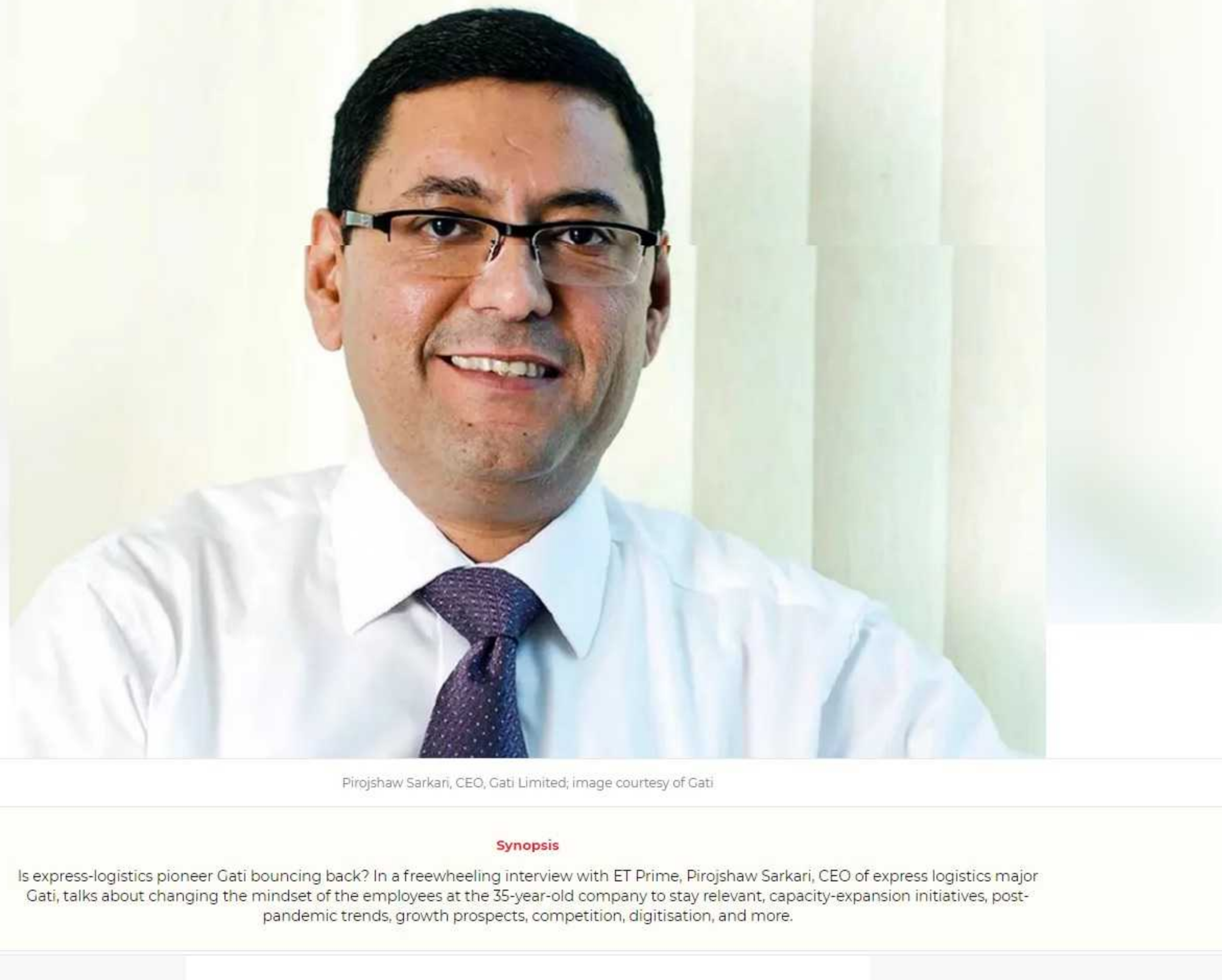


We have now come to an understanding on what can make Gati great again: CEO Pirojshaw Sarkari



Pirojshaw Sarkari, CEO, Gati Limited, image courtesy of Gati

Synopsis

Is express-logistics pioneer Gati bouncing back? In a free-wheeling interview with ET Prime, Pirojshaw Sarkari, CEO of express logistics major Gati, talks about changing the mindset of the employees at the 35-year-old company to stay relevant, capacity-expansion initiatives, post-pandemic trends, growth prospects, competition, digitisation, and more.

