



ASSOCIATION OF MULTIMODAL TRANSPORT OPERATORS OF INDIA

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GST rates to be rationalised soon

Mr Shiv Pratap Shukla, Union Minister of State for Finance, has said that the GST Council is working towards rationalising GST rates. He added that a big announcement from the government regarding GST is imminent. He was speaking at the 7th edition of Delhi SME Finance Summit organised by the Confederation of Indian Industry (CII) here recently.

The Minister stressed that the government is working to promote the growth of SME, recognising its importance to the economy, including in output, employment and exports.

The summit bridged the gap between SME borrowers who need capital to sustain or grow their businesses and lenders such as public and private banks, NBFCs and Fintechs. Live counters were put up at the summit and many soft approvals for loans were given to SMEs based in Delhi.

Mr Rahul Chaudhry, Co-Chair, Committee on MSME, CII Northern Region, and Chief Executive Officer, Serval India Ltd, said, "CII's target is to boost the contribution of SMEs in the manufacturing sector from current 15 per cent to 25 per cent of the GDP by 2022 and amplify SMEs contribution to India's GDP from current 8 per cent to 15 per cent by India @ 75."

Mr Abhimanyu Munjal, Vice-Chairman, CII Delhi and Joint Managing Director and CEO, Hero FinCorp Ltd, said, "A major chunk of SMEs rely on traditional ways and they are lagging behind their competitors and global counterparts... If India has to maintain the path of growth it is on, technology adaption will have to be rapid."

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Gadkari reviews progress of ongoing National Highways projects

The Union Minister for Road Transport and Highways, Shipping, Water Resources, River Development and Ganga Rejuvenation, Mr Nitin Gadkari, reportedly completed a two-day review of the ongoing National Highways projects on June 12, 2018. He reviewed over 700 projects with project directors, contractors/concessionaires, state government officials and officials of NHAI and the Transport and Highways Ministry over the period. Of these projects, 427 are being implemented by National Highways Authority of India and 369 by the Ministry of Road Transport and Highways, said a release.

The year 2018 has been declared as a 'construction year' by the Ministry of Road Transport and Highways. Of the over 700 projects being reviewed, about 300 projects will be identified for completion before March 2019.

The National Highways projects of Goa, Madhya Pradesh, Jharkhand, Bihar, Uttar Pradesh, Uttarakhand, Rajasthan and West Bengal were among those taken up for review. Mr Gadkari gave directions to officers and contractors to complete the work of 27,000 km in respect of the projects that were awarded before March 2015, the release added.

Logistics industry projected to grow faster than real GDP in FY19

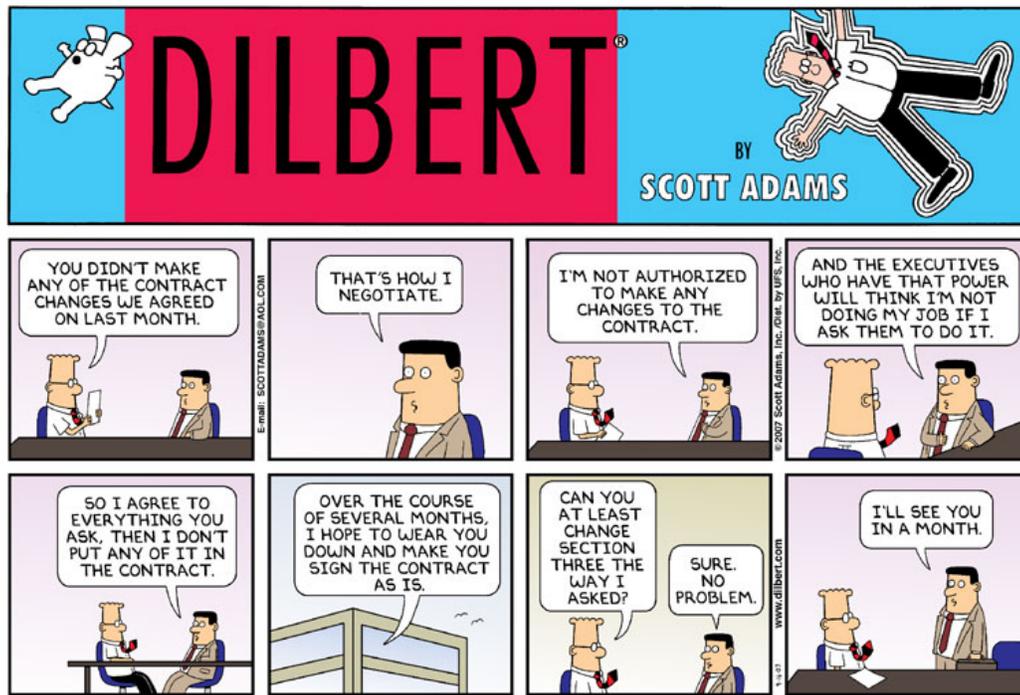
Inflation adjusted revenue of logistics service providers is expected to grow 8 per cent to 9 per cent yoy in FY19 as against the estimated real gross domestic product (GDP) growth of 7.4 per cent. The growth can be attributed to the favourable base effect, coupled with the signs of a short-term recovery, indicated by a substantial strengthening of the Purchasing Managers Index and a gradual pick-up in the Index of Industrial Production through FY18, **India Ratings and Research (Ind-Ra)** has said in an analysis.

The logistics industry's growth will further be supported by a sustained pick-up in the sale of medium and heavy commercial vehicles through FY18, resulting in an 11 per cent CAGR in commercial vehicle registrations, indicating higher capacity availability through FY19-FY20. Ind-Ra expects a recovery in global trade volumes in FY19, coupled with a higher demand for automobile, retail and FMCG, construction material, coal and metals, to support volume growth across the logistics space, it said in a release.

Economies of scale in value-added logistics: Ind-Ra believes aggregate profitability margins across the logistics industry would be supported by an increased wallet share of value-added logistics (VAL) and third-party logistics service providers. The share of VAL service providers could exceed 20 per cent by FY21 (FY17: 5 per cent), assuming 20 per cent of the packaging and handling expenses by BSE 500 companies are outsourced and result in 5 per cent-7 per cent cost savings. Such growth is likely to be driven by the cost reductions facilitated by the economies of scale inherent to such integrated VAL players. Consolidation in the logistics space is likely to catalyse growth of such players over the medium-to-long term. Integrated operations and a higher level of value addition would result in aggregate EBITDA margin growing significantly by FY20-FY21.

Substantial industry consolidation: Ind-Ra expects significant consolidation in the logistics industry over the medium to long term. **Pan-India integration of goods and services markets through GST may help create a hub-and-spoke model for logistics players.** This would further bring in significant economies of scale and eliminate the regional disparity in occupancy rates. Harmonisation of tariffs and occupancy levels shall enable stabilisation of margins and bring about substantial transparency. The agency, however, expects the synergies from such consolidation to only be realised FY20 onwards. Availability of input tax credit would further support profitability margins of third-party logistics service providers. Also, the introduction of E-way bills is likely to enhance the speed of freight transportation and thus would support asset turnover for transport operators, albeit some near-term challenges exist for smaller players.

Humor



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