



PHOTOS: SANJAY BORADE

## A force to reckon with

Allcargo has emerged as a formidable player in the global logistics arena

*Shetty: driving the next phase of growth*

opportunities,” says Shetty. “We are today a transformed entity against the backdrop of our quest to position ourselves as a fully integrated player offering end-to-end solutions. We have set a vision to double our turnover to \$2 billion by 2020”.

ALL went public in 2006 with a successful IPO and has emerged as not just one of India’s largest integrated logistics solutions provider in the private sector, but is also a global leader in the LCL (less than container load) segment of the NVOCC services business. (An LCL operator collects small cargo and aggregates these into a full container load. At the destination the container load is split and send to the ultimate consignees.) ECU Worldwide’s acquisition in 2005 has catapulted ALL into the pole position globally in LCL consolidation. The company is also building up its presence in the full container load (FCL) segment and has its footprint in over 160 countries, with a strong network of more than 300 offices. The company globally employs over 3,500 people.

In 2006, the private equity firm New Vernon Capital Fund acquired 6.42 per cent stake in ALL for ₹60 crore. (The PE player sold the last tranche of its investment in December 2017.) This was followed by PE firm Blackstone of the US picking up 10.38 per cent stake through equity shares, FCCDs and warrants in 2008, for about ₹240 crore (valuing ALL at ₹2,300 crore, a 30 per cent premium to the then share price). This was Blackstone’s first deal in that year and its third deal in the infrastructure space in India. In 2009, Blackstone increased its stake to 14.99 per cent, by converting warrants worth \$23 million. Having invested in the company for nine years, the New York-based private equity firm exited the company in April 2017, by selling its stake in the secondary market.

Being an integrated logistics firm, the company offers a whole range of services such as multi-modal transport operations (NVOCC), pan India CFS-ICD (container freight station. Inland container depot) operations, contract logistics, e-commerce logistics, project & engineering solutions and coastal shipping. On the domestic front, the company is also betting

The last decade has been eventful for Allcargo Logistics Ltd (ALL). Led by Shashi Kiran Shetty, 60, founder and chairman, the company (formally Allcargo Global Logistics Ltd) has undergone a transformation, following events that have taken place within the organisation, as also across the logistics space. This transition began in 2005 when ALL, a multi-transport operator (MTO) in the NVOCC (non-vessel operating common carrier) business, dared to acquire Belgium-based ECU Worldwide (then ECU Line),

a company five times its own size. This was followed in quick succession by another 12 acquisitions (including US-based Econocaribe Consolidators and the Netherlands-based FCL Marine Agencies) to stamp its mark in the global logistics arena.

In 2012, the promoters rechristened the ALL-led group as Avvashya and brought all its companies and functions under one umbrella.

“We are quite bullish on the post-GST scenario and are making all necessary preparation to grab the emerging

big on the e-commerce space and has been working with all key players, as a B2B service provider. It is also planning to enter the last mile delivery space, though in B2B.

The company, already a major player in CFS/ICD operations, is ramping up its CFS/ICD capacity in a big way and has plans to set up warehouses and logistics parks pan India. ALL is in the process of setting up a 200-acre, multi-modal, logistics park at Jhajjar in Haryana. It is expected to be built up and fully occupied over a period of five years for a total investment of about ₹500 crore. Close to the Dedicated Freight Corridor (DFC), the logistics park will comprise a rail link private terminal, free trade warehousing zone, domestic tariff area, and contract logistics services.

The company has also commissioned a CFS (about 16 acres) at Kolkata Port for catering to the growing container traffic in the east. The facility will also be strategically located to serve EXIM business across the border in the East, including Nepal and Bhutan.

