Photo Courtesy: Gateway Rail

Despite a sluggish 2012-13 in general, many of cargo and logistics companies in India witnessed reasonable growth. They are upbeat about the growth prospect in the current financial year, though the global economic scenario looking gloomy. In this Annual Issue that sums up the previous financial year and unveils market trends for the current year, Cargotalk spoke to some industry practitioners who believe in innovation and achievement during tough times.

RATAN KR PAUL

Horizon

Upturn through innovations

During 2012, the global economic growth weakened further. A growing number of developed economies have fallen into recession. The global economic growth has slowed from 3.9 per cent in 2011 to 3.2 percent in 2012. IMF has put the projections of growth of world output at 3.5 per cent in 2013. The advanced economies are expected to grow at 1.4 per cent, while the emerging and developing economies are to grow at the rate of 5.5 per cent in 2013. The volume of trade growth in 2013 is forecasted to be at 4.5 per cent, still below the long term annual average of 5.4 per cent growth for the last 20 years.

According to the Ministry of Commerce, Government of India's analysis, India is well-integrated with the global economy. The country's exports and imports amount to approximately 43 per cent of Gross Domestic Product (GDP). The slow growth in different countries and reduced demand are also likely to determine the markets for its exports.

> "All in all, it was a satisfying year in view of various adversities faced, both on external and domestic fronts"
>
> **Anil Gupta**
> **CMD, Concor**

However, despite the global slowdown in both GDP growth and trade volumes, India recorded one of the highest export growths among the major trading nations of the world in 2011. Last year, though, had witnessed a considerable slowdown. As per WTO's International Trade Statistics (2012) in merchandise trade, WTO ranked India as the 19th largest merchandise exporter in the world, with a share of 1.7 per cent of the global trade and the 12th largest importer with a share of 2.5 per cent of global imports in 2011.

During April- March 2012-13, the cumulative value of exports was US$ 301 billion, as compared to US$ 305 billion for April-March, 2011-12.

FY 2012-13 & the Trend Setters

In terms of volumes, Container Corporation of India (Concor) faced a moderate decline and ended up handling a throughput of 2.59 million TEUs as against 2.60 million TEUs handled during FY 2011-12. However, in terms of tonnages carried, there was an increase of over 8.2 per cent, up from 28.29 MT (million tonnes) carried in 2011-12 to 30.62 MT carried in 2012-13. This was against 6.45 per cent increase recorded in overall containerised cargo carried by rail by all CTOs combined, which went up from 38.58 MT in 2011-12 to 41.07 MT in 2012-13. "Keeping in tune with increased tonnage carried, our operating turnover was up by 8.5 per cent, and PAT up by 7.08 per cent. All in all, it was a satisfying year in view of various adversities faced, both on external and domestic fronts," said **Anil Gupta**, CMD, Concor.

"Despite the gloomy economy of EU & USA, SDV SA managed to sustain a good profitability growth in Indian and as well as in South Asian markets like Pakistan and Bangladesh. Being a strong European-oriented IFF, it was quite hard for us to sustain the progression as European Union is the major trading partner of India, and in addition USA also has a major impact on this market. As a result, to cover up we have diversified our business to other markets like China or Africa which are still a growing economy and have lots of potential," informed **Thomas Duplan**, CEO, SDV International Logistics.

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> **CEO, SDV International Logistics**

As a leading freight forwarder in Africa, SDV will continue its prime focus on the Africa lane, having even set up a separate team. Recently, SDV has also implemented a new vertical for fashion and luxury goods, which is a core business for the company (thanks to its French roots). SDV is already largely involved in warehousing and distribution activities for top luxury brands.

According to **Milind Shahane**, CEO, DIESL; the FY 12-13 witnessed inflation, increase in fuel and raw material costs, which impacted logistics costs, with freight and transportation rates seeing many fluctuations. Moreover, there has been some level of business uncertainty which affected profit margins with respect to few lines of business like warehousing. "But we adopted several strategies to counter this and made some tough decisions. Vendor consolidation, manpower rationalisation, warehouse and office consolidation and better negotiated rentals on larger spaces helped us in managing expenses effectively. Plus our asset-light model ensured that we do not face heavy setbacks; and our capital was not choked. These strategies helped us to keep our head above water and move steadily, even in the uncertain market scenario," said Shahane.

