

“GST will create common market, improve productivity and curb corruption”

This will significantly reduce the vertical imbalance between the Centre and the States by enhancing tax base of the states and will lead to faster movement of cargo, says Vineet Agarwal, Jt. Managing Director, Transport Corporation of India (TCIL) in an interview with *Projects Info*.

What are your views about the GST, planned to avoid multiple taxation and reduce overall costs?

Yes, implementation of GST, free trade warehousing zone, food parks, multi modal logistic will aid in growth of the logistics industry. The implementation of GST will enable the creation of a common market, thus permitting free and unobstructed movement of goods and services across the country. This will, significantly reduce the vertical imbalance between the Centre and the States by enhancing tax base of the states. Introduction of GST will also reduce the number of warehouses required to be maintained in different states, thereby resulting in a substantial increase in demand for integrated logistics solutions through a hub and spoke movement.

First, for instance, consider a company with ten manufacturing locations. Presently, it may have 35 warehouses spread

across India to take advantage of the local tax structures and circumvent variations in taxes across different states. So, there will be 10 factories supplying to 35 warehouses.

When GST comes into force, the number of warehouses will drop to 15. That is because, the tax rates will be uniform, hence, companies will transport to lesser number of warehouses. So, this will impact freight movement, warehousing and inventory management in a direct way.

Second, if documentation becomes simpler, it will lead to faster movement of cargo, since there will be lesser stoppages, damages will be less. Also, there will be an increase in productivity and less corruption. According to a study on the Operational Efficiency of Freight Transportation by Road in India, conducted by TCI and IIM-Calcutta, trucks in India move very slowly at about 20-25 kmph on an average. There are too many check-posts



and screenings, which hinder movement.

How efficient logistics can bring down project cost?

Efficient management of logistics helps in reducing costs for customers. Effective route planning, introduction of new and fuel efficient vehicles and proper inventory management go a long way in cutting down transportation costs. With the growth of Indian industry, cli-

ents are increasingly farming out their logistics requirements to third parties. This has led to an increase in the number of local logistics service providers and has also attracted a few foreign players. Corporate houses have started demanding more diverse services, over and above the usual inbound or outbound transportation services, including reverse logistics, inventory management, packaging, labeling and even order processing. This has forced the existing players to enlarge their basket of services and strengthen their areas of core competence. Meanwhile, the high cost of logistics in India is primarily due to poor infrastructure, bad roads, and ill-trained drivers, old and outdated equipment, poor maintenance and a lack of understanding of safety issues.

Providing industry status alone would facilitate development of the sector and bring down the current logistics cost. When the sectors are organised, industries develop on account of the unin-

terrupted flow of resources for development. An acute shortage of skilled manpower in the logistics sector is another concern area. The future trend seems to be towards fourth party logistics (4PL) service providers, where a single party interfaces between the client and multiple logistics services providers.

How do you manage interdependencies in a multi-supplier and multi-product environment?

Project logistics finds its place in a multi-supplier and multi-product environment, wherein it is crucial to explore interdependencies and manage project uncertainties. Achieving some consistency in projects helps it to achieve time-bound commissioning with no cost or time overrun for movement of people or materials. A typical example of how logistics can help sectors in such an environment is the auto sector.

For full interview log on to:
www.projectsinfo.in

“Alternative energy will shape the future of Indian power sector”

Alternative sources of energy stand out as a viable source of clean and limitless energy with less emission and are available locally, says Anup Bharagava MD, India Power Corporation (IPCL), in an interview with *Projects Info*.

IPCL took over DPSC in 2009. What is the percentage of IPCL's holding in DPSC? What difference has the management takeover made for DPSC?

SREI in a consortium with India Power Corporation (IPCL) emerged as the highest bidder for a majority stake in DPSC, when the unit was on sale back in 2009. At present, IPCL holds 93 per cent stake in DPSC. IPCL, in turn, is held by renowned venture capital funds like Infrastructure Project Development Fund and financial institutions like SREI Infrastructure, which holds 9 per cent in IPCL.

