



DECEMBER 2019

OPERATIONS INSIGHT

02

**SUPPLY CHAIN
LESSONS
FROM SANTA CLAUS**

06

**BLOCKCHAIN AS A
TOOL FOR SUPPLY
CHAIN INNOVATION**

14

**GIVING TECH TO
WHEELS: HOW
TECHNOLOGY IS
TRANSFORMING THE
LOGISTICS SECTOR**

04

**ALLCARGO
LOGISTICS BUYS
CONTROLLING STAKE
IN GATI**

07

**HOW FLIPKART IS
AUTOMATING ITS
SUPPLY CHAIN WITH
ROBOTICS, MACHINE
LEARNING.**

15

**U.S. PORT RATINGS
REMAIN STRONG
DESPITE TRADE
POLICY CHANGES,
SAYS FITCH**



WORDS BY SUN TZU

THE LINE BETWEEN DISORDER AND ORDER LIES IN LOGISTICS...



SUPPLY CHAIN LESSONS FROM SANTA CLAUS

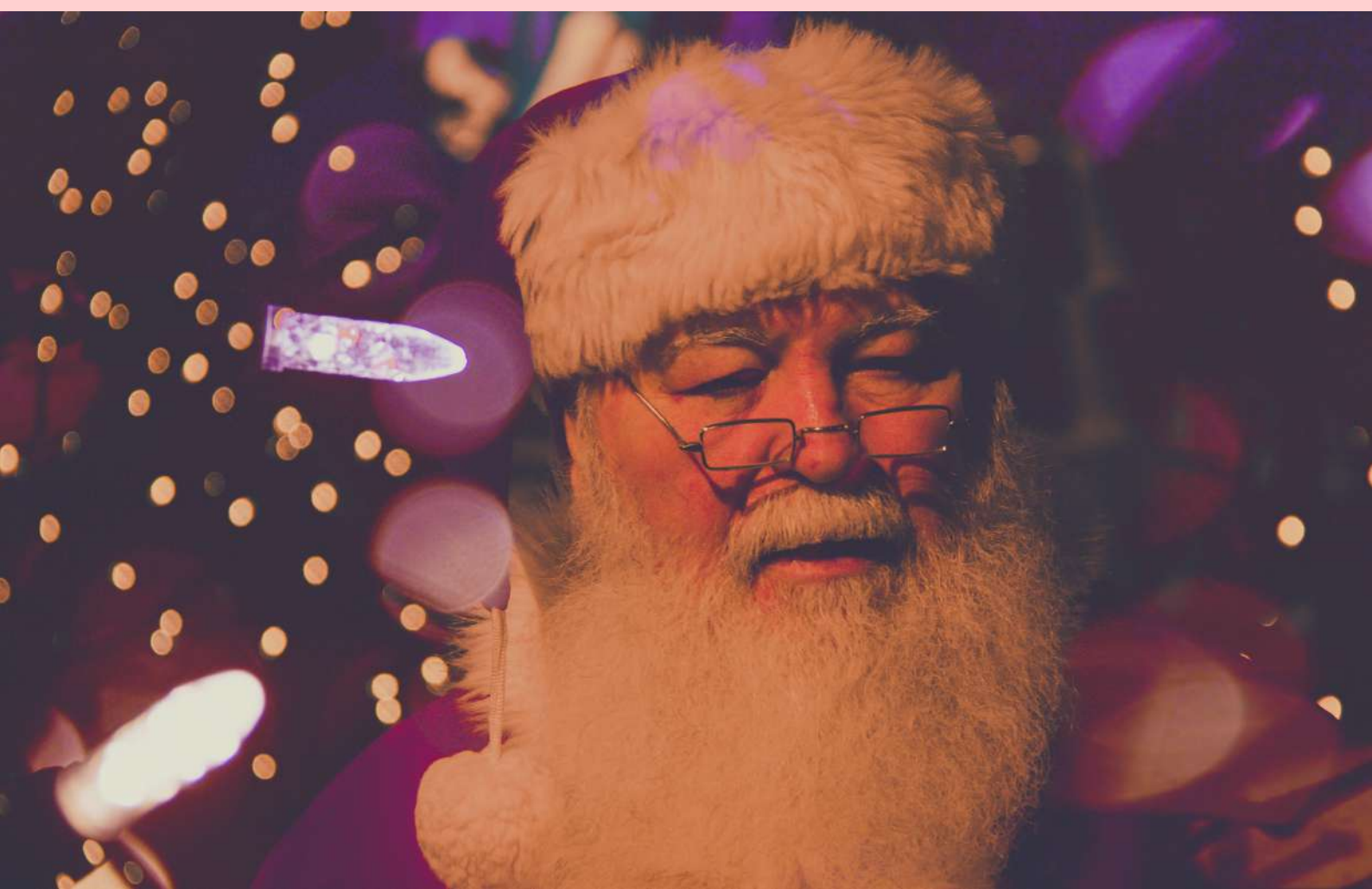
Anuj Ghag | 16 December 2019

The Christmas holiday season is in full swing and it's this time of the year that proves busiest for supply chain managers. Months of planning and preparation goes into ensuring that everything in the run up to the big day is successful. Unfortunately, it doesn't always go to plan.

One person who has never had such problems is Santa Claus. Not only does he know when you are sleeping, but he can also accurately forecast demand to ensure everyone receives the presents they want on Christmas Day. This is one of the many reasons that Mr. Claus is considered as a supply chain leader among those in the industry. So here are few lessons can we learn from Santa Claus?

Planning is crucial

Santa never wants to see disappointed children on Christmas Day, but sometimes he makes mistakes – or shall I say his elves do. However, these are often minimal, and many children receive what they have asked for at Christmas, which is all down to careful demand planning. It's not just Santa, who needs to plan carefully in order to be successful. In general, demand planning is a vital part of every supply chain. Accurate forecasting is a must as no supply chain manager wants to be left with empty shelves due to not having enough supply to meet demand. Yet at the same time supply chain managers don't want to be left with shelves stocked with goods which nobody wants to buy. The use of historic data alone can often lead to discrepancies between the forecast and actual demand. Therefore, many supply chain managers will use forecasting tools based upon intelligent algorithms.



Timing is critical

Let's imagine you woke up on Christmas Day and there were no presents under the tree. To say that this would not be great is possibly a huge understatement. If you've got kids, it would be a complete and utter disaster.

This is also important for logistics companies to ensure that presents arrive in time for Christmas Day. In fact, perfect timing is desirable throughout all elements of the supply chain, but within in the logistics process it is even essential.

