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Logistics Sector Attracts Investor Interest



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17 November, 2015 by

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With food production growing, India needs more storage and transportation capacity, writes **Paramita Chatterjee**

Fortigo, an early stage logistics venture that aims to solve the logistics and transportation problems for small and medium businesses, was recently in news for its prospective investment by Infosys co-founder Nandan Nilekani and venture firm Accel Partners.

Homegrown company in the Indian agri-warehousing sector, Sohan Lal Commodity Management, recently raised its fourth round of funding - about Rs 100 crore - from private equity firm Creation and existing investor, Everstone Capital.

These are not the only ones. There is a burgeoning list of companies - both startups and established companies in the logistics space - that are increasingly attracting investor interest as the importance of augmenting India's storage capabilities gets critical.

Currently, there is a paucity of warehouses in India, especially in the agriculture sector. In fact with the increase of food production in the country, the marketable surplus of agricultural produce exceeds India's storage capacity.

For instance, if the country had approximately 159 million metric tonnes of food grains as marketable surplus in 2013-14, it is yet to have the combined storage capacity to handle the additional quantity. It is this wide gap that is giving rise to a business opportunity which in turn is prompting risk capital investors such as private equity and venture capital funds to invest in the sector.

What's more, while established companies in the agri-logistics and cold chain industry are receiving funding from investors to expand their business, even those who focus on providing back-end support in the ecommerce rush are increasingly evincing investor interest. Recently, Peepul Capital made over six-fold a return on its investment that it had made in logistics firm Ecom Express.

Corporate lawyers on condition of anonymity reveal there are quite a few private equity deals that are in advanced stages of discussion in the logistics space. For instance, ColdEX Logistics, a cold chain company that provides support and distribution services to well-known international brands including Burger King, Subway, Domino's Pizza and Starbucks, is currently in talks with a host of private equity investors to raise about \$80 million. In December 2010, it had raised \$10 million from India Equity Partners in lieu of a significant minority stake.

Investments indeed have started picking up in this sector. Starting 2012, private equity investors have infused around \$275 million in the sector, as per data available with research firm Venture Intelligence.

Recently, Canadian investment giant Fairfax invested \$126 million in National Collateral Management Services Ltd, a private-sector agricultural commodities storage company headquartered in Gurgaon.

Other prominent deals in the sector include Temasek's \$40 million investment in Star Agriwarehousing and Collateral Management, a post-harvest solutions company focused on empowering farmers and Mandala Capital Fund's \$25 million funding in logistics firm Gati Kausar. The company, which has a network of cold warehouses, transports refrigerated goods across sectors including healthcare, meat, poultry, and bio-pharma, among others.

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Infosys co-founder Nandan Nilekani is in talks to invest in an early stage logistics venture Fortigo, signalling a strong vote of confidence in the new breed of new breed of India's entrepreneurs.

This is the fourth venture that the former UIDAI chairman has backed in the current calendar year alone. Nilekani was recently in news for investing in mobile payments startup Mubble and mobile publishing startup Juggernaut.

At a time when startups have become the buzzword for risk capital investors such as private equity and venture capital firms, it is also becoming increasingly common for high network individuals to take exposure in the country's startup ecosystem and allocating some of their investible surplus to foster early stage ventures.

While for startups, the availability of capital is absolutely crucial, roping in successful corporate honchos also makes it easier for them to attract venture funding later giving them more credibility.

Take for instance, Fortigo itself, the firm promoted by technology industry executives Vivek Malhotra and Anjani Mandal that aims to solve the logistics and transportation problems for small and medium businesses. The firm is also in talks with other venture firms including Accel Partners. Mubble too raised capital from Accel after raising its first round of seed capital from Nilekani.

So far, 2015 seems to be the year of startups with young entrepreneurs increasingly churning out winning ideas and attracting huge dollars in funding. In fact, investing in emerging businesses has opened up new entrepreneurial avenues for India Inc's head honchos as well who are now parking their personal wealth in startups. In the first half of the current calendar year, as many as 363 venture capital deals were sealed, three times more than the number of private equity deals, which stood at 99, as per data available with Grant Thornton.

Fortigo is currently creating a fleet management service for truck owners in order to help them manage their inventory and thereby save logistics costs. In fact, logistics and warehousing are increasingly evincing investor interest with a host of companies raising capital in the sector. [Sohanlal Commodity Management](#) recently raised Rs 100 crore from Creation Investments, a US fund and its existing investor Everstone. Other firms that raised money in the sector include Star Agriwarehousing and Collateral Management and Gati Kausar.

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