

Arshiya Group Sees Good Pan-India Business

Arshiya Group is a major contributor to the growth of India's logistic sector; Arshiya is the Pioneer of Free Trade Warehousing Zone (FTWZ) concept in India and an operational integrated logistic park on the confluence of eastern and western dedicated freight corridor. The company's Chief Strategy Officer, ANANYA MITTAL discusses about the company's performance and future growth plans

Arshiya is the pioneer of the Free Trade Warehousing Zone (FTWZ) concept in India. Tell us how the journey has so far been

● We started out in 2011, and like any company that launches any new policy or project, we had to face some initial hiccups and lack of clarity in the policy. We did not get that kind of international demand that we were looking at. However, post-GST regime and new policy initiatives by the government, we saw a push in the FTWZ concept; it has worked very well internationally in China, Dubai, Singapore and Europe in creating global value chain. FTWZ is an efficient way of doing business and carrying out the supplying chain operations. Post-GST and more clarity in policies, we have seen a great boost in demand and we really look forward to, in the next few years, to expanding this concept a lot in India.

Tell us about the business deal signed with the Singapore-based company Ascendas. Are you looking at expanding the asset-light business model?

● Ascendas is big company with \$20 billion assets under management, and they are owned by the Singapore Pension Fund Temasek. We have two verticals in the FTZ business. As a developer, we own 165 acres in Panvel and 350 acres in Khurja, and with these landbanks, we are constructing Grade A world-class warehouses, developing them and leasing them out to world-class companies like Cisco, Huawei, ZTE and other client. We sell a leased warehouse to a fund like Ascendas. The 0.8 million sq ft constructed in Panvel, in Mumbai, has been sold to them for 534 crs. We continue to manage the warehouses, and that is the second part of our business which includes managing 3PL and other services within the warehouse, all the packaging, storage, handling - the management of the warehouse remain with us. The deal was concluded at around Rs 6,500 per sq ft, which is the highest price ever received for a warehouse in India. We

leased it back for nine years from Ascendas. We have a balance of 3 mn sq ft in FSI in Panvel for which Ascendas has a forward purchase agreement with us to buy the rest of the assets. This project will be completed in the next three years or so. In Khurja we have another 5 million sq ft of FSI. There also we will continue to monetise and manage the warehouses. In Panvel, we have only partnered with Ascendas. In Khurja we have not yet closed any deal with anyone as yet.



Ananya Mittal

The GST has proved to be a game changer for the logistics sector and how has it affected you or helped you?

● Pre-GST, there were so many state taxes. Having warehouses in several states would entail multiple taxes. For example, a manufacturing company would require virtually one mother warehouse in northern region serving the northern and eastern; and one in southern region serving entire southern and western region. Multiple warehouses would increase the inventory for any manufacturer and also increases the cost of management. Both these expense will eventually hit the consumer. Because any additional cost incurred by the manufacturer will be passed on the consumer as no manufacturer will take the hit.

Post-GST, everyone is considering

consolidating their warehouse and supply chain operations. Now a company can have one warehouse for operations spread out across several states. All these warehouses will be very large in size and any large scale warehousing player will benefit from that, especially the ones with very high connectivity and proximity to rail, road and airport. It increases efficiency and reduces cost a lot. It will have a positive ripple effect on the entire economy. Instead of multiple taxes, they will now pay one uniform state tax. This will also result in low cost of production and huge logistic opportunities for logistic companies. The sector however will not be a place for local warehousing players.

Tell us about your expansion plans

● We have around a million sq ft in Panvel and a million sq ft in Khurja of warehousing space. We want to complete the balance of 8 million sq ft that we have at the earliest - that is our current portfolio warehousing.

These big companies use us as distribution hub in our free trade zone. They would require smaller warehouses across India for their inland distribution. So we will obviously partner with them, create warehouse space and manage their logistics. Our main portfolio is Panvel and Khurja and we want to partner with our clients across India.

What is near-term future in logistic industry like?

● Logistics is a rising sector now and new operators will naturally come in and try to create a warehousing network, but without the experience and without the background of creating a strong warehousing network and strong 3PL networks, I think they might face some problems. Ultimately over time, the quality of service and construction will be the deciding factor. This may happen in the next year or two. For example when the commercial realty got institutionalised, we saw a rush of players, but, there were only three or four large players left.