

Hindu Business Line

TCI to leverage properties

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R. Balaji

With nearly five decades of land purchases behind it, Transport Corporation of India has identified a dozen of its properties for commercial and real estate development, according to Mr Vineet Agarwal, Executive Director, TCI.

The company is creating a separate company, TCI Developers, through a demerger, which will handle the real estate business. This would help it exploit the value from a new line of operations while supporting its growth in core business. The new company will promote modern warehousing and logistics parks for which there is a fast growing demand, he said.

PROPERTIES IDENTIFIED

Mr Agarwal, said, the company's land bank had grown over time primarily for its core business in transport and logistics. But as cities grew, some of the 250 properties are no longer suitable for ware-



Mr Vineet Agarwal

housing operations.

The company has identified 15 properties considered ideal for commercial and residential development. The book value of these properties is about Rs 50 crore, though the actual value will be in several fold multiples. For instance, the company owns over an acre in Delhi and about five acres in Sriperumbudur, a fast growing industrial and residential zone, near Chennai. TCI can benefit from the prime locations even if they are not large

► *TCI Developers will promote commercial and residential space to support its expansion into warehousing and logistics.*

parcels, he felt.

Work on two of these properties in Chennai and Pune have commenced while in a few others including a Delhi property where group housing is planned, the paper work is on. In Chennai it is a 70,000 sq.ft development for commercial space ideal for various uses including large showrooms and retail space in North Chennai. Pune is a small residential development, he said.

The real estate development will complement its ware-

house and logistics growth. High land prices impact viability of warehouse projects so the company will use the prime land space for development which will support infrastructure planned in new locations. For instance, as a thumb rule rental yields in warehousing will not be viable if land prices are more than Rs 1 crore an acre. Modern warehousing space fetches anywhere between Rs 15-20 a sq.ft lease monthly with investments estimated at around Rs 800-1,100 a sq.ft.

COMPLEMENTARY ROLE

TCI Developers will look at large, modern warehousing, multimodal logistics parks and free trade warehousing zones. These are areas in which TCI has developed expertise, economies of scale and deliver advantage. TCI now has over 8.5 million sq.ft of warehousing space with it of which it owns about 1.5 million sq.ft. It will cater to fast growing segments

including automobile, retail and telecom. The new Goods and Services Tax will drive consolidation of warehouses, as multiple small locations prevalent earlier will no longer be of value. So there will be a move away from the C&F model, he said. Also the new industries and multinational players demand quality space, and not just a shed with roof.

In the new projects planned, the parent company can take up space on lease immediately – a ready and available customer providing 'assured tenancy from virtually day one.'

The company is planning on 5-10 locations with the objective of building up 4-6 million sq.ft of warehousing space in five years. These would come up in the National Capital region, Mumbai-Pune region, Chennai, Bangalore and Nagpur. These would be high end, modern units with 10-15 metre high storage space, with racking systems, dock levellers and safety features.