And we should all believe

There are some rumors that Santa is not real and what he achieves is impossible. However, even if this is somewhat the case, even imaginative characters can be role models for some people.

Although his supply chain may be a little far-fetched according to some, it sets a standard that the supply chain can strive to achieve – maybe minus the flying reindeer.

By having goals and targets to strive for, it pushes supply chain managers to optimize their supply chains and make them better. However, goals alone won't improve supply chains and lead to innovations, supply chain managers need to believe they can do this in order to make these changes reality.

Closing Thoughts

Whether you are a believer or a non-believer, you can't deny that the Christmas supply chain works out for most people. All things considered; this is kind of a minor miracle. However, if you strive for perfection in your supply chain, Santa's supply chain model is a good one to follow.

Merry Christmas!.....



ALLCARGO LOGISTICS BUYS CONTROLLING STAKE IN GATI

Lakshana Mandluskar | 06 December 2019

Allcargo Logistics said it is acquiring a controlling stake in the express logistics company Gati. The all-cash deal will see the company eventually acquiring about 45% in Gati through a direct purchase of the promoters' stake and a subsequent open offer. It values the company at about Rs 1,000 crore.

"The exponential rise in cross border and domestic ecommerce has opened up new markets for traditional express players such as Gati. With Allcargo's existing strength in the ocean transportation business and Gati's expertise in land and air transportation, we are now in a unique position to offer our customers a suite of

truly multimodal solutions," said Allcargo Logistics chairman Shashi Kiran Shetty. The express logistics industry is expected to reach Rs 48,000 crore (\$7 billion) by 2023, according to a study led by Deloitte in 2018.

This growth will primarily be driven by domestic consumption, shift from unorganised to organised trade, ecommerce (domestic and cross border) and significant demand from small and medium B2B segment. Allcargo is funding this deal through a mix of internal accruals and debt. Internal accrual is through monetisation of non-core assets, including land parcel. Allcargo had been in advanced talks for the transactions in August last year, but withdrew later. The first round of talks was renewed earlier this year. The final agreement between the parties was held up by Kintetsu World Express, a Japanese freight forwarder that owned 3.99% stake in Gati as of September end.

