

TCI: Seeking the Way to Reduce Logistics Cost



Vineet Agarwal
Managing Director, Executive Director
Transport Corporation of India Ltd.

According to Vineet Agarwal, the logistics industry in India will see a wave of consolidation in the years to come. Moreover, Indian logistics companies will seek to go global as more and more Indian enterprises build their businesses overseas.

TCI (Transport Corporation of India Ltd), the largest private logistics operator in India providing all-round logistics services, has built up a logistics-related industry chain covering freight transport, supply chain solutions and waterway transport.

In recent years, transport logistics has played a key role in promoting India's economic growth, making India the first choice for seeking logistics service providers around the world.

TCI General Manager Vineet Agarwal said frankly that the logistics industry in India had strong potential although the logistics infrastructure of the country developed rather slowly compared to its economic growth.

Shifting mode of transport

With a fleet of 7,000 trucks, trailers and refrigerated vehicles and a warehouse space of 100,000 m², TCI now has 1,400 subsidiaries across the country and 17,000 delivery points both at home and abroad.

Currently, the basic transport business only accounts for 38% of the total revenue of the company, with the remaining proportion of revenue coming from added-value services, i.e., courier service, e-commerce, supply chain management, just-in-time transport, etc.

Just as illustrated by Vineet Agarwal, the SCS Department provides inbound/outbound logistics and supply chain solutions, while the department in charge of the implementation has a customized

fleet of 1,100 vehicles, including 38 refrigerated vehicles.

As for the overall development of India's logistics industry, Vineet Agarwal commented that the rapid development of industries like textile, medicine, automobile, retail and FMCG in India in recent years had provided a wide space for the expansion of India's logistics business. He also pointed out it was obvious that the economic growth of the country outpaced that of its logistics infrastructure.

"Unlike the US, where railway transport accounts for about 47% to 48% of the total freight volume, freight transport in India heavily depends on highway transport, which accounts for 60% of the total freight volume, compared to merely 35% by railway transport," said Vineet Agarwal.

According to Vineet Agarwal, the logistics industry in India will see a wave of consolidation in the years to come. Moreover, Indian logistics companies will seek to go global as more and more Indian enterprises build their businesses overseas.

"To compete with logistics zones in Hongkong, Singapore and Dubai and gain a foothold in the world market, India needs to expand its logistics zones and do not regard them as mere warehouses. In addition, logistics zones should be located in an area as close as possible to economic and industrial activities and with convenient railway and highway transportations," Vineet Agarwal further pointed out.

Reducing logistics costs

Vineet Agarwal said that as the largest private logistics operator in India providing all-round logistics services, TCI has made “going global” one of its strategic directions and will consider expanding into China.

“Currently, logistics costs in China, which account for about 18% to 20% of its GDP, are even higher than India,” Vineet Agarwal told the reporter, “logistics costs in India account for 13% to 14% of its GDP, compared to 9% to 10% in developed countries.”

According to Maersk Group in China influential report released not long ago by the world's shipping giant Maersk, the proportion of China's total logistics costs in its GDP is not only higher than many developed countries, but also higher than the average of the Asia-pacific and South American countries.

The Report also estimated that China's logistics market was expected to grow by 12% to 16% in the decade to come and would reach \$182 billion by 2016, making it the world's largest third-party logistics market. This is also the major reason that TCI considers China as one of its target markets in the future.

As for how to reduce logistics costs, Vineet Agarwal suggested that a good coordination and communication with government authorities should be maintained to ensure a convenient and quick flow of goods and information. In addition, corresponding measures should be taken to build infrastructure and resolve the logistics bottlenecks, and this is also an effective way to control logistics costs.

According to Vineet Agarwal, with more efforts made on infrastructure construction, the logistics industry will see a tremendous growth.

Meanwhile, the development of e-commerce, together with the changes of people's eating habit and increase of fast food chains, will create more demand for logistics services. Moreover, as more and more companies are concentrating on what they are excel at, the demand for integrated logistics solutions will increase. TCI has already kept an eye on all these areas and development trends.

by Chen Shanshan and Zhang Yaqing