



Feasibility study for Ambient and Cold Storage Facility

About Client

The client is a part of 100-year-old conglomerate and offers end-to-end international and domestic logistics solutions.

Assignment

The client wanted Holisol to evaluate the feasibility of “Ambient and Cold Store Facilities at Sonapat”. The client wanted Holisol to perform detailed demand analysis, evaluate site suitability of the proposed location in Sonapat and prepare financial model to estimate revenue streams, break even analysis, return on Investment & payback period.

Abstract

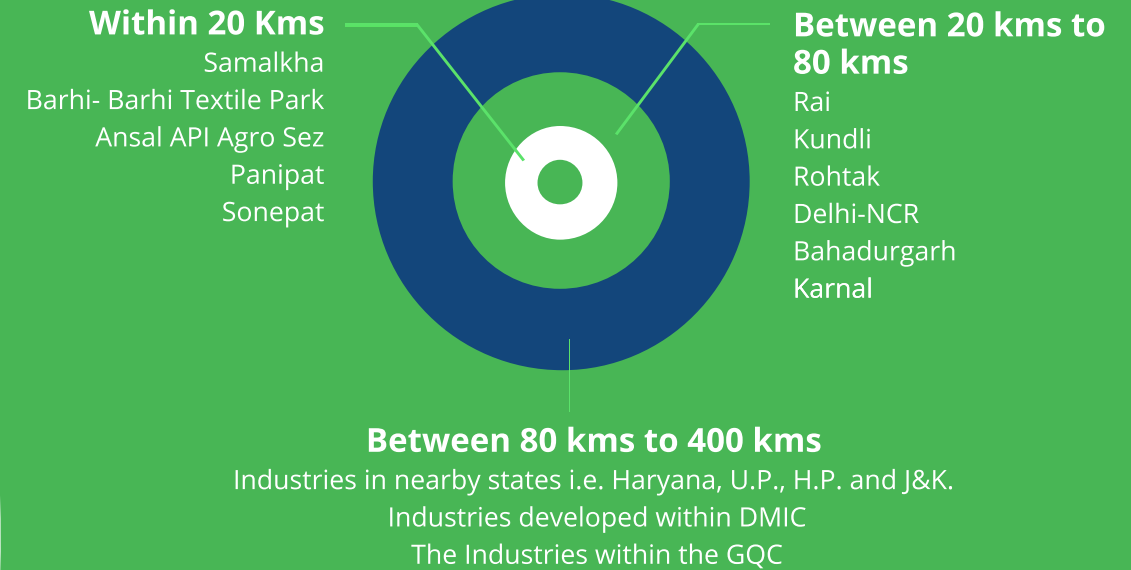
The district of Sonapat has been recognized as one of the potential areas to become a major industrial district. The state government has developed some major industrial zones within the district. Sonapat is also recognized as an investment region under the Central government’s plan of developing Delhi-Mumbai Industrial corridor. Sonapat’s excellent connectivity to the NCR regions puts it in a favourable position as the storage & warehousing hub.

Catchment area analysis

To analyze the demand for the proposed facility, Holisol identified major catchment areas for logistics hub and main industries in those catchment areas. Catchment areas were classified into below three categories:

Detailed analysis of all 20 industrial hubs was done to identify below-mentioned factors:

- Key manufacturing and production commodities in each of industrial zones.
- Estimated yearly production in the catchment areas of proposed facility.
- Estimated ambient & cold storage requirement in Sonapat due to above mentioned Industrial zones.



Site Suitability

Holisol evaluated the suitability of proposed site based on the availability of multimodal transport linkages and availability of infrastructure required for setting up the logistic park. Proposed location is very well connected by Rail and Road but the nearest airport is about 84 km from the location. Holisol also carried out a detailed SWOT analysis for the proposed location.

Demand analysis for cold storage

Based on the market analysis of North India, six Industries were identified with significant cold storage requirement:

- I. Fruits & Vegetables
- II. Dairy
- III. Retail/FMCG (both cold & ambient storage)
- IV. Food Processing Units
- V. Meat
- vi. Pharmaceuticals

Based on the research on market dynamics of above six industries, we conclude that fruits & vegetables, milk products, retail & FPU's have a lot of potential for a cold storage in Sonapat. Milk, meat and pharmaceutical industries have

established their own supply chain set up and it is advised not to consider these industries for the first phase. The supply chain of milk may be matured but storage of milk products like paneer, curd, ice creams etc produced by FMCG companies offer good potential for a cold storage facility. Major industries operating in the catchment areas for each category were identified. Targeted interviews and primary research was conducted to arrive at the size of the market for different products in MTs and estimate the total requirement for cold storage in the region.

Sonepat has 49 cold stores out of which fifteen cold stores were analyzed in detail to understand their offerings, customer base, capacity (In MTs), type of products stored & overall capacity utilization. Based on the competitor analysis & market research, Holisol created a list of service gaps in the industry and prepared a business plan for better positioning of the client.



Demand analysis for ambient storage

Significant share of warehousing in Sonepat region is expected from organized retail and it has a huge growth potential. In addition, NCR being the largest consumption market, the attractiveness of modern ambient warehousing at Sonepat is manifold. Considering the demand scenario, phase wise development plan for a logistic hub was developed for the client. The business model for the client was developed which detailed on:

- a. Which all services should be offered
- b. Which all industries to be targeted
- c. Phase wise expansion plan
- d. Business level Value additions



Organization design & infrastructure planning

Organization design for the client was developed considering operations at 100 % utilization.

Below factors were considered in the organization design:

- i. Department structure and organization chart
- ii. Roles and responsibilities for all functions and individuals.
- iii. Manpower planning for Hub operations, cold store operations, handling and transit operations.

Infrastructure planning is very crucial due to high investment requirements.

Detailed planning for below parameters was done for the client:

- i. Cold store warehouse size & design
- ii. Ambient storage warehouse size & design
- iii. Storage system – Type of racking
- iv. MHE Planning
- v. Fleet deployment
- vi. IT Infrastructure
- vii. Miscellaneous requirements



Financial Model

Item wise costing was prepared to arrive at total investment required to set up the logistics hub. Ten-year volume projections were derived from market analysis and industry growth projections. Various scenarios of volume projection and capacity utilization were considered to calculate IRR, Payback period and DSCR in different scenarios.

Profit & loss statement and balance sheet was projected for 12 years to give a clear picture of the financial feasibility of projects and expected gains during next 12 years.

Holisol also prepared a plan for setting up the facility which included detailed facility design, BOQ for assets required, fleet requirements and other miscellaneous requirements. To assist the client with sales and marketing plan Holisol shared a list of 125 potential customers in the targeted segment of FMCG, meat & food processing units.





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