INDIA NEEDS TO DEMONSTRATE WILLINGNESS TO BECOME PART OF GLOBAL SUPPLY CHAIN: US

Aniket Dhok | 12 December 2019

India needs to demonstrate its willingness to be a part of the global supply chain by taking steps towards resolving larger market access issues, a top US diplomat has said, expressing hope that a bilateral trade deal being negotiated can be a "stepping stone" to more ambitious trade liberalisation. Speaking at a programme to commemorate the 60th anniversary of President Eisenhower's Historic Visit to India, Acting Assistant Secretary of State for South and Central Asia, Alice G Wells, said the trade talks between India and the US are going on well. In September, US President Donald Trump said that America will soon have a trade deal with India to boost economic ties between the two nations. India is demanding exemption from high duties imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic products under their Generalised System of Preferences (GSP), greater market access for its products from sectors, including agriculture, automobile, auto components and engineering.

The US, on the other hand, wants greater market access for its farm and manufacturing products, dairy items and medical devices, and cut on import duties on some information and communications technology (ICT) products. India's exports to the US in 2018-19 stood at USD 52.4 billion, while imports were USD 35.5 billion.





BLOCKCHAIN AS A TOOL FOR SUPPLY CHAIN INNOVATION

Tejas Raut | 20 December 2019

Blockchain: Surgere's New Supply Chain Tool

Annually, the Automotive Industry alone loses billions of dollars due to supply chain mismanagement. For most, the deficit is credited to losing between 16 and 18 per cent of reusable packaging assets. The multi-billion-dollar problem in the Automotive Industry is indicative of an issue with the current state of supply chain management across all industries. Simply stated - the status quo of supply chain management has been outgrown. For Honda of America Manufacturing, Inc., the status quo became too costly and inefficient to sustain. As their supply chain grew, they faced new problems - lost containers, a general lack of visible assets and the financial burden of the earlier-mentioned. Like many others, Honda of America's supply chain was threatened due

to inefficient handling of returns to the supplier. When a returnable pack was unavailable, the supplier would resort to using corrugated boxes, which cannot be reused, efficiently stored or loaded into trucks. On some occasions, the supplier would have to expedite the shipment of reusable back to the supplier. These practices - which are congruent across all supply chains - were costly and unsustainable.

Blockchain as a Tool for Supply Chain Innovation

Surgere customizes unique solutions for every industry's supply chain utilizing sensor-based science - in conjunction with their proprietary cloud-based solution - that delivers unprecedented visibility, data and ROI while providing 99.9% accuracy.

Technological advancements are an integral part of what makes the Surgere Solution so innovative. As advancements in technology are made, Surgere's solutions gain more tools to continue resolving all challenges faced by supply chains, like Block chain.

Blockchain as a disruptive technology - enhances Surgere's ability to identify and track transactions digitally and share that information through distributed ledgers.



HOW FLIPKART IS AUTOMATING ITS SUPPLY CHAIN WITH ROBOTICS, MACHINE LEARNING.

“A breakthrough in machine learning would be worth ten Microsofts.”

Aniket Dhok | 12 December 2019

The e-commerce giant is using robots to automate its supply chain and bring the next 200 million customers online. Tucked away in a nondescript lane on the outskirts of Bengaluru, is the sorting facility of e-commerce giant Flipkart. Walking into the hangar-like building, you can hear grinding metallic noises.

That's the sound of hundreds of robots, or cobots, as they are called, working seamlessly with humans. The human workers place the products on the orange-coloured robots, and the machines sort them after scanning the encoded information on each parcel and placing them in the designated bins.

RETAIL BOOST FOR LOGISTICS, WAREHOUSING: INVESTMENT RISES BY \$7 BN IN 2 YRS

Aniket Dhok | 28 November 2019

The logistics and warehousing sector in the country has attracted \$7.2-billion investment in the past two years, thanks to the emergence of global online retail giants and widespread expansion across value chains.

The largest of these is the \$3-billion corpus set aside by the National Investment Infrastructure Fund to buy or sponsor a port and logistics-related projects in India through DP World (DPW). Allianz has also allocated \$1 billion in e-Shang Redwood (ESR) to develop warehousing space in eight major cities across the country, according to data compiled by the CARE Ratings. These investments are planned mainly to cater to services such as single- or multi-brand retail.