**A perfect example**

ALL commenced its CFS operations in 2003 at JNPT, near Mumbai. At present, it operates five CFSs – two at JNPT and one each in Chennai, Mundra and Kolkata. In 2009, it entered the business of Inland Container Depots. Its first ICD was at Kheda-Pithampur near Indore – a joint venture with Hind Terminals (part of the Samsara group), in which ALL has a 51 per cent stake. Its second ICD was started at Dadri in the National Capital Region – also a joint venture, this time with Container Corporation of India (CONCOR), where ALL holds 51 per cent stake. Its services comprise export/



Hegde: playing a key role

import handling, LCL shipments, bonded/ open warehousing, first/last mile transportation, maintenance and repair of dry container, reefer monitoring and hazardous material handling. The total installed capacity across its CFSs and ICDs is about 750,000 TEUs per annum.

The company also has land parcels in Bengaluru (110 acres), Nagpur (60 acres) and Hyderabad (40 acres, where the CFS is likely to be ready soon) for warehouses/CFS/ICDs. It has earmarked about ₹1,000 crore to develop these facilities in the coming years. The company is looking to increase the overall warehousing capacity to over 10 million sq ft (spread across 15-20 cities) by 2020, from about 3 million sq ft at present.

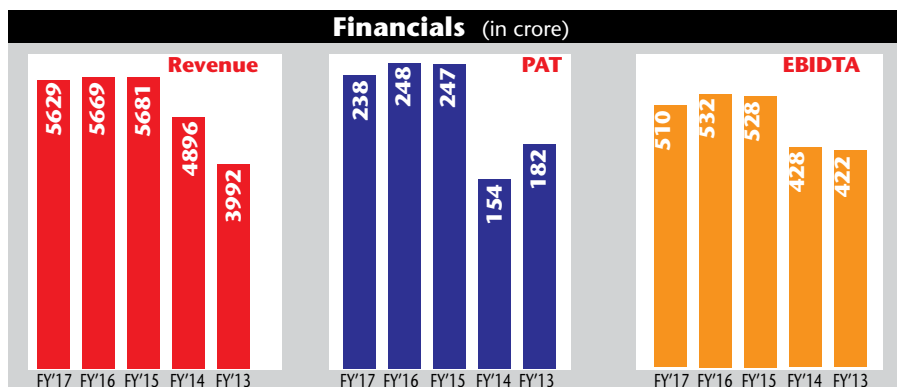
“ALL is a perfect example of a true home-grown Indian company, which has banked upon some of the most opportune moments, for strategic global business expansion and consolidation,” says Deven Choksey,

managing director, KR Choksey Securities. “The company is now all geared to leverage the opportunities coming its way in the post-GST period”.

From a revenue of ₹270 crore and a PAT of ₹49 crore in 2005-06, the company’s consolidated revenue has gone up to ₹5,568 crore, with a net profit of ₹230 crore in 2016-17. Almost 75 per cent of the revenue during the fiscal came from overseas operations. For the nine month ended September 2017, the company has clocked a revenue of ₹3,031 crore (September 2016: ₹2,802 crore), with a net profit of 125.35 crore (₹127 crore). ALL’s stock was priced at ₹189.20 (52 week high: ₹228/low: ₹155) on 5 February 2017, with a market cap of ₹4,648.56 crore.

From his beginning as an employment seeker in Mumbai with a bachelor’s degree in commerce from Shri Venkatramana Swamy College, Mangalore, Shetty has come a long way. A first generation entrepreneur, he started his career in logistics in 1978, with Intermodal Transport & Trading Systems (now defunct) and subsequently moved to Forbes Gokak, a Tata group company, where he gained experience in port operations. Four years later, in 1982, at the age of 25, he established his first business venture, Trans India Freight Services with a seed fund of just ₹25,000. A partnership firm based in Mumbai, Trans India functioned as an agent booking cargo for liner shipping services.

