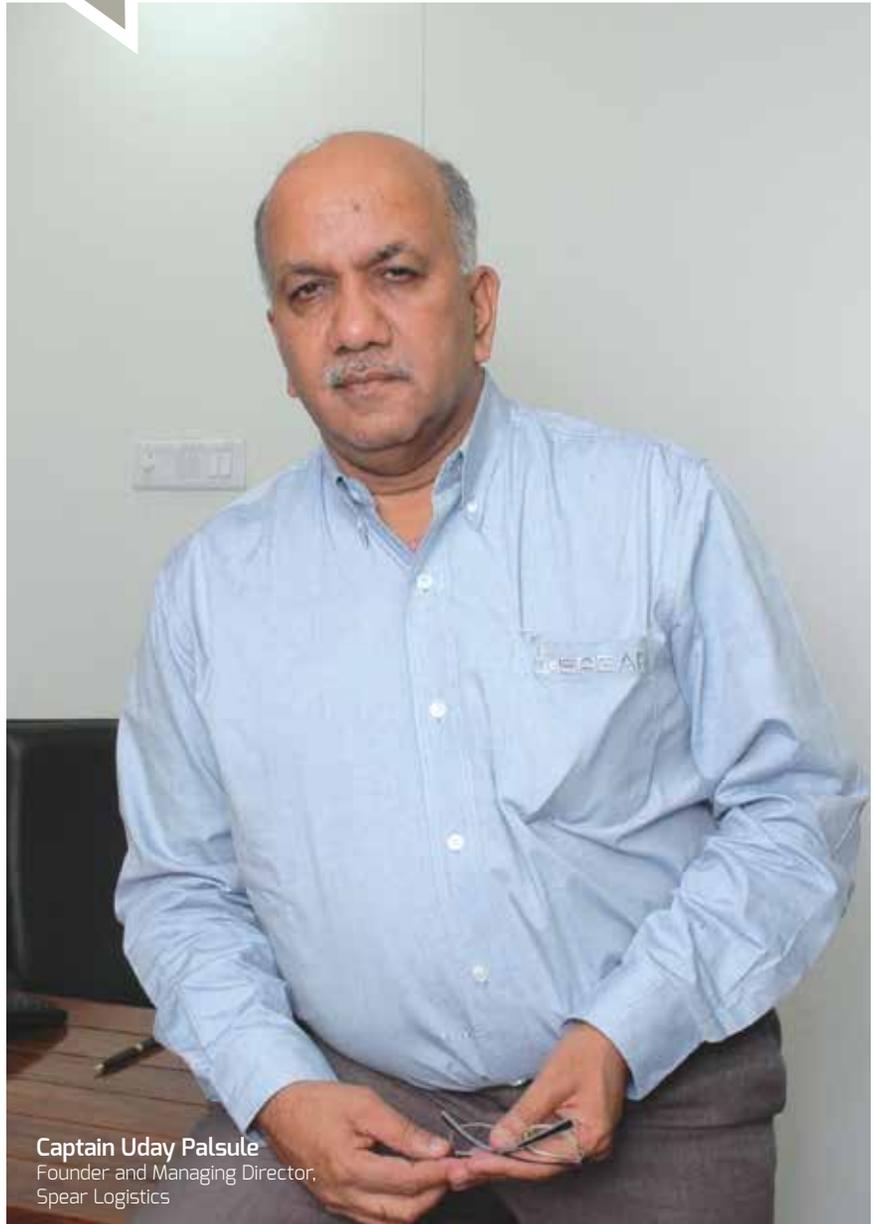


'Spear logistics targets ₹140 crore revenue by next financial year'

Despite several operational hazards and policy issues that hinder the growth of the logistics industry, the sector is growing in leaps and bounds in India. The logistics service providers are hopeful of further growth of the industry once the proposed 'National Investment Manufacturing Zones' and GST gets implemented in the country. Cashing on the trend, Pune-based contract logistics provider Spear Logistics Private Limited has laid out a growth plan to increase its clientele base and achieve revenue target of ₹140 crore by next financial year. In an interview with Itishree Samal, Spear Logistics founder and managing director **Captain Uday Palsule** talks about how the logistics and supply chain sector is emerging as a sunrise industry and shares his company's growth plans. Edited excerpts:



Captain Uday Palsule
Founder and Managing Director,
Spear Logistics

Q What is your take on the current logistics industry scenario in India?