Online giants such as Walmart, Amazon, Flipkart, IKEA, and other large-retail format stores have set up their warehousing facilities near ports or markets to facilitate quick delivery of goods to consumers. These warehouses have modern infrastructure and amenities to service both agricultural and non-agricultural sectors. E-commerce is probably creating the biggest revolution in the retail industry, and this trend is to continue in the years to come. Online retail business is the next generation format which has high potential for growth in the near future. After conquering physical stores, retailers are now foraying into the domain of e-retailing to leverage the digital retail channels (e-commerce), which would enable them to spend less money on real estate (shops) while reaching out to more customers in tier-II and tier-III cities. The government's ambitious plan to bring down and logistics cost from the present 14 per cent of gross domestic product (GDP) to less than 10 per cent by 2022 poses a big challenge. With the unorganised sector still controlling 90 per cent of the warehousing capacity in India, the small and medium players look for consolidation either to sell their stake to multinationals or upgrade to meet global scale to remain afloat in the competition.



PLATFORM DEALS

(Fund allocated for greenfield/brownfield warehousing projects)

Investor	Investee	Amt (\$mn)
National Investment Infrastructure Fund (NIIF)	DPWorld (DPW)	3,000
Allianz	e-Shang Redwood (ESR)	1,000
IndoSpace	GLP	700
Ascendas-Sinbridge	Firstspace Realty	600
Canadian Pension Plan Investment Board (CPPIB)	IndoSpace	500
Everstone	GLP	500
Macquarie+Ivanhoe	LOGOS+Assetz	431
LOGOS	Assetz	400
International Finance Corp. (IFC)	Mahindra Life Space	92

Source: CARE Ratings - Indian Warehousing Industry

LOGISTICS FIRMS FEEL THE SLOWDOWN, SCALE BACK ON EXPANSION

Lakshana Mandluskar | 25 November 2019

The slowdown in India's economy is beginning to manifest in the logistics industry such as DHL Express, Allcargo Logistics, the logistics arms of Mahindra & Mahindra and retail behemoth Future Group, and the Warburg Pincus-backed Stellar Value chain witnessing the impact of tepid business on the pace of growth. Some of the companies have deferred planned expansions, and setting relatively modest revenue targets. "There is a bit of slowdown. We are expanding 5-10% slower this year than the last. The slowdown has been the most visible in the August-September period." RS Subramanian, senior vice president and managing director, DHL Express India, said in a recent interview. Revenue has not declined for the company and no change in its medium-to-long-term expansion plan at DHL Express. Future Supply Chain has seen a "mellowing of demand in the first couple of quarters of this financial year. If the sales for a customer were 15%, the new statistics are 7%," said its managing director Mayur Toshniwal. Future Supply Chain has postponed the construction of some new warehouses. The company was supposed to add up to 3 million square feet of warehousing space of 250 crore this year, but will now add 2-2.5 million and budget has now been cut to 180 crore-200 crore. Allcargo Logistics has seen a slower growth in exports. It will also miss its \$2-billion revenue target for 2020. India's second-quarter GDP data is to be released on November 29.



In the recent past, auto sales, consumption, real estate sales and bank credit data have pointed to a demand slowdown. While many companies don't see a decline in revenue growth due to the addition of new customers, sales for traditional customers have taken a hit. Transportation has seen the most significant impact of the slowdown, with companies cutting down plans to expand the fleet. "The Indian logistics sector's struggle to grow profitably in a market marked by tight margins and rationalised volumes continues. Road transport being the biggest segment of the Indian logistics sector, is feeling some heat. The temporary dip in transport volumes has resulted in rationalising routes, manpower and new capacity orders," said Prahlad Tanwar, partner and logistics expert at KPMG. Sumit Sharma, co-founder of logistics start-up GoBolt, said the company has cut by half its plans to increase its fleet size by 100 this year. It operates a combination of owned and leased fleet of 500 trucks.