Shetty formed a private limited company – Allcargo Movers (India)





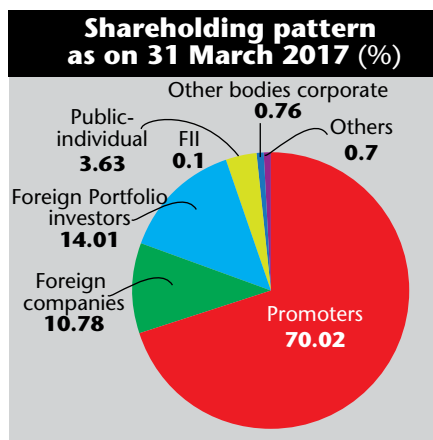
Pvt Ltd in 1993 and merged Trans India into it. The company initially catered to the liner shipping industry and went on to provide container and project related transportation services to various exporters and importers. His experience was in the area of providing complete door-to-door solutions. Gradually he moved into freight forwarding and consolidation activities, catering to exporters working with agents worldwide, for ensuring, handling and delivery of cargo. He got ALL appointed as general sales agent in India for Asia Lines, a Mauritius-based NVOCC company.

In 1995, ALL became an agent of the Belgium-based ECU Line NV, the world's second largest LCL firm. It had started its association with ECU Worldwide as its agent for Delhi and Mumbai and thus entered the LCL consolidation space. A decade later, ALL took 33.8 per cent stake in ECU Line (now ECU Worldwide) for a total enterprise value of around €50 million and, in the following year, acquired the entire company. The deal was partly funded by the IPO proceeds. In December 2005, the company changed its name to Allcargo Global Logistics and subsequently to its present name Allcargo Logistics in 2011.

It was the ECU acquisition in 2006 that was the turning point in the company's fortunes. The takeover of ECU Line had catapulted ALL into the world's No. 2 LCL firm overnight, after Vanguard. During the last few years, ALL's aggressive intent has strengthened its position further, to make it a global leader in the business of LCL. The company now holds the pole position, having overtaken Vanguard Logistics group of the US.

In 2013, ALL acquired the US-based Econocaribe Consolidators for about \$50 million. It also acquired a controlling stake in the Netherlands-based logistics company FCL Marine Rotterdam through its wholly-owned subsidiary ECU Line. Prior to this, in 2010, ALL had acquired business rights and controlling stakes in two Hong Kong-based companies engaged in the NVOCC business, to expand its presence in China. Till then, China was the missing link in ALL's business strategy.

FCL Marine was founded in 1988 in Rotterdam, the Netherlands. The



company is a leading NVOCC service provider in the FCL segment operating in Europe, the US and Canada. Through this acquisition, ALL is looking to build up its presence in the FCL space as well.

Econocaribe, incorporated in 1968, is the third largest LCL consolidator (NVOCC) in the US. With its headquarters in Miami, Florida, the company has nine offices in the US and 22 receiving terminals throughout the US and Canada, as well as partners across the world. Econocaribe specialises in freight consolidation, as also FCL services to Latin America, the Caribbean, Europe, the Mediterranean, the Middle East, Africa and Asia. It also offers import LCL/FCL transportation services from around the world into the US and Puerto Rico. Though Econocaribe has been working with the ECU Line as an agent, the transaction enabled ECU Line to complete its service offerings in terms of global capabilities and coverage. This also increased ECU Line's foothold in the US market and thus facilitated its growth into and out of US market and the rest of the world.

#### New name

In 2016, ALL rebranded its international acquisitions and rechristened ECU Line to ECU Worldwide, with the objective of bringing all these global companies (operating under different brands in different parts of the world) under one single brand, as also changing the perception of the company from being just a shipping line player to an integrated logistics solution provider.

"The new name signifies more than just a rebranding of our group

companies," says Adarsh Hegde, 55, joint managing director, ALL. "This is in line with our vision to become a \$2 billion revenue organisation by 2020, which propels us to constantly raise the bar and create a dynamic and exciting transformation for our organisation". A mechanical engineer, Hegde (also Shetty's brother-in-law) has been with the company since inception in 1993 and has played a key role in the company's growth story. He oversees the business of CFS/ICD facilities, project forwarding and engineering solutions, e-commerce logistics, coastal shipping and contract logistics. In addition, he plays a key role in the overall group governance and business development along with Shetty. He is also a part of the leadership team at ECU Worldwide with respect to driving international procurement initiative and organisation-wide planning.

