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Logistics and supply chain are a sunrise sector and the best is yet to come

TCI SUPPLY CHAIN SOLUTIONS (TCI SCS) IS ONE OF THE BIGGEST AND MOST PROMINENT PLAYERS IN THE INDIAN LOGISTICS AND SUPPLY CHAIN INDUSTRY, OFFERING MULTI-MODEL LOGISTICS SOLUTIONS TO CLIENTS. IN AN EXCLUSIVE INTERACTION WITH SANJAY CHOUDHRY, RAJKIRAN KANAGALA, HEAD, BUSINESS DEVELOPMENT, TCI, GIVES AN INSIGHT INTO THE INDIAN LOGISTICS AND SUPPLY CHAIN INDUSTRY AND EXPLAINS HIS COMPANY'S STRATEGY FOR SUCCESS.

WHAT IS YOUR ASSESSMENT OF THE INDIAN LOGISTICS AND SUPPLY CHAIN INDUSTRY?

The logistics sector and the economic development of a country are closely intertwined, and logistics is one of the key enablers for competitiveness of a country.

The Indian logistics industry has come out from the shadows in the last one decade, and the role of government and educational institutions in this is commendable.

The role and share of 3PL (3rd party logistics) players have also evolved and they are nearly 10 percent of the industry today, from just being at the concept stage a decade ago.

Some industries in India have now begun to understand the importance of supply chain as a discipline. There are few case studies in the Indian 3PL industry that have set world standards, and these will catalyze best practices across various verticals.

In terms of infrastructure development for logistics, the



previous decade saw emphasis on road development, new ports, and airports. We believe the upgradation of rail infrastructure, establishment of logistics parks, and enhancement of existing infrastructure will be executed by the government in the coming decade. We also believe that synchronization between the different modes of transportation will reach appreciable levels.

Overall we see logistics and supply chain as a sunrise sector and believe the best is yet to come.

WHAT ALL FACTORS ARE PROPELLING THE GROWTH OF LOGISTICS INDUSTRY IN INDIA?

There are various factors that have been pushing the growth of this industry. The reform process that first began in 1991 has been carried forward by successive governments. Over the last two decades we have seen competitiveness increase by leaps and bounds.

The growth in consumption aided by a discerning young population has made our industries strong so that they can compete with the rest of the world. The evolution of various sectors in the domestic market such as IT, telecom, and automobiles to become the fore-runners of Indian economy has established the logistics and supply chain industry of the country as a force to reckon.

The inflow of FDI across various sectors and services, infrastructure development, and gradual opening up of the economy by lowering trade barriers have ensured that the Indian growth story continues.

Further relaxation of FDI in retail, even further development of infrastructure, tax reforms and more free trade agreements (FTA) would ensure that India will go from strength to strength in the next decade.

HOW HAS TCI SCS' PERFORMANCE BEEN LAST FISCAL? ARE YOU SATISFIED WITH THE NUMBERS?

During the last financial year, TCI's revenue grew by a healthy 21 percent,



while SCS (supply chain division) showed another year of robust growth at 59 percent (y-o-y), firmly placing the company as the leading pure 3PL organization in India.

We are satisfied with the overall growth and we are now focusing more on the retail sector.

WHAT IS YOUR VIEW ABOUT THE GOODS AND SERVICE TAX (GST)? HOW IS IT GOING TO IMPACT THE INDUSTRY?

The GST has the basic premise of putting both goods and services at the same tax rate and allow for input tax credit like the value-added tax (VAT) and remove the cascading impact of taxes. The advantage to the government is that as services now account for more than 50 percent of India's GDP, GST will be a lucrative source of revenue. It is likely that the present 10 percent service tax will go upto 16 percent. Also taxation, in cases where input tax credit is available, is also generally more compliant and increases the tax base.

For the industry, it means de-linking of the logistics with tax impact. Rather than having a warehouse in each state, these can be combined logistically, considering other important factors such as response to customer, the location of factories and the logistics network. TCI SCS has a Supply Chain 5 Forces Model which explains this rather well. There is a caveat here too: the GST is consumption based and there is a

possibility of transit pass ("baheti") becoming the norm by every state which could not only ruin logistics by extra time at check-posts, the warehousing in State A for State B may also be rendered useless due to time limitation for exiting the State A.

Hence we need to watch out for the same and ensure it is in line with modern trade practices.