ATA REPORTS GAINS IN THIRD QUARTER DRIVER TURNOVER RATES

Hardik Mhatre | 20 December 2019

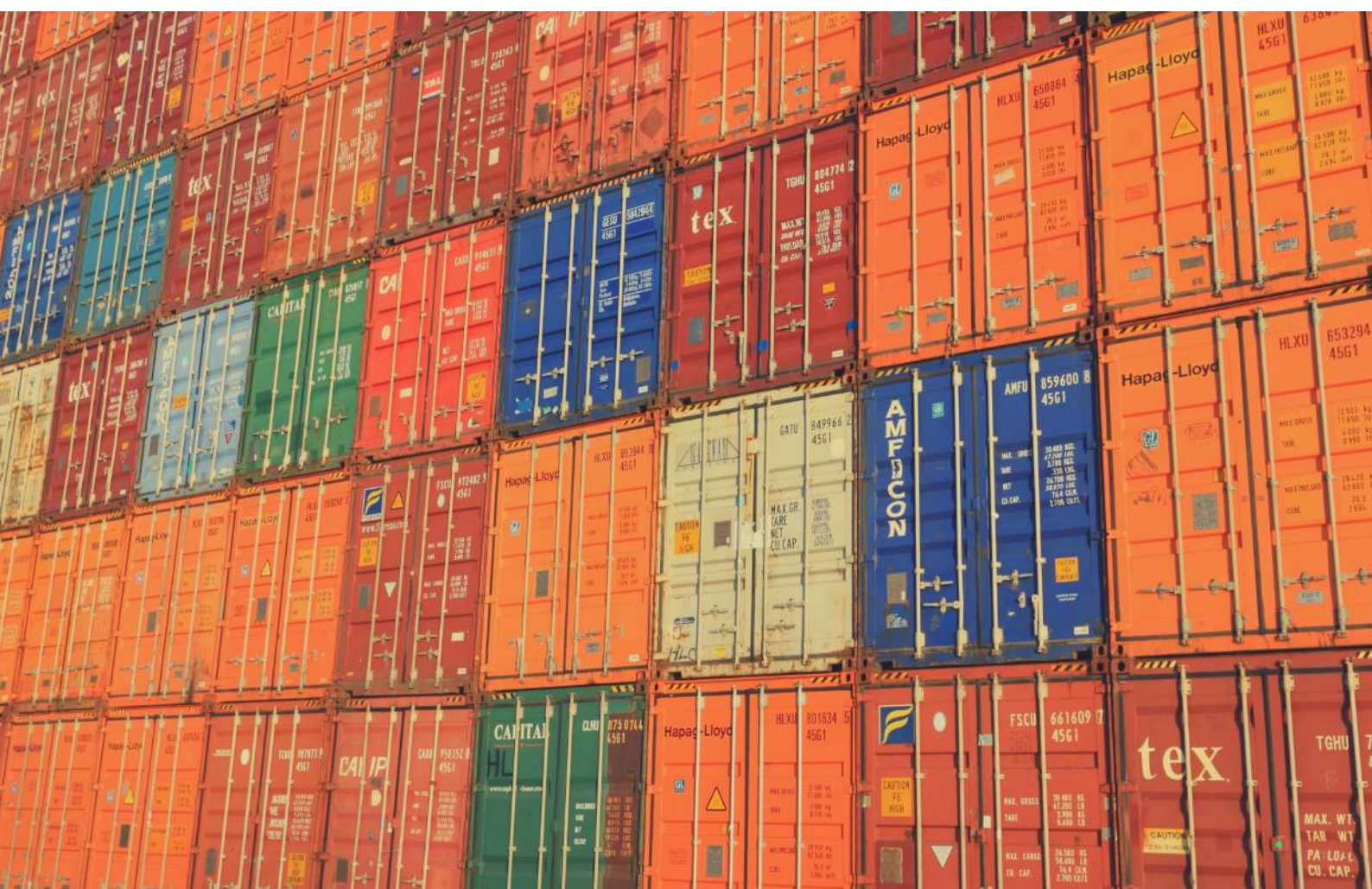
The American Trucking Associations (ATA) reported this week in its ATA Quarterly Employment Report that the annualized turnover rate for large and small truckload carriers was up in the third quarter.

The third quarter turnover rate for large fleets with more than \$30 million in revenue increased 9% to 96%, which ATA said is the single largest quarterly increase going back to the second quarter 2016 and represents the highest figure going back to the second quarter of 2018.

For small fleets, the ATA said the turnover rate headed up 6% to 73%, marking a gain over the second quarter's 67%, which is the lowest level, for small carriers, since 2011. Less-than-truckload driver turnover fell 4% to an annualized rate of 9%, which marks the lowest level since the fourth quarter of 2017



**AMERICAN
TRUCKING
ASSOCIATIONS**



INDEX TO MEASURE LOGISTICS COSTS OF KEY EXPORT SECTORS ON THE CARDS

Tejas Raut | 08 October 2019

India will soon have its own index to estimate the costs of logistics in its top nine export sectors including agriculture, leather, apparel and, gems and jewellery. The department of commerce has begun an exercise to develop sector-specific indices to estimate the logistics costs and bring them down to 10% of the gross domestic product (GDP) from 14% at present as they are higher than those in developed countries.

The government of India also aims to break into the list of top 30 countries in the World Bank Logistics Performance Index which ranked India 44 in 2018 from 54 in 2014.

