Dedicated rail freight corridors look to rope in Amazon, Flipkart

‘A game-changer for parcel industry’; move expected to slash parcel delivery times drastically

SHINE JACOB
New Delhi, 29 December

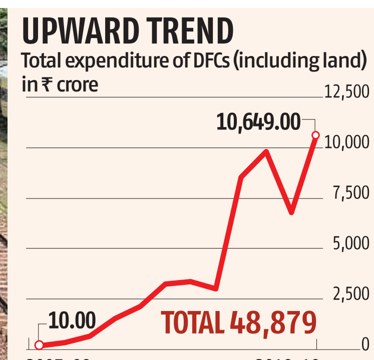
The domestic logistics industry got a boost with big e-commerce giants, such as Amazon and Flipkart, entering the arena. The industry is set to benefit again with the Dedicated Freight Corridor Corporation of India (DFCCIL) talking to e-commerce firms to rope them in for using its logistics hubs.

The move is expected to cut parcel delivery times drastically.

“This will be a game-changer for the parcel industry, as all the stations, small and big, will have dedicated hubs to handle parcel. This is expected to reduce the average time taken to deliver a parcel from Mumbai to Delhi from five days to 24 hours. Besides, hinterland customers will also benefit out of this through our intermediate stations," said a DFCCIL source in the know of the matters.

A major reason for the savings in delivery time will be the planned speed of trains in DFC. The average speed of freight trains was 22.4 kmph so far in 2019-20 compared to the expected speed of 75-100 kmph in DFCs.

This comes close on the heels of the Railway Board joining hands with Amazon for giving the firm’s parcels space in Sealdah and Mumbai Rajdhanis on a pilot basis.



According to a recent industry report by the Pitney Bowes Parcel Shipping Index, the logistics industry’s parcel volume and revenue saw over 20 per cent growth in 2018 compared to the previous year.

On the other hand, the Indian Railways is witnessing a decline in its parcel business. From April to October, its parcel business saw a decline of 5 per cent to ₹811.38 crore, compared to ₹851.45 crore during the same period in FY19. For FY19, the business saw a dip of 8 per cent to ₹1,744.8 crore versus ₹1,895.9 crore in FY18.

The e-commerce players will be able to use the hubs once the eastern and western dedicated freight corridors (DFCs) are fully operational by December 2021. According to the Railways, except the Sonnagar to Dankuni stretch in eastern DFC, rest of the project will be commissioned by 2021.

The project will be passing through Punjab, Haryana, Maharashtra, Gujarat, Rajasthan, Uttar Pradesh, Jharkhand, and West Bengal. In December, DFCCIL approached several states to provide suitable road connectivity to each station on DFC, so that the industry can easily transport their goods traffic.

The ₹81,400-crore eastern and western DFCs cover a total of 3,360 km track. Starting from Dadri, the western stretch will extend up to JNPT, covering major stations like Phulera and Marwar junction in Rajasthan, Palanpur, Amli Road (Sabarmati), Makarpura (Vadodara), Gothangam / Kosad in Gujarat and Vasai Road in Maharashtra. The eastern stretch will extend from Ludhiana to Dankuni, covering major stations like Dhandharikalan, Sirhind, Tundla, Bhaupur, Prempur, Karchhana, Jeonathpur, Mughalsarai, Ganjkhwaja, Sasaram, Son Nagar, Gomoh, Andal and Bardhaman.

Value chain retailers see a blip in business in 2019

SAMREEN AHMAD
Bengaluru, 29 December

HOW THEY FARED

- V-Mart saw a growth of 1% in Q2 but sticks to a CAGR of 20 per cent for FY20
- V-Bazaar earmarked 30 store openings for the year but has managed to open only 15 so far
- 1-India Family Mart cuts down store openings from 40 to 27 for FY20

While 2019 was a year of crisis for the automobile and fast-moving consumer goods segments, the value-chain fashion retail segment witnessed little or no impact of the slowdown that gripped the country. As companies struggled to sell products, affordable fashion continued to be in demand.

Most value-chain retail companies such as V-Mart, 1-India Family Mart and V-Bazaar saw a blip of slowdown in the second quarter which they are likely to overcome on the back of strong festive sales and the ongoing wedding season in Q3. Around 90 per cent of the products these companies sell are priced below ₹1,000.

