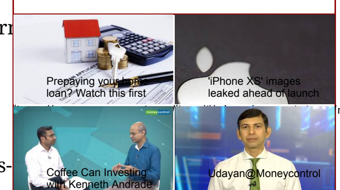
Last Updated : Jun 30, 2017 08:06 AM IST | Source: Reuters

Fast forward; GST set to transform face of Indian logistics industry

The unified tax system is expected to bring change on a far grander scale, removing distortions created by differential taxes and duty structures imposed across India's 29 states and 7 union territories.



India's greatest tax reform - replacing an array of provincial duties with a nationwide goods and services tax - is transforming the logistics industry in a country where moving stuff around is notoriously difficult to do, executives say. The advent of organised retail and e-commerce began modernising warehouses in India a decade ago, but most firms still rely on musty, dilapidated "godowns", as storehouses are known colloquially.

The unified tax system is expected to bring change on a far grander scale, removing distortions created by differential taxes and duty structures imposed across India's 29 states and 7 union territories.

"When we moved from one state to the other, it felt like moving from one country to another," said Ramesh Agarwal, chairman of New Delhi-based Agarwal Packers and Movers.

From July 1, the new Goods and Services Tax, or GST, introduced by Prime Minister Narendra Modi's government, will change all that, with the biggest tax reform seen since India won independence from British colonial rule 70 years ago.

Companies that have previously based storage models on tax efficiency can move to the much more cost efficient, demand-based hub-and-spoke model used globally.

Anticipating the change, Agarwal's firm, for example, has carved India into five regions and is setting up one massive warehouse in each. "There's no tax arbitrage to be gained. So decisions on manufacturing, warehousing and selling will be purely driven by the real costs of manufacturing and going to market, that is the single biggest advantage of GST," said R Subramanian, Managing Director at DHL Express in Mumbai.

Subramanian still anticipates bureaucratic headaches, notably from GST's e-way bill system, requiring vehicle details from pickup to delivery, which he reckons would generate 90 million entries daily for the express delivery sector alone.

But, the reform, along with the gradual shift in India's service dominated economy toward more manufacturing, has paved the way for ultra-modern storage sites with automated conveyers, RFID-enabled tracking and IT-enabled warehousing management systems. The potential growth, and investment needed for modernisation has spurred a slew of deals between Indian firms and major global private equity players and pension funds.

In the last two years alone, as Modi made GST a priority, these investors have put $1.5 billion in the warehousing business.

"GST is not only a tax reform, it is also a business reform as a whole, and a lot of businesses are now restructuring their supply chains," said Rohit Jain, a partner with Economic Laws Practice in Mumbai.

REPLACING 'GODOWNS'

Canada Pension Plan Investment Board last month committed to spend $500 million in a joint venture with India's IndoSpace. Other foreign firms putting money in the sector include Carlyle Group , Warbug Pincus and Fairfax India Holdings .

JSW Steel , India's biggest domestic steel producer, is also mulling a plan to bring down the number of its 20 plus warehouses across the country to five, and many more companies are following suit, said a company executive.

Reliance Retail, the retail unit of Reliance Industries , which has around 100 distribution centres across the country, also plans to "optimize some," said a company executive.

Mahindra Logistics is exploring an initial public offering, or a sale to a foreign partner, while rival Future Supply Chain Solutions is looking to do likewise, according to media reports.

With 45 percent of India's gross domestic product concentrated around seven major cities, Arif A Siddiqui at Coign Consulting, specialising in supply chain management, expected investment in warehousing to focus on Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, and New Delhi. Singapore-based logistics company Ascendas-Singbridge has just signed a $600 million deal with Firstspace Realty, based in the south Indian city of Bengaluru, to create 14 million square feet (1.3 million square meters) of industrial warehousing space across six major Indian cities.

"Manufacturing, modern retail and the pharma sector were already driving change in Indian warehousing. GST has just fast-tracked the growth rate in logistics," said Aloke Bhuniya, Chief Executive of Ascendas-Firstspace.

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Chinese minister hails ease of doing business in Jharkhand


Indian cos foreign investment decline 36% to $1.39 billion in July

He reckoned that GST has boosted the industry's annual growth rate from 12-15 percent to 20-22 percent, and saw plenty of room for a lot more modernisation.

Out of the logistics industry's 980 million square feet (91 million square meters) of captive, agri-based and cold storage warehousing, Bhuniya estimated 85 percent were old godowns and traditional structures.

"This represents a huge opportunity for modern warehousing to tap into," he said.

First Published on Jun 30, 2017 07:35 am

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Last Updated : Sep 04, 2018 05:27 PM IST | Source: PTI

Chinese minister hails ease of doing business in Jharkhand

The Chinese minister said that there is a lot of potential for investment in Jharkhand. The Jharkhand delegation under Das is on a five-day tour of China starting September 1 to obtain information about latest technology.

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During a meeting with the visiting Jharkhand delegation headed by Chief Minister Raghubar Das, China's International department minister Sondh Thao Tuesday commended ease of doing business in the state which has a lot of potential for investment.

Thao said that though Jharkhand is a new state its growth rate is 8.2 percent which is highly appreciable. "The investment environment in Jharkhand, its growth rate, ease of doing business and the business environment are commendable," Thao, the Minister of International Department of Communist Party of China was quoted as saying by an official release issued here.