In FY 2012-13, DIESL expanded its services towards some previously untapped markets like solar power projects, bulk, and engineering; as these verticals have a huge demand for all kinds of logistics services, like air and ocean freight consolidation, customs clearance, and documentation, warehousing, transportation and value-added services. "DIESL provides all these services under one roof. We have also implemented CRM (Customer Relationship Management) at DIESL which allows us to manage customers efficiently. It provides a clear picture of the market pulse as well as our business. Customer accounts are seamless managed across services and locations, plus billing/outstanding data can

Anil Gupta
CMD, Concor

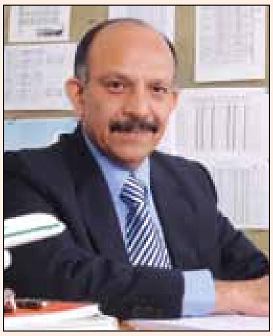
Thomas Duplan
CEO, SDV International Logistics

Milind Shahane
CEO, DIESL

UnniKrishnan Nair
Chairman, LCL Logistix

Srinivas Sattiraju
CEO- Delex

NE Daniel
Director, JTB Jupiter Express Services



Anil Khanna
MD, Blue Dart Express

Diljeet Singh
Chief Sales & Marketing Officer, GATI-KWE

be tracked better. Our single focus in the last one year has been to leverage on DIESL's IT investments," Shahane pointed out.

For LCL Logistix (India), FY2012-13 was a mixed bag in terms of earnings and growth. "Although our company managed to finish its annual capital expenditure cycle in a timely manner, the streams of revenue is expected to hit the books in FY2013-14. During the year, the company intensively strategised its major stream of logistic value chain, integrating them with overseas operations/presence in order to generate a cumulative synergy among them," said **UnniKrishnan Nair**, Chairman, LCL Logistix. The company's strategy is based on its corporate vision- aiming towards 'Globally Yours', providing end-to-end logistic and supply-chain solution. During the year, LCL Logistix ventured into a new business domain which would be a major service offering in its integrated portfolio.

On the other hand, 2012-13 proved to be an uneventful year for Delex. "Our revenue grew higher, but rapid expansion of network has consumed a good portion of resources. Frequent increases in diesel and ATF rates have also contributed their bit," said **Srinivas Sattiraju**, CEO- Delex.

Asked about their achievements, he maintained that the tie-up with SpiceJet as Cargo GSA & GHA for India, winning a major share of business for surface cargo movement from the world's largest computer company and chosen by one of the world's largest parcel services' company as their delivery partner in India were some of the key achievements for the year 2012-13.

"We did achieve positive results vis-à-vis the previous FY. We roped in a good number of customers and a good CRM ratio was achieved, whereby the number of imports shipments of our overseas increased as well. As on the courier consolidation front, we did add on airline options, which increased sectors and cost options to our customers. FY 2012-13 could be termed as very satisfactory year for us. But there is much more scope to perform in the coming year," said **NE Daniel**, Director, JTB Jupiter Express Services.

Anil Khanna, MD, Blue Dart Express observed that given the slowdown, any impact to the top-line business affects the bottom line as the industry has a high fixed-cost model. "Our industry, especially the air express segment, is the bellwether for the economic activity in the country. If the GDP is about 8 per cent, express industry will grow anywhere between 16-18 per cent. But, when it falls below 7 per cent, our growth will also slow down due the relative factor," he pointed out. So, with the GDP registering an average growth of 5.3 per cent last year, it impacted the growth of express industry. "But, Blue Dart grew by 16 per cent last year. One of the reasons for this is that we introduced a lot of innovative products and had a sector-specific and geographical focus," he unveiled.

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> **CEO, DIESL**

He also maintained that despite challenging times, the company continued investing in service and product enhancements to increase its reach. "We have been at the helm of many innovations that have benefitted our end-customers and hence will continue likewise in the future," he asserted. Some of Blue Dart's initiatives include – state-of-the-art technology, On-the-Move (OTM) and Weight Dimension Labelling (WDL) machines, a robust infrastructure (with an enviable fleet of aircraft and vehicles), focus on Tier-II & III towns, SMEs (Small & Medium Enterprises), product innovation, reach expansion, transit time improvements with Smart Truck (an 'intelligent' pick and delivery vehicle). "Currently, a key project underway is Radio-frequency Identification (RFID) which will help ensure speed, safety and accuracy," Khanna added.

Diljeet Singh - Chief Sales & Marketing Officer, GATI-KWE shared that the year 2012-13 was as per industry trends, but it was below the company's expectation. "Slow growth rate of economy has impacted us and growth was around 12 per cent," he said. He also maintained that the Gati-Kintetsu Rail solution for bulk transportation grew at double the market

Lalit Bharadwaj
Manager – Sales & Marketing, GNI Express

Abhijeet Agarwal
Director
Aarna Projects

Ajay Bamel
CEO, Transocean Express Logistics

GS Chawla
MD
Ocean King Shipping Services

at 25 per cent and B2C home delivery grew by 40 per cent. "We are focusing on supply chain solutions as a new revenue stream, providing ground-breaking solutions including demand planning, inventory ownership and management and warehouse operations," he added. On the operations side, Gati-KWE witnessed escalation of costs due to inflationary pressures, fuel price increases and the ever increasing cost of labour and skilled resources.

