Kale Logistics
Technology that Transforms

CRUX

A Quarterly Newsletter for the Logistics & Airport Industry

VOL 12 I JULY 2012

Top View

Vineet Malhotra
Senior Vice President

With the advent of globalization, trends in the logistics service industry like-increasing complexity in logistics transactions, greater customer demands on quality & availability of the service and an ever changing business environment have contributed to the constant uncertainty factor. In order to cope up with this uncertainty factor, the logistics industry is gearing up for embracing the developments in information and communication technology, there by renewing the focus on R&D.

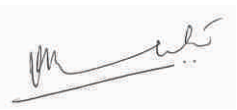
In the case of ports, technology is expected to play a critical role in streamlining the transportation of cargo. However, most ports face critical challenges in automating their cargo operations and bridging the communication between port stakeholders. At Kale, we focus on monitoring logistics industry trends, requirements and industry initiatives.

CRUX seeks to capture some of the latest information concerning the challenges faced by Ports and the growth of containerization. Our special Guest column features an interview with Mexico's fastest developing Logistics Service Provider- Europartners. Mr. Jesus Guadiana emphasizes on how Europarners has kept up the pace of business with the help of technology.

IN FOCUS is the profile of 'GALAXY' -An Airport Cargo Management System which helps Airport cargo terminal operators automate their operations and also electronically connect & transact with their external stakeholders. The Events and Happening section gives a peek into our recent and forthcoming participation at some of the world's prominent Industry forums.

Having been recognized as “Best Technology Service Provider” in the Indian sub-continent for past 4 consecutive years and being the only leading IT Solution Provider focused on Airports & Logistics industry, we understand our responsibility to unify the local logistics Industry with their global supply chain counterparts. In coming days, you will see Kale Logistics taking firm steps towards achieving this goal by leveraging its Innovative IT solutions. We hope you will enjoy this issue. Do send in your feedback and comments to info@kalelogistics.in.

Enjoy Reading!



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Jesus(extreme left)
Process and Quality Support Team
at Europartners

> "The Mexican forwarding community has had to adopt and adapt to technology as a necessity. With the growing adoption of technology in the global markets it is important to take advantage of technology in remaining competitive."

Jesus Guadiana Head- Process and Quality Support Europartners, shares his viewpoint on the role played by technology in the Mexican Logistics industry.

How has the Mexican logistics industry evolved over the last 2-3 years in terms of international trade and exchange of goods?

Jesus: Mexico is a strategic location of North America having strong infrastructure and diverse workforce across sectors such as information technology, agribusiness, food, furniture clothing etc., offering various opportunities for foreign trade to domestic and international investors. The Mexican logistics industry has evolved greatly over the last 2-3 years, because various sectors of the Mexican industry are in a phase of industrial specialization. As for Europartners, the growth in our commercial strategies has been phenomenal thanks to the amazing human talent that works with us.

Europartners was founded in Mexico in 2002 and multiplied twenty fold in a span of 10 years. What has been the key factor behind this rapid expansion?

Jesus:The credit for the rapid expansion is thanks to the vision of the two founders, Jose Morales and Ricardo Rodriguez. They have always searched for the best markets as well as countries that are growing in its economy. They have also developed a better relationship with our great global forwarder chain; and then again, they have always given priority to our internal values. Our innovative technologies, working environment, and communication strategies is what sets us a class apart from our competitors.

What is the state of technology adoption amongst the Mexican forwarding community?

Jesus:The Mexican forwarding community has had to adopt and adapt to technology as a necessity. With the growing adoption of technology in the global markets it is important to take advantage of technology in remaining competitive. We at Europartners are looking to use our IT infrastructure fully, utilize social tools. Interfacing too, is something that we would also like to use at 100%.

What role does IT play in collaborating with the other stakeholders in the Mexican supply chain? What does Europartners intend to accomplish on the IT front this year?

Jesus:IT´s role is indispensable. On the contrary, we would be out of the market, in accordance to how we see the global tendency evolving. EDI is our goal this year, to avoid many emails, calls, files, etc., we are investing on this to have a better and clear communication with our suppliers and customers.

What are the systems currently in use at Europartners? How do you intend to keep up the pace of business?

Jesus: During our first 8 years we used systems that were only operational. Currently, we are working towards using a system that is totally integrated, which in future we will be able to use to its full capacity. This will align us in accordance to our internal and external strategies.

