

# TECH & INFRA - BACKBONE OF SCM

*"With the elimination of multiple state taxes, post GST, the decisions on location of warehouse & distribution will be purely based on operational efficiency rather than tax consideration," highlights Jasjit Sethi, CEO, TCI Supply Chain Solutions, during an interaction on post-GST supply chain paradigms...*



## Supply chain dynamics post-GST

Implementation of GST has been a game changing event for businesses in general & organized logistics players. With the introduction of GST, the earlier vertical structure of VAT on Goods and Service Tax on Services has merged into one consolidated GST. However, there is a horizontal split between central and state for purposes of Input tax credit.

The logistics sector is expected to get a much needed boost with GST due to tax compliances & also as logistics companies are moving from traditional setup towards IT integration, which is expected to reduce the typical labor intensive activities & thus cost. It will enable the creation of a common market & permit free & unimpeded movement of goods & services across the country. The anticipated benefits for LSPs being consolidation of its network, larger warehouses, and larger tonnage trucks will boost overall efficiencies.

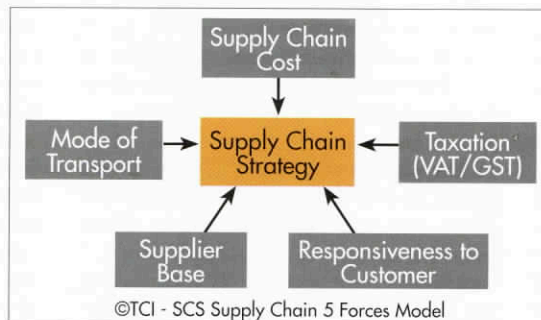
In terms of the Network design, the 5 main factors affecting supply chain as depicted in the 'TCI-SCS Supply Chain 5 Forces Model' would remain, as 'Taxation', which would take the hue of Input tax that is available and availed.

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 customer is a key factor. The major impact is seen in areas like NCR (Delhi- Haryana- UP- Rajasthan); Bangalore (KTK, AP, TN) and Kolkata (WB- OR- JH- NE).

The transition of GST will need our efforts in adapting to the Accounting and IT systems in the short run. While July has been a slow month for trade, it has picked up well towards the end. It may require some time for the supply chain to settle down into a rhythm, we hope the incoming festival season will catalyze the policy and implementation framework.

## GST implementation challenges

From a single return of Service Tax pan India, we are now at 23 state wise registrations and  $23 \times 3 = 69$  returns per month. Thus from 12 per year, we will end up at  $69 \times 12$  months + 3 Annual = 831 returns! Adding to this the onus of compliances for suppliers, especially the small road side enterprises has been a task, which is still ongoing. Our inhouse ERP coupled with sage advice helped us in being ready from 1<sup>st</sup> July and we did ensure the wheels of economy kept moving. As we go further, we are keeping our oft repeated strategy of going beyond



the rule to enabling technology to move up the value chain and support our customers in their growth plans.

## The crucial role of technology & infrastructure

In TCI, we are GST ready. The upgradation of our IT infrastructure is almost over & well set to operate under the GST regulations. Our ERP is home grown and very robust, we have spanning Mobile Apps and Web based applications, thus we are looking at GST readiness as an additional opportunity to differentiate the TCI offerings from rest of the industry in terms of support to customers and suppliers. We see a big value in technology and most of our services have deep rooted technological integration, which ensure a glass pipeline for our customers. This may sound outlandish, but we actually were on our own private cloud way back in

May 2007 where the speeds over a dial-up modem were 56kbps!

Be it the production logistics where schedules arrive by EDI and the dashboard is live on our Control Tower as well as android apps in the palm of our key account manager to a rudimentary thing as a vehicle loading, we are very much on global standards in technology. Likewise, in warehousing, where we manage perhaps the largest warehouse in the country to most complex operations of B to C fulfilment center, technology in WMS to goods to man technology to rudimentary things like productivity management tools, we are in sync with tomorrow. Going forward, there are quite a few new requirements like INS 01 in operations to uploading and matching the invoices on the GST network, we are ready to keep the ball rolling.

## Growth strategies

With the introduction of GST, trade boundaries between states will cease to exist & this will also increase the ease of doing business. With the elimination of multiple state taxes, the decisions on location of warehouse & distribution will be purely based on operational efficiency rather than tax consideration. This will benefit large 3PLs like TCI SCS as we also have an own backbone of services. Furthermore, there is no impact of cascading taxes and hence choosing an organized player like us who is fully compliant to all laws would be relatively cheaper in doing business than the unorganized players.

Our network of 1000+ offices and 11mn sqft linked with a transport network of 15,000 trucks besides trains and ships at any given point of time is already waiting for One Nation, One Market. Being a listed entity, the compliances benefit us directly and we stand to gain as an organized player. We are further expanding our portfolio, bit by design and re-engineering to the implementation of the model.