Enabling better vehicle logistics within India

Pune 4.12.09

Agenda

- Logistics in India
- What triggers improvement in Supply chain in India
- Logistics in Indian automotive sector
- What has changed since we met last
- India poised for Logistics revolution
- Expectations of Stake holders
- Way Forward

Logistics in India

Current scenario

- Logistics still treated merely as transportation
- Inadequate infrastructure
- Adoption of automation still at its Nascent stage
- Fragmented trucking industry
- Multiple taxation system
- Congestion on roads
- Average trailer speed 20-30 Km / Hr
- High cost in waiting time

Logistics in India

Contd…

- No clear definition of car carriers in motor vehicle act – at the mercy of the interpretation of various authorities.
- Costly vehicle tracking systems
- Poor driver training
- Inadequate remuneration of drivers – making this profession unattractive.
- Poor maintenance of trucks
- High accident rates
- Low skill level of majority of people employed in SCM industry

Logistics in India

Contd…

- Poor connectivity in Rural Areas
- Too many check posts / Toll Nakas
- Hold up at Interstate Borders / Octroi Posts
- Railways - also there
- Higher Railway Freights
- High turn around time at Ports
- Multi Modal Transportation – still a distant dream

Size of Indian Logistics Industry

Country	Logistics Cost / GDP	Share of 3PL in overall logistics
China, India	15 %	< 10%
U.S.	10 %	57 %
Europe	11 %	40 %
Japan	12 %	80 %

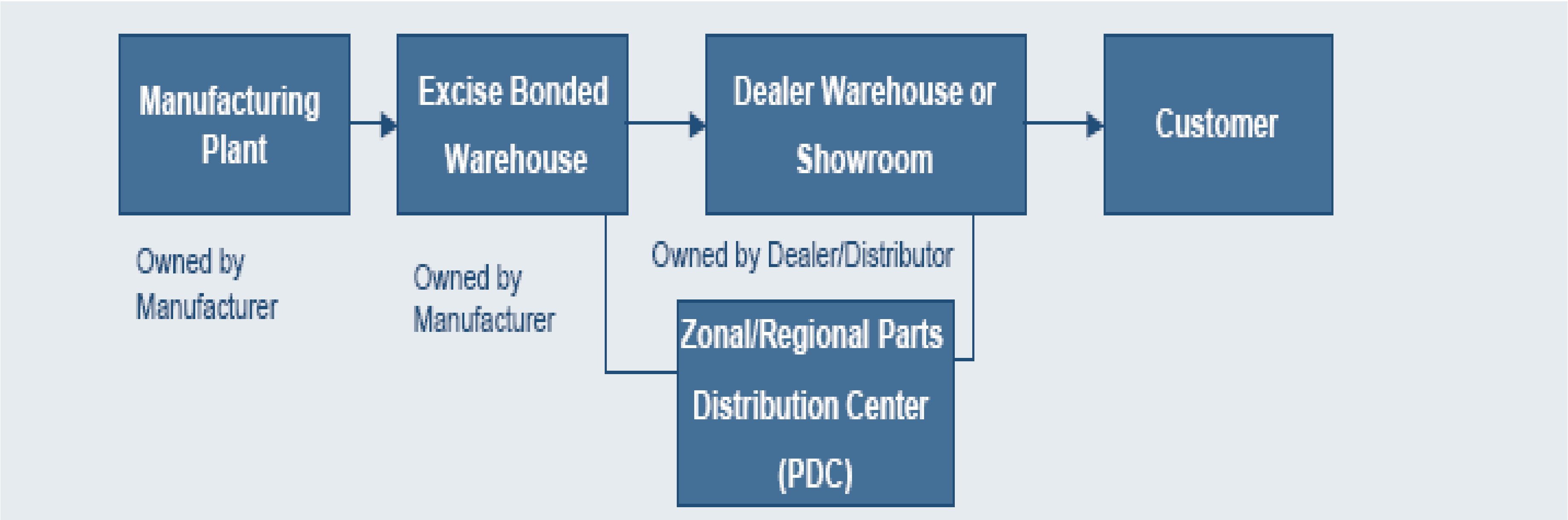
Large but inefficient

What triggers improvements in Supply chain in India

The various components of Logistics Industry have changed ….

