

Link sentence - **Gati hires consultant for makeover, plans buyouts**

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Business Standard

Gati to invest in Rs 200 cr in cold storage facilities

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Gati to invest in ₹ 200 cr in cold storage facilities

K RAJANI KANTH
Hyderabad, 21 February

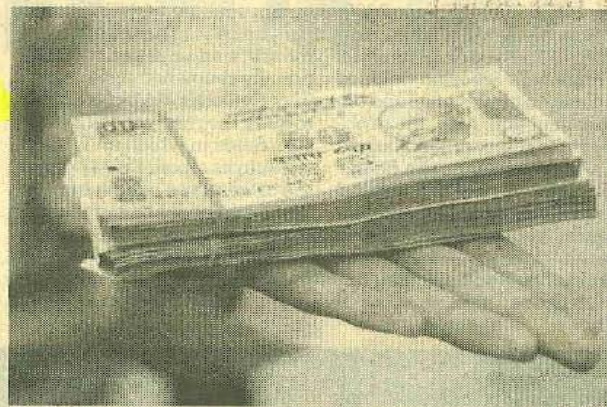
Gati Limited, a Hyderabad-based express distribution and supply chain solutions provider, will be setting up 10 cold storage plants across the country with an investment of about ₹200 crore in the next four years, according to executive director Harry Lagad.

"This calendar, we plan to open two cold storage units – one in Bangalore and the other in Delhi. Our overall plan is to have 10 cold storage units across the country in the next four years, which will be our main hubs linked to our distribution networks. Also on the cards is shifting our hub from Ghaziabad to Kundli in north Uttar Pradesh where we will also start some cross-docking," Lagad told *Business Standard*.

As part of its restructuring strategy, Gati recently brought Delhi-based cold chain company Kausar (India) Limited, which will offer both cold and ambient supply chain solutions.

Stating that each of the proposed units would have around 40,000-sft of built-up area in modular form, he said the company would build Kausar's current strength of 150 reefer (refrigerated) trucks to 500, both in the long-haul and short-haul in five years from now.

"We are looking at roping in a small private equity player or a large international organisation, who could bring expertise and best practices into our cold chain management and distribution business," Lagad said, adding the cold chain market in India was currently valued at about ₹ 12,000 crore



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and was projected to touch ₹30,000 crore by 2020.

On the shipping business front, Gati has a wholly-owned subsidiary called Gati Ships based out of Chennai. It currently operates seven vessels – five of them company-owned and two on charter.

"Last two years had been absolutely bad both in terms of industry perspective as well as internal. But I think a turnaround for the shipping industry is now likely. We are looking closely to bring in a strong partner ... not necessarily funds but those who have vessels. Induction of new vessels depends on the new partners and the specific expertise that they bring on to our table," he said, while refusing to comment further.

Gati Ships currently operates in Singapore, Malaysia, Burma, Sri Lanka, India. La-

gad said the company eventually was looking at entering Reyong in Thailand, Indonesia and Philippines. "We should be there by June-July this year."

"We are in the process of restructuring as it will be easier for us to bring in investments through partners into various subsidiaries. We are discussing with consultants, and based on their recommendations, we will take to the next step and announce our new go-to-market strategies in three months from now," he said adding the company expected 30 per cent growth in revenues this financial year (ending June 2011) over ₹900 crore achieved last year.

Gati Limited's scrip ended the trade at ₹ 52.35 on the Bombay Stock Exchange on Monday, down 3.06 per cent over the previous close of ₹ 54.

DNA

Gati hires consultant for makeover, plans buyouts

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Gati hires consultant for makeover, plans buyouts

Under new structure, verticals will become entities of their own

K V Ramana HYDERABAD

Logistics major Gati is in a makeover mood.

From being a company offering logistics and inventory management services, it is working on a strategy to emerge as a multi-modal logistics company by leveraging the strengths of each of its verticals.

It has appointed a global-scale consultant to draw a blueprint for the makeover.

"Acquisitions are going to play a key role in the entire strategy. We are just coming out of the impact of the slow-down and we find an immediate need to rework the scale of operations. Though we are yet to decide on the new corporate structure, the verticals will become entities on their own," Harry Lagad, executive director of Gati, told *DNA Money*.

