Agarwal Packers & Movers, which has 1,100 vehicles in its fleet, with more than half of them long-haul trucks.

On warehousing, the other critical pillar of the business, a lot was expected to happen with speed to market becoming the key mantra. Positioning close to either manufacturing or consumption centres becomes the guiding principle and in the new scenario, this would entail companies going for larger warehouses capable of serving a clutch of states in a region. "We have noticed that most of the consumer-facing companies are looking at re-designing their networks post-GST. A lot of these companies have decided to consolidate their warehouses and bring them down to a few. Having said that, they are already looking at distribution to more than one state sometimes even three states from one warehouse," Sarkari points out. Though most companies are reluctant to discuss their supply chain redesigning strategy, Sameer Chaturvedi, supply chain head, Patanjali, confirms that it is reducing its warehousing footprint. "Last July, we were operating out of 18 warehouses in the country. It was brought down to 13 and now in next three months, we will further bring it down to nine," says he.

Ramesh Agarwal, chairman, Agarwal Packers & Movers

But tweaking the supply chain design after GST which, among other things, primarily entail aligning more with bigger warehouses (conversely, it also means getting out of smaller units), has it really become a sweeping factor? "Not really. Many users are still in the wait and watch mode before they actually take the plunge," says Shamsher Dewan, VP (corporate ratings), ICRA. Adds Vineet Agarwal, MD, TCI group, "Contrary to many schools of thought, while the network would be more logistically right than taxation friendly, the number of warehouses would not really come down in many regions because closeness to the customer is a key factor. The major impact is seen in areas like ncr (Delhi, Haryana, UP, Rajasthan); Bengaluru (Karnataka, Andhra Pradesh, Telangana) and Kolkata (West Bengal, Odisha, Jharkhand, North Eastern states." Interestingly, ICRA has come out with a report, which among other things, also tracks the movement in the warehousing sector post gst and highlights the sector specific initiatives on this front. Interestingly, the credit rating agency has come out with a report, which among other things, also tracks the movement in the warehousing sector post GST. "Warehouse consolidation trends have been visible in certain industries, with some redundant warehouses already eliminated or discussions/studies ongoing for the same. However, the same has been industry-specific. Industries like building materials, automobiles, steel, etc. which have predictable demand trends have seen consolidation pick up. The consolidation trend has been less pronounced in industries like FMCG, consumer durables, etc, as preventing product stock-outs, timely customer serviceability etc are of paramount importance here," the report underlines. However, another report from Knight Frank India, the real estate agents, issued in February strongly maintains that warehousing leasing activities in and around the leading metros of the country is moving northwards at a rapid pace (see box: *the galloping trend*). "Warehousing has simply emerged as a new vibrant industrial realty pillar in India bringing in even noted global players. There is plenty of action in the space now," observers Balbirsingh Khalsa, national director, industrial asset services.

Vineet Agarwal, MD, TCI group

Cost and other benefits

But the big question: Has the change in logistics eco-system as triggered by India's biggest indirect tax reforms started reflecting in services pricing adjustments in the market place? This was after all one of the biggest claims of the GST regime. Haven't customers become more demanding on this front? "Everyone says that after the enactment of GST, freight rates should have been reduced since it is resulting in better turnaround time," responds Agarwal of CJ-DARCL. "But in reality this has not happened as yet because of issues in implementation of e-way bill, increase in GST rate on some products, non-introduction of fuel in GST ambit, etc. These uncertainties of GST have affected the profitability of logistics sector in the short run but it is expected that operational efficiency will improve in the long run resulting in reduced logistics costs in future." Subramanian of DHL Express, in fact, indicates a slight price spike in services costs. "We have some initial increase in cost to manage new processes. However, we do not see any incremental costs to manage GST-linked processes in the next fiscal year." Kanwar of Apollo Logisolutions cites other reasons too, which have been detrimental to any cost benefits. "In a scenario when, y-o-y, the chassis cost, toll charges, insurance charges and rising fuel charges (by 12-14 per cent), it is difficult for the logistic costs to come down. As these are main parameters in the costing of the freight of the vehicle. Even the salaries of the drivers are going up by 10 -15 per cent y-o-y."

The emphasis on rising diesel prices keeping the costs intact finds resonance in a recent report of India Research, which cites a hefty double-digit percentage spike in diesel prices since May last year. "The average diesel prices across Mumbai, Delhi, Chennai and Kolkata have risen over 20 per cent y-o-y since May 2017. Fuel cost accounts for 60-75 per cent of the operating expenses for a fleet operator; hence, the margins could come under pressure in the near term, since the pass through in freight rates would be gradual. A continued rise in fuel price could put further pressure on the margins," says the report. "For the real cost benefits, we will have to wait for another 12-18 months. Probably, by then, most of the players would have made their moves to optimally benefit from the new regime," adds Anshuman Singh of Stellar. Other research