	Logistics Then	Logistics Now
Orders	***Predictable***	***Variable, Small lots***
Order Cycle Time	***Monthly or Fortnightly***	***Weekly or Daily***
Customer	***Channel***	***End Customer***
Customer service time	***Reactive, Rigid***	***Responsive, Flexible***
Replenishment	***Scheduled***	***Real Time***
Distribution Model	***Supply Driven, Push***	***Demand Driven, Pull***
Demand	***Stable, Consistent***	***More Cyclical***
Shipment Type	***Bulk***	***Smaller Lots***
Destination	***Major Towns - Concentrated***	***Geographically Dispersed***
Warehouse Type	***Godowns***	***Custom Built***

Logistics in Indian Automotive sector : Goods flow model



- Indian automotive sector caters to a large and geographically diverse market base.

- It requires very efficient logistics infrastructure with great emphasis on customer orientation.

- CBU are transported directly from plant to dealers network through various modes of transportation.

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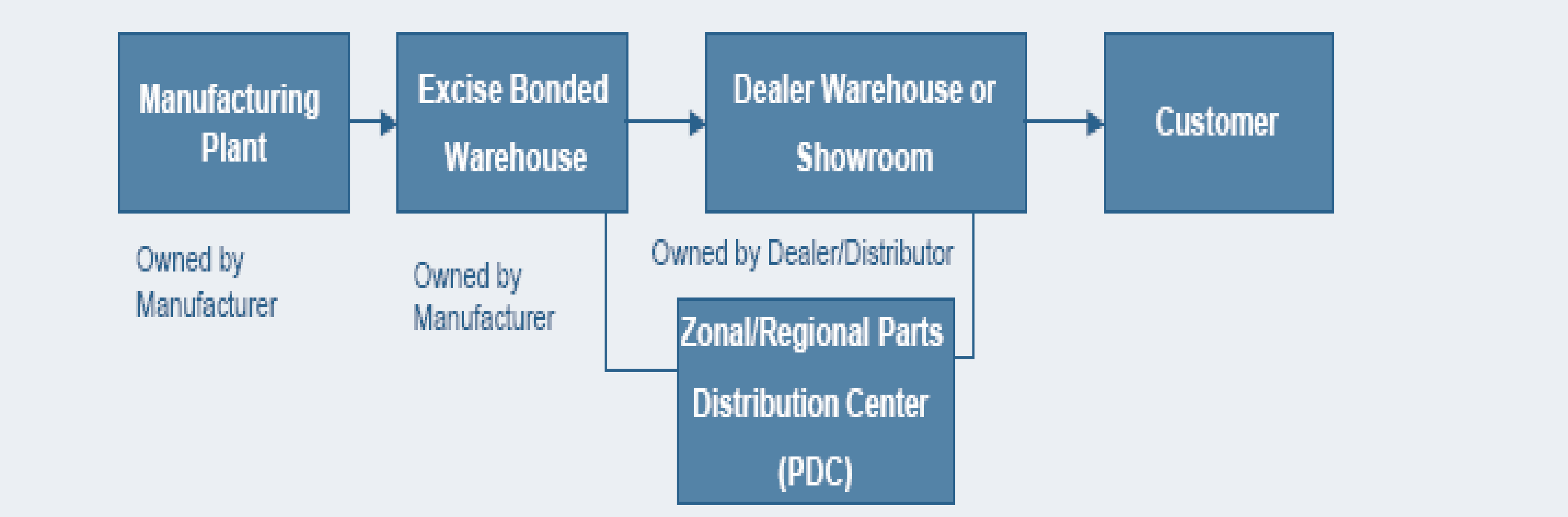


- Inbound logistics is a key area for growth with suppliers maintaining warehouse close to the plant for logistical and tax reasons.