V-Mart, which is one of the biggest players in the segment with a revenue of over ₹1,400 crore, had a muted growth of 1 per cent in Q2 but still sticks to a compound annual growth rate (CAGR) of 20 per cent for the current financial year.

“Yes we see that the rural economy probably is not as good as it used to be around one and one and a half year ago but largely, we are unaffected. Even though same store growth is muted, we are opening stores and carrying on with plans of expansion,” said Samir Misra, chief operating officer, V-Mart.

The Gurugram-based retail chain is aiming to add around 60 new stores to the 257 stores already present in the country.

Rakesh Biyani, joint managing director of Future Retail, which runs the fashion venture FBB, is hopeful of closing the year with a double-digit growth in overall business. Future Group also has plans to invest ₹350 crore to open 140 exclusive outlets in the next two years.

However, some smaller players such as V-Bazaar did not have a smooth ride and held back store openings to cut costs.

V-Bazaar, which mostly operates in the Hindi heartland of UP and Bihar, had earmarked 30 store openings for the year but managed to open only 15 so far. Even 1-India Family Mart, which witnessed 27 per cent growth in the worst hit months of July, August, and September, has cut down the number of store openings from 40 to 27 for FY20.

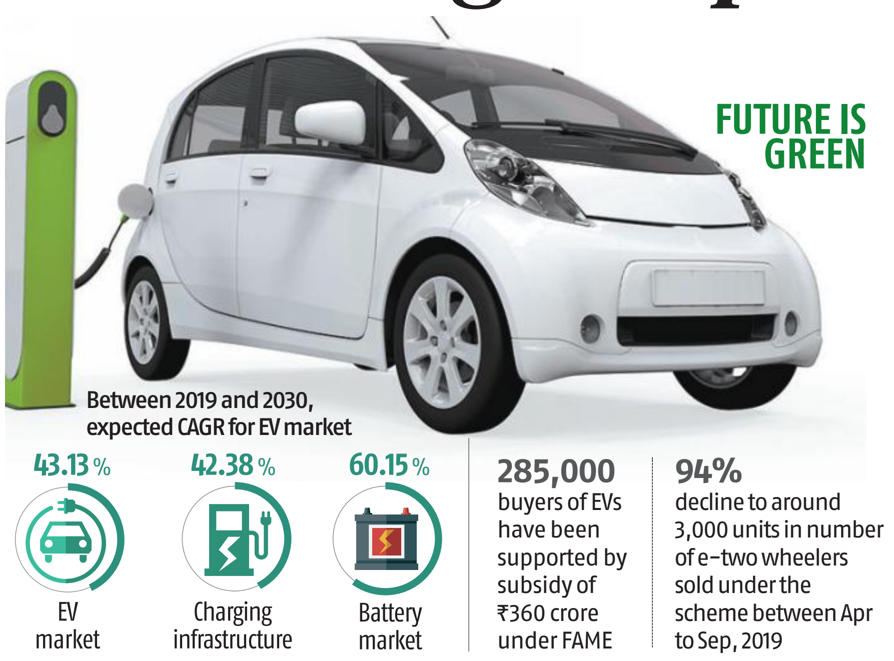
“With the initiatives being taken by the government towards liquidity, we are hoping for a good start of 2020,” said J P Shukla, co-founder and CEO, 1-India Family Mart.

Experts say modern retail chains need to spread the business throughout the year and not depend only on the festival season sales in order to manage margins more consistently.

“With no big-bang economic stimuli domestically and a sputtering global economy, we should just get used to the idea of slow-burning oil lamps and sprinklings of flowers and colour through the year. Retailers will just have to work that much harder to keep the lamps from sputtering,” said Devangshu Dutta, founder-chief executive of Third Eyesight, in a blog.

2020 may see the re-birth of electric vehicles, according to experts

T E NARASIMHAN
Chennai, 29 December



The year 2019 was a mix of ups and downs for the electric vehicle (EV) sales in the country. The coming year is expected to be better, with the entry of more electric cars and Chinese entities’ entry, bringing down the average cost.