Gati, an Allcargo company, has been on a turnaround spree for the last 12 months. The company reported encouraging numbers in the second quarter of FY23, logging the highest ever quarterly revenue of INR435 crore, which was a little higher sequentially. It also achieved monthly tonnage of 100,000 tonne. The 35-year-old road express logistics company, once known to be the pioneer of time-bound delivery, is slowly re-inventing itself to catch up with the changing demands of the customers. The company has changed the entire leadership team below the CEO and has tightened compliance to processes. Gati is rapidly building up its infrastructure capabilities. Can it regain its lost glory? ET Prime spoke to Pirojshaw Sarkari, CEO, Gati Limited. Edited excerpt:

In express logistics, what are the most interesting trends post pandemic?

After the pandemic, demand has bounced back for logistics in general and express logistics in particular. There are a few emerging trends that we are seeing. First, pharma and engineering are evergreen and are giving us a lot of business. But we are seeing a couple of shifts as well. Most of the producers and OEMs (original equipment manufacturers) are now looking to shorten their channels — basically, they want to get rid of intermediaries and reach their end dealers or kirana stores directly. For that, they need to move smaller quantities of goods but more frequently. Therefore, express logistics is the right mode for them.

Sending goods directly means a kirana store may not be able to order a truck full of goods. So, the order size and time to market reduces but frequency increases. The more you do this, the lesser the inventory that can be kept at the last mile. This is a great trend for surface express.

Another trend is that many small, unknown brands, with the help of direct-to-consumer startups, are now looking to distribute pan-India. They need national express logistics players to do that.

The third trend, although not new, is that the first leg of the e-commerce business (which is from the vendors to the warehouse), where B2B express logistics are playing a very important role. Also, the entire new manufacturing that has started happening in India, says a Foxconn setting up its manufacturing in India, needs a lot of logistics [support]. The companies require the material to come in for assembly. They also require finished goods to be distributed not only in India, but also abroad. So, these are the new trends, and we believe for surface express, the next few years will be very interesting.

How are you expanding capacity?

When the AllCargo group bought Gati, my initial discussion with the chairman was that we will run the company on an asset-light model. We sold 200 trucks that were owned by Gati. And we also sold owned operating units. And then we identified eight mega cities in India where we require new hubs for ourselves. Four of these are up and running, including Farrukhnagar in north India, Nagpur in central India, Guwahati in the northeast and Mumbai, where we just moved in about a week ago. We got another four in Bengaluru, Hyderabad, Indore, and Kolkata which will be operational before the end of this financial year. That will cover all the zones and enable us to grow our business exponentially.

Moreover, as part of our ESG initiatives, we have pledged that by 2025, our entire pickup and delivery fleet numbering 2000-plus, for the last-mile operations, will be electrified. By the end of March 2023, we will be having 100 electric vehicles in our fleet. We are going to solarise our new large hubs so that solar energy is used rather than conventional electricity.

Gati will start reporting sustainability in its annual reports from next year.

How will this capacity expansion add efficiency to your operations?

For an express logistics company, which works on a hub-and-spoke concept, our hubs should be able to turnaround the trucks in minimum time, and we should have enough capacity to load and unload a number of trucks at the same time. What does that mean? For example, our new hubs at Farrukhnagar and the one in Mumbai have the capacity to load-unload 80 trucks at the same time. So, we have created 80 docks and we have dock levelers at every dock. On an average, it takes about 90 minutes to unload a truck and another 90 to 120 minutes to load depending on the material. So, when you have more docks and larger hubs, you can turnaround trucks faster. This in turn gives us the ability to meet the transit time requested by the customer.

We are also trying to bring in loading and unloading through telescopic conveyor belts, which comes right inside the truck — the box is put on the belt and it comes out. That reduces a lot of manual labour. In Mumbai, we had two separate hubs, one in Panvel and another in Bhiwandi which were so far apart that the turnaround time of one truck was approximately 18 hours when it could be just three to four hours with one large hub with sufficient docks. We have now moved into a single hub in Bhiwandi, which is 120,000 square feet with 84 docks and dock levelers. This is the kind of change we are bringing in so that we can give the right service and the right infrastructure to our operators and achieve what we commit to our customers.

What are you doing on the digitisation front?

Elimination of the middlemen and the growing demand from D2C customers has given impetus to supply-chain visibility, both to the manufacturer as well as to the distributor or retailer. Now goods are coming from distances compared to earlier when the stocks was a state-wise player who gave it only to his state distributor or the distributor gave it only to the state-wide retailer. But now you are distributing goods from the mother warehouse of a company, say in Hyderabad to distributors throughout the country. Therefore, visibility becomes extremely important.

