

M J Logistic Services Ltd. is an integrated logistics service provider offering complete storage, transportation and distribution, and cold chain enabled solutions with special focus on delivering the critical 'last mile'. It has presence in different industry verticals including auto components, convergence industry, light engineering, telecommunications, pharma, retail and FMCG, food & beverages and logistics BPO. The company is currently building large, state-of-the-art warehouses under hub and spoke model having 1 million sq ft. of dry and cold warehousing space at a cost of US\$ 50 million. These logistics centres will cover the entire North India with hub at Palwal (Haryana) and spokes at Haridwar (Uttarkhand) and Zirakpur (Punjab). **Anil Arora**, MD, M J Logistic Services Ltd. says that investment in high quality assets and flawless service is their USP. In an interview to **Ramprasad** of Maritime Gateway, he claims warehousing is no more a fixed cost under his pay-per-use model.

Warehousing Redefined

Q What are the challenges that you face as a 3PL logistics service provider?

The foremost is the regulatory challenge. The government does not recognise the 3PL service providers neither as an industry nor as unified providers of certain services. Say for instance, for one of the parameters like service tax, we have to go through three or four registrations for providing one unified service. On the execution side, good quality assets in terms of warehousing have been a challenge. But now we are overcoming it.

We have come a long way in the last eight to ten years and the volumes have increased considerably. But the infrastructure development has not kept pace with the development in volumes. The situation is same in the ports too. If we consider Ennore Port, there is talk for the last five or six years that it will be developed as a container terminal. But nothing has materialised yet. Therefore, I feel that government needs to take a proactive approach and at some point it should stand up and take a call. If the medicine arrives after the patient is dead, then it is of no use. Similarly, cargo is a constant flow and the flow will continue with or without the infrastructure developments. If developments are not done today, we lose the associated opportunities. The associated cost of operations would have been much different had the developments have happened much earlier. At the end of the day, we should deliver to the customer and our business is basically to overcome these challenges.



Anil Arora
MD, M J Logistic Services Ltd.

Q What are the users' demands that you face today as a service provider?

There are demands that exist and there are demands that we create. Apart from the manufacturing and marketing processes, a 3PL operator can run the entire supply chain and the value chain of a customer. Smaller customers tend to be more receptive and they will prefer to outsource a larger chunk of their business because we offer them value benefits and cost-effective service portfolio. But as the size of the customer grows and when they look at the unit costs, etc., they start looking at a fragmented kind of service. It becomes difficult when the 3PL supplier has to go and compete with an off-the-road fragmented vendor with lesser overheads. So it depends on customer to customer and industry to industry to balance and find your sweet spot to put your offering on the table.

Q A 3PL operator also outsources some of the activities to other vendors. What control do you exercise on the quality of service when you are working with them?

That is one major reason why we chose to be an asset-based logistics company. Let us say there are 10 jobs in a logistics chain. Standard way is that you outsource the non-critical or commoditised jobs. But jobs that are critical to the customer and that affect the quality of service like the last mile delivery, a good warehouse are done by us. Therefore, you have to decide on which of the jobs are critical and which are non-critical. You have to focus on the critical parts, invest in them and have direct control over them so as to provide better quality of service.

When we outsource, we get value from the job, add value to it and deliver it to the customer. There are LSPs who charge for the value addition but in reality they do not provide any value.

Q Indian logistics sector is attracting a lot of foreign investments. How do Indian companies compete with the global ones in terms of image and quality of service? What are the unique advantages that the domestic companies have?

One is, clearly, understanding of the domain which is much higher for the domestic companies. Second is flexibility, which again is much higher. International expertise and best practices is what the foreign companies claim to bring to the table. It is very much correct to certain extent. But this international expertise is often not fine-tuned to the Indian environment. It is actually of no use. Ours is a service industry. But companies in

customer industries like Coca Cola or the McDonalds having operations in many countries do adapt to the local conditions. Therefore, the adaptability quotient of international players has to be actually high to add real value at the local level, which to my experience is not happening.

Q What is the business focus that M.J.Logistics has for the market?

Our business focus is to provide the complete 3PL services which we have been doing for the last so many years. The only difference is that now we have Eredene Capital, the private equity investor, investing in M J Logistics. We are investing in world standard warehousing infrastructure. Our service standards have been appreciated by our clients and we never lost a client due to bad service. Going forward, we need to better that to stay more competitive. We need to do this using our own assets as we have been doing this on all assets earlier.

Q How does your Palwal facility fit in to your hub and spoke strategy?

Palwal is our hub and we have two spokes – one is near Haridwar and the second in

Punjab between Chandigarh and Rajpura. When all these facilities are up and running, we envisage to provide a standardised service under a single contract to any client who either produces or sells or both anywhere in north India. So he need not talk to too many vendors and that his material, which may be lying at two or three places, will move with much more agility and much more quickly.

Q What is your USP apart from building quality assets?

Our basic USP is flawless service – service levels which no other service provider can provide. The other USP which recently got developed is that we are the only service provider who can handle both cold chain and ambient service together. So if you have cargo which requires both, we can handle both. Third and major USP, which very few service providers are offering in India, is to offer a 'pay-per-use' model. Traditionally, transportation is a variable cost and warehousing is a fixed cost. But in this model, warehouse is also a variable cost as the user is charged on pallet-based occupancy. If the client is managing their supply chain better, it costs them less to be with us.

Q Are you looking at any other regions to expand your operations?

Well, our investors have got investments into logistics related businesses like ICDs, CFS and logistics parks at about six or seven locations in other regions. So, in a way, we can say that we are waiting for a good opportunity to expand our services into other regions. The gestation period for us will be much lesser as we already have our co-investor operating in that region. **ME**

