

# ‘GST Will Change Things with Consolidation of Warehouses & Factories’

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**Vineet Agarwal of TCI says if India creates a balance between rail and road freight movement, the logistics industry will take off**



The Transport Corporation of India (TCI) manages 9.75 million square feet of warehouse space and has 4 cargo ships. The Rs 2,000-crore company is betting big on automobile, retail, pharmaceuticals and FMCG businesses because once the Government gives a green signal to the centralised Goods and Sales Tax (GST), there will be free and faster movement of goods between various states. However, the introduction of the GST is taking time and logistics companies are looking at ways to make profits in a bleak economy that is struggling from low supply led inflation. Vineet Agarwal, the MD of TCI, figures that if India uses its coastline more effectively and creates a balance between rail and road freight movement, the logistics industry

*Excerpts of the interview:*

**Why has India not used its 6,000-km long coast line effectively for domestic transportation?**

India has always been dominated by road transport. Sixty-five per cent of the country depends on the road for goods movement. The right balance should be 40 per cent road, 40 per cent rail and

the balance should be the rest. At the moment, only certain heavy bulk commodities like rubber, chemicals, cement, and foodgrains are being moved by sea. There are smaller ports that can be utilised in the long run. The reason we use road is because there is a lot of domestic consumption in India. Retail and automobile are some of the prime examples of major industries using roads for shipping goods. We are happy as a company to see how the government is placing emphasis on dedicated freight corridors; rail transportation is one way to meet domestic transportation needs that can be very effective. Air cargo will remain expensive. There are some major changes even in road transportation because of environment regulations and these changes will be implemented by our industry.

### **How are distribution models changing in the industry and will GST be the main catalyst?**

GST will change things, there will be consolidation of warehouses and factories. Entire regions in India can be supported by two or three large warehouses instead of having 7 or 8 small warehouses. The size of the warehouses will increase from 10,000 square feet to 50,000 square feet warehouses. This will help companies with their network planning and optimisation. We can play a major role in consulting our clients too. Companies will also no longer pay the central sales tax which will result in a savings of 2 per cent on the logistics cost. In the case of the ratio of factories to warehouses; currently there are 10 factories to 28 warehouses, this will reduce to a ratio of 1:2.

### **How are you using technology to change the way you optimise routes and save costs?**

We are already tracking our drivers on saving fuel costs. We know which gear is each truck on and which region is the truck situated at. We could track down a hijacked truck in less than a day. We are using technology to track customer payment cycles too, but more can be done with analytics. A possible scenario is if we are synced to the ERP of the FMCG company, we should know what should be stocked in the warehouse and by what time. In an automobile scenario we can, as per car assembly schedule, know which vendor to pick up the parts from and place it in the assembly line. We are using technology from a customer perspective; there is still some way to go before technology will make these scenarios possible. We do work with patterns from data collected.

### **How is inter-state bureaucracy affecting logistics?**

The biggest hindrances are check-posts at every level. There are documents for every state that you need to carry. Even in states, where truck will not stop to deliver goods, but has to go on to the next one, documents are needed that have to be stamped by the authorities. If the driver forgets to get a seal on the document which gives us permission to pass on to state B, where the goods are to be sold, from state A, then the authorities of state A will slap a tax on us saying that we delivered goods in their region. Then there is a loss in transit time and delays; it is still very inefficient. But transportation over the last decade has grown to a professional industry. If GDP has grown by x percentage then the logistics industry is said to have grown by 1.5 times. Things will change and there are industry and government bodies addressing these issues.