The company operates various verticals including express services, international, supply chain management, cold storage, distribution and shipping. However, for all reporting purposes, the revenues from each of these verticals are not reported separately. All these operational arms are considered a part of a single vertical called logistics.

"This would change shortly. We are expecting the consultants to give their report in three months. Then we will decide on making the changes. In addition to re-arranging and strengthening the verticals, the focus would also be on making forays into new areas," he said.



Courier services were a major focus area for the company for many years. However, of late it had realised that the scale of its courier services was not giving it the required returns. "Now, we are looking at acquiring a mid-sized courier company. This supported by our existing logistics network should give us the right scale," he said.

Similarly, the company is planning to make foray into railway networks. "We are already operating railway freight. But the fact is that there is no proper connectivity to take the freight to critical distances. Developing networks is partly related to infrastructure. But we are working on that," he said. Improving the scale of operations in air freight too is part of the strategy. Additionally, the company is giving final touches to its strategy to develop cold storages in Delhi, Bangalore and a location in Maharashtra. "At least two of them should become operational this year," he said.

"The activity in cold storages is more a value added

service than the basic logistics service. There is no problem in transporting the perishables for the first mile. The issue is about the last mile. To meet that gap, we are focusing more on urban locations for setting up of cold storages," Lagad said.

Shipping and international verticals, too, are being readied for M&A play. "We are evaluating certain targets that would strengthen our existing networks. Even in the international market, we are keen on acquiring mid-sized companies that would bring in more scale to our existing operations," he said.

Though the cost of the restructuring is yet to be ascertained, it is estimated to be about ₹400-500 crore.

"We are not looking at raising any funds by divesting equity at the parent-company level. The plan is to divest at the vertical level, that too in favour of a partner for strengthening the verticals. We are not thinking of raising funds from PE or any such funding partner by way of divestment," he said.

The company has a consolidated revenue of about ₹1,000 crore and the restructuring is expected to result in a turnover of ₹2,500 crore by 2015.

The margins at Ebitda level are still in single digit though the target for 2015 is at about 15-18%.

"Right now, the margins are at single digit primarily due to the increasing input costs," he said.

DNA

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Hindu Business Line

Gati plans to restructure shipping business

Date: 26-02-2011 | Edition: Bangalore | Page: 20 | Source: T.E. Raja Simhan | Clip size (cm): W: 21 H: 17

Gati plans to restructure shipping business

T.E. Raja Simhan
Chennai, Feb. 25

Gati Ltd, provider of express distribution and supply chain solutions, plans to restructure its shipping business, according to Mr Harry Lagad, Executive Director, Supply Chain and Cold Chain Solutions, Gati.

The company has appointed a leading consultancy firm to restructure the shipping business, which has been 'plaguing' it the last two years.

It is considering various options, including bringing in an equity partner, to keep it running.

"We need to scale up the shipping business and make it more profitable," he said.

Gati will take a decision in the next three months on the shipping business, which contributes nearly 10 per cent of the company's revenue of Rs 1,000 crore.

"For the last two years, the shipping business has been plaguing us due to the economic downturn and recession in the industry.

"We need to restructure to revive it with a new direction or get out of the business. We need to create value to our



Focus on revival: Gati Pride that recently berthed at Karaikal port. — Bijoy Ghosh

shareholders," he told *Business Line*.

The partner could be a large shipping company who can bring equity and run the business.

In this case, Gati will hold

majority in the company. The other option is to bring in a knowledge partner who can guide it.

In the next 6-8 months, there will be a clear focus on how the shipping business is

going to be run, he said.

DOUBLE THE FLEET SIZE

Gati has seven ships (five owned and two chartered), and has plans to double the fleet in the next couple of

years. Shipping is all about scale and volume while Gati is still a small player in Asia-Pacific. "We need to expand to stay in the business," he said.

FOURTH-PARTY LOGISTICS

Gati will focus more on fourth-party logistics by providing more value-added services such as product sourcing, channel management, inventory management, distribution services and reverse logistics.

It has lined up an expansion programme of Rs 200 crore for the next two years.

This includes procurement of cold chain trucks and setting up of container freight stations at all major ports, he said.

NEW BUSINESS

Mr Lagad said the company would look at new business such as ro-ro (roll on and roll off) in the coastal shipping.

In this, fully loaded trucks can be loaded in to a ship and transported to another port from where the same truck will be rolled off for delivering the cargo at the right destination, he said.

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