How long have you been using Kale's Freight Management System? What were your key evaluation criteria while identifying the right system for your business?

Jesus: We have been using FMS for a year and nine months now. We chose FMS, because it is a web-based platform. The other decision was because of the short time it would take us to customize the system in accordance to our needs.

What is your feedback about Kale's FMS to the readers?

Jesus:FMS is a practical and friendly system that has helped us to simplify our processes in sales and purchases. In those moments, the opportunity to take advantage of using the web platform was amazingly easy and fast as opposed to how we used to work before.

Client Profile:

CLIENT was a large private ICD in northern India offering one stop logistic solutions including customs clearance, transportation and delivery at doorstep. Handling 4000 TEUs for export/import daily meant ensuring highest standards of customer service and need for automated operations process using state-of-the-art technology.

Business Need:

CLIENT's current legacy system was inadequate on many fronts like- it had no automated billing, lack of workflow based system, absence of process controls and checks.

Issue of Revenue Leakages- Lack of automated billing resulted in resource dependency and manual intervention in the billing process. Very often these resources tend to forget a lot of activities in daily operations which lead to revenue leakages. Every activity in a CFS operation had a different charge. At the end of every shipment movement there was a charge levied on the customer (Exporter/ Importer). Non-availability of automated tracking system leads to incorrect tracking of activities. This in turn resulted in levying of lower charges on customers, which at times was also factoring personal relationships of people involved.

Issue of Controls- Client was facing an issue of Gate-out of the container, where the cargo was moved out of the CFS but not recorded in the existing system properly and on time due to constant bugs/ errors. Even the staff would forget to enter the details. The outcome was a lack of inventory control affecting mandatory industry compliance. As per customs law container/ cargo moving outside/ inside of CFS has to be recorded & reported on a daily basis.

Issue of Multi-modal invoicing- Client had 80 containers going by rail & 20 by road on any given day. Since there was no provision to handle rail movement of the CFS exports/ imports in the existing system, it was impacting their bottom lines. Client required a system that could capture rail movement and rail billing. As the billing charges for rail & road movement are different, it was affecting final invoicing.

CLIENT wanted to automate its operations to suit its immediate and long-term business objectives. CLIENT also wanted to monitor any irregularities that are likely to occur in container handling. It required a system that could help provide visibility and perform much better tracking of shipment, container and trucks. A system, which supported new age technologies and enabled sending automatic SMS, Alerts or E-mail. That's when CLIENT' evaluation team zeroed in on Kale's CAPELLA which was the best fit for CLIENT in terms of features, functionalities and its performance track record.

Key requirements from the New System:

- Reliable & Committed IT vendor with a proven track record
- Scalable system to support needs of container business
- Proactive decision support mechanism enabling staff to make informed decision
- Capability to track shipment
- Modular system giving the capability to quickly configure independent operations group
- A techno-functionality superior solution addressing yard management pains

Kale's engagement with the CLIENT:

Solution Approach: Client liked the CAPELLA system during the demo, however there were certain business requirements specific to CLIENT operations which would require customisations to me made to the CAPELLA system. The Kale team studied the clients CFS operations, their existing system & understood their future business requirements before proposing the solution. Kale's CAPELLA team worked not only with CLIENT's IT evaluation experts but also with their operation's supervisors and users to understand their business requirements. A team of 4 techno-functional experts worked on client site for 7-8 days to study their existing system, identify the loop holes and understand the current & future container freight station (CFS) & Inland container depot (ICD) requirements. Apart from operational needs, the client also required detailed functionality on Automated Activity Based Billing. Apart from CFS operations even automated activity based billing was discussed at length. This approach was much appreciated by client team as it ensured that client's operational and business requirements were met with minimum customisations. The client was especially happy with the fact that Kale provides post implementation support in terms of 5 days training, 15 days in person UAT (User Acceptance Testing) support.

The Solution: CAPELLA™ - a web-based system that would automate the imports, exports, empty management, bonding, auction and Maintenance & Repair Process operations of a container freight station.

