

# “Our total warehousing space is approximately 2,05,00,000 sq ft”

In an exclusive interaction with *E Jayashree Kurup*, the **Chairman & Managing Director of Balmer Lawrie & Co. Ltd.**, **Adika Ratna Sekhar**, shares various initiatives taken by his PSU Miniratna towards Aatmanirbhar Bharat development, and throws light on multiple business strategies of various business segments of the company. Excerpts from the interview...



**Balmer Lawrie announced primary focus on logistics and warehousing with huge investment in three years. Which are the centres where you see growth happening and why?**

The logistics industry in India is growing rapidly and the country is emerging as a leading logistics hub, with the Government rolling out initiatives like the PM GatiShakti, multimodal logistics parks (MMLPs), National Logistics Policy, dedicated freight corridors, National Rail Plan 2030, Sagarmala, Act East Policy, etc. The

Indian warehousing market, which was valued at ₹1,206.03 billion in 2021, is expected to reach ₹2,872.10 billion by 2027, expanding at a CAGR of ~15.64 per cent during the 2022-2027 period.

The Indian cold chain market is expected to grow at 14.3 per cent (2023-2038). Thus, in July last year we commissioned a cold chain unit in Bhubaneswar, besides the existing units in Hyderabad, Rai and Patalganga. We are now exploring tier 2 cities and have plans to create a hub and spoke model in order to take care of the growing demands.

The logistics service business grew at a very good rate of 20 per cent over last year. The major growth drivers were ocean business where we grew by over 50 per cent. We are also taking various initiatives to enhance EXIM movements. Logistics service is currently focusing on the private sector, especially in air export, and also eyeing the business of handling project cargo of private customers. With increased focus on healthcare and government reforms to boost the infrastructure and manufacturing units, the SBU aims at pharma and engineering goods EXIM market in the coming years.

Balmer Lawrie is an end-to-end logistics solutions provider, backed by state-of-the-art infrastructure. In Balmer Lawrie, the logistics business has been driving both, the top-line and bottom-line growth. We expect all the verticals to witness significant growth.

**How much warehousing space do you currently manage and what is your target in the next three years? According to you which sectors of economy contribute to the growth in logistics and warehousing?**

Increasing foreign trade, growth in

e-commerce, engineering, etc. are contributing to the growth in logistics and warehousing. Along with e-commerce, third-party logistics (3PL) has been another major accelerator of the sector's rise. Balmer Lawrie's total warehousing space in the container freight station (CFS) and in warehousing and distribution is approximately 2,05,00,000 sq ft. In addition at MMLH and AMTZ Visakhapatnam, we have 1,81,000 sq ft.

As a part of our strategic plan, in order to increase the volume of existing facilities, it was required to build additional infrastructure to cater to incremental business requirements on the export front. With this broad objective, CFS, Chennai would be setting up additional covered warehouse admeasuring 20,000 sq ft. With the new warehouse, the total warehouse capacity available in the unit will be augmented to 85,000 sq ft area.

To fuel the growth plans, CFS and Warehousing & Distribution, Kolkata has ambitious infrastructure plans. In May 2022, Balmer Lawrie unveiled its new 43,000 sq ft state-of-the-art warehousing facility at CFS, Kolkata. Post pandemic, the eastern region saw a surge in demand for warehousing space primarily on account of intermediate storage of EXIM cargo and this trend is expected to stay in vogue.

Demand has also been observed in LCL (Less than Container Load) Import & Exports Cargo domain wherein warehousing storage is a basic prerequisite. The CFS at Kolkata was operating with a warehousing space of 45,000 sq ft and to fuel its ambitious growth plan and cater to the increasing demand for warehousing space, Balmer Lawrie further added 43,000 sq ft to its present capacity, totaling it to 87,000 sq ft.

At the Warehousing & Distribution facility, the unit has undertaken development of 4 acres of land along with relaying of railway track alongside to boost the business prospects. The unit is also coming up with a brand-new state-of-the-art warehousing facility admeasuring 20,000 sq ft which would be operational by 2024.

### **How has PM GatiShakti national master plan for multi modal transport given a fillip to growth in specialised logistics?**

PM GatiShakti National Master Plan for multi-modal connectivity to various economic zones brings logistics efficiency with technology adoption and speedier implementation. The logistics policy is aimed to create a single window e-logistics market and focus on generation of employment, skills and make MSMEs competitive.

The aim of these interventions is to help in reducing the overall logistics cost. It will facilitate the last mile connectivity of infrastructure and reduce travel time which will help the Indian industry to compete in the international market.

