

# APNA SUPPLY CHAIN WEEKLY

*Supply-Chain Industry's Best-Kept Secret*

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## What Tomorrow Brings

By all measures, **GST implementation**, which is expected soon, will have a sweeping effect on India's logistics landscape. By some estimates, by reducing the interstate transit time of freight, GST will cut down inventory by four to seven days. This is just one of a host of benefits that the logistics industry will see in the post-GST era. To understand the full impact of GST on India's logistics landscape, we interviewed the head honchos of two of India's largest LSPs – **Drive India Enterprise Solutions Ltd** (DIESL), and **Toll Global Logistics**. What's more, we also have for you a guest editorial packed with takeaways from **The Progress Group**, a leading supply-chain consulting group.



Science of Supply Chain. **DELIVERED**



# "The overall impact on costs will be positive"

- **Milind Shahane, Managing Director, DIESL**



*Mr Shahane has been associated with the Tata group since 1990, which he joined through Tata Administrative Services. Prior to joining DIESL, he worked as EVP & COO – Engineering Products Business Group & HR in Voltas Limited. He is an IIM Ahmedabad and IIT Bombay alumnus. **Presenting, the interview.***

**What impact will the GST have on the supply chain industry?**

It is difficult to give a general answer. You will have to look at each sector, and even at each company and the level of operations that they have, the volume of business, their warehousing locations, and their distribution network.

Definitely the number of locations they would operate from would come down. However, some companies that have larger operations would still need more locations to handle the volume.

What I feel is that the number of warehouses at high-cost locations would come down. For instance, today you need to have warehouse in Chandigarh and Delhi because they have separate taxes, which you won't need – you can very well sit away from these locations and still deliver. Right now, because of a non-uniform tax regime, companies need to have warehouses in prime locations. Today, to service Delhi, you actually need three warehouses, one in Ghaziabad, one in Delhi, and one in Haryana, which can be possibly serviced by one warehouse. In that sense, the inventory cost will come down, however, the transportation cost will go up. The overall impact will be positive in terms of costs.

\* Figures are indicative and may differ from case to case.



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The overall number of warehouses for large companies in will not come down drastically, because a major reduction in the number of warehouses will push the transportation cost up and hence the lead times to customer demand significantly. That is why one will have to approach any change in supply-chain network keeping in mind the lead time to serve the customer.

**Do you propose that companies must have a post-GST strategy in place at this point?**

Companies will have to look carefully at what the final structure of GST looks like, and accordingly optimise their networks in terms of warehouse location and transportation.

**Which sectors would be affected by GST the most?**

All the consumer sectors – consumer durables, electronics, the consumer part of telecom, etc. will see maximum impact. The business-to-business sectors will not see that much of an impact.

**What is the advice that you are giving to your customers to help with their post-GST strategy?**

I recommend that post GST, companies should rethink their business and supply chain strategy in the light of factors that impact speed-to-market. Consolidation of state or local warehouses will automatically necessitate setting up of robust distribution networks with a strong eye on adherence to SLAs. In addition to this, manufacturing companies also need to evaluate their packaging standards since long hauls and trans-shipment will demand strong durable packaging material. This is important since damages in the absence of durable packaging during long hauls could add to overall logistics costs.

After the GST comes into effect, companies will demand for matured technology-focused logistics partners as handling long distribution touchpoints will also require accurate and transparent reporting systems. In India, such features are generally offered only by organised logistics service providers. It will therefore be prudent for manufacturing sector to examine the impact of GST for their unique nature of business, go for in depth study and then prepare a business strategy that takes into account various logistics and inventory strategies like direct selling versus stock transfers or intrastate movement versus interstate movement.



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