

# Logistics**Insider**

## THE COLD CHAIN INDUSTRY: OUT OF THE FREEZER

### **Averting the Oxygen Crisis**

A New Breed of Heroes  
in the Making .....10

In conversation with  
Ranabir Chatterjee,  
Linde .....36





## THE ONLY EXCEPTION: HOW 3PLs ROSE TO THE OCCASION DURING THE PANDEMIC

*Logistics and warehousing have undergone a fundamental transition in recent times, with the pandemic forcing new growth paths and structural changes. If anything, doors of improvement have opened for warehousing - and 3PL players are the likely ones to take the baton ahead. We look at the critical role played by Third-Party Logistics (3PL) companies in buttressing the country's logistics in the wake of the pandemic and after.*

**Basundhara Choudhury**

**D**ue to the capability of providing integrated solutions, Third-Party

Logistics (3PL) providers are emerging as a reliable choice to power businesses that want to bolster their supply-chain and delivery competency.

In the wake of the pandemic, 3PLs alone have exhibited their expertise to manage risks and the ability to get new operations up and running quickly, often in a matter of weeks, with established resources in place. They are also able to flex to the clients' requirements and accommodate changes within a short span, and for 3PL providers that are able to offer lower costs and greater flexibility to the companies, the demand is found to be skyrocketing.

## EVALUATING RISKS AND OPPORTUNITIES WITH THE HELP OF 3PLs

The pandemic has put the spotlight on the need for greater risk management, and as more and more companies are made aware of their vulnerabilities and blind spots, they are incorporating unprecedented events like the pandemic into their business planning by exploring a range of strategies to help protect against future disruptions, even reconsidering sourcing, warehousing, fulfillment and transportation practices.

To help bolster their supply chain and make it more resilient to future disruptions, many companies are turning to third-party logistics providers.

### Functioning during closed doors

Even when most of the

services were shut on account of the pandemic, many 3PL companies had to continue their operations as the role of logistics was deemed to be an essential role. 3PL companies thus had to function even if their clients themselves had to shut their doors. Going forward, this will likely continue.

### E-commerce Expertise

The pandemic has led to the surge of e-commerce like no other, driving customers in record numbers to shop online. E-commerce orders require more space, specialised facility design, technology solutions and labour. 3PLs with e-commerce expertise are usually better prepared to match up to these requirements, all thanks to their flexible and scalable space, staffing, equipment and systems.

### Diversifying inventory and operations

The coronavirus crisis



revealed the risk associated with storing all inventory in a single distribution facility. In the event of any COVID infection or mandate, it may be forced to shut down, leaving operations to come to a screeching halt.

By making use of the resources of a partner, these facilities can avoid the overhead investment for additional facilities. An established 3PL is likely to have existing Fulfillment Centres (FCs) in strategic locations with the required staff, equipment and technology in place to operate them.

#### Facilities in place to adhere to social distancing norms

As social distancing has become the new norm, logistics and fulfilment operations now need a significantly larger footprint to permit six feet between employees, on the warehouse floor as well as break areas, restrooms and offices.

As 3PLs have larger facilities, they are better prepared to accommodate distancing requirements and meet their clients' demands, either temporarily or for an extended period of time.

#### Matching up to staffing requirements

The ravaging impact of the pandemic has revealed how



**As we move to the era of large format, multiuser warehouses, automation will play a key role in bringing down per unit cost of operations and this will be predominantly driven by 3PL organisations like Mahindra Logistics."**

**SUSHIL RATHI**  
CEO, Lords Freight Limited & COO - Transportation & Procurement  
**MAHINDRA LOGISTICS**

\*\*\*\*\*

can throw a company's entire workforce out of commission, all of a sudden. For smaller businesses, this could be a mortal blow.

With a shared-space

environment and an established pool of workers, a 3PL has more resources on which to draw. They may also integrate automation and robotics solutions that can help to decrease their labour requirements.

#### 3PLs: CATALYSING GROWTH AND TRANSFORMATION OF INDIA'S WAREHOUSES

The coronavirus pandemic has brought in stark changes in the way business operate. One of the most noted growth trajectories is that of the e-commerce segment, which has been on a continuous growth spree since the wake of the pandemic. To address this surge in demand, warehouses need to be equipped well enough to be able to handle it and 3PL companies with specialised competencies are harbingers of this development.