CAPELLA Highlights:

- Much better tracking – shipment, container and truck visibility
- Enhanced irregularity monitoring
- Proactive system alerts
- Support for hand-held, mobile devices
- Technologically superior – web based application
- Easy maintainability
- EDI support
- Better control over equipment, containers, warehouses, yards

CAPELLA: Key Functionalities

- Export Process Management
- Import Process Management
- Empty Process Management
- Bonding Process Management
- Auction Process Management
- Yard Management
- User Management

CAPELLA Status Update

CAPELLA system is now a cloud based application running on Microsoft Azure platform. This makes the system stable, scalable and easy to deploy. Earlier implementation time could stretch to 3-4 months, but now CAPELLA can be deployed within a week's time.

Business Benefits to CLIENT

- Enhanced customer / profitability analysis
- Proactive system alerts
- Support for hand-held, mobile devices
- Technological superiority – web based application
- Better integration with accounting systems
- Easy maintainability
- EDI support
- No user based licensing cost
- Better control over equipment, containers, warehouses & yards

ABSTRACT

India is fast becoming the global epicenter of economic growth and external trade as well as the second fastest growing economy in the world after China. The country's marine sector is intricately linked with its economic activity and has been a critical contributor to its competitive position in global trade. India has an extensive coastline of more than 7,500 km and around 95% of the country's external merchandize trade by volume, and 70% by value, is transported through containers.

The container segment has been witnessing significant growth, more so in developing countries where levels of containerization are low. It is expected that growth in container volumes will outpace other cargo in the near future. Therefore, in line with this projection, the bulk of infrastructure development across the world, including in India, is focused on handling containers. The share of container traffic in India's total port traffic has been rising, but total container throughput is still substantially low as compared to transshipment hubs in Singapore and Dubai. Hence, Indian ports urgently need to ramp up their container handling infrastructure, equipment and automation systems to attract large container vessels to them.

CONTAINERIZATION: POISED FOR GROWTH

Bottlenecks to Growth
The growth in containerization is driven by growth in port sector which requires an adequate support system to operate smoothly. An unfit or inadequate support system leads to inefficiency and reduces the effective capacity of ports. Some important issues are discussed below, and that addressing these can lighten utilization and improve the performance of ports to a large extent.

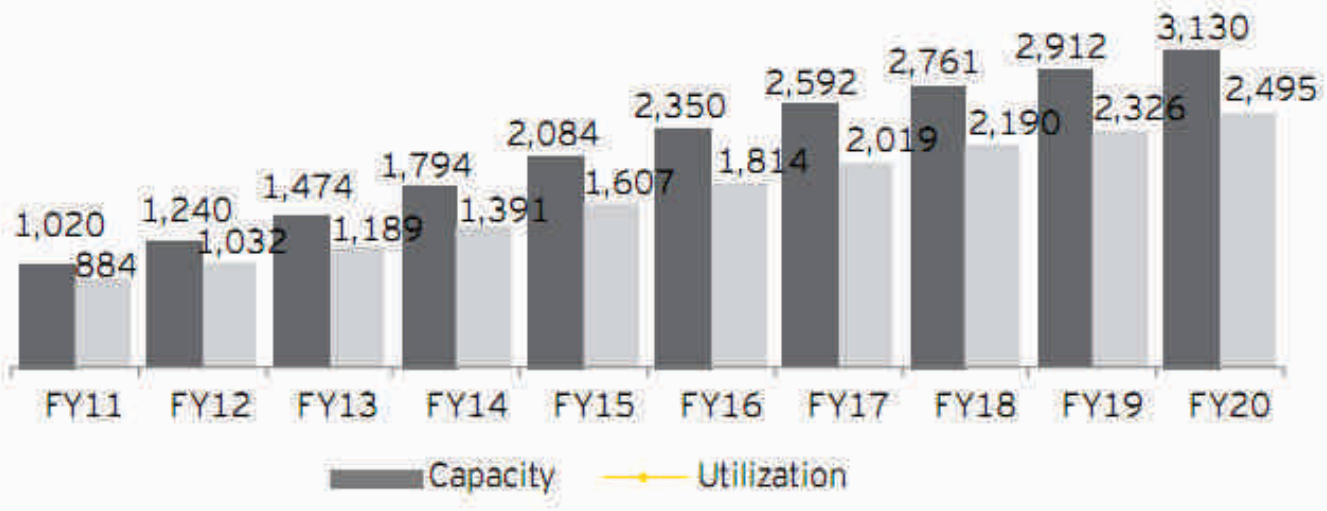
Inadequate navigational aids and facilities
Most ports in the country lack state-of-the-art navigational aids for ships. Except Mumbai, major ports are not equipped with the latest Vessel Traffic Management System (VTMS), which is used for regular berthing or de-berthing of ships. While most ports currently have an adequate number of marine craft, e.g., tugs, launches and marine crew/pilots, to handle vessel traffic, these may not be able to meet increased vessel traffic needs in the future. Therefore, it is imperative to replace existing vessels with sophisticated and modern marine craft and augment fleet strength to meet the projected growth in traffic.

