



INDIAN LOGISTICS SECTOR

On the way up post-GST

By Sarada Vishnubhatla

The implementation of GST has completed one year this July. A tough reform to execute and adopt, GST is poised to trigger at least a 100 per cent growth in the logistics sector by 2021. Though plagued by tremendous teething issues, the logistics sector is now gradually aligning itself to receive the benefits that GST has to offer.

An array of logistics providers reveal their expectations, concerns and the benefits that are slowly coming their way – be it improved turnaround times, the initial troubles with GST compliance or the natural progression of the highly unorganized sector into a more organized one.

Mr. R. Shankar, CEO, TVS Logistics Services Ltd. (India)

Opinion: In the year post-GST, companies have been prioritizing optimization of warehousing space, network capabilities, and fleet choices – instead of planning their logistics networks around tax structures and compliances. They are demanding more speed to market and efficiencies; and this has the potential to reduce logistics costs which at present are very

high. The contractual value of the agreements is also increasing.

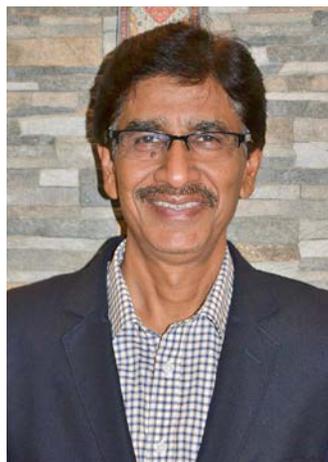
There are some initial benefits that we are seeing in the form of reduction in turnaround time for trucks by 8-11 per cent due to the elimination of check posts. The implementation of e-way bill has also influenced transport operations to become more systematic resulting in reduction of paperwork and saving some time due to digitization.



Traditional businesses that have never outsourced before are realising the impact of GST on their supply chain management and costs and hence are exploring this option. Large and organised 3PL providers, who have invested in technology and operate with a focus on quality and compliance, are benefiting from this shift in the mind-set.

Verdict: The industry is expecting major efficiencies coming out of GST in the long term. However, for real benefits of GST to flow in – in terms of reduction in logistics spend as percentage of GDP – it may take at least another 12-18 months.

Mr. Sagar Agarwal, SVP - Finance, Administration & Company Secretary, Transystem Logistics International



Opinion: GST has had positive impact on the logistic sector. There is improvement in business in view of better turnaround time due to the abolition of sales tax and VAT, thus bringing more revenue and business per unit of truck or vehicle.

Challenges: It has been not easy to run the business post-GST implementation in view of certain ambiguities in various provisions of GST law and frequent changes in them creating more confusion. For example, a Goods Transport Agency (GTA) has the options: (i) Not to register in GST with no ITC benefit, (ii) Register under RCM with no ITC benefit, and (iii) Register under FCM with ITC benefit. This has created a big hurdle for big 3PL companies who engage various transporters for their main customers to pass-on the ITC benefits to their customers. Further, logistics vehicles move all over India and every logistics company usually has branches in almost all States of India but

every State being under different GSTN, there is complexity in maintaining books of accounts and availing ITC, thus making business more complex.

Recommendation:

- * Random checks by officials en-route hurt turnaround times.
- * GST provisions need further simplification.

Verdict: Being a new statute, it will take more time to understand its nuances better.

Mr. Sudipt Juneja, Director - Operations Excellence, Varuna Integrated Logistics

Opinion: All organizations that have invested in technical infrastructure or people as asset are poised to gain increased business due to a shift in the customers' demand – where conversations have moved from price to efficiency – due to GST. Though, turnaround times have improved only marginally, mainly due to delay factors – some on part of Government agencies – besides the lack of technology.



Observations: Operationally, we have been GST ready for a few years now. Our robust infrastructures enable us to handle changes brought about by the GST implementation. Strategically, it is a value-add as newer customers and industries are appreciating our efficiency driven operations.

Verdict: With continued effort of the Government to improve policies and processes, better turnaround times can be witnessed.

Ms. Poornima Patil, Director, Neha Fleet Solutions



Opinion: We have benefited from the reduced transit times and increased revenue per vehicle and hence can offer value-added services to our customers. We have also successfully implemented the e-way bill system. Despite short-term pains, we expect that the setting up of warehouses will improve the overall efficiency in the system which will lead to further reduction in logistics cost in overall terms.

Challenges: Our overheads have increased due to – a) need for recruiting additional staff and outsourcing advanced training for them to handle GST compliance and other modalities, b) customization of software for GST filing.

Verdict: GST has the potential to accelerate growth in the logistics industry. However, its complete impact can only be understood after the announcement of the final GST law and rules.

Mr. Mukesh M. Shah, Director, Shreeji Translogistics



Opinion: Registered logistics companies are reaping the benefits of GST which include reduced cost of buying vehicles and tyres after GST credit. Maintenance GST charged is also cheaper.

Challenges: The tolls are the biggest hurdles even if the state check posts have been removed. On long routes, this has earned us only five to six hours which is not a significant amount of time. Even now, officials

stop the trucks in the name of vigilance, who issue high number of notices. Huge fines are being collected for even small human errors.