"ECU's acquisition has been a big event for us," acknowledges Shetty. "It not only reinforced our self-belief to become a global player, but also propelled us into a leading player in the LCL business, that too in a short span of time. We plan to take ALL to the next phase of growth through technology and digitalisation, tapping into new markets and areas, including diversification of our offerings. We are strengthening the top management to drive this new phase in line with the emerging opportunities".

In 2015, Shetty was conferred the Distinction of Commander of the Order of Leopold II, the highest civilian honour of Belgium, by King Philippe, for his contribution to the maritime and logistics industry. Also amongst the many awards and accreditations he has received is the prestigious 'Lifetime Contribution to Freight Award' at the Global Freight Awards, London.

Shetty was also in the news for buying Bollywood superstar the late Rajesh Khanna's sea-facing house, Aashirwad, on Carter Road, Bandra, Mumbai – a deal signed in August 2014 for ₹85 crore between Shetty and Khanna's legal heirs. The property is now being redeveloped.

ALL has appointed industry veteran Claudio Scandella, a Swiss national, as CEO, ECU Worldwide, to drive the next phase of growth of the global unit, which contributes over 75 per cent

of the revenue and 50 per cent of the profit to the group. Before joining ALL, Scandella, was a member of the global logistics giant DHL Global Forwarding's senior leadership team as CEO, Middle East, Africa & Turkey region.

The appointment is part of a senior management rejig at the company that creates a power centre at the overseas subsidiary. ECU Worldwide has four functional heads – regional CEOs – one each for the Americas; the Indian sub-continent; the Middle East and Africa; and the Asia-Pacific, as also an executive director in charge of Europe. Instead of reporting to ALL chairman Shetty, they will now be reporting to Scandella.

"ECU Worldwide has set its own benchmarks in operations, with its strong values and capabilities," says Scandella. "The changing global scenario still offers potential to tap further and this will make my journey with ECU challenging and exciting at the same time. I am working closely with the existing team to leverage technology to bring in efficiency for customers as well as for internal processes". Scandella is also looking to undertake diversification of the current portfolio – into products other than LCL, where the company is already a market leader.

In fact, the company is also looking for acquisitions in the technology and contract logistics space, seeking to grow its business in India, where opportunities are likely to grow at a faster pace under the new GST regime. Currently, India business accounts for about 25 per cent of ALL's consolidated revenue. Its global business – consolidated a couple of years ago under ECU Worldwide – contributes the rest.

"The implementation of GST would lead companies to shift to bigger, more efficient warehouses and imbibe higher levels of technology in all aspects of functioning for higher efficiencies," explains Prakash Tulsiani, executive director & COO, ALL. "This is where we see opportunities coming our way. Our vision is to mould ALL into a tech-enabled integrated logistics service provider".

On the domestic front, the flagship company of Avvashya group, ALL hived off its contract logistics vertical and entered into a joint venture

with CCI Logistics and Hindustan Cargo Ltd, to form a separate entity – Avvashya CCI Logistics Pvt Ltd (ACCI) – in 2016. The JV, in which ALL holds a 62 per cent stake and CCI promoters, the rest, has enabled the company to build a presence in the contract logistics space in the domestic market too. ALL had acquired Hindustan Cargo, the freight forwarding arm (air & customs clearance) of Thomas Cook in 2006. Promoted by Naresh Sharma and his brothers, Mumbai-based CCI is into freight forwarding and contract logistics, with a focus on chemicals. Naresh Sharma is currently the managing director of ACCI. ALL's contract Logistics division offers services to companies in sectors such as automobile, engineering, e-commerce, fashion and retail.

