

'GST cuts truck turnaround time'

Smart warehouse network to improve cost efficiencies: ICRA

OUR BUREAU

Kolkata, June 21

A year since the introduction of GST, the turnaround time in road transport sector is down by 18-20 per cent and many companies are on warehousing consolidation mode, rating agency ICRA has said.

A study of approximately 50 transport companies and 15 customer-oriented companies across various sectors found definite benefits of GST rollout. However, in the short term, many transport companies reported higher compliance cost on account of technological upgradation, re-skilling of workers, penalty charges etc.

"In the long term, it is expected that the truck turnaround time will reduce and, setting up of efficient warehouse network will improve the overall cost-efficiency," said Shamsher Dewan, Vice-President, ICRA.

According to the study, the



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removal of inter-State checkpoints benefited truckers. "The impact is more pronounced in States like Kerala, West Bengal, Maharashtra, Madhya Pradesh and Bihar, which were known for notoriously high waiting time," it said.

Warehouse consolidation

Move towards higher tonnage trucks and warehouse consolidation were considered two

natural outcomes of removal of inter-State tax barriers.

According to the study, the pace of warehouse consolidation remained slow especially in large consumer-oriented sectors such as FMCG and consumer durables.

"Sectors like FMCG and consumer durables reported limited consolidation as maintenance of decentralised warehouses remains necessary

for product availability and customer servicing," it said.

However, sectors like tile manufacturing, which experience a more predictable demand, have already consolidated their warehouses.

Overall half of the companies which participated in the study "indicated" that warehouse consolidation had either happened or were in progress. Many are also interacting with supply chain management companies in redesigning the warehouse network.

E-way bill

E-way bill, which was introduced in April, had a positive impact on logistics efficiency, as two-third of respondents reported significant time-saving and paper work reduction due to digitisation.

"The overall impact of e-way bill has been positive," the study said. "The full benefit of GST on the road logistics sector are expected to be realised over the longer term," it added.