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Wednesday, January 13, 2010 4:02:00 PM Sensex , ACC 946.65 +47.70 B H E L 2,33

## Milestone plans to invest Rs 1,200 cr in warehousing

To capitalise on surge in requirement for storage space.

Sagar Bhadra  
Sharvari Patwa

Mumbai, Oct. 22 Private equity firm Milestone Group plans to invest Rs 1,200 crore in the Indian warehousing sector over the next one year.

This is to capitalise on the surge in requirement for storage space from the retail and manufacturing sector; the estimated demand being 300 million sq ft, requiring over Rs 40,000 crore of capital expenditure over the next five years, said Mr Ved Prakash Arya, Managing Director of Milestone Capital Advisors: "We are bullish on warehousing because it is a segment that has survived, done well. And the prices have gone up."

Milestone itself plans to invest Rs 2,500 crore in the sector over the next five years.

The firm has already committed around Rs 400 crore to create a portfolio of around 5 million sq ft of warehousing space in logistics hub cities such as Delhi, Panvel, Bhiwandi and Ahmedabad, of which 1.2 million sq ft is already under operation. The firm is currently investing from its India warehouse-focused Rs 2,000 crore overseas fund. It plans to expand its warehousing portfolio to Hyderabad, Bangalore and Chennai.

Current warehousing rentals are between Rs 14-20 a sq foot a month, with construction costs at Rs 600-700 a sq ft, said Mr Ashish Joshi, Chief Investment Officer, Milestone Group: "Our current investments yield an annual return of around 25 per cent," he added.

The warehousing sector has seen strong demand in the recent past, what with increase in domestic consumption, growth in the manufacturing sector, and need for modern storage facilities, according to private equity investors tracking the sector.

According to a logistics analyst, major global third-party logistics providers such as DHL and retail firms such as Bharti-Walmart would be some of the entities that would be requiring warehouse facilities as they expand their presence in India.

Over the past two years, several private equity funds — such as those of Merrill Lynch, Tuscan Ventures, Kotak Mahindra and Eredence Capital — have invested in the sector. Recently Merrill Lynch invested Rs 300 crore in 10 million sq ft of warehousing space. Of this 3 million sq ft has already been leased, while the rest is under construction, according to company sources. It has also entered into joint ventures with logistics firms such as DRS Logistics and AS Cargo.

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