

TCI: Committed to value creation



VINEET AGARWAL, JOINT MANAGING DIRECTOR, TRANSPORT CORPORATION OF INDIA

V. RAMANUJAM

WITH an annual revenue exceeding Rs. 2,200 crore, TCI Group is India's leading integrated supply chain and logistics solutions provider. The Group's design of operations is fully based on expertise developed over five decades. TCI has an extensive network of over 1,000+ company owned offices, 9.25 million square feet of warehousing space and a team of 5,000+ trained employees. With its customer-centric approach, world class resources, state-of-the-art technology and professional management, the group follows strong corporate governance and is committed to value creation for its customers.

Vineet Agarwal, Joint Managing Director, Transport Corporation of India, is a visionary, and is one of India's youngest

leaders and has set a precedent not just for his company but also for the entire logistics industry. Through his pioneering initiatives, he has transformed a trucking company into India's largest integrated logistics and supply chain solutions providers.

His views are very valuable. The excerpts of his exclusive interview given to your most favourable logistics publication:

INDIAN TRANSPORT & LOGISTICS

NEWS: What are your overall views on Indian logistics sector and global logistics industry in the context of current environment?

VINEET AGARWAL: All segments of the global logistics industry have been hit by the economic slowdown. There is a sharp dip in the share of logistics expenditure in global GDP as transportation and distribu-



tion volumes have been severely affected on account of the economic downturn. The Indian logistics industry that has gained immense prominence over the years owing to increased industrial activities is also affected by the current economic scenario. The sector has seen an overall decline in the movement of goods with infrastructure, manufacturing, automotive, commercial vehicles, heavy engineering and capital goods sector cutting down movement.

The problems of the Indian logistics sector in the present scenario have been further compounded by fragmented nature of the sector. Competition between organised and unorganised players and low freight rates in India is putting immense downward pressure on pricing leaving few options for logistics firms to invest in assets and technology. Non-industry status has also added to the woes of the sector by making it difficult for transporters to raise capital and debt through organised banking and financial channels. Lack of skilled manpower has emerged as another major concern for the logistics sector that needs to become vastly efficient.

The sector also faces multiple challenges on account of poor conditions of storage infrastructure, inefficiencies in transportation, poor roads, a complex tax structure and a low rate of technol-

ogy adoption. Pending issues with GST has hampered growth of the sector significantly by restricting the creation of a common market to permit free and unimpeded movement of goods and services across the country.

ITLN: TCI has established itself as the fastest growing group in India. What is your outlook for the year 2013, and what is your company's growth strategy?

VINEET: TCI has evolved from a one-truck, one-office company to an integrated logistics solutions provider to offer complete service bouquet right from supply chain consultancy, inbound logistics, warehousing/distribution to outbound logistics. We have set-up dedicated verticals for rail, ODC and high priority verticals like auto, retail and consumer products, hi-tech, health care and cold chain to drive future growth. Our approach to be more responsive to customer needs and devise logistics solutions as per customer needs has helped us not only in retaining our market share but also in becoming preferred logistics solutions provider across sectors.

We expect 2013 to bring new opportunities for the sector with renewed policy push and commitment to implement large infrastructure projects. Our strategy to improve yields through optimisation, incubate new business segments and provide end-to-end solutions where value-

adds can be bundled, as well as to develop customised product should pay us rich dividends.

We are maintaining our margins by efficiencies, cost control and competitiveness and will continue to do so as part of the growth plan. We had earmarked a capex since the last five years and have spent around Rs. 340 crore till 2012. We have had a budget of about Rs. 150 crore for FY 2013 for the purchase of new vehicles/ship, development of hub centre, small warehouses and technology. We are spending Rs. 40 crore for the purchase of trucks, Rs. 60 crore to 70 crore to build new hub centres and warehouses, Rs. 20 crore to 25 crore for buying vessels and other miscellaneous IT systems amongst others.

We aim to grow at the rate of 10 to 15 per cent in the coming years with Supply Chain Solutions (SCS), Express (XPS) and Core Freight Transportation divisions driving company growth.

ITLN: The much talked about FDI in multi-brand retail is about to take off in India. What will be its impact on logistics sector?

VINEET: FDI in retail will have a significant impact on the economy as well as the Indian logistics industry. The investment will result in a pan-India expansion of organised retail and the country's geographical diversity will require supply chain networks to not only improve acces-





sibility but also offer multimodal solutions and value-added services at par with global standards. The multi-store formats will take control of inventory, warehousing and distribution activities resulting in consolidation of services. International retailers will replicate their global supply chain best practices including improved storage and handling activities from the pre-harvest stage to store shelf. The sector should also see increased competition and fast adoption of technology especially with the incoming of logistics partners of MNC retailers.

ITLN: In your experience, what was the effect of recent global economic slow-down on logistics sector in India?

VINEET: The Indian logistics sector has seen an overall decline in movement of goods with infrastructure, manufacturing, auto, commercial vehicles, heavy engineering and capital goods sector cutting down movement. Tight credit situation, no major policy reforms and weak demand have made the situation further difficult for the sector.

TCI's performance during the slow-down period has been stable as we managed to hold on to its market share and improved margins. We invested in technology and workforce training apart from working closely with clients across sectors to provide innovative solutions in order to

cut costs. Our competency in providing a complete service bouquet right from supply chain consultancy, inbound logistics, warehousing/distribution to outbound logistics helped us seize new business opportunities and build credibility as a preferred partner of companies looking to outsource their logistics requirements.

We re-visited our business model during the course of the year to reduce exposure to high-credit freight business and compensated it with the express, cargo and SCM business. Our capital expenditure plans to acquire new assets like trucks, create new logistics hubs and acquire ships to boost coastal transport also progressed well during the year.

ITLN: Please brief us on the salient features of 3PL services being provided by TCI to customers.

VINEET: Our strength lies in the ability to be responsive to customer needs. We can manage the entire logistics function of a company through our specialised verticals that handle all aspects of logistics requirements. Our ability to seamlessly integrate across verticals and offer multimodal solutions across air, surface and rail through TCI XPS and TCI SCS makes us a preferred logistics partner.

To MNCs looking for logistics partners in India, TCI presents a viable alternative to their existing logistics partners as we have

developed capabilities (to provide end-to-end solutions where value-adds can be bundled, as well as to develop customised products) in all areas of operations to meet or exceed their logistics requirements.

ITLN: TCI is also providing efficient cold supply chain management solution. Please elaborate.

VINEET: TCI Supply Chain Solutions is mainly focusing attention on the cold chain as this vertical in India is evolving rapidly. We are of the view that it is the interplay of infrastructure, technology and new types of service providers that will define whether the industry is able to help its customers reduce their logistics costs and provide effective services.

We are continuously adding and upgrading our infrastructure, fleet, IT systems, etc. as per our capex plans. We aim to offer best services to our customers. We are currently looking at following options to invest in cold storages in the light of government policies: fully customised services as per the customer need; imported units with Digital Data Logger; GPS tracking with central control room; temperature range from -25 to +25 with +/- 0.5; and, project movement during harvesting season. ■