

The Indian logistics industry growing fast, but challenges remain

09/Oct/2008



Suffering from chronic underinvestment in transport infrastructure, India's industry has been characterised by systemic supply chain failings. However it seems to some extent that this situation is now being addressed, due to the Government's current emphasis on infrastructure improvements.

These improvements, facilitating growth in overseas trade, are particularly helping the development of private companies operating in the shipping logistics sector, many of which are making their own investment in facilities as they gear up to support capacity expansion.

The Indian logistics market is characterised not only by the large global 3PLs, but also by many Indian companies. Some of these players have expanded in India via foreign investment, and others are companies providing shipping and shipping related activities, which have diversified into logistics. Meanwhile, many 3PLs in the Indian market have imported expertise through joint ventures with established foreign operators.

Allcargo Global Logistics (AGL), for example, raised INR2.42bn (\$51 million) this year, through an issue of shares and debentures, using the investment company Blackstone Advisors. Shashi Kiran Shetty, AGL's Chairman and Managing Director, said: "Our company had been looking at raising funds for expansion. With Blackstone, we [have] the opportunities in the logistics space in India and globally."

AGL also signed a memorandum of understanding with the state-run Container Corporation of India (Concor), to establish a container freight station (CFS) at the Dadri inland container depot (ICD), near Delhi. The 40,000 sq m facility will have an annual capacity of 84,000 TEUs (twenty-foot equivalent units). It will be operational from January 2009, and handle container traffic from northern India.

The company, which has focused on LCL (less than container load) consolidation, FCL (full container load) forwarding and CFS operations, owns and operates three CFS facilities: near Jawaharlal Nehru Port (close to Mumbai), at Chennai, and at the north-west Indian port of Mundra.

Another company aiming to become a one-stop shop is the Mumbai-based shipowner Essar Shipping Ports and Logistics Ltd (ESPLL), which is raising US\$1.9bn to finance several shipping and logistics expansion projects.

ESPLL's Director V Ashok said: "Over the past year we've re-organised from [being] a shipping company into a full-fledged logistics outfit. We've become an integrated player in India, which is unique." The 3PL ESPLL serves the group companies Essar Oil, Essar Steel and Essar Bulk Terminal, in its plans to focus more on the ports sector.

Few companies involved in supporting India's maritime infrastructure can offer the range of multimodal logistics solutions provided by Chennai-based Sical Logistics. The group offers solutions for bulk, container and offshore logistics, and operates the container terminal at the port of Tuticorin (in partnership with Singapore's PSA International), among other activities, which include rail, ICD and CFS operations.

The Sical group CEO Sudhir Rangnekar explained: "One of our most prestigious projects is Sical Multimodal and Rail Transport (SMART), which offers competitive container rail logistics services through a network of ICDs, using the 'hub-and-spoke' model. Our plan is to have the Multimodal International Hub Airport at Nagpur (MIHAN) as the hub, and Chennai and Bangalore as spokes. We will offer end-to-end solutions across the country."

Rangnekar continued: "Our fleet of 2,500 trucks and about 1.1m sq ft of warehouse space allow us to cater to the burgeoning demand for inland logistics. We've introduced GSM/GPS systems for real-time tracking of trucks carrying high value cargo."

He added that the group also has several upcoming infrastructure projects managed under a new wholly-owned subsidiary, Sical Infra Asset. One of the companies to be managed by this umbrella outfit is Sical Iron Ore Terminals, which is establishing one of the largest iron ore terminals in India, with a capacity of 12m tonnes. To be managed on a BOT (Build, Operate, Transfer) basis, it is due to become operational by early 2010.

One group to have diversified from its core shipping agency business into integrated logistics is Samsara Shipping, part of the Dubai-based Sharaf group. Its two main businesses are a rail-mounted container service, called Hind Terminals, and a chain of CFSs located in strategic points across the country.

Mukesh Oza, Samsara's President and CEO, said: "We handle nearly 15,000 TEUs monthly through Hind Terminals in our [Jawaharlal Nehru] ICD, which is a strategic alliance with the (state-run) Central Warehousing Corporation (CWC). Recently we've extended our association with CWC via a similar relationship in Mundra, where we have a 30-acre ICD. We commenced operations in May 2008. We're currently handling 4,000 TEUs per month, have run out of space, and are looking for more area."

Hind Terminals has noticed that cargo patterns at the ports of Mundra and Jawaharlal Nehru are different. Mundra has mainly export cargoes, while Jawaharlal Nehru receives more import containers destined for northern India. The repositioning of empties is a critical factor in the operation.

Oza explained: "It helps our logistics operation that the boxes from Jawaharlal Nehru and Mundra move on our own rail wagons. We operate eight rakes (container wagon trains), four of them running on the western corridor between Dadri and Jawaharlal Nehru. The other four rakes take boxes to Ludhiana and Kota."

Another prominent freight forwarder in India offering global logistics solutions is WSL, which has entered into a partnership with Scan Global Logistics (SGL), part of the Denmark-headquartered Scan Group.

Wilson Sandhu Logistics' (WSL's) Chairman and Managing Director Raghbir Singh Sandhu commented: "We want to be a niche player, offering comprehensive services in [the movement of] automobiles, machinery, engineering products, pharmaceuticals and textile products. We also offer specialised project forwarding."

WSL was among the first logistics companies in India to launch the concept of total logistics; and is supported by group companies Passage Cargo (a Customs agent) and Satguru Shipping & Transport Logistics. The latter runs its own fleet of trucks across India, in conjunction with the company's 3PL activities.

The alliance between WSL and SGL focuses on increasing its presence in emerging and other growth markets, such as China, Brazil, South Korea, Lithuania and Latvia. The alliance's objective is to become a market leader in both India and Europe.

The continuing high growth of India's logistics industry is matched by significant challenges for the Government in improving India's inadequate transport infrastructure. But as detailed above, despite these limitations there is no shortage of opportunities for logistics expansion in this market.

Source: Transport Intelligence, Oct 09, 2008

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