Growing wisely

SAJAL BOSE

Murthy: excited about SFTO scheme

TMILL pushes itself to expand in the freight logistic business

TM International Logistic Limited (TMILL), a Tata Steel logistic company, was incorporated in 2002, on the back of the growth of Tata Steel's exports. In the early 1990s, Tata Steel used to export its flat products and HR coils either from Kolkata or from Paradip Port. In the mid 1990s, due to non-availability of rakes at Paradip, exports of the company were diverted to Haldia Dock under Kolkata Port, which proved to be cost-effective to Tata Steel. In the late '90s, Tata was scouting for partnership for port operations, as Haldia Dock offered one berth on PPP format for a period of 30 years. The company finally tied up with IQ Martrade, Germany, which has vast experience in port operations, and agreed to form a joint venture with it, with 49 per cent share holding. It won the tender in 2001 and founded TMILL in 2002.

Subsequently, in 2009, NYK Holding (Europe) joined the venture as a third JV partner, acquiring 26 per cent stake from Martrade. At present, Tata Steel holds 51 per cent in TMILL, while NYK Holding (Europe) and IQ Martrade have 26 per cent and 23 per cent shares respectively.

Beginning with port operations, this mid-size, Kolkata-based ₹850 crore logistic company has built a strong diverse business portfolio, offering today a single window end-to-end logistical support for dry bulk, containerised and project cargo, with services ranging from port operations, shipping, freight forwarding, customs house agency to inland logistics, warehousing and tugging. Headquartered in the Tata Centre in Kolkata, TMILL, a non-listed company, operates through its offices in India, the UAE, Germany and China.

Tata Steel continues to remain TMILL's major customer, constituting almost 65 per cent of the company's revenue. "Our strategy is to grow the business around Tata and, then, gradually move to non-Tata companies," says R.N. Murthy, managing director, TMILL. "It is one of the few companies which provides solutions to any logistic need," says T.V. Srinivas Shenoy, chief, marketing & sales, ferro alloys & minerals division, Tata Steel. "It also maintains complete transparency and best ethical practices, just like any other company in the Tata fold. TMILL has the ability to customise and deliver logistic services with good operational efficiency".

TMILL, a smart player in the industry, is quick in its response to the changed business environment. The company is now preparing to run its own freight trains to carry commodities through participation in Indian Railways' Special Freight Train Operators (SFTO) scheme. The Research Design & Standards Organisation (RDSO) of the Railways has designed a new wagon for higher loads, the wagon manufacturer Texmaco developing the prototype wagon as per the specifications of RDSO. It is now going through various trials by the railways for fitness; the process may take a few more months.

"We are excited about running our own trains under the SFTO scheme," says Murthy. "It offers us vast opportunities to expand our freight logistic business in association with Indian Railways." TMILL had made several representations to Indian Railways seeking certain modifications and revisions in the SFTO scheme, as a result of which the railways had tweaked the scheme to make it more attractive for operators. "We are the first company in the steel product movement participating in the SFTO scheme," Murthy adds. The company is expected to kick-start the operation of private freight trains for carrying steel coils for Tata Steel under the SFTO Scheme by September this year.

TMILL plans to invest about ₹150 crore to buy 7-8 rakes initially. The railways will operate the rakes for TMILL, in return for which the company will enjoy a freight concession of 12 per cent from the railways. "Under the new design in SFTO, each rake carries 58 wagons, instead of the 43 carried in standard rakes, which gives the operator a major cost benefit," says Anurag Garg, vice-president, marketing (sales & business development). Indian Railways has launched the SFTO scheme to facilitate private players to invest in wagons and earn profits through transportation of commodities. Through this scheme, the operator would privately own the freight train for transportation of identified commodities.

