

# 'Our trucking cube will also provide virtual warehousing solution'



Well-known for its expertise in the movement of household goods, Agarwal Packers & Movers is betting big on its trucking cube solution. Introduced last year, the solution implies containerised movement of all kinds of goods and ensuring safety and security while in transit or at storage level. The company which notched around ₹450 crore turnover in the last fiscal and is inching close to its 30th anniversary, firmly believes the solution can bring a world of difference to supply chain modalities in the country. **Ramesh Agarwal**, chairman of the company shares the details



**Prima facie, your trucking cube solution means containerised movement of everything. How did you stumble upon this idea?**

At Agarwal Packers & Movers, we have always been looking for new ideas which can provide benefits to companies or customers, especially those who are looking for innovative offerings. Somehow most of the service providers in our industry have been driven by the feeling that anything can be pushed to the consumer. But last year, the controversy over Maggi noodles made it clear that customers are now more aware than ever before. We tried to analyse the problem. If something was good for a long time, how could it become bad suddenly? And we felt that discrepancy in quality standard, from manufacturing stage to consumers, is mostly happening during the transit of the product. We transporters are quintessentially partners of the manufacturers. A factory might be having 1,000 trucking vendors. But even if one of them shows laxity in maintaining the quality of the product, an unsafe product can be delivered to the consumer. And if something goes wrong at the end-user level, the reputation of manufacturer will nosedive. There is an analysis which says that about 6 per cent of our trucks face breakdowns during the transit of goods. What is the usual solution we resort to in such situation? We bring in a new truck, load the goods from the original vehicle and then move on. But nobody notices the nature of the goods the replacement

truck had carried earlier. What if it was carrying urea? It will completely spoil the food products offloaded from the original vehicle and will be harmful for the end-consumer. It happens quite often.

**That was the background. Now what precisely your solution has to offer?**

Our solution ensures that there would be no physical offloading in case the goods have to be shifted from one freight vehicle to another. As part of this solution, our trucks will have portable body and in the event of a breakdown and goods being transferred to another truck, the entire body will be shifted. All the containers are locked. So there is no possibility of them getting into the contact with any external hazardous element which may dilute the quality of the product. At factory levels, the company might be taking all precautions to ensure that a high quality product is churned. But imagine a chocolate product bundled with soaps while transit or in warehouses while on its way to the final delivery. And this affects the quality of the products. Now with our container products, different goods will be coming in different containers and will be stored separately which will ensure that its quality does not get diluted during transit. Our cubes are available in the 4-20 feet size. Cube is an impregnable coverage, protects the goods from dust, rusting and other things. We have very carefully designed



our floors to carry these containers. For instance, the floors of the trucks often get uneven. So on our trucks, we have laid out a special kind of floor pad which is a kind of shock absorber. Plus, there is a safety belt net with every cube container so that the transit jerks do not cause any damage to the goods. They also control the abrupt fall of goods from the top shelf of the container when it is opened. This will ensure zero damage.

**You had launched this product last year. How have your customers responded to it?**

Let me tell you honestly, I did not imagine that its demand will escalate in such a short span. We had launched this product with 500 cubes but demand went through the roof. We told our customers that we could not put in too many cubes in our services in such a short time. You also need to ensure that the management of these cubes happens efficiently and scientifically. You need special stock yards for them and proper loading and unloading equipment. Unfortunately I had to disappoint some customers. But considering the high demand for this specific service, we have cobbled up around 1,500 cubes by now and in the next two years, the target is to take their number to over 10,000.

**You talked about this solution ensuring the safety and quality of the product during transit of the goods. Now how it could help in the specific area of warehousing?**

After GST is implemented, this product will have great value as far as storage and warehousing is concerned. To avoid GST, earlier companies used to have several small warehouses at the state level. But in a uniform tax regime that will not be required. With this solution, we can offer the big companies the virtual warehousing solution. They can just continue with their regional distribution centers (RDCs) to deal with their clients while their goods can remain parked with us in containers in our stock yards. At the regional level, the clients just have to let us know where it has to be delivered and we will take care of this last mile bit.

**How many stock yards you have on a pan-India basis?**

We have 34 yards presently and we are targeting to take it up to 50 as our cube volume climbs to over 10,000.

**But considering the size of the Indian market, even a volume of 10,000 will be not enough.**

Yes, you are right. We will keep on pushing the volume. The biggest company in the US offering a similar solution has around 1,60,000 cubes in its inventory. So you can understand the extent to which it can expand.

**Where from you are procuring these cubes?**

We have imported some units. And now we have also outsourced the manufacturing of these cubes to Hyundai.

**What about the cost implication? Since you are providing an additional layer of protection to goods in transit as well as storage, does it not imply that the cost of the end-user will go up?**

You will be surprised to know that the logistics cost of our customers will actually come down by as much as 8 per cent, even as they will be catered to a superior and more efficient service. It can also be used for the movement of household goods where we are a market leader in the country. All goods of con-



sumers who are shifting to another location will be packed in a container and he will be allowed to lock it himself. In case, if there is any delay in the actual shifting of goods in the targeted house, we can also provide storage in our stock yards. We have begun this service without charging any additional cost from the consumer.

**It is quite surprising to hear that there is no additional cost implication. You are investing in cubes, which are part of your capex. Please explain the mechanism.**

The rationale is simple. The common charge for keeping goods in a shaded warehouse works out to be around ₹14 per square foot in India on an average basis. As against this, our open stock yards where goods are parked in a cube, the cost is just ₹2 per square foot. So you see the huge difference. The loading/unloading cost which is labour intensive also is low in our case because you don't need many human hands. These are big savings which we are passing on to our customers.

**It does happen that when a new product or solution comes to the market, their operators keep the prices low to make it popular. Are you also toeing this line?**

No. As I explained my costs are really low.

**You have two set of clients – industrial and individual customers. Which side has turned out to be the bigger buyer of this product in the last one year?**

It is clearly the industrial clients. In terms of demand, the ratio between industrial to individual consumer is 60:40.

**You seem to be betting too big on this solution. How much investments have you planned for this?**

In the next two to two-and-a-half years, we will be pumping in over ₹100 crore in this solution. Most of the investments will be routed towards having a much larger inventory of cubes, more stockyards all through the country and having a trained manpower to support this solution. ■