Inadequate IT implementation
Operations and resources at ports cannot function efficiently in the absence of an enterprise resource planning (ERP) system. Consequently, some resources (machinery and/or human resources) are extensively used, while others are idle and wait for availability of other resources. Systems and procedures at Indian ports are complex and unable to facilitate more environmentally friendly electronic transactions. Moreover, processes are characterized by cumbersome physical data verification, modifications, and artificial checks and balances, which frequently lead to delays in completion of business transactions. The process of filing directions, calculation of port changes, anomalies in classification of cargo and procedures for refund are some of the issues that need to be addressed. Furthermore, the overlapping roles of various departments compel various stakeholders to file documents with the different departments at ports and customs as well as with other stakeholders.

KEY COMMODITIES DRIVING GROWTH

As per industry reports, Indian port sector is ready to play a new inning supported by strong underlying fundamentals, regulatory reforms and privatization plans. The growth in containerisation is driven by growth trends and influences from major industry segments like Textile, Retail, Engineering and Automobiles. India's **textile sector** is rejuvenated by the Multi Fibre Agreement (MFA), which will boost containerization. **India's retail industry** is expected to grow at a CAGR 30% over the next five years. The contribution of **Engineering industry** to total exports is expected to rise from present 11% to over 25% in next five years. India's **auto component** export is expected to touch US$20-25 billion by 2015. The Import of **thermal coal** is expected to witness continued growth in the country due to its positive outlook and significant investments planned in the power sector (including the development of ultra- mega power projects). Coal cargo traffic recorded an increase of 20.0% in 1Q12 and a modest growth of 5.1% in 2Q12.**Petroleum** has traditionally been the top cargo- generating commodity in India. Crude oil and POLs can be expected to significantly contribute to the overall cargo in view of the expansion being undertaken at existing refineries and the number of new refineries being planned in the country. Also, the **inland container transport** to private players by Indian Railways will result in a decline in rail freight rates, aiding the growth of containerisation.

Exhibit 15: Ports capacity and traffic projections, FY11-FY20, in million tonnes



Source: Maritime Agenda 2010-2020

TECHNOLOGY ROADMAP TO CONTAINERIZATION IN INDIA

Indian ports should begin working on optimizing their business process flow and facilitating exchange of electronic information among stakeholders by using the latest IT processes, including the Port Community System (PCS).

↗ Emerging Technologies

- **Web Based Software and SaaS models:**

Trend will be towards using new generation web-based solutions mostly driven by the customer demands. Also given the turbulent economy, On-demand software (SaaS) is the way to go for many large and medium scale companies, as it provides the flexibility to pay-as- you- go. Systems that incorporate compliance to trade regulations will influence the usage of IT. The multi-national industry players will demand more visibility and transparency that can be achieved through the web based integrated solutions

- **Multimodal Mobility:**

The productivity gains associated with multimodal mobile systems that allow seamless use of multiple database systems, RFID, GPS, voice technology etc. are very strong. Maximum usage of mobile technology will be done in tracking of the fleet, via GPS. Indian warehousing and CFS industries will witness the adoption of RF devices more prominently.

- **RFID technology**

RFID is a mobile technology, wherein customers can keep track of a particular shipment. Besides time, position or destination of the

shipment, if a shipment is carrying chemicals then you can also keep track of configurations and temperature etc. using RFID. As per the survey, nearly 80% opined that they were interested in RFID technology and would like to use in future. Industry players will be keen on software using RFID technology which can help tracing the shipments. However, RFID costs still remains a concern. Also, RFID in metallic environment like containers is yet not proven. Warehousing, CFS, ICD are the most likely segments to adopt usage of RFID mostly driven by their overseas customers

- **GPS-GIS Technology-TELEMATICS**

Telematics refers to the integration of computing, wireless communications and Global Positioning System (GPS) for sending, receiving and storing information over vast networks. Telematics devices allow drivers to browse the Internet, send and receive e-mails, receive live traffic updates, listen to satellite radio, and perform various other activities hands-free.

