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📍 Unorganised players don't rule warehousing market anymore: IndoSpace's Sharad Gohil

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Sharad Gohil



Warehousing solutions provider IndoSpace, which counts Singaporean warehouse operator GLP and Canada Pension Plan Investment Board (CPPIB) as its strategic partners, has built out one of the biggest portfolios of industrial parks in the country. The platform claims it has the capacity to take its portfolio size from 31 to 120 million square feet in the next five years. Sharad Gohil, managing director of IndoSpace Capital Advisors, talks to VCCircle about first-mover advantage, portfolio pipeline and dynamics behind the sudden spike in investors' interest. Edited excerpts:

Warehousing as an asset class has seen a lot of activity lately. A slew of investors are pouring in capital and developers are also actively venturing into it. So, are we in for good days or developers/investors will get stuck a few years down the line, like we saw in other asset classes?

I think it is about getting the basics right and what the expectations are. Returns in the long run will depend on scale and growing the portfolio organically over a long period of time. I don't think institutional investors will go blind and are not here to make a quick buck. Gone are the days when investors could make a quick buck in the Indian real estate sector in general.

Warehousing as an asset class has a long gestation period. So, investors are coming in for the long run and therefore carefully choosing the right partners, right location and right strategy. A number of institutional investors, which are now venturing into warehousing, had invested in other asset classes of real estate historically. The lessons they have learnt from their journey will be used, especially in the warehousing segment, given the long gestation period of the segment.

IndoSpace has one of the biggest portfolios of warehousing assets in the country. Given that the sector is gaining a lot of traction, what kind of first-mover advantage do you enjoy?

The fact that we have a portfolio of over 31 million square feet, both constructed and under-construction, and we are already present across nine cities in the country – this gives us significant advantage compared to developers that are just venturing into it.

As a result, we have been able to build key skill sets across geographies, which help us to be competitive across the entire life cycle of project development. The deep geographical knowledge and deep industry knowledge also help us navigate through projects quickly.

Our (pan-India) presence also gives us in-depth regional expertise. So, if a multinational company wants to work with us, we are able to provide a pan-Indian solution to them -- let's say if they want to have five to six distribution centres, we are in a condition to take care of every aspect of their logistics and warehousing requirements and solutions in a short period of time. That's the advantage we get having worked in the space for over 10 years now.

A lot of industry stakeholders say that unorganised players still capture a large part of the market because of their pricing advantage. How do you beat that competition?

I don't think unorganised players rule the market. Historically, that has been the case and that is largely because Grade A parks were not available earlier. What we are seeing is that as more and more Grade A and compliant warehousing parks are being put out in the market, they are getting absorbed. What we see, especially with our tenant roster, is that they would not compromise on quality and safety for a small decrease in rentals.

The previous era is gone, given the pace of change which India is subscribing to, and given the kind of companies we have in India, they all require Grade A institutional quality compliant buildings. Global companies will not compromise on safety and quality and that's where we come in and provide Grade A facilities across a wide range of geographical regions. A continuity of certain standard across all our parks works well with MNCs (multinational companies) and other global companies.

To come to the local market angle, I would say they are getting better. They are no longer what they used to be. They have improved their quality and been forced to up their game given the current market dynamics and foray of a larger number of Grade A developers.

There are broadly three to four reasons as to why warehousing has become a hot favourite among stakeholders. Are you able to look beyond the obvious reasons and see what actually is pulling investors in the sector?

What we understand from conversations with our tenants and other global companies is that they are bullish on the consumption story of India. So, absorption will continue to be strong and a lot more companies are going to expand, thereby increasing the requirements and subsequently absorption of Grade A facilities. There is a significant amount of bullishness on India and its growth story.

Companies, as well as the investor segment, have started to understand the economic and financial advantages of Make in India, GST and regulatory changes. As a result, we see investors from all across the globe viewing this sector favourably with long-term growth potential.

The infrastructure status to the sector has helped us from a financing perspective. We are able to tap into longer-term financing facilities and debt facilities. Banks are ready to allocate more funds to the sector, which helps us, and other players benefit from competitive rates compared to other sectors.

IndoSpace has one of the biggest portfolios of industrial parks in the country. What kind of new projects are you taking up and what would be the portfolio of the company, let's say five years down the line?

With the strategic partnership with GLP and our recent fund-raise through the fund structure, we are constantly adding parks and developments to our base of 31 million square foot portfolio. We have the capital base as well as the tenant network to take it to 120 million square feet in the next five years.

Given the way we are going about developing projects currently, IndoSpace is currently rolling out a large pan-India development strategy, which involves a target to reach up to 50 million square feet.

We have taken total commitment to India to well above \$3.2 billion, to build out a pipeline of 120 million square feet over the coming years of modern logistics infrastructure to support the growth and modernisation of India's supply chain.

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