Steps have also been taken to address other issues like time-taking approval process, multiplicity of regulatory clearances, etc. In the last few years, the government has ensured unprecedented focus on infrastructure through a holistic outlook. This helps to address the past issues through institutionalizing holistic planning for stakeholders for major infrastructure projects.

Instead of planning and designing separately in silos, the projects will be designed and executed with a common vision.

**“WE PLAN TO CREATE A HUB AND SPOKE MODEL IN TIER 2 CITIES IN ORDER TO TAKE CARE OF THE GROWING DEMANDS. WE ARE LOOKING AT CITIES IN THE NORTH EAST, VIJAYAWADA, AHMEDABAD, ETC.”**

### **How has your cold chain been performing so far? You have announced temperature controlled cold chain across Tier II cities. What are the products and which cities are on your priority list?**

We are targeting a top line of Rs. 1000 million with an expansion from 4 to 9 cold chain units across pan India locations and 100 nos. of temperature-controlled vehicles. The annual revenue potential of each of our cold chain units is around Rs 100 million and the expected profit is ₹15 million annually. We formed the new SBU cold chain last year to focus on the cold chain logistics business and promote brand LOGICOLD.

We have expanded in the cold chain space as per our plans. Our cold chain units at Rai, Hyderabad and Patalganga, Navi Mumbai are fully operational. CCU at Bhubaneswar is already commissioned. We also have a temperature controlled warehouse at the multi-modal logistics hub at Visakhapatnam. Our CCUs are supported by our own fleet of temperature controlled vehicles (TCVs) to ensure an end-to-end solution.

We plan to create a hub and spoke model in tier 2 cities in order to take care of the growing demands. We are looking at cities in the North

East, Vijayawada, Ahmedabad, etc. Products that the CCUs will focus on are imports and exports of agri-commodities like fruits, vegetable, potato, dairy, frozen fish, seafood, marine products, meat, poultry, ice-cream, pharmaceutical, QSRS, processed food, ready to eat, confectionaries, chocolates, etc.

**How will budget announcement of ₹10 trillion capex investment help? Are Indian ports and maritime infrastructure capable of coping with the intense demand for goods movement across the country?**

The hiking of the capital expenditure by 33 per cent to ₹10 trillion for infrastructure development for 2023-24 will be at 3.3 per cent of the GDP. This indeed is a boon. One hundred critical transport infrastructure projects, for the last and first-mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified.

“PRODUCT DIVERSIFICATION IS A KEY FOCUS AREA FOR BALMER LAWRIE IN INDUSTRIAL PACKAGING. WE ARE THE LARGEST STEEL BARREL MANUFACTURER IN INDIA WITH AROUND 37 PER CENT MARKET SHARE.”

They will be taken up on priority with an investment of Rs 750 billion, including ₹150 billion from private sources. Investments in infrastructure and productive capacity have a large multiplier impact on growth and employment. All logistics and connectivity infrastructure projects, entailing an investment of over ₹5 billion, are routed through the Network Planning Group (NPG), constituted under the PM GatiShakti initiative.

Capacity at major Indian ports has expanded over the years, with cargo handling capacity at 13 major ports increasing since 2014. The Indian maritime sector which includes 12 major and 200 minor ports moves about 95 per cent of India's trade by volume and 68 per cent by value, and reduced turnaround times will help in improved efficiency and reduced cost.

India has a vast hinterland connected to various gateway seaports in the east and west coast of the country. The average ship turnaround time at India's major ports is gradually reducing due to the various measures

taken by the government to improve the ease of doing business. To promote inland water transport in the country, 111 waterways have been declared as National Waterways (NWs).

**With the Aatmanirbhar Bharat initiative, do you expect the industrial packaging segment to grow significantly? How does that feature in your business plans?**

Packaging industry in India is poised to grow at a CAGR of 12.60 per cent by 2027. The demand for packaging in India has expanded drastically, spurred by the rapid growth in consumer markets, especially in processed food, personal care, and pharmaceutical end-user industries. Packaging is India's one of the fastest growing sectors.

The government had announced the production-linked incentive (PLI scheme) to incentivise firms in 10 sectors to drive local manufacturing and improve exports to control the disruption in the supply chain scenario. In addition, there is Aatmanirbhar and the structural reforms, which should boost growth prospects for packaging in India.

Increasing demand for sustainable and recyclable packaging will be the key. Thus, product diversification is a key focus area for Balmer Lawrie in industrial packaging. We are the largest steel barrel manufacturer in India with around 37 per cent market share.

