



‘Expectations from Modi govt is positive’

Implementation of GST becomes a prime focus area in logistics industry and warehouse standards to be improved as per need of the hour becomes significant shares
Sushil Rathi, Sr VP, SCM, Mahindra Logistics Ltd

What benefits you expect from the new govt for logistics industry? What changes are needed in the existing policies for supply chain?

The quantum of expectations from the Modi government is humongous. As far as the logistics industry is concerned:-

- Implementation of a single GST across India is one of the most-awaited reforms currently. We expect the new government to speed up this process which will not only boost outsourcing of warehousing activities but also give impetus to inter-state transportation.
- The second most important expectation is development & maintenance of infrastructure for transportation, communication & storage. Balancing the current model skew should be another focus area. Over dependence on roadways is the root cause for many of the infrastructure bottlenecks we face today. Leveraging railways and waterways for logistics will significantly contribute to making it more cost-effective & environment-friendly.
- We also expect the government

to simplify its regulatory policies enabling smooth movement of goods in and out of the country,

- Encouraging the use of technology in logistics operations is an important cause we expect the government to take up.

When you practice reverse logistics, what benefits and response you have been able to achieve from the same?
 Mahindra Logistics Ltd (MLL)

has collaborated with another logistics service provider in order to minimize the capacity constraints in transportation through backhaul flows and vehicle utilization. This collaboration has empowered our competitor & us to leverage each other's strengths in transportation management besides providing other benefits like:

- Pooling of individual resources and expertise



- Capacity consolidation and optimization
- Less dependency on market vehicles
- Reduction of waiting period
- Increase in the number of trips per month
- Guaranteed return loads resulting in freight optimization
- Customer Delight

Can we expect new services from your company this year?

Mahindra Logistics will be looking at a variety of new and emerging areas of opportunity this year, including but not limited to international freight forwarding, express, e-commerce logistics and agricultural logistics.

Detail on the challenges faced by this industry?

According to me, one of the biggest challenge faced by the logistics industry is the inadequate development in infrastructure coupled by the modal skew towards road transport. Lack of unified tax structure is making the transactions more complex and costly. The Indian logistics industry is highly fragmented with a dearth of organized large-scale players Logistics users are more reluctant to invest in technology or share their company data with the logistics service providers. Another important challenge is the lack of skilled manpower.

Still when warehouses are discussed on many public platforms, it ends up with a negative conclusion of not meeting up to the standard. Detail.

The current size of the Indian warehousing industry (across commodities and modes) is pegged at about Rs 560 billion (excluding inventory carrying costs). The industry is growing at over 10 per cent annually. In spite of the growth potential of this sector, the Indian warehouses are swarmed with issues like:

- inadequate ventilation and lighting
- lack of racking systems



- poor hygiene conditions, and
- lack of inventory management

The current dual governance structure makes the Indian taxing system very complex. Lack of a unified tax structure has forced the logistics companies to locate small warehouses in all the states where they do business. The location planning of warehouses is based on the intention to save taxes rather than to achieve efficiency.

This fragmented and piecemeal approach makes investment in warehouse management technology unviable. Of the total warehousing space currently used in India, approximately 82 per cent is not automated. Those warehouses which are automated or are semi automated have just forklifts and hydraulic pallet trucks. This clearly shows the dire need for IT-integrated warehousing infrastructure in the country.

Lack of alignment of warehouse capacity with the quantity and pace of goods flow is another important issue. Lower utilization of capacity leads to poor throughput/unit space,

whereas over-utilization increases the bottlenecks in the operations flow. Other limitations of Indian warehouses include inability to handle multi-modal operations effectively and customize processes to suit user's supply chain.

As customers become increasingly demanding, it has become increasingly important for warehousing companies to evolve into efficient and effective supply chain partners for their customers, as against being passive entities leasing out space. Building scale and network that is relevant to customers' supply chain without over-investing in fixed assets and working capital is the key to increasing warehousing efficiencies. Various measures such as development of skilled manpower, reforms in governmental policies, increased investments in IT & data sharing can be crucial to the development of the Indian warehousing sector. Third party logistics providers can be the catalysts for bringing about a change in the outlook towards this sector, turning it into a source of competitive advantage for the supply chain users.