

ADL to enter infra-logistics and wholesale market segments

Agre Developers Ltd, (ADL) the mall management arm of the Future Group, has outlined plans to enter the high-growth infra-logistics and wholesale market segments to complement the group's supply chain facilities.

It is also in talks to buy a real estate company and has appointed Enam Securities Pvt. Ltd as the investment banker for the deal, managing director Sumit Dabriwala said in an interview, without elaborating. Singhi and Co. is the legal adviser.

On the company's plan to enter new segments, Dabriwala said it would need a total investment of about '1,800 crore through a combination of debt, equity and external funding.

"To begin with, we need about '250 crore of equity investment for these two businesses now, some of which will be funded by the company itself," he said.

The BMI India Retail Report released last year forecasts total retail sales in the country to grow from \$353 billion ('15.8 trillion) in 2010 to \$543.2 billion by 2014.

Strong underlying economic growth, population expansion, the increasing wealth of individuals, greater availability of personal credit and a growing number of vehicles would all contribute to a 11.4% growth in annual retail sales.

In 2010, India added about five million sq. ft of organized retail mall space, according to a report by CB Richard Ellis South Asia Pvt. Ltd, a real estate consultant.

But back-end infrastructure hasn't kept pace, prompting the government to bring supply chain and cold storage facilities under the infrastructure label in a bid to attract investment in the space.

"Future Supply Chain Solutions Ltd already has a presence in the infra-logistics space with about 3.8 million sq. ft under management but they need to grow at a very rapid pace," Dabriwala said. "We are looking at setting up between 8-10 million sq. ft of logistics space spread across six locations."

These would be set up at Mumbai, the National Capital Region that includes Delhi and neighbouring areas, Kolkata, Nagpur, Bangalore and Chennai. Each of these projects would be of 0.5-2 million sq. ft

"Future Supply Chain has the appetite to take up the entire space so we're exposing ourselves to minimal risk here," Dabriwala said, adding that the firm will eventually list potential annuity earnings from the business overseas.

The company's management has presented to the board three potential transactions in the space that would be funded through a combination of debt, equity and private equity funding, he said.

"We're in talks with a couple of private equity players for this but we don't need more than '100 crore of our own contribution to get the whole thing on the ground," he said.

As for the wholesale segment, Agre wants to build markets along the lines of the Dragon Market in Dubai and Yiwu in China, and is in talks with a global company that specializes in this, Dabriwala said without naming the company.

"This is an initiative to provide opportunities for expansion of existing wholesale markets within close proximity of traditional warehousing facilities in cities," he said. "We believe that we can roll out 8-10 such markets in India quickly."

The company has already secured a location in Bangalore and is close to completing a transaction in Kolkata for wholesale markets, he added.