Earlier when people said you can track your shipment, you could track when it left the warehouse and when it reached you. You never knew what is happening in between. Now customers want to know what is happening right through the journey of the shipment. Now, all this is okay when you are talking about a new startup. For a company, which is 35-year old and has covered 97% of the districts in India, this becomes an enormous task in a hub-and-spoke concept.

We are also adopting digitisation step by step. We have embarked upon electronic dockets for our retail pickups. Today if you see in Gati, or any other express logistics company, there are paper dockets that are written out by the pickup guy and one copy is given to the customer. We are moving away from that and replacing it with an e-docket. That helps eliminate a lot of human error and is in a way the start of our digital journey.

Cultural changes involve working on the people's side. What is happening at Gati?

We were lucky because the earlier CXO along with the earlier CEO went out and started a new express company. So, I could handpick every CXO. We have changed the entire CXO team below me.



Mindset change of employees is extremely important for a 35-year-old company, which is used to doing things in a particular way. The customer has changed. But if the mindset of a 35-year-old company does not change, you are not going to meet the demands of the customer. That needs a cultural change which at Gati we are doing in a very big way. We are making them understand the difference between the customer needs 10 years ago and now. I think that is something any old company, which has survived 35 years and is looking forward to survive for the next 35 years, should do. Otherwise, it will die. We have seen many such examples with Kodak and Nokia etc. We now have an understanding as to what is required to make Gati great again.

Do you think it will be possible to do with the existing employees? Or do you need fresh blood?

I think there has to be a mix. The old-timers in the organisation know the logistics domain. They know the company inside out. And we need to continuously bring in fresh youngsters into the organisation who can cross-influence each other. Both are important to me. Lot of startups today fail because they do not have domain knowledge. They may be very smart youngsters, great at technology, but then they hire consultants for their domain knowledge. That doesn't really work. I believe that it's better to try and change the culture of old-timers and bring in youngsters. We have a very good campus-hiring programme.

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— Pirojshaw Sarkari, CEO, Gati

For a good number of years, Gati has been hovering around INR1,000 crore top line, sometimes a little below that as well. What sort of volume growth you are seeing this fiscal?

Even that INR1,000 crore had revenues from other businesses as well, not only express

[logistics]. They had a cold-chain business, Gati Kausar, a freight-forwarding business, and also a trading business. So, if you were to remove all of that, the actual express business was around INR600 crore-INR700 crore. This year, we are looking at a 20% growth over last year. But this year, you must understand that we have been dealing with a lot of old infrastructure. As we start our next fiscal, April 1 onwards, our eight new hubs will be in place and then we will look at exponential growth.

We are anticipating 20% growth in volumes in fiscal.

In the surface-express industry, there are only seven national players. If we were to say that the total turnover of these seven companies is the organised sector in logistics, then Gati would be approximately 14% to 15% of that sector today. We are looking forward to growing our market share and we will be market leaders soon.

AllCargo is buying out KWE's stake in Gati. How will that help?

When Allcargo acquired Gati in 2020, it clearly acquired the company to participate in the Indian logistics industry, which was a missing piece in Allcargo because it was mainly in the international freight forwarding LTL (less than truckload), FTL (full truckload) business. It always knew that there was a joint-venture partner over there with a 30% stake. I think it is fair to understand that when Allcargo acquired Gati, it wanted to own the entire business. Therefore, we have now finalised the deal with KWE.

It will help us in a few ways. It will help us restructure our businesses. We also are very interested in participating in fulfilment logistics. Fulfilment logistics for any manufacturer means, you manufacture goods, I will warehouse them and distribute them. Because of the deal with KWE, Gati will become a fulfilment logistics player.

How do you view competition from New Age players like Delhivery?

Well, the jury is still out. We haven't yet seen whether one plus one has become three or it has become less than two. We are very clear that we will be only in the B2B express logistics. We will not venture into B2C because I am a strong believer that these are two very different businesses. Having said that, we always have to keep up to competition, not just from Delhivery. We also know that the number one player (Safexpress) is far ahead of us in top line. And it will not let its guard down for us. So, we will have to come up with a differentiated product for the market. Fulfilment logistics may make that difference.

Now that you have a renewed sales strategy, is your customer profile also changing?

Historically, Gati has been focused on large accounts. Today also in the share break-up of our business, 60% is large enterprises and the remaining is SME and retail. However, an ideal mix should be 50:50 because SME and retail give a better yield whereas large companies give us more volumes which drives our costs down. A combination of both is good to have but it is difficult because one large account gives you an equivalent of almost 5 to 10 SME businesses. We have created a separate SME sales team because we have to increase our share there. Have we been successful there? Only time will tell.

(Graphic by Sadhana Saxena)

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