#### Focus areas

ACCL has identified three sectors as its predominant focus areas – chemicals and pharma, auto & engineering sector and retail & fashion. It offers a unique service combination for the auto & engineering sector called 'Auto Logistics', for chemical and pharma – 'Specialty Logistics' and for retail & fashion – 'Fashion Logistics'. ACCL provides customs clearance services, warehousing solutions, freight forwarding services, bonded warehousing services, temperature-controlled warehousing services and yard management.

Continuing with the lateral growth activity (operations), the ALL forayed into the business of contract logistics (managing supply chain) with Volvo Eicher Commercial Vehicles in Pithampur, MP, through its ICD. It helped the OEM to strengthen its after-market spare parts processes, including VOR (vehicle off road), kitting, re-packing, and other forward process. Currently, ACCI manages quite a lot of OEMs/manufacturing units including Ashok Leyland, ABB and Alstom. It also feeds the production line, with components like washer, bush, clutch assembly and sometimes even engines coming from various suppliers.

The combined entity helps create technology-enabled solutions to the customers with over 3 million sq ft of operating warehousing space across more than 20 strategic locations in India. The company is looking to take

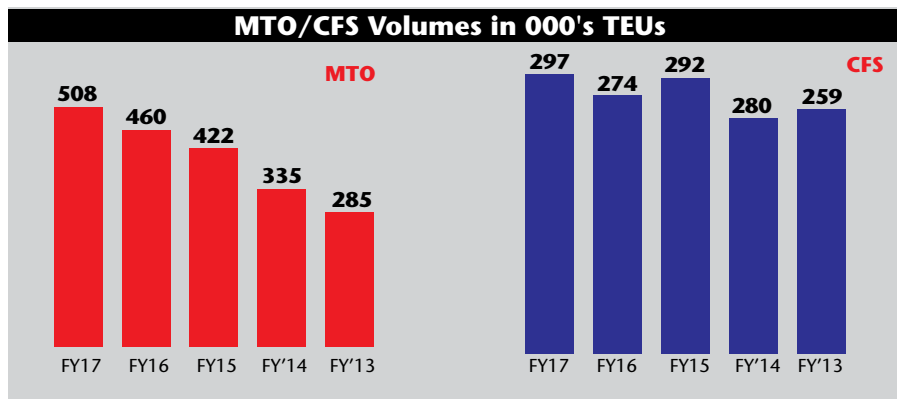


Tulsiani: seeing opportunities

its warehousing capacity to about 10 million in the next few years. Moreover, the company has close to 700 acres of land bank at various locations including Chennai, Bengaluru, Hyderabad, Mumbai, Gurgaon, Kolkata, Nagpur, etc.

"The newly formed entity aims to create business synergies, by taking the strengths of all the portfolios to make an enterprise that will stand out as a powerful entity in integrated logistics business," says Naresh Sharma, managing director, ACCL. "It will specialise in end-to-end solutions logistics, contract logistics and supply chain management and, thereby, creating a compelling proposition to all its customers".

"ACCL is leaping towards greater consolidation to provide end-to-end logistics solutions that will deliver cost and service efficiency," contends Balaji V, CEO, contract logistics, ACCI. "It will play an important role in offering composite services to valued customers in forward integration and backward integration logistics services delivering, reduced turnaround time due to efficient warehousing, storage and last mile delivery which will provide a complete package of service to customers under one roof". Balaji is of the view that ACCI will not limit itself to providing solutions on the lines of contract logistics (integration, warehousing, line feeding, etc). Going



forward, it plans to foray into Express Transport, which will be a time definite transport solution.

“Indian logistics market is expected to grow at a CAGR of 6-7 per cent to \$160 billion by 2020,” hopes Hegde, who is looking to take ALL’s domestic revenue to about ₹1,500 crore, from ₹500 crore now. “The formation of ACCI paves the way to deliver excellent growth and profitability. I am confident that ACCI will bring together the strengths of all the portfolios into one unified name, which will make a powerful enterprise and create greater value to the industry at large, apart from providing value to our stakeholders”.

