

1 Q As 2012 draws to a close, what are the significant issues that have impacted your business? And what are biggest challenges that are before you for 2013?

2 Q What is your business outlook for 2013? Which are demand side and supply side factors that could impact your segment of business?

3 Q Where do you see the growth happening?



Chander Agarwal
Executive Director, TCI Limited

1 2012 was a challenging year for the Indian logistics sector as there was a moderation in demand and decline in utilisation levels. Logistics costs in India were more as compared to other developed countries because of efficiency issues. Availability of credit at a very high cost and no major provision for the infrastructure sector in the budget, have been some of the major issues of the sector in 2012.

The heavy dependence of freight on the road network and inefficiency in the government controlled railways has impacted our business quite to an extent. TCI's recent study report on "Operational Efficiency of Freight Transportation by Road in India" highlights that trucks had to stop 30 times between Delhi and Mumbai for various tax collections and checks, reducing the speed of the vehicle to 23km an hour.

Non-conducive policy environment like indirect tax regime, widespread industry fragmentation, high credit cost and lack of adequate and robust infrastructure will continue to remain key challenges for the industry in 2013.

Lack of warehousing and cold chain infrastructure will also make the sector less competitive by making it dependent to a large extent on the improvement in transport infrastructure.

Apart from the structural issues, FDI in multi-brand retail has opened up exciting opportunities for this sector. TCI is strengthening its infrastructure and is continuously expanding its portfolio of services to meet the projected demands with the opening of the same. Global players are likely to get their existing logistics partners to India, TCI aims to upgrade their existing infrastructure and also invest in skill development of its employees.

2 In the coming year, we look forward to working more closely with clients across sectors to meet their logistics needs in a cost-effective manner. We will continue to introduce innovative logistics solutions to meet client's varying needs. The company will be investing ₹150 crore, half of which will go into creating new warehousing capabilities.

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Our drive is to innovate continuously by investing in technology and training of workforce will also continue in 2013. Fuel prices and labour costs are key to our operations. Labour availability is crucial for road transport and warehouse storage. Thus labour cost is a key factor on supply side. Losses and pilferage is also a major problem in India when compared to global benchmarks. Moreover, implementation of GST and building of freight corridors could also alter the macroeconomic picture significantly.

Demand centre in India is generally fragmented, especially for warehousing. Therefore, geographically covering all the demand centers is relatively difficult.

3 Logistics sector has now become a high-activity segment with considerable buzz around it especially as product life cycles have shortened and supply chains have got longer. Several factors have helped the growth of the sector in India over the decade that includes a changing tax system, rapid growth in emerging industries such as automobile, pharmaceuticals, FMCG and retail and an increasing focus on outsourcing to a single vendor.

For TCI, value added and niche segments like multimodal solutions have offered the best avenues for growth. The company has specialized verticals that handle all aspects of logistics requirements. We can seamlessly integrate across verticals and offer multimodal solutions across air, surface and rail through our companies like TCI XPS and TCI SCS.

India's warehousing sector is growing at an annual rate of 35-40 per cent, and is expected to become a \$50-billion industry in the near future. However, the market slowdown had touched most of the businesses across the globe which in turn will have a slight impact on logistics industry as well. In spite of the slowdown, India is expected to grow by more than double the rate of the expected growth of many of developed

4 Q Are you looking at any new strategies to increase your business presence or market share?

5 Q What is the biggest concern for Indian maritime industry?

6 Q Do you expect any regulatory changes that could influence the maritime sector?

economies, which gives enough opportunities to logistics companies.

The mega trend for the upcoming year will be the implementation of the Goods and Service Tax. GST will enable the creation of the common market thus permitting free and unimpeded movement of goods and services across the country.

4 TCI is ramping up its infrastructure and expanding its portfolio of services to meet the projected increase in demand after the opening up of multi-brand retail for FDI's.

The company is spending another ₹40 crore for expansion of our truck fleet, besides its current ownership of 1,500 trucks. Further, we are planning to acquire a fourth ship at an estimated cost of ₹25 crore, which would be deployed to ship bulk cargoes between Chennai and Port Blair.

5 Lack of quality infrastructure has been an issue that was impeding the seamless growth of the economy and the pace of improvement by the government is a cause of worry. Nevertheless, we are appreciative of the government's efforts to improve the national highways and develop freight corridors. Our biggest challenge is the lack of skilled manpower and retaining talent. The only solution to this problem is introducing courses to give a professional edge to our employees.

6 We expect decision on some policy issues to drive the growth of the economy and the sector in the coming year ahead -

- 1) Opening up of key sectors, such as retail, aviation to MNC's
- 2) RBI decision to grant infrastructure status to projects involving infrastructure
- 3) Implementation of changes in the Indian tax system from the current state-level value added tax (VAT) to a national and uniform Goods and Services tax (GST). **img**



Ajay S Mittal, CMD, Arshiya International Ltd

1 With global economic turmoil in 2012, India also witnessed its share of challenges in the economy. Naturally many international companies operating in India as well as domestic players were very keen and open to innovating their business models, so as to be more competitive, efficient and profitable. This immediately meant that Arshiya's Unified Supply Chain infrastructure such as Arshiya's Free Trade & Warehousing Zones (FTWZs) for their EXIM requirements, Rail freight services as an alternative to the congested road network and first and last mile connectivity, provided in terms of what they were looking for, thus the year was very good for Arshiya.

2 On one hand there is optimism in the reform agenda of the government including the aspect of FDI, on the other hand there are businesses facing challenges and excruciating inefficiencies in India's logistics & supply chain space. In the coming year, we foresee an increase in international companies expanding their operations in the country, as well as newer companies setting up bases here. The positive market conditions will also provide a boost to domestic companies to compete better globally.

Thus the needs to adapt international standard practices for managing their supply chain backbone and hence the increase in demand for FTWZs, rail terminals, customised rail services, domestic distribution hubs and hinterland connectivity.

3 With the key economic policy decisions announced in 2012, we see growth happening across various sectors ranging from retail, to consumer electronics, automobile, manufacturing, precision engineering, boost to re-export through India, thus making India the preferred hub and one of the largest developing markets.

4 Arshiya is not only a pioneer in unified supply chain & infrastructure in India, but also the only entity engaged in this. Thus the concept of market share is not relevant in our case. With India's evolving market needs, segments, customer requirements, our strategy would be focused on customising solutions to their needs and leveraging our FTWZs, Industrial & Distribution hub, rail & rail infrastructure and first & last mile transport & handling. Thus, providing the much needed end-to-end supply chain solution to international as well as domestic companies operating in India. **img**