With the help of GPS, customers can know the exact position of their shipment. For the Logistics Service Providers (LSPs), at various stages they can locate the vehicle and even alert the driver of the vehicle about any untoward incident and re-route the vehicle with GPS assistance. It also helps in locating a particular address.

- **Enterprise Wide Solutions**

Software applications addressing the end to end business needs of logistics companies will gain prominence. Integrated solutions will find usage in Airports, CFS, Forwarding and ports. Going forward, multi-locational systems will be a necessity. Industry will need one stop shop solutions inclusive of Hardware, Software, Network, RF services etc.

SOLUTIONS FOR CFS AND ICD OPERATORS

Container Freight Stations form an important element in the container value chain. CFS & ICD operators regularly face procedural delays, due to huge amount of paperwork and the slow movement of goods. This becomes more complex with the use of manual or legacy systems that are unable to scale up to a changing business scenario. Add to this the lack of a consolidated and well-structured view of the business rendering informed decision makes it an uphill task.
A comprehensive web-based software solution built on ground reality can make these processes hassle free. Such a system should be efficient, facilitate communication between all stakeholders and provide decision support at all levels. Kale's CFS Management System-CAPELLA™ is one such solution which gives CFS & ICD operator an instant access to information and complete business visibility to the top management.

WAY FORWARD

The Vallarpadam International Transshipment Terminal and Vizhinjam Terminal positions India as a transshipment hub, conferring major advantages to Indian exporters in terms of reduction in feeder service cost and faster shipping service if the cargo is routed through Kochi instead of Colombo, Sri Lanka.

As per industry analysts, "To ensure future growth, India must intensify efforts to strengthen the overall logistics chain by improving port and landside infrastructure and integration. India is clearly emerging into the spotlight as productivity growth is strong and container volumes are slated to witness robust growth in the coming years." To keep abreast of the growth rate, the Government of India must ratchet up port capacity expansion plans. It is already developing the port infrastructure through PPPs, allowing 100 percent FDI in construction and maintenance of ports, operations, and other supportive services. From 45 ICD's present in the country, the count is going to increase by 50 in the next 5-7 years.

Domestic transportation of containers is predominantly undertaken by road transporters and Container Corporation of India (CONCOR). Eventually, the entry of private rail operators will lead to innovations and healthy competition Private rail operators and coastal shipping will pick up momentum with the development of minor ports such as Mundra, and Vallarpadam, which will be better equipped to handle huge liners. India's containerized transportation is thus poised for significant growth spearheaded by rising international trade, and increasing investments in ports infrastructure by the government and through public-private partnerships (PPPs).

GALAXY™ – GHA

GALAXY™ GHA is a state-of-the-art ground handling module designed to meet all the success criteria for airports handling cargo as well as for independent ground handlers. It automates the operational processes and provides quick and comprehensive information on consignment status, cargo tracking and terminal operations to customers as well as the management.

It supports the airport in controlling the movement and storage of cargo at the warehouses and managing the transactions. GALAXY™ easily integrates with other airlines and ground handling systems to facilitate smooth flow of cargo information throughout the value chain.

In addition to import and export handling processes, the solution provides ULD management at own station, service level management & tracking, terminal & airline invoicing and mail & courier handling.

> GALAXY™ is a proven off-the-shelf cargo management solution that comes with unique web-based platform and incorporates industry best-practices. It is being used by Kale's clients globally. GALAXY™ is rich in functionality as it successfully streamlines the processes of 3 of the top 5 GHAs globally.

KEY FEATURES

GALAXY™ helps cargo terminal operators / custodians and ground handling agents to overcome their challenges by addressing the following key improvement areas:

- Provides a portal for agents and airlines to transact and track cargo status
- Interfaces with Indian Customs through ICES v1.5 messages
- Interfaces with airline systems through IATA CarIMP standard messages in telex and SMTP formats
- Interfaces with banks through net banking channels
- Provides Multi-lingual support
- Allows users to create complete blue print of the warehouse for effective cargo movement

Planning

- Allows agents to request for equipments and services in advance prior to bringing in cargo to the terminal
- Allows setup and management of warehouse space and disposal of unclaimed cargo
- Delivers proactive alerts to prevent service failures
- Delivers in-built system generated reports
- Delivers customised reports through a reporting database that interfaces with enterprise standard BI tool.

