

## GST rollout: there are gaps to be filled, say logistics players

Call for better back-end IT infra, bigger trucks, and new sourcing patterns

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Even as logistics players are looking forward to the execution of goods and services tax (GST) at the earliest, they feel some gaps need to be filled before it is rolled out nationwide.

If the government wants to implement GST in its current form (as passed in the Lok Sabha) from April 1, 2016, then, it is important to have the back-end IT infrastructure in place throughout the network, according to Vineet Agarwal, Managing Director of logistics major Transport Corporation of India (TCI).

The Bill is pending in the Rajya Sabha.

"Check-posts should have prior information about the cargo coming in. Trucks that reach shouldn't be kept waiting for approval," he told *BusinessLine*.

From the current system of having at least one warehouse in each State, TCI is looking at companies having 12-15 warehouses across India.

As cargo gets consolidated, there will be a spurt in demand not just for bigger warehouses but also for bigger trucks, said Agarwal.

"We are looking at four to 10 warehouses across the country that will be automated, reducing the per-unit cost," Vivek Arya, Managing Director, Rhenus Logistics India, said. There will be more demand for 20-25 tonne commercial vehicles, instead of 9-10 tonne trucks, he added.

### Cargo consolidation

In fact, as cargo consolidation happens, there is likely to be an inter-modal shift to rail and ships, said TCI's Agarwal.

There can be other challenges in the transition to GST, which could take about two-three years, before the lower costs trickle down to customers.

"As we wait for clarity about the time frame and exact nature of GST, companies might face issues in the short run, when they transition their IT and ERP (enterprise



**Raaja Kanwar, Vice-Chairman and MD, Apollo Logisolutions,** says there are two schools of thought on whether or not to jump on to the GST bandwagon.

resource planning) systems as per the new format," said Agarwal. For those looking at improving the ease of doing business, there is struggle in the current form of GST, he added.

Rhenus' Arya said most companies do not have as-is-where-is processes. "They will have to change their sourcing patterns. We need clarity on what forms to fill and how GST will be rolled out," he said. Nevertheless, he added,



**According to Vineet Agarwal, MD of TCI,** check-posts should have prior information about the cargo coming in and trucks that reach shouldn't be kept waiting for approval.

logistics costs as a whole will decline by 3-4 per cent.

Raaja Kanwar, Vice-Chairman and MD, Apollo Logisolutions Ltd, said there are two schools of thought.

"Wait for six to 12 months post GST rollout to learn from the issues faced by the early adopters. However, this may lead to missing the bus and facing severe competition later on. Or, join the rollout as early as possible. But, (in such a case) 'unknown' operation-

al issues can bring down the benefits which GST should have provided. Hence, this could lead to sunk investment costs," he said.

### Common carriers

Since goods are moved by road inter- and intra-State, a large number of transporters are common carriers or service providers.

"These will have to be registered as common carriers under the Carriage by Road Act, 2007, similar to the TIN number for traders," said SP Singh, Senior Fellow, Indian Foundation of Transport Research and Training.

There will be consolidation in the sector, which is long overdue, he added.