"Internationally, no one has made sector-specific indices to estimate logistics costs. We have taken the top exporting sectors and will move on to domestic trade later," said Manoj Pant, director, Indian Institute of Foreign Trade (IIFT). The institute, an autonomous body under the ministry of commerce and industry, is developing the index which is likely to be released early next year. Data collection for the index started three months ago and is being done through perception based surveys through the respective export promotion councils. "We are getting to know about their problems such as biggest constraints in transportation and warehousing," Pant said. The index would also look at the logistics issues of electronics, marine, chemical and engineering goods and serve as a common measure of logistics performance for various industries in India.



ESSAR
STEEL

THE REMARKABLE CASE OF ESSAR STEEL: HOW IT TURNED AROUND OPERATIONALLY DURING THE INSOLVENCY PROCESS

Kalyani Patil | 19 December 2019

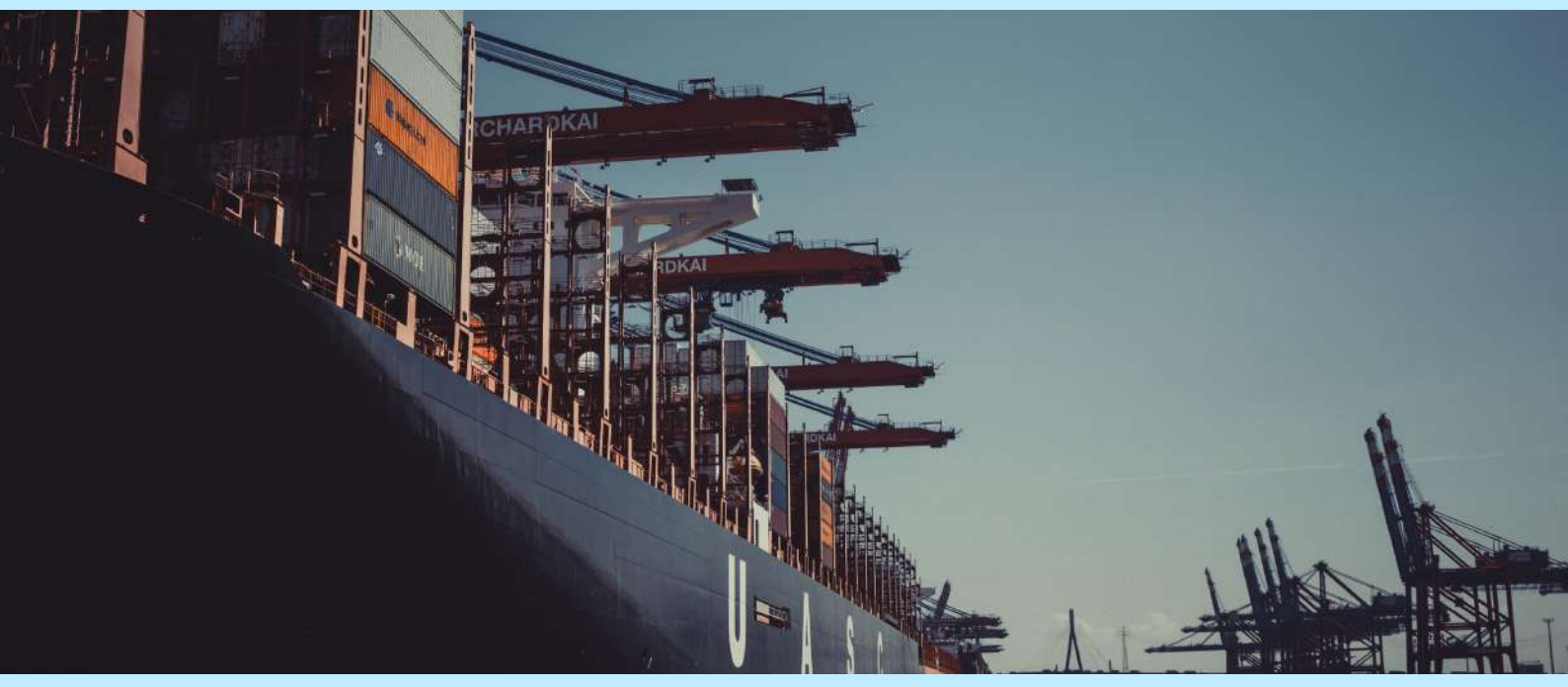
On 16 December, the day it closed its acquisition of Essar Steel India Ltd, ArcelorMittal SA, the world's largest steel company and the new owner of the steel mill, held a closing party at The Oberoi in Mumbai. The prevalent mood was one of relief. A collective sigh was almost palpable. When Standard Chartered Bank and State Bank of India filed insolvency proceedings against Essar Steel in August 2017, the company had an outstanding debt of ₹54,550 crore. It was the single biggest defaulter on the Reserve Bank of India's original "dirty dozen" list of bad loans. Banks, which were laden with bad loans that were eating into their profits and starving them of capital, were going to test the new Insolvency and Bankruptcy Code (IBC), which had been passed in Parliament the previous year. At the start, the company didn't have sufficient working capital to continue operations as all the critical suppliers said they would stop supplying goods and services unless they were paid in advance, because they didn't want to take additional credit risk. We met the top 30 suppliers to assure them that Essar Steel was a going concern and that payments would be made on time. We had to build back the company's credibility. Due to these efforts, over two plus years of the case, the plant saw operational expenditure of over ₹55,000 crore."

