

# Sharpening the Spear

**Pune's Spear Logistics is building on the goodwill it enjoys from its growing clientele**

**P**une-based contract logistics major, Spear Logistics Pvt Ltd, celebrated its ninth anniversary recently with promise of further successes. Founded in 2001 by Gautam Dembla and Uday Palsule, who have 20 years of logistics experience between them, Spear is preening itself for a higher trajectory. Built around warehousing activity, contract logistics is seeing a surge in growth in recent years. And Spear is keen on capitalising on the unfolding opportunities, targeting a turnover of ₹40 crore this year, up from ₹35 crore in 2009-10.

Dembla recalls that Spear leveraged the 2008 global economic downturn to its benefit. As the slowdown pressured manufacturers to curb costs and rationalise operations, they turned to their core competencies while outsourcing activities such as logistics to third-party logistics providers like Spear.

"We moved in briskly," says Dembla. "We offer customised solutions, pivoted on warehousing and distribution management, and value-added services." Business-to-customer products like cell phones and accessories are delivered to clients in Tier I, II and III cities. Spear works with transporters with whom terms and conditions have been negotiated by its clients. The core team comprises Dembla, Palsule, Anosh Aga (vp, sales) and Rajneesh Disawal (national head, operations), who are seasoned professionals in global and domestic logistics.

"We have 30 steadfast clients across verticals that include engineering, telecom, infrastructure and retail," says Dembla. "Among these are Atlas Copco, Reliance Retail, Airtel, Aircel, Siemens, Ashok Leyland,

Bosch Chassis, Shell and Asian Paints." Some of them, like Sweden's mining tools and equipment maker Atlas Copco, have been with the company since its inception, he says.

Palsule adds that Spear today manages inventories worth over ₹700 crore across 60 warehouses, exceeding a combined 1.6 million sq ft of warehousing space. Spread across India mostly in the western, southern and northern regions, these customised warehouses operate through 15



*Palsule and Dembla: offering customised solutions*

branch offices and process 1.8 million lines, or item types.

Aga says Spear is an asset-light company that leases warehouses to match clients' needs, man and equip them and run operations. "We custom-build and operate our warehouses in consultations with our various customers and combine warehousing, transportation and value-added services to ensure a custom fit," he notes.

The prevailing lease rates of warehouses in Pune range from ₹11 to ₹25 per sq ft, varying from location to location, says Snehil Singhai, manager, marketing, Spear. Lease rates in the city generally grow 10-15 per cent year-on-year, but are 5 per cent when on contract. He says his firm's processes consistently deliver 99.95 per cent inventory accuracy by using

checks at-every-level processes, bar-coding and a business inventory team driving cycle counts.

Spear's success has elicited private equity interest. A year and a half ago, Ambit Pragma Ventures, the PE fund of Indian financial services agency Ambit Holdings, invested close to \$7 million for a stake of more than 30 per cent in Spear. This investment, its first, gave a board seat to Ambit Pragma, which is focussed on the five sectors of entertainment and leisure, healthcare and wellness, logistics, branded food and infrastructure services.

## Warehousing logistics

"Spear's uniqueness is that it has involved itself with the contract logistics business through warehousing and not through transportation," says a logistics specialist. "Many warehousing players are real estate companies that have ventured into logistics incidentally." He adds that Spear's focus from the outset has been on warehousing logistics and Ambit's interest in it is driven by the firm's long-term growth potential.

"We wish to enable mid-market firms to emerge as significant players," says Rajeev Agrawal, who leads Ambit Pragma and its team of five. "We support leaders of tomorrow with a fire to grow, to build brands, to set new standards; we seek not just to invest in high-growth companies, but also to collaborate with them."

Spear proposes to diversify by venturing into the reefer (or refrigerated) transportation business, towards which it will allocate ₹2 crore initially. Dembla says this investment will be stepped up as the business progresses.

Dembla exults that Spear has not lost a single client owing to non-performance. Nitin Athalye, head, logistics, Siemens India, which has 185,000 sq ft of warehousing with Spear in Bhiwandi, commends the latter for its promptness in delivery. "This indicates we do not have to struggle till the last moment."

♦ SAROSH BANA