As part of its overall integration and expansion, the company is also ramping up its CFS/ICD capacity. ALL, a pioneer in CFS business in India, had forayed into it in 2003 at JNPT, near Mumbai. The company boasts of the widest and strongest CFS-ICD network in India. These CFS facilities, with a capacity of over 750,000 TEUs, are geared with the latest technology and backed by experienced teams. All CFS facilities carry specialised equipment to handle all kinds of cargo including hazardous cargo, while meeting the global safety and security standards that include GSV (C-TPAT compliant) and OHSAS accreditations.

“Over the last two decades, our solutions have repeatedly helped our customers derive the maximum value from their supply chain, making us a preferred name in the Indian logistics industry,” says Tulsiani. “We are India’s only ISO and OHSAS certified CFS chain”.

The company also has a separate vertical for Project and Engineering Solutions (P&E). The division provides

integrated end-to-end project, engineering and logistic services through a diverse fleet of owned/rented special equipment like hydraulic axles, cranes, trailers, barges, reach-stackers, forklifts and ships to carry bulk and over dimensional/over-weight cargos as well as project engineering solutions across various sectors. ALL, the leader in project forwarding and crane rental, has partnered with major players in power, infrastructure and oil & gas sector. It has also introduced innovative project solutions.

#### Focus on safety

Among the various projects handled, the company has been involved in transporting metro coaches for Mumbai, Delhi, Kochi and Lucknow metro rail projects. ALL was also engaged in Reliance ADAG group’s 6x660 MW Ultra Mega Project at Sasan, MP. Under this assignment, the company transported six units of upper over dimensional cargo weighing over 370 mt from various parts of the country to Sasan.

“With complete focus on safety, our expertise spans the most revolutionary turnkey, end-to-end solutions for complex, out-of-gauge and over-dimensional cargo, which include factory-to-foundation movements and highly complicated, critical load solutions,” says Hegde.

The Union government is all set to promote coastal shipping under the ambitious Sagarmala project, where port-led direct and indirect development of coastal states is being undertaken to provide infrastructure for transporting goods. And ALL is all geared up to leverage these scenarios as well. The company has got a dedicated vertical for coastal shipping and

it owns five cargo vessels, making it one of the largest firms in the coastal shipping. With its fleet of vessels, it ships to all major ports in the west, south and east coast of the Indian sub-continent with an assurance of minimising the cost and time of client’s supply chain.

ALL’s services include coastal shipping like bulk, break-bulk & project cargo, ship chartering, marketing for container cargoes, manning, etc. It also offer ship owners (with these vessels), the opportunity of finding deployment on voyage or time charter basis.

A preliminary study carried out by the shipping ministry indicates that there is potential to increase the coastal cargo volume by about 20 million tonnes a year on select routes across cargo categories such as cement, fertilisers, food grain, steel, marble, salt, sugar and cotton. The scope for coastal shipment of automobile is estimated at 100,000 cars a year. Currently, coastal shipping in India is primarily used for transporting petroleum, oil and lubricants, coal and iron ore, which account for about 85 per cent of the overall coastal movement. There could be several other products such as soda ash, bentonite, electronics, packaged consumer goods and project cargo that have the potential to be carried by coastal shipping.

“Coastal shipping presents huge opportunity for a country like India which has such a vast coast line. As an organisation, we believe that India’s economy will need a more efficient and time saving mode of transportation, to keep pace with its growth. We are helping our customers to create logistics solutions through coastal shipping, making their cargo movement more seamless and cost effective,” says Shetty.

Shetty’s wife Aarthi, 52, is a non-executive director and board member since inception. She leads the company’s sustainability initiative under the Avashya Foundation. Their son Vaishnav, 23, a graduate from a US university, has joined his father’s business recently. Though he is still learning the nuances and is being kept out of limelight, the junior is expected to be instrumental in spearheading the company’s next phase of transformation into a tech-enabled logistics solutions



provider. Daughter Shloka is still studying at Northwestern University.