One of the outstanding things in the Essar Steel case is the promptness. Unlike most other steel plants in India, which are often based near iron ore reserves, the bulk of which is in the eastern part of the country, the Essar Steel plant is a 9.6 million-tonne single-location flat steel unit in Gujarat. But the Ruia family—the original owners—had built an ecosystem around the plant that was efficient enough to make the plant cost-competitive. They had built a 253km slurry pipeline from iron ore mines in Dabuna (Odisha) to a pellet plant in the coastal town of Paradip. These pellets were then shipped around to Hazira, where the Ruias operated a port terminal adjacent to the steel mill. For prospective bidders, this arrangement was a cause for worry. Only the steel plant was on sale in the deal, not the supporting infrastructure. Battle for Essar Steel doesn't seem to have fazed the Mittals. The first CoC member had also met ArcelorMittal owner L.N. Mittal, at The Oberoi party. "LN Mittal said that when he acquired Arcelor, he had to work with four-five heads of state, including France's (Jacques) Chirac and (Valdimir) Putin in Russia. He closed that deal in six months. Essar took 866 days. But the two years was worth it. It laid the foundations for IBC, not just for us with Essar but for everybody else."

ANOTHER INDICATION THAT DIGITIZED SERVICES WILL SOFTEN IMPACT OF IMO FOR OCEAN CARRIERS

Hardik Mhatre | 19 December 2019

Blume Global, a leader in global logistics and digital supply chain solutions, recently announced that Hapag-Lloyd, one of the world's leading shipping companies, has selected Blume Logistics to support its entire global network of motor carrier partners, commencing in North America in January 2020. Hapag-Lloyd is one of the world's largest ocean carriers operating a fleet of 231 modern container ships with a total transport capacity of 1.7 million TEU (twenty-foot equivalent units) and a container capacity of 2.6 million TEU, including one of the most modern fleets of reefer containers. Hapag-Lloyd required a solution that could help manage and ensure the highest level of quality door-to-door service capabilities across its network of motor carrier partners.





LOGISTIC

GIVING TECH TO WHEELS: HOW TECHNOLOGY IS TRANSFORMING THE LOGISTICS SECTOR

Kalyani Patil | 19 December 2019

Technology is finally solving inefficiencies in logistics, a sector that is directly linked to economic growth. Till not so long ago, the trucking and logistics industry was known for delays and unpredictability. An enterprise or individual was never sure whether shipments would actually arrive on a given date. Now, with most firms adopting technology-led tracking systems that make it easy to predict when a parcel is expected, the sector is becoming more streamlined. "In the last few years, we've adopted technology to enable tracking of shipments, dynamic route management, integrating wallets for cash-on-delivery and other areas," said Ketan Kulkarni, head of business development and CMO, The company has also switched to an automatic sorting and routing facility at its warehouses — a task earlier carried out manually by courier delivery staff. The automatic system sorts all packages and creates the most effective route schedule, freeing up 45 minutes per person every day, leaving them with more time to be out on the field. Anshuman Singh, CMD of Stellar Value Chain Solutions said the company had created a "business operating system" based on core artificial intelligence and machine principles that minimise human errors at each step. "We use wireless handheld scanners to perform every task, handle each and every piece of customer good that come into our warehouse and are dispatched from our warehouse," he said. Going forward, the industry expects more action in the hyperlocal delivery space which is relatively nascent now. Companies are also starting to work with downstream players such as finance companies to negotiate better rates of premium on insurance based on driving patterns, and this is only likely to go up.