A Unlike few years ago, the logistics industry in India is growing at a faster rate. The industry is currently pegged between \$90 billion and \$125 billion, and it has become an area of priority. Years of high growth in Indian economy have resulted in large volumes of traffic, thereby providing opportunities in areas such as transportation, warehousing, freight forwarding, express cargo, container and shipping services. Going forward, the strength of the logistics sector is likely to be one of the key determinants of future economic growth in the country.

Q The logistics and supply chain providers face with several operational issues. According to you, what are the top five challenges obstructing the growth of the industry and affecting their margin level?

A Of the several challenges the industry face, industrial slowdown, suspension in liberalisation process for goods and services tax (GST), dilemma between Octroi and local body tax (LBT), and challenges in transportation domain including road corruption and unreasonable number of toll booths are the most growth-obstructing factors.

Another fundamental issue is that the industry looks at reducing transaction cost rather than looking for alternative solutions to lower inventory costs; this puts stress on logistics service providers' investment ability.

Q Despite the operational hazards, the industry is showing a positive growth. What are the trends emerging in the industry?

A Construction of massive state-of-the-art logistics parks at key distribution hubs are helping to meet the specialised warehousing needs of industries. This strong growth is expected to continue with the share of the non-major ports increasing further.

Technologies such as RFID (radio frequency identification) are helping manage the logistics and inventory problems faced by companies. Visibility and improved accuracy of the information shared is greatly enhanced apart from the development of more

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collaborative relations across the supply chain.

With the rapid growth of 3PL companies, supply chain management (SCM) software and specialised warehouse management system (WMS) are being adopted to cater to multiple needs of logistics service providers. These enterprise resource planning solutions that cater to the varied requirements of the logistics service providers integrate their process and streamlines operations.

Moving from simply providing services towards solution building is the growing need and expectation of

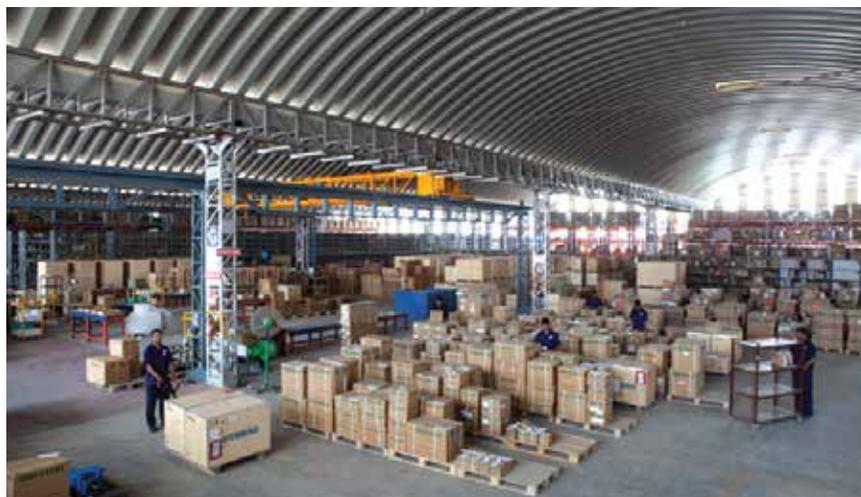
the industry. Also, contract logistics business is expected to grow in the future while collaborating efficiently and strengthening alliances. The contract logistics industry is building capability to provide complex solutions to the client, hence Spear Logistics has focused hard on this sector and it is bearing fruit now.