The Chinese minister said that there is a lot of potential for investment in Jharkhand. The Jharkhand delegation under Das is on a five-day tour of China starting September 1 to obtain information about latest technology.

Thao said that the population of both the countries is 256 billion, which is almost one-third of the world's population and presently holds 21 percent of the world's GDP, and the GDP rate can be strong if the two countries work together, the official release said.

The two countries can also have a very large partnership in World Trade, he said. Giving details about the Global Agriculture and Food Summit, 2018, which is going to be organized in Jharkhand on 29-30 November, the CM informed Thao that many companies related to Agriculture and Food Processing of the world will participate in the summit.

The Chief Minister also invited Thao to participate in the summit. The release said that bilateral relations have improved after the last visit of Prime Minister Narendra Modi to China.

First Published on Sep 4, 2018 05:25 pm

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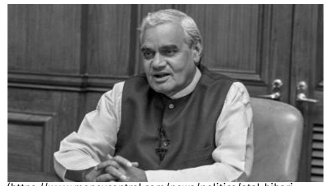

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India companies had invested $2.17 billion in their overseas subsidiaries and joint ventures in the form of loan, equity and issuance of guarantee in July 2017.

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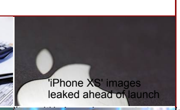

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Indian cos foreign investment decline 36% to $1.39 billion in July

Investment by Indian companies in their overseas ventures fell by more than 36 percent to $1.39 billion in July this year, the Reserve Bank data showed.

India companies had invested $2.17 billion in their overseas subsidiaries and joint ventures in the form of loan, equity and issuance of guarantee in July 2017.

In June 2018, domestic firms invested in $2.07 billion in their ventures located out of India.

Of the $1.39 billion invested in July this year, $608.52 million was the equity capital, $406.74 million was through loan and $371.86 million came in the form of issuance of guarantees.

Among major investors, Serum Institute of India Pvt Ltd invested $187.39 million in its wholly-owned subsidiary in the Netherlands.

Sterlite Technologies invested $66.67 million in Italy, Interglobe Enterprises $54.65 million in the UK and JSW Steel (http://www.moneycontrol.com/india/stockpricequote/steel-large/jswsteel/JSW01) $50.47 million in the US.

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Technical View: Nifty forms bearish candle; 11,500 crucial for bulls

Bank Nifty broken its crucial nineteen session support zones of 27,750 zones and corrected sharply by 389 points to close the session near 27,430 mark.

Sunil Shankar Matkar

The Nifty50 extended losses for the second consecutive session on Tuesday, falling briefly below 11,500 levels intraday after the rupee hit record low of 71.57 to the dollar and rising crude oil prices. The index closed sharply lower, forming bearish candle on the daily charts.

All sectoral indices closed in the red with Bank, Auto, FMCG, Metal and Pharma correcting upto 2 percent while IT was the only gainer, rising 2 percent on rupee weakness.

The midcaps and smallcaps hit hard as the Nifty Midcap and Smallcap indices fell more than 2.5 percent.

The Nifty50 remained volatile from the beginning of trade, opening at 11,598.75 and closing at 11,520.30. The index after opening higher fell immediately and bounced back to hit an intraday high of 11,602.55, but erased those gains to trade lower. It managed to rebound in afternoon but failed to hold those gains and hit an intraday low of 11,496.85 before closing 62.10 points down at 11,520.30.

"Nifty50 continued its journey on downward trajectory as intraday pull back attempts attracted fresh bout of selling pressure before signing off the session with a bearish candle," Mazhar Mohammad, Chief Strategist – Technical Research & Trading Advisory, Chartviewindia.in told Moneycontrol.

He said however, as Nift50 is trading into its initial support levels placed in the zone of 11,500–11,480 bulls can make one more pull back attempt in next trading session. "Hence, as long as Nifty50 doesn't drift down below 11,480 levels some sort of relief can be expected for bulls in next couple of trading sessions."

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He feels a close below 11,480 will further accentuate the selling pressure initially towards 11,424 levels and as this entire corrective phase is expected to last for couple of weeks with a top in place around 11,760 levels traders are advised to make use of rallies if any to exit their stuck up positions and should wait for some signs of strength before creating fresh longs.

On the upside a close above 11,600 can be expected to give some relief to the bulls, according to him.

India VIX moved up by 2.87 percent to 13.78 and a sudden jump in volatility in last two sessions is a cause of concern for immediate basis.

On option front, maximum Put open interest (OI) is at 11,500 followed by 11,400 strike while maximum Call OI is at 11,800 then 12,000 strike. Meaningful Call writing was seen at 11,800 followed by 11,700 strike whereas Put unwinding was seen at all immediate strike price.

"The index has slipped below its rising support trend line. It also engulfed the positive price movement of last two weeks and partially filled a gap near to 11,499 marks," Chandan Taparia, Associate Vice President | Analyst-Derivatives, Motilal Oswal Financial Services said.

He further said now till it holds below 11,620 it may drift towards next support at 11,450 zones while on the upside hurdle is seen at 11,620 levels.

Bank Nifty broken its crucial nineteen session support zones of 27,750 zones and corrected sharply by 389 points to close the session near 27,430 mark.

The index underperformed the benchmark index and formed a Bearish Candle on daily scale which suggest Bears are holding tight grip in the market, experts feel.

Taparia said now if it sustains below 27,750 then weakness may be seen towards 27,250 then 27,165 zones.

First Published on Sep 4, 2018 05:06 pm

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