Due to these factors approvals are needed during COVID-19 crisis. Warehouses are operating currently with minimal staffs. There are concerns of health and safety of workers; warehouses have to be functional to cater to the essential needs of supply chain business."

Striking a note of caution, Chadha says, "While the demand for well-placed and well equipped Grade-A warehouses is palpably evident and visible, the sector though is still not unscathed in the wake of the holistic lockdown. Goods transportation by road, which is



about 60 per cent in India, has been severely impacted. Though it is likely to be resumed shortly, it is hampering the sector. With the mounting uncertainty over the duration of the lockdown, and unrest in the available labour pool across the key metros, the same is emerging as a big challenge for the incumbents. Due to some restrictions, major e-commerce players haven't been able to capitalise to serve the daily needs of the average consumers, and that resulted in local kirana store score a brownie point and assume the

lead. But these are still the early days and players involved will soon ramp up the operations and logistics needed to serve a market as diverse and as big as India."

According to Jaggi, "The priority for the warehousing sector in these challenging times is to provide safe and seamless operations and facilities to their clients." He adds, "Taking a cue from our international partners, IndoSpace had taken proactive measures to prevent the spread of the virus, in February



2020 itself. Also, we have activated our business continuity plan in the middle of March which helped us in planning the business better."

"We are ensuring that all required norms in term of social distancing, PPE's & hygiene are strictly being adhered. We have also piloted an RF-based proximity monitoring system for our fulfillment centre to effectively monitor and manage social distancing," Rawat informs.

Since the approval is being granted to essential commodities only, Virwani highlights the issues with the other non-essential goods already stored in the facility. He states, "Most of our customers in the e-commerce and 3PL categories are being able to cater to the requirements of essential commodities. However, in regards to the non-essential goods for e.g. white goods or retail goods have been facing issues of not being able to

cater to their customers due to the current lockdown and in line with the order from the government. Post the lockdown, we hope business gets back to normal."

Adding to this, Chadha points, "The inventory is piling up, but regulations are expected to be lifted subsequently, albeit, in a phased manner. It's a global crisis and things are getting hampered which is expected but over the long haul it will smoothen out. Post COVID-19, recovery is definitely going to result in e-commerce emerging as a viable alternative especially in the wake of mounting rents in traditional retail. And that means an unprecedented demand for Grade-A warehouses. The normal operations are being affected to an extent but things will pan-out in a favourable manner sooner than later."

"Indospace is not facing issues at its warehouses and we are always available

for our clients as our service delivery norms are customer-centric. All clients are being taken care of at facilities for both essential and non-essential goods," informs Jaggi.

PERSONNEL IS SCARCE

Warehousing industry is struggling with shortage of staff in the middle of this lockdown. Sharing how to deal with this situation, Chadha notes, "It needs to be comprehended that not all boxes are operating in full capacity, and the need for commensurate staff is also decreasing. However, the trained manpower supply is critical and needs to be paid heed to. The unrest in available migrant labour across the key markets is an area the government and incumbents have to resolve on priority basis. The labour force shouldn't be reverse migrating when normal operations resume. That would be a major stumbling block and must be avoided."

Rawat adds, "In certain cases, the permission only allows operating at 50 per cent of the total strength to maintain social distancing. We are managing work with staggered shift times to follow the safety guidelines while maintaining business continuity. Some relaxations on committed delivery timelines have been agreed with the customer. We are also ensuring that a minute to minute update of the situation on the ground is being shared with our customers, through proactive communication regarding any unexpected delays or disruptions."

"Indospace is not experiencing lack of staff due to COVID-19," informs Jaggi. He adds, "Our facility management and support staff on ground has been the driving force in ensuring that we would be able to meet customer expectations in this period. The delivery of the products is a factor affecting the clients than the warehousing industry. As we are aware that state and union governments are working tirelessly to solve the transportation hassles, we are hopeful that the delivery times should return to normal soon." ✈️



Aditya Virwani
Spokesperson, Embassy Industrial Parks &
COO, Embassy Group

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Policy

✈️ **GST needs to be minimised as it significantly increases the cost for developers.**

✈️ **Single window clearance system should be enforced which will enable faster acquisition, development as well as setting up of clusters of industrial parks.**

Policy

✈️ **The government should incentivise the industry and announce tax holidays for at least two years. And then considering the need of funds, the lending rates need to be prioritised and a sector specific mechanism needs to be in place as it still falls in MSME.**

✈️ **At a macro level, post this lockdown government should release the National Logistics Policy which has been scheduled to come in existence from a few months. This will give the logistics sector a framework.**