With the introduction of digital technologies, 3PL companies are poised to handle the surge in demand more efficiently and ensure improved customer service. It is thus changing the entire warehousing landscape of the country, and acted as a catalyst in the transformation of warehouses from godowns to organised storage spaces, over time.

**Anoop Chouhan, Chief Operating Officer - Supply Chain, Avvashya CCI Logistics** talks about the growing need to build fulfilment centres in a bid to address the burgeoning rise of e-commerce demands.

"To keep pace with the rising e-commerce demand, there is an urgent need to expand and strengthen e-commerce delivery networks by building fulfilment centers in the city areas and large format Grade-A warehouses on the outskirts of those cities. E-commerce players will have to strategically strike a balance between fulfilment centres and warehouses to ensure delivery efficiency and sustainability."

In such a scenario, he believes that 3PL companies with specialised competencies will redefine the warehousing landscape of the country.

"By digitising operations to enhance efficiencies and ensure improved customer service, 3PL players are rapidly transforming the functional dynamics of warehousing. 3PL companies will play a more proactive role in the e-commerce supply chain by introducing automation and digital technologies to ensure accurate data-driven capacity planning by investing ahead of the curve and appropriately in coming days. By adopting an integrated service delivery



**3PL companies with specialised competencies will redefine the warehousing landscape of the country. By digitising operations to enhance efficiencies and ensure improved customer service, 3PL players are rapidly transforming the functional dynamics of warehousing."**

**ANOOP CHOUHAN**  
Chief Operating Officer - Supply Chain  
**AVVASHYA CCI LOGISTICS**

\*\*\*\*\*

model, 3PL companies will do away with the need to employ multiple third-party vendors and streamline supply chain

functionalities to offer more scale and efficiency to the clients. At Avvashya CCI, we have been leading the way by offering fully integrated logistics solutions to our clients."

**Lakshman Venkateswaran, Sub Regional Managing Director - South Asia, GEODIS APAC** shares how space and location of facilities plays a paramount role in scaling up operations in warehouses.

"The location of facilities remains critical to servicing the Indian market. Many of the older warehouse facilities struggle to meet demand from clients who are scaling-up their operations and want to maximise plot ratio from larger footprints. Warehouses now need to provide adequate loading bays and sortation areas to meet their growing e-commerce businesses. Demand is high for warehouses with increased ceiling heights that can accommodate racking and automation solutions that lower square metre cost and increase throughput capacities."

"Sustainability is becoming a key factor in our client's decision-making process. This pushes developers to build modern green facilities, which are technologically advanced with solar-powered and LED lighting, improved air

circulation and water retention capabilities. At GEODIS, we collaborate with our clients and warehouse developers to bring fresh ideas aimed at advancing the Indian warehouse industry in this respect", he adds.

Sushil Rathi, CEO, Lords Freight Limited & COO - Transportation & Procurement, Mahindra Logistics draws out the evolution of the warehousing sector and how 3PL users have emerged as the leading end-users.

"India's warehousing sector came into the limelight in 2017 triggered by the implementation of the Goods & Services Tax (GST). Prior to the implementation of GST, most 3PL players had multiple, small warehouses across states for the sole purpose of minimising taxes. The introduction of GST allowed these 3PL sector", he shares.

Mr Rathi believes that the implementation of new-age technologies like Artificial Intelligence (AI) and Internet of Things (IoT) will play a key



**All our scheduled services ensure that we combine our services with multi-modal options which are flexible enough to respond when there are changes in the operational capabilities."**

**LAKSHMANAN VENKATESWARAN**

Sub Regional Managing Director - South Asia  
GEODIS APAC

\*\*\*\*\*

role in forming technologically advanced business models and operating warehouses. For forecasting accurate future outlooks, optimising performance efficiencies and improving decision-making capabilities, the power of Big Data will be crucial.

"Digital fitness will be a prerequisite for success", he shares.

### TRYST WITH TECHNOLOGY

The adaptability of 3PLs to advancing technology has proved to be a boon in the long run, as has been demonstrated in the bygone year.