WHAT STRATEGIES HAVE YOU ADOPTED TO COME OUT OF A TIGHT MARKET IN THE LAST FEW YEARS?

Understanding customer needs, partnering with them and supporting them in each initiative, managing cost erosion, and evaluating value addition made to each account (clients) have been our key drivers for sustainable growth.

We have realized that our own growth depends on the growth of our customers. Our partnership with all our clients is very strong. We know our growth is continuing at a brisk pace when our existing accounts grow in a stable manner and we acquire more accounts and new request for quotations due to word-of-mouth publicity by our existing clients.

To add to our competitiveness, we have invested heavily in human resource and technology deployment as we understand the need to stay competitive in cost with our customers while ensuring that our supplier relationships also grow from strength to strength.

WHAT ARE YOUR FUTURE EXPANSION PLANS? WHAT NEW INFRASTRUCTURE AND SERVICES ARE ON YOUR RADAR SCREEN?

Our focus areas are automobiles, retail and consumer products, telecommunication, and pharmaceuticals. We want to offer our services as lead logistics provider (LLP) for inbound logistics coordination with suppliers and outbound logistics catering to distributors and retailers, managing warehouses (both distribution centers and vendor-managed inventory), cold chain management through temperature-controlled vehicles, record management services, and supply chain consulting services.

We see expansion in all our verticals and services with more focus on retail and consumer products and the auto industry. We currently manage over 9 million sq.ft. of warehouses, out of which we are increasing the number of company-owned warehouses where we set-up world class facilities. Once such facility is already operational in Pune.

In new services, we see our young global division aiding to our supply chain management on a global scale, especially with the reduction in trade barriers.

WHAT MAKES TCI DIFFERENT FROM OTHER COMPANIES? PLEASE GIVE US DETAILS IN TERMS OF LOGISTICS INFRASTRUCTURE, PEOPLE EMPLOYED, AND SERVICES OFFERED BY YOU.

What differentiates TCI from other players is the vast experience and the unique value-added services we offer to our customers. There is no single competitor matching TCI's profile as a single-window solutions provider, offering an extensive range of logistics services in the country.

The USP of our services can be put in four buckets. First and foremost is our services basket of internal capabilities,

which is huge, and includes warehousing, cross-docking, express movement, container trucking, custom clearance, freight forwarding, and so on.

Second, we have a wide network of our own branches across India and in nine countries, all linked by ERP, making us a strong and potential ally for any customer.

Third is the industry and domain expertise that we have gained from traveling across the globe and attending seminar and executive educational sessions.

And finally, the most important bit is implementing the learnings gained in actual work environment. We always intend to deliver our service as promised.

WHAT PROBLEMS AND CHALLENGES DO YOU FACE IN INDIA AS A LOGISTICS COMPANY? WHAT DO YOU THINK IS THE SOLUTION?

The challenges are from various ends – customer, our service provider, the infrastructure, the bureaucratic issues with check posts, labor offices, etc.

At the customer end, a major challenge is to overcome the gap in logistics supply and demand functions, proper service level agreements (SLAs), and the gap in expectations vs. the remuneration.

As far as service providers are

concerned, the challenge is in respect to quality and commitment.

The government-related bottlenecks are in regard to tedious paper work and procedures, even for a law-compliant organization like us.

Improper and insufficient state of infrastructure (railways, roadways, airports, sea ports) remain a ubiquitous problem.

Despite prevailing hurdles, we are expected to deliver best services at lowest cost and we have always managed to do it.

WHAT IS YOUR OUTLOOK FOR THE INDIAN RETAIL SECTOR FOR THE NEXT ONE YEAR?

The retail sector is growing appreciably and while most of the volume growth will continue to come from the traditional channels, the percentage growth will come from organized/modern retail.

It is estimated that the Indian retail sector will grow to US\$ 615 bn by 2015 from the current US\$ 450 bn. The significant economic growth, demographics, and increasing wealth of individuals are the key factors behind the forecast growth.

We see the emergence of our supply chain partnerships with retail brands as strong, as it is with FMCG, apparel, and consumer durable manufacturers.

WHERE DO YOU SEE TCI SCS IN THE NEXT FIVE YEARS?

Our vision has always been to be the most admired company in India delivering value and we would continue with the same.

In revenue terms, we see our 3PL services to reach the half a billion US dollars mark along with being a significant player in the industry. ☑



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