"There were big challenges we have faced in FY 12, as this year was the 'logistic year of the decade' and every small and medium courier companies was focussing on cargo movement. As we have complete focus on cargo movement, we got lots of big deals and responses. For us, this year was the golden year, with respect to strengthening the company in cargo business," added **Lalit Bharadwaj**, Manager – Sales & Marketing, GNI Express.

"I would say FY 12-13 was a game changer for our company. We envisaged a paradigm shift in the way companies perceive supply-chain as an integral part of their operations. With cut-throat competition in every market segment, companies cannot afford to have any bottlenecks in their supply chain. Companies have increasingly begun to view their logistics centres as profit-drivers to generate more revenues as opposed to a cost centre. To help them achieve their goal, we have set out to create a world-class warehouse that will set a new benchmark in the warehousing industry," stressed **Abhijeet Agarwal**, Director, Aarna Projects. Apart from state-of-the art warehousing devices, the company also introduced a number of cold storage units and ambient warehouses in West Bengal. "This modern warehouse, however, is our maiden project in Kolkata – a stepping stone to bigger things to come in the near future" he informed.

"FY 12-13 has been very good for our organisation as we have been able to grow our business in 3PL and we have signed a long-term contract with a premium retail brand. We will be handling their distribution centre in Mumbai to cater their stores across West India. We see this product giving us more business share in FY 13-14," said **Ajay Bamel**, CEO, Transocean Express Logistics.

GS Chawla, MD, Ocean King Shipping Services, however, was appeared to be disappointed about the performance. "It was a tough year for our company. As the market struggled on competitive edges to provide the best possible services; at the same time, it cut all possible margins and barely walked the rope in terms of balancing profits and loss. So the risk attached was high, though the benefit was low,' he pointed out.

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In his opinion, shifting of the company's operational consolidation hub from ICD PPG to ICD TKD was a significant move. "We believe we have brought certain real level improvements in the overall handling of LCL trade from New Delhi. ICD TKD, being a rail-head on its own, plus a facility of major container operator, and cost reduction in addition to better service; is the USP here," he said.

According to **MM Aslam**, Managing Director, Airogo Logistics; in spite of global economy slowdown the company's performance was quite satisfactory and it was able do quite better in its import sectors.

"FY 12-13 was quite difficult as the entire industry was struggling. However, we have been able to sustain our sales and profits," informed **Suraj Agrawal**, Director, Monopoly Carriers and Cargo.

Venkata Reddy, Chief Executive Officer, Menzies Aviation Bobba (Bengaluru) shared that the company witnessed an improvement during fourth quarter of 2012-13, setting a positive tone for the coming year. "We have implemented Phase-I of Cold Zone project by installing temperature-controlled chambers exclusive for pharma products. We are implementing Phase-II of the project in 2013-14. We have also seen a smooth transition to 24x7 customs clearance and processing," he added.

"It was a robust year for us and we have opened our branch office in South India (Tuticorin) which has produced better results than we expected. Moreover, general exports have picked up and we, though specialising in custom clearance and export by air and sea, have included imports in


M.M.Aslam
Managing Director
Airogo Logistics


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Director, Monopoly Carriers
and Cargo


Venkata Reddy
Chief Executive Officer, Menzies
Aviation Bobba (B'lore)


Vineet Chadha
Director
Viksun Carriers

our portfolio. We were receiving constant queries wherein our customers wanted us to handle their import shipments as well. Being in IATA, CHA and NVOCC, we yearned to be one-stop solution for all kind of logistic needs," maintained **Vineet Chadha**, Director, Vicsun Carriers.

For **Yashpal Sharma**, Director, Skyways Group; the year 2012-13 has been a consolidation year. Skyways opened two new offices in India and one in Germany. "The year saw us expand our product base and we also set the stage for launching our 3PL vertical," he highlighted. In his opinion, the year that went by required extra efforts to sustain and grow, as there was considerable slowdown in global business and the sentiment was highly negative. "I am glad that Skyways continued to grow in this challenging year too," he added.

Ashish Asaf, MD, SA Consultants & Forwarders observed that the year started with challenges but as it progressed; better results came at the end. "In FY-2012, our company reported a top-line growth of about 20 per cent over the previous year. We have strengthened our Mumbai office and now concentrating on southern India as well."

"The market was good for us because of our strong relationship with our customers and the quality services offered to them. Despite challenges, we grew by 14 per cent in the previous FY, as compared to FY 2011-12," informed **KS Dorai**, MD, Renown Forwarders.

