

Logistics companies eye larger warehouses

Move is in anticipation of Goods & Services Tax regime.

Mamuni Das

New Delhi, May 17

Several logistics players are moving towards larger warehouses against the earlier norm of small ones in anticipation of the goods and services tax (GST) regime next year.

“With proposed GST, the conventional concept of establishing warehouses in every state is undergoing a transformation. As GST will standardise rates across the nation, consolidation is expected in the warehousing segment as companies will be able to manage bigger warehouses at a few strategic locations,” Mr Vineet Agarwal, Executive Director of Rs 1,358-crore Transport Corporation of India (TCI) said.

TCI, which manages about 8 million sq.ft of warehouse space, has been adding 5 lakh sq.ft to 1 million sq.ft every year.

“Large organisations — instead of having 25 carrying and forwarding agents — might move towards four large distribution centres,” Mr Vineet Kanaujia, GM-Marketing, Safexpress, a Rs 650-crore company, said.

Safexpress is already witnessing such demand from its customers.

“In the last one year, we have set up large logistics parks at 10 locations spread over 2 million sq.ft. The size of each park varies from 1 lakh sq.ft to 12 lakh sq.ft,” Mr Kanaujia said. Currently, warehouse sizes could be between 5,000 sq.ft and 20,000 sq.ft.

GST implementation may also spur new development. Drive India Enterprise Solutions Ltd (DIESL), a joint venture of Tata Industries and Tata International, is poised to create five distribution centres after the GST regime.

VAT implementation recalled

“Located strategically...they will cater to the needs of consolidation of the industry,” said Mr Ajay Chopra, Chief Executive Officer, of the Rs 232-crore DIESL, with 4 million sq.ft of warehousing space under its belt.

However, some players are unwilling to bet on whether their way of doing business will change. For them it is a case of once bitten, twice shy because of the manner in which the Government rolled out value-added tax regime.

If the State GST and Central GST are levied separately; then there is unlikely to be any significant change, said industry officials.

Mr Anil Arora, Managing Director, MJ Logistics, said, “The exact structure of GST and the extent of change in compliance requirement will define how the business changes.”

Mr Nihar Parida, Vice-President (Logistics and Marketing), Uniworld, recalled VAT implementation, “When the VAT regime was rolled out, we all thought there will be three-four mega warehouses. But with the Government retaining the Central Sales Tax (CST) as well, there was no change.”

Mr Harry Lagad, Director, Gati Logistics, had a totally different viewpoint. He said that large warehouses would be at faraway locations, increasing the time for delivery to retail outlets. “This could mean higher inventory costs as well,” Mr Lagad said, adding that all steps will be driven by customer demands.

mamuni@thehindu.co.in