Vishal Sharma, CEO - Cluster India and Indian Sub-Continent, DB Schenker believes that 3PLs with its inclination towards automation and innovation, are more poised to bring about cost efficiencies for warehouses.

"3PL business is getting accelerated towards automation and innovation



with a lot more companies investing in automated equipment to improve productivity and efficiency. The business has developed with more predictive supply chain demands and resource optimisation, resulting in more cost efficiencies", he says.

Additionally, today many 3PL providers offer multimodal solutions to customers which increases cost-effectiveness and provides alternate capacity to air freight, ocean or road transportation.

"3PLs bring a strong network along with them which allows businesses to focus on core competencies rather than working on supply chain challenges", shares Mr Sharma.

"Large 3PLs offer scale and

efficiency which are critical for supporting business needs. They also bring expertise on specific verticals and type of business which can be plotted within the country and transfer technology from the global network to give best possible solutions to businesses. 3PLs also

work on creating capacity without demand which allows businesses to embark on established capacity instead of scouting for capacity when the need arises", he adds.

### WEATHERING THE STORM: HOW 3PLS FARED IN THE PANDEMIC

The pandemic brought with it incredible challenges for the 3PL companies, bringing about fundamental changes in the way companies operate.

For Mahindra Logistics, a transition was seen from shared mobility to personal mobility. Mahindra's enterprise mobility business 'Alyte' went through a challenging period, as the company shares, during the Covid era. Service portfolios were redone; partner

**3PLS WITH ECOMMERCE EXPERTISE ARE USUALLY BETTER PREPARED TO MATCH UP TO THESE REQUIREMENTS, ALL THANKS TO THEIR FLEXIBLE AND SCALABLE SPACE, STAFFING, EQUIPMENT AND SYSTEMS.**



strategies were put on assets. Increased emphasis was put on screens and an air purification inside the vehicle etc.

"We continue to invest in growing our business from an electric perspective", Mr Rath shares.

While talking about the changes in the supply chain side, Rath reveals their strategy to grow faster.

"Our strategy to grow faster in non-auto businesses and non-manufacturing businesses and embracing the consumption story in some way was articulated and formed even before Covid. We have invested more in analytics and data sciences now because we think that's going to be really important. We are strengthening our freight forwarding business because we think cross border supply chains will move in a fairly significant way."

He reveals how Mahindra is investing more in warehousing because they believe that warehousing platform growth will continue to be there and that is how demand can be fulfilled in many ways.

"These are few things we are accelerating and doing in newer ways. I think post-Covid, multi-modal transportation will also accelerate", he shares.



**3PL is a primary growth driver for the e-commerce industry in India, providing one-stop solutions for enterprise supply chains in packaging, warehousing, transportation and order fulfillment."**

#### VISHAL SHARMA

CEO – Cluster India and Indian Sub-Continent  
DB SCHENKER

\*\*\*\*\*

Structural changes have come out of the pandemic in the way companies operate. For DB Schenker, it is all about continuing investments in warehousing. The company continues investing extensively into large facilities in major clusters across India,

which is expected to drive consolidation to a large extent and allow many large footprints to be established which will allow customers to get scale and efficiency.

On the other hand, GEODIS has made changes in its focus by extending its reach to even the smaller enterprises.

Apart from serving the large multi-nationals, the company is steadily increasing its services offerings to the small and medium enterprises, which as they say are the "lifeblood of any economy".

In the Asia Pacific region, GEODIS has scheduled airfreight capacity offerings to a number of markets, connecting China to Europe and Americas. Their Ocean freight services provide multimodal options out of India, and additionally, have a road freight network with daily scheduled trucks operating from Singapore to Thailand, with onward connections into Vietnam and China- all these options ensure that customers are provided the most optimum of solutions, in the face of the disruptions as a result of the pandemic.

"Our Road and Rail freight products have grown remarkably in the last two years, so by extending these to provide a daily scheduled

truck service means our customers can give us Less-Than TruckLoad (LTL) volumes, yet enjoy the reliability that comes with booking a Full-Truck-Load (FTL)."

The company also has plans to connect our scheduled airfreight services into the India sub-continent.

