

Cold chain logistics expected to record over 20% CAGR by 2025: JLL

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The national cold chain sector is expected to record over 20 percent CAGR by 2025 due to its transformation from conventional cold storage to modern storage space. An additional 1.5 lakh to 2 lakh pallet capacity (frozen and chilled) may be added as part of temperature-controlled storage space in the next two to three years, a report by JLL has said.

Apart from Tier-I cities, Tier-II cities including Lucknow, Kanpur, Ranchi, Patna, Bhubaneswar Goa, Aurangabad, Ahmedabad, Kochi, and Coimbatore are expected to reshape the segment, it said.

The estimates are based on the sector's performance over the past few months, where despite the post-COVID economic impediments, the organised cold chain segment has seen significant growth in the countrywide footprint.

According to JLL, there is an opportunity for organised cold storage / palettized cold storage in Tier-I cities like Mumbai, Delhi NCR, Bengaluru Chennai, Pune, Kolkata, Hyderabad as well as Tier-II cities like Lucknow, Kanpur, Ranchi. Patna, Bhubaneswar, Goa, Aurangabad, Ahmedabad, Kochi, and Coimbatore.

Cold chain refers to the transportation and warehousing of temperature-sensitive products from the point of origin to the point of consumption, which increases shelf life and prevents spoilage.

About 60 percent of cold storage capacity is concentrated in the states of West Bengal, Uttar Pradesh, and Bihar, out of which storage of potatoes accounts for 85-90 percent of the capacity. Cold storage in India contributes 43.7 percent of the total revenue from the cold chain industry and only 36 percent have a capacity below 1,000 MT.

"Automation in the logistics sector will only become more pronounced in the coming years and we see innovation in the multimodal and cold supply chain as catalysts for new segments of demand. Both from the equity and lending community, the appetite for the yield in the industrial sector is likely to further drive the investor demand for cold chain facilities," said Yogesh Shevade, Head – Industrial Services, JLL, India.

"The rationale behind the expansion is primarily driven by capturing higher market share by organised cold chain operators, changing consumer behavior for quality products, and securing supply reliability in a pandemic like situation," he added.

While production of perishables has increased consistently in the past five years, cold chain sector potential remains untapped due to the high share of single commodity storage and soaring investment for land and refrigerator units. Additionally, the lack of necessary enabling infrastructure, inadequate awareness for handling perishable goods, and lapses in service by storage and transportation providers leading to inferior quality goods, have impacted demand.

In current times, for transporting and storing temperature-sensitive products refrigerated storage has become an integral part of the supply chain. Proximity to population centres, population growth, changing consumer preferences and consumer spending are the primary drivers for cold chains.

Organised retail and food service industries have emerged as new cold chain segments, majorly due to changing consumption patterns. Increasingly, consumers demand a large variety of fresh fruits and vegetables, dairy products, meat, and poultry products, and other temperature-sensitive commodities have led to rising in cold chain infrastructure.

Since, the Indian food processing industry is critical, the government vigorously focusing on its development. This has resulted in boosting cold chain infrastructure, which will, in turn, reduce wastage in the supply chain.

Cold chains form the storage backbone of the pharmaceutical industry, which is highly susceptible to temperature and time requirements. It is a known fact that India caters to over 50 percent of global demand for various vaccines, 40 percent of generic drugs demand in the USA, and 25 percent of all medicines in the UK, and the sector is expected to rapidly grow by 2025, the report said.

Initiatives including Scheme for Cold Chain & Value Addition Infrastructure, Pradhan Mantri Kisan Sampada Yojana (PMKSY) and Backward & Forward Linkages have encouraged more investments in the segment of the cold chain.

Increased profitability has encouraged new operators to enter the market. Global and domestic investors that are new to the cold chains but versed in supply chain asset investments are beginning to show interest in the sector. Rising demand from the market and the adoption of cost-cutting technological advancements have caused profit margins in the cold chains logistics industry to expand over the past five years.

