



LOGISTICS & TRUCKING

RUNNING BIG LOSSES

ON ANY GIVEN DAY, 59 per cent of the total goods and commodities, or freight, in India is moved by road using trucks, estimates a Niti Aayog report. But with the entire country placed under a 21-day lockdown to curb the spread of the coronavirus, the movement and consequently the supply of essential goods throughout the country has been severely impacted.

Take, for instance, ABC Transport

Company, a leading Delhi-based truck operator that runs a fleet of 130 long-haul trucks for ferrying parcels and other commodities. But in the wake of the lockdown, its operational fleet is down to 15 trucks, with just the driver, and without the cleaner. Inder Bir Singh, Managing Director, ABC Transport Company sums up the situation: "Since the lockdown, there was sudden stoppage of all activity as a result of which orders have dried up. Then, there is the situation of non-availability of office staff/loaders across all businesses. Trucks at consignee's warehouses are idling as

there are no loaders and office staff to receive the goods."

Singh's ABC Transport is among the 4.5 lakh goods carriers in the country that have been severely impacted by the lockdown. In fact, according to Naveen Kumar Gupta, Secretary General, All India Motor Transport Congress (AIMTC), business was tepid for transporters even before the lockdown and has touched rock bottom after the announcement. Terming the scenario very grim, Gupta says unless the sector revives quickly there is little hope for it. Small operators who constitute about 85 per cent of the trucking population are the worst hit, says Gupta.

India's transport sector, which currently employs more than 10 million people directly, has had a pretty rough ride over the last few years. Trouble

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Of the 9 million trucks in the country, only 4.5 million are currently plying thereby severely impacting the movement of goods, as per a KPMG study By Avishek Banerjee & Siddharth Shankar

came in successive waves without giving it any time to recover. Before it could recover from the massive blow dealt by demonetisation, it found itself crushed by the tardy rollout of the GST regime, and then it was hit by Gross Vehicle Weight (GVW) enhancements in late 2018. And now the coronavirus outbreak has proved to be the nemesis of this 'already-ailing' sector with the sudden stoppage of the entire chain of activities throughout the country.

Says Jehan Kotwal, CEO, JFK Transporters, "Trucking's first principal is tyres should never stop running. As that happened, it ruptured the whole industry in a major way. The transport sector was anyway bleeding before the virus and after the virus we will see a near-full clean-up of all the small players in the business." Kotwal

adds: "Half a million drivers and assistants have left for their hometown. There is no distinction between essential and non-essential commodities. Sixty per cent of the cargo comes from manufacturing sectors, which have halted operations."

Even though the total losses incurred by the industry cannot be estimated yet with any degree of accuracy, some industry observers peg the domestic logistics industry to be worth \$215 billion and say the impact could be to the tune of \$40-50 billion if the situation persists for more than 30 days. According to KPMG, the transport and logistics industry employs more than 8.27 million people and contributes 14 per cent to the country's GDP.

"The trucks that were on the road before the lockdown have started to

move now, and currently, we are seeing a movement of about 5-7 per cent. On the warehousing side, both the FMCG and e-commerce companies are operational and have started moving products. However, the last-mile distribution is still a problem as the distributors do not have enough manpower to unload the products," says Vineet Agarwal, Managing Director, Transport Corporation of India (TCI), India's leading integrated multimodal supply chain solutions provider.

According to the Indian Foundation of Transport Research and Training (IFTRT), there are roughly 5.2 million medium and heavy commercial vehicles that transport various goods and commodities across the length and breadth of the country. However, nearly 50 per cent of the total fleet are already off the roads and many more will become idle due to the paucity of drivers. At the moment, only 1.5 million vehicles are used for ferrying agricultural commodities and food-stuff and around 1 million for moving industrial goods, it informs. IFTRT estimates that there is an 80 per cent decline in orders due to both supply crunch and demand decline.

"Most truckers over the last one week have not been able to unload their cargo because all the factories are closed and the wholesalers who have to receive them are not available. Nearly 6 million metric tonne of cargo is moved by 5.2 million vehicles. But right now, only 3 million is being moved right now. As a result, for an 18-tonne payload, the truck rental would be Rs 2,000 per tonne which costs Rs 36,000. But now it is charged at Rs 70,000 (for the same weight)," reveals S.P. Singh, Senior Fellow and Coordinator, IFTRT, adding, "Five lakh people have been rendered jobless and many more are expected to go. Total unemployment count could go up to 10 lakh."

Coping with the Crisis

A KPMG report assessing the impact

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COVID-19 / IMPACT ON INDIA



of Covid-19 states that the trucking sector is expected to witness an immediate adverse impact in the short term on account of reduced demand due to decrease in production as well as domestic and foreign trade. Of the 9 million trucks in the country, only 4.5 million are currently plying thereby severely impacting the movement of goods, says the report.

Digital trucking platform Mavyn, whose customers include the likes of Hindustan Unilever, Amazon, Grofers and Flipkart, has launched its 'Faceless and Virtual' service across India for shipment of essential commodities as part of its efforts to deal with the coronavirus outbreak.

So how long will the current situation persist? Some say it may take some time to get better. As Ashok Goyal, Director, BLR Logistics puts it, "Customers are asking us to place vehicles, but warehouses at unloading points are closed due to state govern-

ment notifications. Even where essential goods warehouses are open, there is no labour to unload the cargo. I think it will take at least a month for things to normalise, after the lockdown is lifted." "I anticipate a tough time ahead for the logistics sector and fear 20 per cent of the SMEs will close down, if the situation remains the same for three months or more," Goyal adds rather ominously.

"Human psychological reach following this outbreak in terms of consumer buying behaviour is of much more concern and can have a larger impact than these financial figures. Manufacturing can be ramped up, but how demand will take off for unessential commodities no one knows," says Sachin Haritash, Founder and Chief Executive at Mavyn.

Pushkar Singh, CEO of LetsTransport, a logistics aggregator says, "The short-term impact will be

loss of revenue for almost all businesses. Asset heavy companies will take a significant hit due to high fixed costs and almost no revenue. The long-term implications will depend on how long this continues for and on how soon things move to business as usual."

"With rapid and unpredictable supply disruptions and a surge in latent demand, the ability to see and react quickly will differentiate companies that grow and sustain through these times", says Rishabh Jain, Co-founder, locale.ai, a company that uses AI to develop location intelligence software.

The writing on the wall is clear. The companies that survive the current economic maelstrom will be tomorrow's winners. **BW**

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