DPSC has been a profit making company with 8-10 per cent Y-o-Y growth. The company reported T&D losses of around 5 per cent at that time, far below the industry average of 25 per cent with further scope for improvement. At present, the T&D losses come to around 3 per cent for DPSC. DPSC's acquisition marked the group's foray into power distribution, thereby emerging as an integrated power player within the sector.

You have a 12 MW thermal power plant operational in Dishergarh that has been recently renovated with new machines. What were the challenges and what was the capital outlay?

The existing power plant has been completely overhauled through a renovation and modernisation exercise. The company has scrapped the old 3x4 MW coal fired power station which was not economical due to high cost of 'A/B Grade' coal. The new plant is undergoing testing and would be commissioned soon. The 12 MW power plant provides system stability to the DPSC grid by acting as a reserve supply source. The project has been conceptualised and imple-

mented within a short time frame and displays DPSC's ability to handle projects, whether big or small, in a clinically efficient manner.

Your company is reportedly setting up 2X270 MW thermal project at Raghunathpur, Purulia. What is the status of the expansion plan and what is the capital outlay for the project?

At Raghunathpur, we are setting up a 2x270 (540 MW) thermal power plant with a capex of around Rs 3,084 crore. The project has received water allocation for the first phase and other necessary consents and approvals for the project are also under way. Land acquisition for the project is also on track with significant areas already acquired. However, given the state of the market at present, we are moving forward with care.

Your company is supplying power to only industrial consumers. Are there any plans to supply power to residential consumers as well?

While the majority of our direct customers are industrial, however, we do supply to residential consumers as well. In our overall consumer mix though, the residential consumer category is a small proportion as of now. We are focused on getting more residential and domestic consumers in the DPSC license area as that would allow us as an organisation to improve our service models and would also motivate us in developing a



network infrastructure which would continue to run at the highest efficiency levels.

Currently, your supply area is limited to Asansol-Raniganj. Do you have any plans to expand your area of distribution beyond the boundaries of West Bengal?

Our existing license area in Asansol-Raniganj spans one of the most industrialised areas in eastern India. It gives us an opportunity as well as a responsibility to keep on improving our services. To strengthen our distribution network, we have plans to set up 400 and 220 KV sub-stations within the licensed area to provide required connectivity with the national and state grid. We also have plans to strengthen the distribution network by augmenting its lines and enhancing its network to provide better services to our consumers. In addition to this, we would also be participating in other opportunities in the distribution space including distribution franchisees or privatisation bids on a case-to-case basis.

Your company's T&D losses at 3 per cent are among the lowest. How do you manage to achieve it?

DPSC, through its efficient power distribution, has maintained one of the lowest T&D loss figure across India. Through our better control systems and regular quality checks we ensure a minimum loss. Also, by an extensive augmentation of our existing systems

by building new infrastructure, we have been able to keep a consistent check on energy losses through our networks.

Do you also have a presence in renewable energy? What was the rationale to enter green energy as a business?

Yes, DPSC operates 2 MW solar power plant in Shibpur, West Bengal. We also have an installed capacity of 95.2 MW of wind power generation through IPCL in the states of Karnataka, Gujarat and Rajasthan.

Alternative sources of energy have become very important and relevant in today's world. These sources cause less emission and are available locally. Their use can, to a large extent, reduce chemical, radioactive, and thermal pollution. They stand out as a viable source of clean and limitless energy that is expected to shape the future of the Indian power sector.

Your company's financial performance has been outstanding for FY2011-12? Do you expect to repeat this kind of performance in the current year too?

Net sales for FY12 was reported at Rs 538.73 crore, a jump of 32.81 per cent over the previous year. PAT jumped 108 per cent to Rs 11.80 crore against Rs 5.67 crore in FY11. The company has been disciplined and focused towards adding to its brand value as a quality and consistent power utility and has directed all efforts towards completion of its capital projects that can further strengthen its base and T&D operation parameters. We are confident that our efforts would translate into higher growth figures in the coming years as well.

Send your feedback to:
feedback@ASAPPmedia.com