In **Gurjeet Bedi**'s opinion, there is a market for innovative players even during tough times. "You have to expand your horizon to find new markets with new products and services," the Director of Scan Forwarders emphasised. The company has witnessed 20 per cent growth in FY 2012-13.

"The year was very good for our company. Though our total volume was reduced by 20 percent, we have increased our revenue by more than 22 per cent. The achievement was because of our new customer base," said **Dileep T Abraham**, Sr Vice President, AV Thomas & Co.

Monish Darda – Co-founder & CTO, Icertis, also informed that the FY 2012-13 has been an enriching and successful year of growth and customer addition at Icertis. "We have acquired 10 new customers across our portfolio of offerings and strengthened our India operations with more than 200 professionals. The customer additions are from various industry verticals, which are successfully using Icertis' products to solve their contracting, supply chain execution, and ERP challenges," he said.

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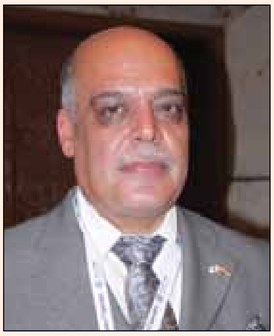

Gurjeet Bedi
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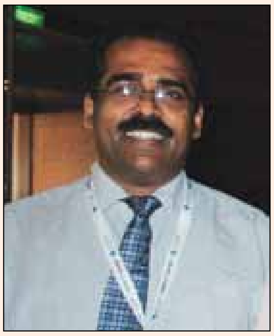
Scan Forwarders



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Icertis

Parvinder Singh
MD
Hans Infomatic

The technology service provider launched two products, Icertis Public Transport Management and Icertis Transport Management this year.

Another leading logistics technology services provider, Hans Infomatic, conveyed the same sentiment. According to **Parvinder Singh**, MD, "FY 2012-13 was very eventful for us. During this period, Hans became an IATA Strategic Partner and a member of IATA's Cargo XML Task Force (CXMLTF). The mission of CXMLTF is to migrate cargo industry's EDI messaging platform from old flat file based to the widely used and acceptable XML standards." Hans also launched a portfolio of solutions for SCM, which includes Warehouse Management System and Transport Management System.

Projections for FY 2013-14

In this financial year, Concor expects an overall growth of nine to 10 per cent in both volumes and tonnages, primarily on the hope that Indian exports will grow as the new markets develop. "What we are afraid is a repeat year of import-export imbalances which will dash our hopes. Frankly, the position is not likely to improve dramatically this year, unless there is an economic recovery. The industry will definitely recover in sync with the economy," Gupta voiced.

In Duplan's opinion, freight forwarding industry has historically been the cornerstone of global trade. With changing trade dynamics at both global and regional levels, the shipping sector too has been witnessing significant transformation. "Driven by increasing consumption, manufacturing, and relatively better macroeconomic scenario, the intra-Asia shipping market appears more promising in terms of growth opportunities than its global counterparts. The share of intra-Asia region has increased up to 21 per cent within a short period. Africa has also seen a similar trend. In my opinion, these two sectors will be the centre attraction for all the freight forwarders and carriers in South Asia," he elaborated.

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"With the country emerging as an important sourcing hub for some industries, domestic consumption will generate good GDP growth, and also growth in sectors like pharma, automotive, consumer electronics, banking, financial services and e-commerce," observed Khanna.

According to Nair, the present trend in the market is the emergence of slow and steady industry consolidation by way of small/big ticket mergers & acquisitions and takeovers. "The logistics sector in India is undergoing a radical change where the players pursuing new business avenues (capturing the super critical logistic value chains) thereby consolidating themselves – are stepping towards integration and diversification. The roadmap for LCL Logistix for FY2013-14 is in line with the growth rates of the overall logistics industry and the broad economic fundamentals of the country," he stated.

Taking cue from Nair, Sattiraju observed that the new financial year has begun well. "We are will be expanding our business presence in both air cargo and surface cargo. A few new, strategic locations will be added to our network," he said. The company is exploring cold chain logistics space. "We already have some presence in CCL space and our strategy for 13-14 should give us firm grounding for expansion of our capabilities in cold chain area," he maintained.

"My expectation from the FY 13-14 is on the positive side, because the global economy as well as the Indian economy is improving. While last year, the GDP growth went down to as much as 5.2 per cent, the estimate this year is around 6.2 per cent. That one per cent growth rate translates into huge growth for the logistics industry. Secondly, as the business sentiments improve, there will more expansion in terms of projects which companies will take up, some which had been put on hold the whole of last year," Sahane concluded with a optimistic note.