Process Integration

- End to end import and export cargo operations management through interface with cargo handling systems/ modules similar to GALAXY™ GHA
- Integration with hand held terminals for barcode scanning and cargo operations
- Interface with financial packages like SAP
- Facility to upload documents and images related to cargo

Forthcoming Event

Saudi Transtec 2012

Dammam, Kingdom of Saudi Arabia 11 Nov-13 Nov, 2012

Kale Logistics will be participating at the 3rd International Saudi Arabia's Transportation, Materials Handling, Warehousing & Logistics Exhibition & Conference (SAUDI TRANSTEC) which will be held from 11-13 November 2012 in Dammam, Saudi Arabia. Mr. Sumeet Nadkar, CEO & MD- Kale Logistics Solutions will be present as a key Speaker and will share key insights on Innovative IT solutions for Global Supply Chain industry. SAUDI TRANSTEC 2012 will provide the ideal environment for local, regional and global logistics service providers to meet and interact with Kale's delegates who have a rich domain experience of providing IT solutions to entire value chain covering forwarders, container freight stations, airports, airlines, custom house agents, transporters, fleet operators and warehouses.

Past Event

5th Global Logistics and SCM Strategy Summit 2012

Westin, Dubai 30th May, 2012

Kale Logistics participated at the 5th Global Logistics and SCM Strategy Summit 2012 held on 30th May 2012 in Dubai. Mr. Manoranjan Gupta, Business Director-International Sales, Kale Logistics Solutions was Key Speaker in the track no. 5 focusing on Information Technology. Manoranjan is an Industry Veteran with over 18 years of experience as a techno-functional expert. Manoranjan shared trends and insights on "Adoption of Collaborative ICT solutions" in context of global logistics industry. The session saw a varied and intense discussion on Cloud Computing & SaaS based service, affirming the future for logistics business automation to be in the form of Cloud Computing & Community Collaboration.

Snippets

Logistics delivers... as if by magic!

- If you joined together all the sausages that the logistics industry delivers in a year, they would reach beyond the moon!
- Logistics delivers 16000 swimming Pools of milk per year
- Logistics delivers enough beer to fill up wembeley stadium in UK per year.
- Delivers 4 billion meals to pubs & restaurants in UK alone
- For every truck of goods delivered to our supermarkets, 400 cars are needed to transport the goods to our homes
- 4.7% of UK workforce is employed in Logistics, that's 1.5 million people working to serve the nation

Sandeep Nigam
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Sandeep is a technocrat recognised for conceptualizing, directing, developing and constantly upgrading advanced technology solutions to meet client needs, Sandeep has a very rich career graph spanning nearly 22 years in the Logistics & Airline Domain. He has successfully applied his leadership in Program / Project Management, Business Analysis, Software Development, Delivery Management, Applications Development and People Management.

At Kale, he is one of the most sought after knowledge expert who brings deep understanding of areas as diverse as- Airlines, Container Freight Stations, Inland Container Depots, Yard Management, ICD Rail operations of EXIM and Domestic cargo handling, Rail TXR operations, RORO operations at Car export & import terminals & local & international Customs EDI system & regulations. His broad techno-domain expertise has helped Kale create robust solutions with flexible deployment options to factor customer preferences. In his present role, he is responsible for the CFS/ICD Solution right from overseeing pre-sales, to requirement study to development, training and implementation. His knowledge, understanding of clients business, leadership & Project management acumen has ensured Customer Satisfaction and today he shares an excellent relationship with both local & international clients.

Sandeep started his Career at an early age and prior to Kale; he has had equally successful stints with reputed multinational clients like KLM Royal Dutch Airlines- Netherlands, Alitalia Airlines- Italy, World Health Organization, Pepsi, Italian Trade Commission, Subaru Motors-Australia, Royal Netherlands Embassy, SESAMO Inc- Philippines, GSK Computers – Budapest & KLM City hopper- Netherlands.