U.S. PORT RATINGS REMAIN STRONG DESPITE TRADE POLICY CHANGES, SAYS FITCH

Hardik Mhatre | 23 December 2019

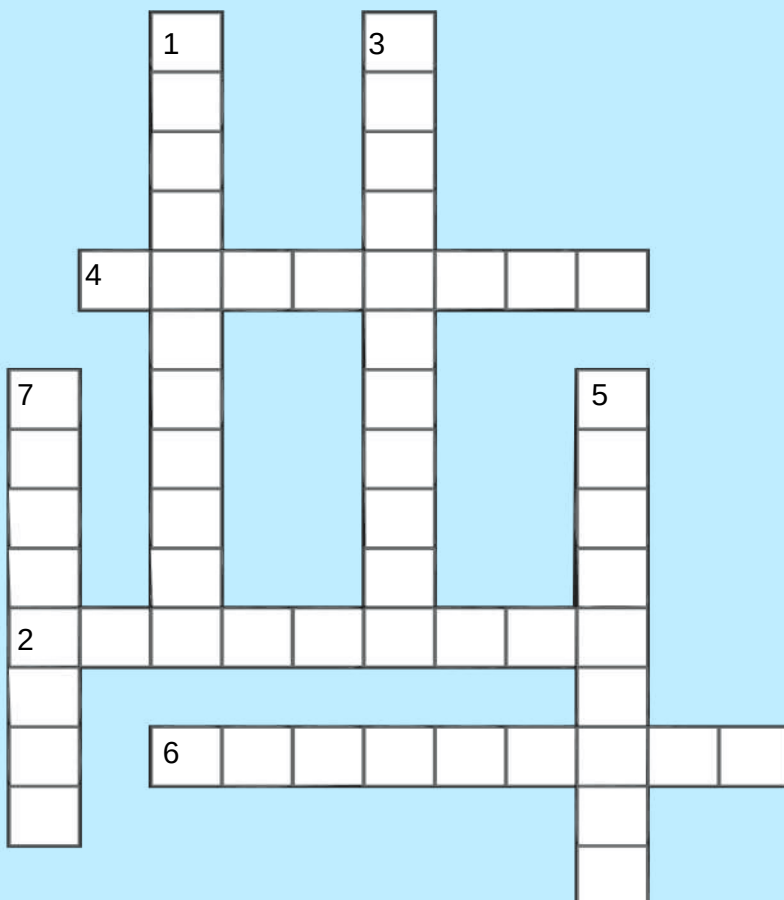
Prolonged trade tensions between the U.S. and China has created quite a bit of headline risk for U.S. ports, though Fitch Ratings' latest sector peer review shows that it has not trickled down to financial or rating performance. Both ratings and Outlooks have largely remained intact for Fitch-rated ports, perhaps most surprisingly for those located on the West Coast. Executive directors from all three major ocean cargo gateways in California have voiced concern to LM in recent months about the risks related to trade friction with China.

Yet, despite volume declines – which were expected seeing as West Coast ports are the most susceptible to U.S./China trade disruptions – financial and rating performance has remained quite stable. Landlord ports are generally not directly exposed to volume volatility, which has insulated cash flow for ports like Long Beach and Los Angeles, CA despite their tariff-related declines in volume,” said Director Stacey Mawson.

COMICS



CROSSWORD



ACROSS

- 2. Planning, execution, and control of the procurement, movement, and stationing of personnel, material, and other resources to achieve the objectives of a campaign, plan, project, or strategy.
- 4. An end user, and not necessarily a purchaser, in the distribution chain of a good or service
- 6. It refers to the goods and materials that a business holds for the ultimate purpose of resale (or repair).

DOWN

- 1. The contracting or subcontracting of noncore activities to free up cash, personnel, time, and facilities for activities in which a company holds competitive advantage.
- 3. The act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment
- 5. Distribution method in which the goods flow in an unbroken sequence from receiving to shipping (dispatching), thus eliminating storage.
- 7. A party that supplies goods or services, it may be distinguished from a contractor or subcontractor, who commonly adds specialized input to deliverables. Also called vendor.

EDITION 14

OPERATIONS INSIGHT

CHIEF EDITOR Kalyani Patil

ASSOCIATE EDITOR Lakshana Mandluskar

MANAGING EDITOR Hardik Mhatre

CHIEF DESIGNER Anuj Ghag



Fr. C. Rodrigues Institute Of Management Studies
(Fr. Agnel Business School)