- Most vehicles manufactureres have an organised spares and components after market.

- In majority of cases dealers sell the spares also.

Indian Logistics ranks low on Customer Orientation

Parameters	On-Time Delivery	Managing Distribution
Brazil	36.34	51.83
Canada	62.19	66.45
France	44.64	66.09
Germany	88.06	75.83
India	30.27	52.43
Japan	93.17	72.20
Netherlands	69.78	74.76
South Korea	59.29	57.14
Thailand	57.00	66.50
USA	62.62	74.43

Note: Companies are rated 0=poor to 100=excellent

Source: Indian Supply chain practices ’

Is every thing Doom and Gloom for Logistics Industry in India ?

BIG NO

What has Changed Since we met last

- Economy – 7.9% GDP growth for Q2, a pleasant surprise
  – India and China, New engines of world growth
- Infrastructure – Improvement through stimulus package & Govt. involvement - JNNURM
- Railways – Never been more receptive
- Stake holders – Looking beyond Cost
- GST – A reality with its implications
- Auto movement through containers has gone up by 50% from Apr – Oct ’09.

Collaboration - A Humble Beginning

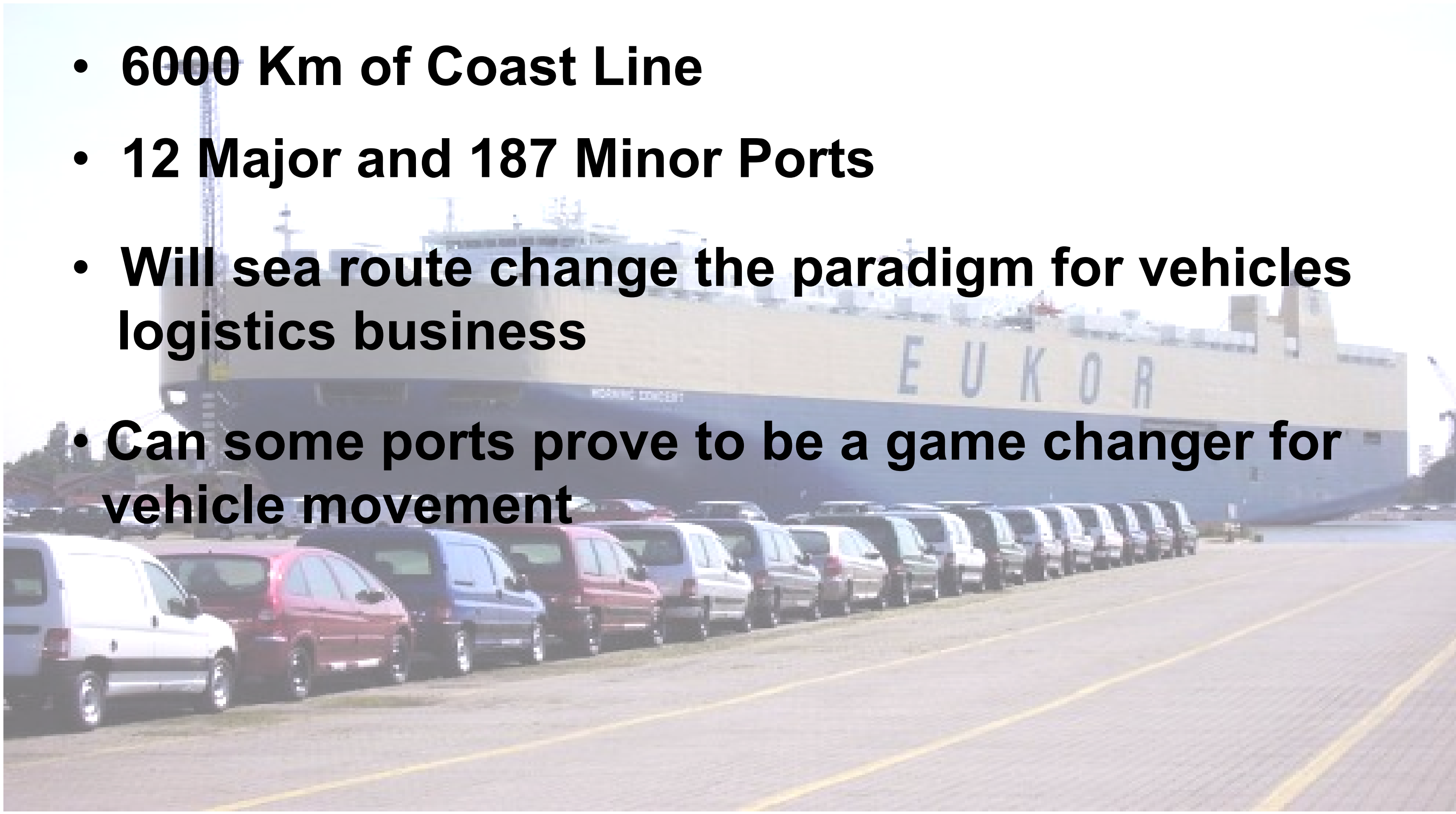
India Poised for Logistic Revolution

Challenges and Opportunities

- Sustainable improvement in efficiency
- Need to Look at Total Costs than Transportation Costs
- Raising the skill levels of people associated with SCM
- Multi modal movements
- Reduction in wastage fill backhauls
- Major gains will come only with combined efforts – individual success to have short term and limited gains
- Explore Movement by Sea

Movement by Sea

- **Sea Routes - An Integral Facet of logistics Industry**
- **6000 Km of Coast Line**
- **12 Major and 187 Minor Ports**
- **Will sea route change the paradigm for vehicles logistics business**
- **Can some ports prove to be a game changer for vehicle movement**



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- Explore Multi brand distribution centers
- Growth potential in vehicle logistics offers huge business opportunity – Collaboration / JV
