

PARTNER FOR SUCCESS

Vikas Pawar of GATI explains how GST helps in cross-border trade and draws the road ahead for logistics collaborations.

Picture a manufactured product which has more than 20,000 unique components. These components are sourced from over 250 vendors, with 10 per cent of these vendors located outside the domestic shores. The product is built at seven manufacturing facilities, with the prime location producing close to a million products annually. The finished product is sold at over 1,600 retail outlets globally and the after-market spares need to reach more than 4,000 service centres that fix about 40,000 units on a daily basis. These staggering statistics display the complexity in managing the global supply chain of one of the largest automotive companies. Corporations such as these have been redefining supply chain strategies and designing their cross-border operations to sustain this market demand.

With respect to cross-border trade, the introduction of Goods and Services Tax (GST) is perceived as the most wide-ranging tax reorganisation and will have significant ramifications in the growth of India's role in global trade. Exports continue to be a major thrust area for the government, with initiatives like 'Make in India'. Domestic equipment manufacturers are seeing global customers responding to the companies. Time is opportune for Indian import-export fraternity to think beyond domestic shores. From a supply chain perspective, businesses need to look at suitable logistics partners, as proficiency to manage international logistics along with GST-related changes will become indispensable.

GST and impact on cross-border trade

One of the clear intentions of GST

implementation has been to make Indian goods and services globally viable. Due to the seamless availability of input tax credit for goods and services, corporations will be able to match globally competitive prices on exports. For imports, under the pre-GST scenario, Customs duty on goods incorporated a host of components including Basic Customs Duty (BCD), Countervailing Duty (CVD), Special Additional Duty (SAD) and Cess. With GST in place, CVD and SAD have been replaced by Integrated GST (IGST), which can be set off. While there have been initial hiccups in GST roll-out, as organisations (large and small) were adapting to this fundamental change, the latest decisions by the GST council have aided in resolving some of these short-term pains. For example, businesses with a turnover of up to Rs 15 million have now been allowed to file returns and pay GST on a quarterly basis, instead of a monthly basis. Another decision of providing the refund of GST for the month of July and August addresses the concerns of working capital management of the exporters.

In fact, exports of goods in September posted an impressive year-on-year growth of 25.7 per cent. Albeit scepticism about the reasons for growth, progress was seen in goods ranging from engineering items to textiles. Sustenance of this trend will serve as a critical record for detractors of the positive long-term impact of GST.

Time for logistics collaborations

Erstwhile, supply chain matters were often an afterthought for businesses. However, a sound strategy of 'going global' requires appropriate level of partnership with a capable third-party

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logistics (3PL) partner who understands not only the nuances of international trade laws, but also the challenges related to GST. In fact, through proactive actions over several months, established end-to-end logistics players like us have got ourselves ready for a post-GST scenario. The rigorous business preparedness has been to assure our end-customers of seamless continuity of services. Consequently, successful supply chains with whom we work saw a zero-downtime switchover. Going forward, as opportunities for growth remain significant, we believe that such collaborative approaches between user organisations and 3PLs will become pivotal.

To conclude, the upturn in global merchandise trade volumes has sustained through the second half of FY 2017, and is evident in the rising cross-border air freight and ocean container throughput. Closer home, recent surveys covering India's Industrial Outlook and Consumer Confidence suggest a much improved 'general economic situation' with an expansion in domestic economic activities over the next one year. Given the environment, a drive for better global supply chain control through suitable logistics partnerships will be a clear-cut competitive advantage. 



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