

Apeejay focus on warehouse

SAMBIT SAHA

Calcutta: Apeejay Real Estate, the realty arm of Apeejay Surrendra Group, plans to raise capital to put its warehouse and business centre ventures on the fast track.

The century-old privately held group from Calcutta, with interest in tea, shipping and hospitality, is in an exploratory dialogue with a few investors for the warehouse arm.

The group runs operations in four locations — Ballavgarh near Faridabad in the National Capital Region, Calcutta (Hyde Road), Haldia and Kalinganagar in Odisha. Apeejay's facilities are spread over 237 acres at the locations, which are a mix of freehold and long-term lease, offering warehouse, industrial park and logistics solutions under one roof.

Shouvik Mandal, chief executive officer of Apeejay Real Estate, said the warehouse business could be rapidly scaled up if an investor comes on board.

"Initially, we are exploring if there are interests for the warehouse and logistics business. It is at an early stage," Mandal said.

Industry insiders said Apeejay ticked all the boxes for global investors. The group not only has investment worthy built-up space but also clearly titled land at strategic locations for warehouses that can be quickly brought to the market.

"Investors' commitment to Apeejay will depend on the assets the group is ready to pull in together under the proposed transaction," an industry veteran noted.

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- Apeejay realty arm to raise capital for warehouse and business centres
- Investors keen to invest in existing space but hesitate to aid developers in buying land
- Demand outstrips supply because of delay in getting land



The warehouse and logistic sector is experiencing a boom in India with global investors making a beeline to plough in over \$7 billion in 2017 and 2018, a report published in June 2019 by real estate consultancy JLL said. The introduction of the GST has led to the push, apart from the rapid growth of the e-commerce sector where logistics/warehouse is an important cog in the supply chain.

However, only about \$500 million of the commitment investors have made has actually taken place. "The size of actual investment has not reached its desired level compared with the prevailing platform level investment commitment. This is probably because of the dearth of investable grade supply in most of the markets," said Chandranath Dey, head of industrial operations, business development, industrial consulting & supply chain consulting of JLL.

Allianz, Everstone, Ascendas-Singbridge, CPPIB and Macquarie are

some of the top players who have committed funds to India. They are looking to invest in already existing grade A warehouse space, apart from funding new ones. However, very few are ready to put in money to help a developer buy land.

As acquiring land is a tenuous process in India, it takes 2-3 years to set up a grade-A warehouse. Because of the delay in getting land, demand is outstripping supply. JLL expects 40 million square feet absorption in 2019 compared with 32 million square feet in 2018.

Business centre

Mandal, who has overseen Apeejay Business Centre (ABC) more than trebling its seat count in the last three years, is hoping to reach 5,000 seats from 2,200 it offers now.

The group plans to grow the business organically and is not looking to bring in investors immediately.

"As of now, we plan to grow from internal cash flow and group support. But obviously, if there's an investor, we can grow much faster. But there is no discussion on this front at present," he said from his Park Street office where there is a business centre on the top floor.

It operates all three models — company-owned and company or franchisee operated place, apart from franchisee-owned and operated space under the ABC brand name. The biggest of all is in Hyderabad. Apeejay plans to open at least one in Calcutta and two-three in Mumbai and NCR.

"Our clients want a wider presence to enable them get into a comprehensive multi-location deal," Mandal explained.