- Sustainable Long terms improvement than one time gain

Business Potential

Product	Current Volumes	5 years projection
2 wheelers	8 MN	12 MN
3 wheelers	0.5 MN	1.5 MN
Passenger Vehicles	2 MN	5 MN
Commercial Vehicles	0.4 MN	1 MN
Total	10.9 MN	19.5 MN

100 % Growth

Source : SIAM

Business Opportunities

Vehicle Movement	Current	5 years projection
Self Power	4 %	2 %
Railways	2 %	12 %
Air /Sea	-	3 %
Trailers	94 %	80 %
Containers (air/ Sea)	-	3 %

Source : Independent study

Expectations of stake holders

OEMs

Reduction in transit time

IT integration

Investment in hubs with better service

Damage free delivery

Cost effective solutions

Contd…

Transporters

Less waiting time

Better turn around

Preferred destinations

Faster payment cycles

Better facilities for drivers

Contd..

Dealers / Customers

Reduction in transit time

Delivery as per commitment

Flexibility in ordering as needed

Damage free delivery

Tracking of consignments

Way Forward

- Preparing Supply chain industry for GST Regime
- Need to create awareness on Supply chain & logistics through programs & events
- Providing training and education in SCM & Logistics
- Indentifying Core issues – representing to the concerned agencies through SIAM & CII.
- Initiating studies and publication of best practices

Impact of GST on Supply Chain

First Discussion Paper

- Dual GST could significantly impact supply chain – from Procurement through Manufacturing to Distribution.
- GST endeavors to foster a single market in India
- Octroi - One of the biggest bottleneck in SCM does not find mention in Discussion Paper.
- Declaration Forms & Road Permit could be abolished – boost to Industry & Transporter.

Contd…

- Move towards regional warehousing – impact on SCM?
- Challenge to companies to engineer their Supply Chains to be GST efficient – longer the supply chain – more the tax points and compliance cost.

Thank You.

Down-turn has Made Us Wiser
&

Also brought us closer