



TVS Logistics

TVS Logistics (TVSLSL) was initially set up as a division of TVS & Sons and in December 2004, it took the shape of a legal entity as a separate company. TVS Logistics' services include contract logistics, warehousing, transportation, freight forwarding, packaging design and solutions, in-plant and aftermarket solutions, material handling, material management, free trade warehousing, infrastructure solutions, and technology logistics solutions. The firm works with multiple industries including automotive, auto engineering, IT, electronics, discrete component manufacturing, retail, FMCG, consumer durables and chemicals.

TVSLSL works on an asset-light model which gives it immense flexibility. Having close to 1,000 vehicles on road, operated exclusively for its business, the company ensures its fleet is loaded on both directions of the trip for better efficiency. For long run movements, the company operates in and connects all the auto hubs including North-South (Delhi-Chennai, Delhi-Hosur), Western (Chennai-Sanand, Pune-Sanand) and Eastern (Chennai-Jamshedpur, Pune-Jamshedpur). This apart, it also operates many vehicles for intra-region movement related to milk run collection.

TVSLSL being one of the most organized and efficient logistics outfits in the country, we reached out to Mr. R. Shankar, CEO, TVS Logistic Services (India), to know about his plans on growing the company further and why GST could be a game-changer for the logistics sector.

Excerpts:

FY17 performance

In terms of revenue, TVS Logistics had a high-teen growth in FY17 spurred by the underlying volumes of our customers and also due to the new contracts signed in this period. We successfully launched technology Logistics business with a leading global ATM manufacturer. TVSLSL also introduced a few new capabilities in the packaging business which now serves some of our tier 1 and OEM customers. TVSLSL was recognized for its



Mr. R Shankar, CEO, TVS Logistic Services (India)

operational excellence and expertise in supply chain management by the industry and our peers in the form of 17 Awards during the year.

Plans and outlook for FY18

It has been a great start to FY18; we expect to grow in high double-digits again this year and are on track with that. With the GST implementation in July 2017, there could be temporary impact on all businesses requiring a stabilization period, but overall we see this as a positive move for us.

GST impact on logistics sector

Today, most companies have their logistics networks planned based on tax compliances, which we expect with the onset on GST, to shift in the favor of optimization of warehousing space and network capabilities. There will be strategic relocation of facilities to drive better efficiencies, leading to reduction in logistics cost, which is at present very high at 13 per cent of GDP. GST could act as a catalyst for the implementation of hub-



and-spoke transportation models and also lower travel time (turnaround time between locations) - this is a bottleneck now due to delays at inter and intra-State check posts and other entry points. With these changes, trucks that cover 350 to 400 km per day now may be able to run more than double this distance every day. All these changes will not occur overnight but gradually over the next few years.

Company's GST-readiness

Foremost, TVSLSL is preparing by becoming compliant and preparing our IT systems, such that our customers' operations run smoothly with least disruptions during this transition period. We are also equipping ourselves with consulting capabilities so that we are able to advise our customers on their post-GST network optimization and add critical value to their supply chains.

Technology adoption

All vehicles operated by TVSLSL are GPS enabled, and our ERP is integrated with these GPS systems to give real time, part level, visibility to our customers. We also use technology at our warehouses for inventory control, to mitigate risks and shrink costs. This apart, TVSLSL has invested in developing Control Tower operations that is responsible for preventive and contingent actions for managing our fleet. This is entirely IT enabled and will actually be able to give real time KPIs to our customers.

Tackling driver shortage

While TVSLSL does not directly employ the fleet drivers, they are a key stakeholder in our transportation business. We continually work on driver engagement programs that impact driver health and safety. In addition, TVSLSL's Project Mudalali helps our employees to become entrepreneurs (owner-drivers) and provides supporting ecosystem by connecting them with non-banking financial companies (NBFCs) for financial assistance. TVSLSL also offers forklift driver training as part of its Skill Development Initiatives through its school at Oragadam, Chennai which is managed by TVS Training & Services.

Factors that would drive logistics sector growth

- India is the fastest growing economy in the world and as the reform impetus continues, the overall outlook is very positive. The surging GDP is expected to grow even faster in the coming months.
- Progressive initiatives by the Government like GST and Make-In-India will energise the manufacturing sector and support in capability building
- Shift in customer mind-set to focus on their core activities will lead to more outsourcing of their logistics requirements to large organized 3PLs.