We have to have a wider product portfolio through introduction of new products and look for opportunities to manufacture all kinds of products like steel, plastic, IBC, flexible and packaging accessories. We are now exploring opportunities for manufacturing rigid intermediate bulk container (RIBC).

Competition from smaller players with locational, substitute products and alternate packaging (IBCs, RIBCs, collapsible bins, HDPE and reconditioned drums) poses a threat. The SBU anticipates significant growth in the coming years with the biggest drivers being chemicals/ agrochemicals, transformer oils, and additive segment. The SBU has plans to aggressively expand in the exports segment.

**Grease and lubricants has been a significant part of the Balmer Lawrie business? What are its prospects and what are your plans for this sector?**

The greases and lubricants business is divided into three segments: channel sales (automotive & industrial); direct B2B; and contract manufacturing. In channel sales, the growth was flat as the market recovered from the impact of COVID-19. The industrial distributor

segment witnessed a growth of 13 per cent over the last fiscal.

In direct B2B sales, SBU G&L's focus was on generating business from new customers across industries. In the contract manufacturing segment, SBU G&L continues to have a presence to improve its capacity utilisation; however, the volumes have come down significantly over the years. SBU G&L improved its overall efficiency through operational excellence across various manufacturing units. Major products include automotive, industrial, and specialty lubricants and greases.

SBU G&L has taken up various activities to enhance performance excellence. To increase sales volume, opportunities are being explored to increase industrial or institutional sales, revive old customers, appoint more distributors in the automotive segment, launch new products and packs in DEO & MCO, uniform price structuring in all segments and also leveraging technology. ARL has put a lot of effort into creating calcium-based greases to compete in the market. Special focus is also being given to hiring and talent management.

The SBU is focused on the development of newer technologies including API CK4 oils and polyurea greases. Increase in use of polyurea greases and other non-lithium greases are expected due to abnormal increase in the prices of lithium hydroxide. Initiatives were also taken for reduction of lithium hydroxide in conventional greases and indigenisation of several key components.

We will continue focusing on direct sales and channel sales. The future roadmap in the perspective of product substitution, cost effective formulations, value addition, biodegradable products, etc., will be to combat the challenge of margins.

### **What part of the business do you expect from chemicals and Rest of Oilfield Services?**

In Chemicals, we have forayed into manufacturing agro and textile chemicals besides manufacturing end-to-end leather chemicals.

### **How can you take lead in Aatmanirbhar Bharat initiative? Will you be able to crowd in private investment and see growth of vendor companies in the MSME sector in your spheres of influence?**

Over the decades, Balmer Lawrie has mainly focussed on using indigenous technology and taken initiatives in its businesses processes to become self-reliant, and thus, significantly

contributing to Aatmanirbhar Bharat movement.

Pioneer in grease manufacturing in India, Balmer Lawrie's state-of-the-art research & development centre for Greases & Lubricants, the Applications Research Laboratory has been continuously working on developing environment friendly tribological solutions.

Today, Balmer Lawrie is the largest steel barrel manufacturer in India and is leveraging technology to manufacture best-in-class products. Balmer Lawrie was the first PSE to set-up a joint venture company in UAE in barrel manufacturing.

Balmer Lawrie is amongst the leaders in corporate travel management and provides customised MICE (Meetings, Incentives, Conferences, Exhibitions) solutions and ease of booking through the self booking tool for corporate. Balmer Lawrie launched the government employee's flight booking portal in the beginning of this financial year.

**“BALMER LAWRIE HAS MAINLY FOCUSED ON USING INDIGENOUS TECHNOLOGY AND TAKEN INITIATIVES IN ITS BUSINESSES PROCESSES TO BECOME SELF-RELIANT, AND THUS, SIGNIFICANTLY CONTRIBUTING TO ATMANIRBHAR BHARAT MOVEMENT.”**

Balmer Lawrie is a leader in the organised logistics sector powered by state-of-the-art pan India infrastructure and a network of global associates. When India was battling the Coronavirus global pandemic in 2019, Balmer Lawrie LOGICOLD spurt into action to provide modern, reliable, and fast cold chain logistics solutions to store and transport Covaxin around the country, later, assisting with the Sputnik Vaccine which was manufactured and imported from Russia.

Balmer Lawrie provides total logistics solutions supported by its own container freight stations, cold chain units, temperature controlled vehicles, multimodal logistics hub and warehousing & distribution services.

In spite of being so diverse, Balmer Lawrie has leveraged every opportunity to live up to spirit of Aatmanirbhar Bharat. We are exploring avenues to crowd in private investment and we are confident of witnessing the growth of vendor companies in the MSME sector as well. 