

TEAM VISION

LogiX

LET THE TECH DO IT.

PROBLEM STATEMENT

Problem Statement 2: Multi-Modal Freight Handling and Transportation

Context:

The Turn-Around Time (TAT) for major ports in India has progressively decreased from 117 hours in 2011-12 to 64 hours in 2017-18.

The Singapore port has a TAT that is less than 24 hours, which is where we aspire to be.

Under the 'Sagarmala Programme' of Government of India, Rs. 8.5 trillion investment is envisaged for enhancement of port connectivity via road, rail, multi-modal logistics parks, pipelines & waterways and promote coastal community development, which would result in boosting merchandise exports by US \$110 billion, and generation of around 10,000,000 direct and indirect jobs.

These logistics bottlenecks cause substantial economic loss impacting manufacturers, traders and consumers.



CUSTOMER EXPECTATIONS

Customer expectations are increasing greatly. Both individuals and businesses expect to get goods faster, more flexibly, and – in the case of consumers – at low or no delivery cost. Manufacturing is becoming more and more customised, which is good for customers but hard work for the logistics industry. Add it all up and the sector is under acute and growing pressure to deliver a better service at an ever-lower cost.

LOWER RETURNS

The through-cycle capital market performance of the transportation and logistics sector is below investors' requirements. Over the last ten years, the companies in our sample have generated an average total return to shareholders (TRS) of 7.2 percent, a figure well below the sector's cost of capital (10.5 percent).

Need to improve ROIC (Return on Invested Capital)

INCREASED COMPETITION

An increasingly competitive environment is another big factor in the mix. Some of the sector's own customers are starting up logistics operations of their own, and new entrants to the industry are finding ways to carve out the more lucrative elements of the value chain by exploiting digital technology or new 'sharing' business models, and they don't have asset-heavy balance sheets or cumbersome existing systems weighing them down.

WHAT PROBLEMS ARE WE FACING?

ASSET TRAP SITUATION

Companies will face the challenges of understanding how the digital revolution will affect their business and of mastering their own digital transformation. Technological progress will require companies to make conscious choices about their asset intensity and investment program to avoid the “asset trap.”

COST OF LOGISTICS

It is a universally acknowledged fact that the cost of logistics is very high in India. Some estimates put it at about 13 per cent of GDP, which is higher than the US (9) and Germany (8). A study by Assocham-Resurgent India (2016) stated that the country can save \$50 billion if logistics costs reduce from 14 per cent to 9 per cent of GDP. Reduced logistics costs would bring down prices of products.

DYNAMIC ENVIRONMENT

Rapidly changing regulatory and geopolitical environments will call for smart approaches to managing external relations in complex stakeholder landscapes. Finally, an increase in the volatility of demand and input factors will require greater strategic agility and flexibility than in the past.

WHAT PROBLEMS ARE WE FACING?