



Going last mile

TCI Express that is currently enjoying its bull run on the bourses after its listing in December will invest in strengthening its last-mile connectivity sensing a huge opportunity in the e-commerce segment.

by Deepika Amirapu

Leading courier and logistics firm TCI Express will invest in expanding its sorting centres across the country besides enhancing its technology to ensure greater transparency in the last-mile logistics. TCI Express operates through 550 branches, 28 sorting centres and 40,000 pickup and delivery locations. The new expansion of sorting centres across the country will help the firm target a growth of 18-20 per cent in the coming financial year.

The expansion is being driven by increase in demand from the pharmaceutical, engineering, electronic goods and readymade garments industry. Chander Agarwal, Managing Director of TCI Express said he sees burgeoning growth in high value-low volume commodities on account of greater consumption and higher exports of these commodities. "There is great room for express logistics companies to grow in the last-mile logistics chain because of their ability to outdo traditional transportation that take a minimum of four to five days to deliver a consignment."

The improvement of the express delivery sector is helping many firms transit to the Just in Time inventory strategy to increase efficiency by receiving raw material and goods only as they are needed, thereby reducing inventory costs. "Thus, with most high value goods moving by the express delivery chains, food grains and bulk commodities by rail and other high volume products by road or sea, causing a change in the way commodities are transported in India," Chander Agarwal said.

What perhaps has driven most logistics firms in India such as TCI Express Logistics to ramp up their delivery and supply chain capabilities is the government's thrust and investment in the road sector. India's logistics cost accounts for \$260 billion or 13 per cent of the country's GDP and of this, road transport accounts for 60 per cent of the investment which is about \$156 billion. This mark up in investment has led TCI to offer more value added services. Extensive use of technology, offering insurance cover for high value products transported and a centralized billing system are

some factors that distinguish TCI Express from most other players in the unorganised market. TCI currently accounts for about four per cent of all high value goods transported in the country. The introduction of GST will also force consolidation in the sector with most of the smaller players having to turn to the bigger players for scale and survival. Agarwal says that intra-city logistics will soon be a thing of the past with margins becoming dearer after the implementation of GST's uniform tax code. Intra-city logistics costs can go up to as much as 90 per cent of the total cost leaving the operator with wafer thin margins and this will perhaps force many smaller players to mutate their ways of operating in smaller geographies.

The express logistics segment is currently perhaps the largest beneficiary of the change in the logistics industry triggered by the GST. Chander Agarwal and others in the industry who have been at the helm of moving goods for years say it will be a decade or two before another new model dictates a change in the way the firms transport goods. [mg](#)