Q How has been Spear's growth over the years? What is your current volume of business?

A Spear logistics, being one of the premier 3PL companies in the country, is growing at 20 per cent year-on-year, which is much higher than the overall industry's growth. From a humble beginning with a 10,000-sft warehouse in 2001, we currently manage around 2.6 million sft and have a large customer base across industry verticals including automobiles, engineering, consumer durables, lubricants, retail and telecom. From earlier years where we had our footprint only in the western India, now we have presence across 25 cities in India. The company with a team of more than 1,800 employees runs 75 warehouses across cities including Mumbai, Pune, Hyderabad, Ahmedabad, Bangalore, Chennai, Coimbatore, Kochi, Nasik, New Delhi and Kolkata.

Q What is your revenue target and growth plans for next year?

A We had registered revenue of ₹77 crore (₹770 million) in the 2012-13 financial year, which was an 18 per cent increase compared to the previous year's revenue. We have set a target of achieving ₹140 crore revenue for the financial year 2014-15.



Recently, we have set up multiuser facility in Bhiwandi and Delhi. And we have already strengthened our distribution division that will contribute to our skill sets and topline considerably. We are also looking at various new products in warehousing.

Q What are the growth-driving factors for Spear?

A Our large customer base and wide presence across industry verticals has facilitated the growth momentum, and it will continue contributing in the growth in the future. Our core focus is on ‘contract logistics’ with emphasis on ‘warehousing and distribution management’.

Production support logistics helps all aspects of inbound logistics management include kitting right up to line feed. Service parts logistics helps manage very high transaction and very high SKU warehouse complexity with very high delivery and inventory maintenance standards. Finished goods logistics looks after high volume warehouses with high transaction skew through the month and year.

The proposed National Investment Manufacturing Zones (NIMZ) are coming up across the country and they will help the logistics industry in a big way. Consolidation of services and facilities will lower costs for transportation and warehousing. It will also expose the availability and sophistication of services to prospective clients and open newer opportunities for Spear in depth and breadth of clientele.

Q Recently, you were in talks to raise \$10 million. Has anything been finalised on that front?

A Yes, we had plans to raise \$10 million by next year. Our plans are to enhance sophistication of our technological base so that we can offer high-productivity solutions to our clients. We will be also putting in place investment plans for shared as well as dedicated warehouses investment. Currently, we have several alternatives and choices ahead of us, and we are awaiting the right time and moment to finalise.

Q Does the industry have any scope for new players?

A New entrepreneurs can support the current players in supplier role.



“The growth of the economy in future may driven by increased activity in the manufacturing and retail sectors. To meet this challenge, the logistics industry will have to step up.”

Port logistics and support systems will also require a lot of new players. Demand for streamlined supply chains in sectors like auto, pharma, hi-tech, retail sectors is seeing a strong growth for logistics service providers and third-party logistics players. Cashing on this trend, industry veterans are trying to be entrepreneurs in this space. The area is attracting second-generation entrepreneurs as well.

Q What is the need of the hour in the Indian logistics industry?

A The urgent implementation of GST would be the most fundamental change for the logistics industry, and it has potential to completely change the logistics landscape of the country. It will integrate the logistics networks. Current Indian average speed for transportation of cargo is about 300 km per day and it is easily possible to raise it by 50 per cent with small regulation changes. Such a step would make sea change in profitability for transport businesses and will attract investment in that business. GST will enforce larger, smarter warehouses; invite organised players into contract logistics; make the industry more organised and transform the way business is carried out in India.

The growth of the economy in future is likely to be driven by increased activity in the manufacturing and retail sectors. To meet this challenge, the logistics industry will have to step up and provide value-enabling solutions by creating an environment for such a transition, increase the capability of the industry to provide such solutions, get the government and other regulatory mechanisms in the country to provide an enabling environment for facilitating value propositions in logistics. **mg**