For AllCargo Group of Companies, agility and flexibility in the decision-making process ensured business continuity during extremely challenging circumstances. The company focused on restoring operations at their essential commodity warehouses within 48 hours of the announcement of the lockdown, enabling swift movements of customer cargo from Port thus helping

avoid huge detention charges and sustain seamless supply manufacturing units / customers across the country.

"We succeeded in pulling that off because we combined all our knowledge and resources to rapidly develop a robust digital infrastructure which helped us shift our core operational processes to virtual platforms", shares Mr Chauhan.

They have increased their pan-India warehousing footprint to 50 lakh sq. ft. from 25 lakh sq. ft. in the last three years.

Avvaahya CCI is focused on expanding operations into tier II and III cities as well, which have emerged as prime drivers of demand and consumption in the country, thereby creating jobs.

"In addition, we have forayed into niche warehousing service segment by launching flex warehousing which offers flexibility to its clients for setting up warehousing facility and office in a particular space", Mr Chauhan shares.

## CONCLUSION

As the country faces the potential of future waves of pandemic, it is imperative to assess the potential for supply chain disruptions and address any pain points. 3PL providers have exhibited their prowess and expertise in risk management during the pandemic, and the ability to get new operations up and running quickly. In the days to come, it will play a formidable role in driving automation in the country's warehouses. 📦



**STOCK PRICE** much more than delisting floor price; analysts have upgraded targets by further 30%

# Allcargo's Strong Q4 Show, Robust Prospects may Raise Delisting Cost

## ET ANALYSIS

Jwalit.Vyas@timesgroup.com

**ET Intelligence Group:** Analysts have upgraded price targets for Allcargo Logistics by over 30% from the current level of ₹153.8 following the company's stellar March quarter performance and focus on reducing debt by selling non-core businesses.

While this presents a buying opportunity for investors, it may make the promoter group's delisting plan more expensive.

Allcargo had passed a special resolution last October to delist the company where the promoter group holds a 70% stake. The delisting floor price was set at ₹92.6. According to the delisting laws, the company has one year or till September this year to submit the final application to the stock exchanges.

The floor price is much lower than the current stock price and higher analyst target prices dwarf it further. Foreign and domestic institu-

## Delivering Growth

ALLCARGO LOGISTICS CONSOLIDATED PERFORMANCE FOR MARCH QUARTER (₹ CR)

	Q4 FY21	YoY chg	QoQ chg
Total Income	3,375.0	80.40%	23.40%
EBIDTA	218.6	105.50%	48.30%
PAT*	79.2	220.70%	472.50%

\*(after Minority Interest)

Allcargo had passed a special resolution last October to delist the company where the promoter group holds a 70% stake

The delisting floor price was set at ₹92.6

The company has till September this year to submit the final application to the stock exchanges



tions hold a significant 15% stake in the company. These factors would make the delisting process more expensive for the promoters. Besides, given the management's focus on conserving cash, the promoter group may also find the delisting less lucrative at the current stock price.

Over the last few years, the Shashi Kiran Shetty-led Allcargo group has adopted an asset-light, digitally enabled, low debt business strategy. It has been divesting from operations that do not comply with the new strategy.

Last year, the company struck a deal with Blackstone to sell a 90%

stake in its logistics parks business for ₹380 crore. In addition to this cash, the debt in the logistics park business of nearly ₹350 crore will also go off the company's balance sheet. Its standalone net debt was ₹950 crore at the end of March 2021.

Although Allcargo is present in several business services in the logistics space, multimodal transport (MTO) and container freight station (CFS) are the two largest revenue contributors.

The two businesses reported 61% and 31% growth respectively in the March quarter. As a result, consolidated operating profit before depreciation and amortisation (Ebitda) jumped 106% and net profit by 221%. Revenues, Ebitda and net profit for the quarter were respectively at ₹3,340 crore, ₹219 crore and ₹21 crore.

Analysts expect an Ebitda of ₹1,000 crore in FY22. Given this, its enterprise value (EV) is 3.8 times the forward Ebitda. Its peers trade at double-digit multiples given the high growth nature of the industry. The valuation gap reflects the delisting hangover on Allcargo's stock.