'A good logistics firm with fintech tie-up can become a master distributor'

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Mahindra Logistics is innovating in returned goods in the e-commerce space by creating an online platform where vendors from smaller cities can enroll, buy goods and sell it to customers. It is also tying up with start-ups in fintech and microfinance space to help fund these small retailers, replacing intermediaries such as wholesalers and distributors in the process. Pirojshaw Sarkari, CEO, Mahindra Logistics, shared this in a recent interaction with *Business Line*. Excerpts:

How has the logistics space changed in the post-GST era?

It has been a game-changer for the last 12 months. After the initial hiccups related to GST, a lot of companies are consolidating – from small godowns to large warehouses. Post-GST, intermediaries are also being removed. Earlier, an FMCG firm had a distributor, a dealer, wholesaler and a kirana store.

Now, a good logistics company can become a master distributor to a FMCG company. The intermediaries were basically financing the end retailer. Now, a logistics firm can tie up with a fintech company and provide loans to the kirana guy on the platform. The cost of funding will go down.

Will the transport rates come down post-GST?

Transport rates will come down. At least 3-4 per cent reduction in transport rates will happen over the next few months, as the input tax credit will be available for truck buyers through the forward charge mechanism (FCM). But, this will happen for trucks that were bought after GST was introduced, not before.

As e-commerce expands, what are the challenges and opportunities for a logistics firm in India?

One such interesting area is return logistics. Most e-commerce players see 20-30 per cent returned goods. These lie in the warehouse, and are not of much importance to the e-commerce players as the focus is to increase sales. However, over the last seven to ten years, the size of returned goods has swelled, occupying a lot of space in the warehouses.

So, we looked at this as an opportunity area, and tied up with some e-commerce players, where we sort the goods, refurbish them (not the item, but say repack it if packaging is damaged), and finally give it back to the player or liquidate it on behalf of the e-commerce player. So, we don't get the entire money for the product; we get a commission on the sale.

To take it to the next level, we are rolling out a platform with a partner where we are getting small vendors from tier-2 and tier-3 cities enrolled. Let's say 1,000 Nike shoes are returned. I put it on my platform and the vendors bid for it and buy it. This liquidation platform has started functioning in Bengaluru and Mumbai.

About 3,000 vendors have already enrolled. We would like to become the sourcing point for these smaller vendors who cannot access large companies. We want to become the extended arm for our e-commerce customers to liquidate their products. We would like to partner with fintech and microfinance players to do so. We have already partnered with some start-ups in this space.

What is the need of the hour for the logistics space?

We need regulation and standardisation to come in this highly unorganised sector. For instance, in warehouses, the floor strength may vary. In India, we do not have an authority to define warehouse standards. Globally, there are standards for warehouse that are defined based on floor strength, as products of different weight require warehouses of different floor strength. To ensure that Make in India is a success, the cost of moving raw material to factory, and from factory to customers, will have to be low and not at 13 per cent of GDP.

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