Recommendations:

- * Ease of doing business needs further simplification.
- * Government needs to help us by removing our fears with regards to procedures and levying huge penalties for small mistakes.

Verdict: It will probably take another year to see a more perceptible benefit of GST implementation. We shall also see unorganized sector dwindling in the future.

Mr. Lloyd Pires, MD, Conceptum Logistics India

Opinion: Initial uncertainties affected the profitability of our business in the short run, while the operational efficiency has definitely improved in the long run. Earlier, we had problems like complicated networks, increasing coordination costs across the supply chain coupled with deficient infrastructure, entry taxes and poor vehicle-load-carrying capacities, which resulted in delays and damages.



Transportation delays will further reduce with the improved ease of entry across states and with measures such as the e-way bill. But this requires streamlined IT systems and ready-to-use documentation at the entry points. In our experience, the turnaround times have reduced considerably.

Challenges: GST may not solve many intrinsic problems of India’s transport network, even though it could reduce the logistics costs by as much as 20 per cent, according to an estimate by the global analytical company, CRISIL. The impact and overall cost benefits of GST will additionally vary widely across industries.

Benefits: GST has definitely helped the transport and logistics sector including the mid-sized entities. Earlier we needed offices everywhere in order to help in paying of the various state levies and taxes but now this has eased up especially in the movement of ODCs which is what we handle regularly.

Recommendations:

- * GST requires further fine-tuning on practical implications.

Verdict: Overall, it is a welcome step.

Mr. Anjani Mandal, Co-Founder & CEO, and Mr. Vivek Malhotra, Co-Founder & Chief of Strategy & Marketing, 4TiGo

Opinion:

Mr. Mandal: GST impact on our business and the logistics sector as a whole is positive, especially with the implementation of the e-way bill.

Mr. Malhotra: GST has had a great impact to the business as well as the supply chain operations. Elimination of waiting time at the check posts has enabled faster delivery and fewer chances of corruption. For us, the adoption of RFID and e-way bill have further contributed to the easy flow of goods.

Benefits:

Mr. Mandal: With the implementation of the GST and the e-way bill along with our tech-enabled platform, we are able to bring in clarity to the transaction of goods as well as accounts.

Mr. Malhotra: Fortigo has been integrated with a cloud-based, full suite accounting and invoicing solution, and to the GSTN through designated GPS. This also has helped the drivers to earn more trips than before.

Verdict: Unorganized players will get eliminated from the sector.



THINK TANK

Mr. S.R. Venkatesan, MD, Transvahan Technologies India

Opinion: Right from the GST registration, the change has been uncomplicated. GST has brought a paradigm shift in ease of doing business and Make in India mission. With simplified documents and filings of returns, the logistics operations facilitate seamless movement of goods and vehicles. The waiting periods have come down at check posts.

Challenge: With the split GST regime in terms of state and centre, credit set-off could be challenging depending upon purchase portfolio.

Verdict: Post-GST, there is saving of time and resources due to minimum statutory demand.



Collin Remegius Noronha, Senior Consultant, Automotive & Transportation, South Asia Middle East & North Africa, Frost & Sullivan

Observations:

- * GST is the need of the hour and it has the potential to do good for the country. But its deployment could have been better. It will require three to four years for the entire fraternity to settle into this.
- * GST has pushed many small transporters to either attach themselves to big transporters and get on to the legitimate side of the industry or go out of business.
- * Regarding the e-way bill, there were a few states which complied readily while others took time. This helped in not jolting the entire system at one go. But on the other hand, large logistics companies have spent much time and energy in building their speeds, USPs, their services and deliveries which have been designed based on their learnings over a long period of time, and this was at a time when basically there was no system in place. It has been painful for them to make the relevant changes in both internal and external systems.

- * The system will become cleaner because the e-way bills from the transporter and the shipper prove the legitimacy of the goods. There is a growing section of the transport fraternity that is saying no to 'troublesome' cargo. They realize that the system is trying to protect them if they want to do legitimate business.
- * The uniform tax structure across the board will allow people to use a sizeable warehouse depending on the demand in that particular state. People are looking to re-align their warehouses so that they can ensure their last mile delivery is shorter.
- * All the stakeholders are now trying to sharpen their systems and make it work. Large fleet owners and transporters and about 50 per cent of the medium entities are already on board with this. The rest are getting there.

Recommendations:

- * To ensure an absolute seamless movement of goods, a check – if it must happen – should be done only to match the e-way bill with the cargo it has been generated for.
- * A strong and highly reliable IT platform be made available to the stakeholders as a back-up system to the primary one.
- * Alternately, the check post itself could be the point where the transporter can get the e-way bill generated.
- * Also, such services be made available even after the typical office hours because most of the truck movement happens post these hours.

What Needs To Be Done:

- * Help people understand the benefits of GST's forward and reverse charge mechanisms.
- * Government notifications and communication need to reach the local transport bodies who can then move in alignment with the requirements. Right now, there is a deficit in this and people need a bit of hand-holding in their post-GST journey.

Verdict:

- * Yes, it is a challenge to the system but it can only go up from here. ♦