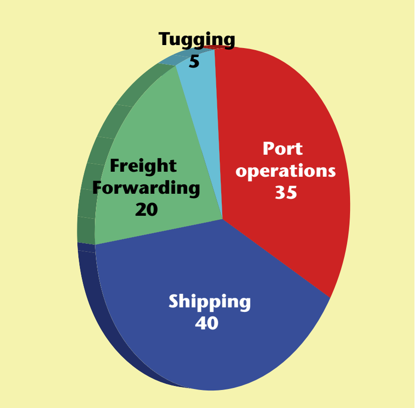
In port management and cargo handling, TMILL provides full turnkey services to customers, covering all activities from cargo operation in or out of ship, to receipt or dispatch of cargo from port premises at Kolkata, Haldia, Paradip and Vizag/Gangavaram ports. Operating since 2002 at Haldia bearth no: 12, TMILL has been handling dry cargo, except coal and other black cargo, primarily for Tata Steel. The 14,000 sq m berth is equipped with a mobile crane and back area, including a covered warehouse of 3,000 sq m. The new age harbour crane at the berth can handle all types of gearless vessels. "We also built a 5 km railway line, from the dock to our stockyard, jointly with the port at a cost of ₹10 crore last year. The railway linkage from our stockyard is saving almost 10 per cent per tonne in freight," says Sudip Sinha, general manager, operations, TMILL.

The company has been handling cargo of 14 million tonnes per annum. TMILL has warehousing facilities in Haldia, Jamshedpur and Kalinganagar. "TMILL has been our preferred logistic partner for more than a decade, working closely with customer needs," says Manoj Banerjee, commercial manager, Jindal India, a Kolkata-based steel tube manufacturer.

TKM Global, a wholly-owned subsidiary of TMILL, caters to services related to freight forwarding through its offices in India, China, the UK and Germany. TKM has developed itself into an integrated logistics service provider with core strengths in air and container freighting including project cargo.

International Shipping & Logistic, a 100 per cent subsidiary shipping business of TMILL, operates from Dubai to carry dry bulk cargo for its various clients. But it does not own any vessels.

THE PORTFOLIOS



Ups and downs

Overall, the shipping industry has been going through a bad phase for some time now. The Baltic Dry Index (BDA), an economic indicator for shipping freight, is at an all-time low now at 500-600, as against 11000 in 2008. Hence the company has been achieving low volumes of late. But it is trying to find some opportunity in this sluggish market. "We are now exploring the idea of buying ships in this market, as they are available at rock-bottom prices. This will give us benefits when the market turns favourable," says Sandipan Chakrabortty, non-executive chairman, TMILL.

Logistics, the backbone of the Indian economy, has a guesstimated size of ₹90,000 crore. The country spends almost 14 per cent of its GDP on logistics, as compared to 8-9 per cent in a developed country. The industry has been facing challenges of growth for the last couple of years, due to the slowdown of the economy. Delay in several infrastructure projects and trade woes are major concerns for the segment. "Infrastructure around the port in India has not been adequate," says K. Swaminathan, director, services business, Balmer Lawrie, which is primarily into the freight forwarding logistic business. "There is no creation of new capacity in port. Therefore, logistic players are struggling". However, at the Maritime Summit in Mumbai recently, the prime minister had spoken about mobilising investments of ₹1 lakh crore, to double the port capacities to 3 billion tonnes by 2025.

Sandipan Chakrabortty: Diverse business helping growth

"TMILL is a reputed company from Tata," says Swaminathan. "It is primarily providing logistic support to Tata Steel group companies and is hardly seen participating in PSU tenders. We do not see the company as our competitor."

While big logistic players are struggling with recession, TMILL has continued to maintain a moderate bottomline. It has reported a nearly 17 per cent jump in PAT at ₹42.15 crore during 2014-15, as against ₹35.98 crore for the previous year. Income has declined to ₹851.19 crore in 2014-15, as against ₹1096.38 crore in 2013-14. "The revenue has dropped due to bad market conditions in the shipping business. But we managed to retain our profit ticking. We have taken a conscious decision not to chase big turnovers but focus on the bottomline margin in shipping," says Anand Chand, CFO, TMILL. "We have healthy, zero-debt balance sheets, with a cash surplus of ₹400 crore. The net worth of the group has grown to ₹570 crore from ₹282 crore five years back."

During the nine month period till December 2015, the group achieved a profit of ₹40 crore, on a revenue of ₹440 crore. Port operations and shipping are major revenue earners of the group, while the rest comes from freight forwarding and tugging.

◆ SAJAL BOSE
sajal.bose@businessindiagroup.com