Digitalisation is high on Shetty's agenda. "We are going to invest a lot in building a digital platform, including hiring top-notch IT professionals to develop a digital strategy". Shetty's growth strategy also revolves around inducting young blood to infuse 'energy and enthusiasm' into the firm (the firm hired 28 management graduates in 2017) and promoting gender diversity – 40 per cent of the group's global workforce are women.

In a major push to developing an integrated logistics framework in the country, including industrial parks, cold chains and warehousing facilities, the government has granted infrastructure status to the logistics sector, enabling the industry to access cheaper finances. The government expects the Indian logistics sector to grow to \$360 billion by 2032 from the current \$115 billion. The need for integrated logistics sector development has been felt for quite some time, in view of the fact that the logistics cost in India is high (about 13 per cent of the GDP), compared to developed countries (8-9 per cent). High logistics cost reduces the competitiveness of Indian goods both in domestic as well as export market.

The government's decision to accord infrastructure status will boost competitiveness that will transform logistics into a sunrise industry. "This will lead to better access to funds and consequent rise in investments for industrial parks, warehouses and transportation, thus providing a major fillip to consumption," says Deepal Shah, CEO, ACCI.

### Sunrise industry

"The introduction of GST and the government's move to give logistics sector the infrastructure status, will provide impetus to the industry. India's logistics cost is quite high and this significantly add to the cost of manufacturing. GST will bring down the logistics cost and thus help improve efficiency across transportation and warehousing operations," says Pirojshaw Sarkari, CEO of Mahindra Logistics, which along with TVS Logistics, Rhenus Logistics, are competing with ALL in the contract logistics space. In NVOCC,



Balaji, Sharma & Shah: the ALL team

global major Vanguard and Shipco are the peers, while in CFS, players like Seabird, Hind Terminals and Gateway Distripark compete with ALL. In the NVOCC business, DHL and Fedex are its customers, even as they compete with ALL in some of their other businesses.

"At a time when the government is focussing on programmes like Bharatmala to improve overall logistics performance and development of multimodal logistic parks, the move will drive growth. "I feel it will draw further investment and make the sector attractive," says Jagannarayan Padmanabhan, director & practice lead (transport and logistics), Crisil Infra advisory.

"We believe the MTO segment to be the main driver of revenues and earnings for the company, while the CFS segment is a facilitator. The project engineering division would be a drag, though in a declining trend. We also estimate ALL to be the biggest beneficiary of any recovery in trade and GST implementation owed to its long presence in the logistics industry, relationships across the entire logistics chain and wide spread network – India and abroad," says a recent Kotak Securities report.

"We are providing a complete supply chain for cargo and that is helping customers to operate with us," says Shantha Martin, regional CEO, ISC, Middle East, Africa & East Med, ALL. "Customers are looking for end to end offering in supply chain and want a complete service, right from the

factory to the shelf. We, as integrated players, are seeing the emergence of digital arena and as a company we are investing heavily on this front".

With all these development in place, ALL has positioned itself strongly in the market. The domestic market is expected to witness a major transformation in the post-GST regime and the company is all geared up to grab the opportunities in the coming years. Over the last decade, the company has taken strategic decisions to carry out a series of acquisitions and thus ramped up its capability manifold. In fact, the company which started with port-related operations has today emerged as a leader in the LCL segment of the NOVCC business in the world. It is also trying to build up its FCL business. The presence in both LCL and FCL segments will not only help it expand its business quickly but also provide it with the much needed hedging mechanism against market vagaries.

In fact, after strengthening its presence significantly in the global market, now the time is right for the company to generate traction in the domestic market. ALL's integration efforts will fetch it enough benefits both in the domestic as well as global market. In fact, the company has emerged as an integrated player, present across various segments of the business and thus commanding a unique position in the market where it is looking much ahead of its peers.

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