The second phase of the ₹10,000-crore scheme of the central government, termed Faster Adoption and Manufacturing for Hybrid and Electric vehicles (FAME II), offers higher incentives to higher powered products. It excludes lead acid battery-powered two-wheelers and mandates that e-scooters should have 80 km per charge and a minimum top speed of 40 kmph, with at least 50 per cent localisation in manufacturing. This has left a large share of two-wheelers out of the incentive, says CRISIL Research.

Recently, Union minister Prakash Javadekar told Parliament about 285,000 buyers of electric/hybrid vehicles had been supported by a subsidy of ₹360 crore under FAME.

Sohinder Gill, director-general, Society of Manufacturers of Electric Vehicles (SMEV). said, “The year 2019 was full of turmoil for the EV industry. Sudden policy shock by the government in March 2019 led to a decline in sales of electric two-wheelers under FAME II. It has made companies becoming less dependent on government subsidies.”

The number of electric two-wheelers sold under FAME in the first six months of this financial year (April to September) saw a 94 per cent decline to around 3,000 units, from 48,671 units in the same period last year. The number sold without FAME incentive in the period went up to around 49,000 units, 2019, from around 10,000 during the same period last year, said SMEV.

Low-speed lithium battery vehicles without the FAME incentive cost around ₹55,000. The high-speed electric two-wheeler costs around ₹80,000 after the incentive applied, said sources.

The number of electric cars within the FAME scheme of under ₹15 lakh cap sold during April to September almost halved to 340. They do not include the numbers of Hyundai's Kona, launched in July, according to the Society. Reports say only around 1,500 electric cars for personal use have been sold so far during the financial year.

Some of the positive developments were entry of leading players into the EV business, state governments announcing policies and customers becoming more aware of the benefits of such vehicles.

The goods and services tax (GST) for EVs was cut from 12 per cent to five per cent in July. The GST rate on charger or charging stations for EVs was also reduced from 18 per cent to 5 per cent. The central government also announced additional income tax deduction of ₹1.5 lakh on interest paid on a loan to buy an EV, apart from duty exemptions for some parts.

2020

“In 2020, we might see the re-birth of electric cars, with their positive image driving sales. It could become part of a customer’s lifestyle statement. Though the numbers could be less, the excitement among citizens would be more,” hoped Gill.

In the two-wheeler category, there was entry of Bajaj, TVS and Revolt in the market, hitherto driven by established players like Hero Electric and Ather. People could become more brand conscious.

Enforcement of share pledging in Reliance General null & void: Irdai

SUBRATA PANDA
New Delhi, 29 December

The Insurance Regulatory and Development Authority of India (Irdai) has cancelled the invocation of pledge and transfer of shares of Reliance General Insurance by the trustee as “null and void”, Reliance Capital (RCap) informed the stock exchanges.

Earlier, on November 19, RCap announced that the company’s shareholding in its wholly owned subsidiary, Reliance General Insurance Company has been transferred to IDBI Trustee Services, upon invocation of pledge by the trustee.

RCap had alleged that the trustee acted on behalf of two parties — Credit Suisse and Nippon MF — claiming against the company under certain guarantees, while another lender filed a suit in the Bombay High Court, claiming that the shareholding in Reliance General of RCap comprises security for all secured lenders of the company.

Irdai has now restored 100 per cent shareholding of Reliance Capital in Reliance General Insurance and has further directed the trustee not to give effect to any encumbrance or transfer or any change in the shareholding of the Reliance General Insurance.

Irdai had also said that its prior approval was not taken for the transfer and that the enforcement of pledge so it was in violation of applicable provisions of law.

“Irdai ruling has protected the interest of all lenders and debenture holders of RCAP. This will now help RCAP to monetise its stake in RGIC and to reduce its debt”, the company said in a statement.

Reliance Capital believes that the order by Irdai will protect the interest of all lenders and debenture holders of the company. It will also help the company to monetise its stake in Reliance General Insurance and to reduce its debt.

‘Only SC can give AGR relief to non-telecom firms’

After sending out notices to firms such as GAIL for crores of rupees in past dues, the Department of Telecommunications (DoT) has said that any relief to non-telecom companies from payment of enhanced levies can come only from the Supreme Court.

The Telecom Department is “examining” the replies given by the non-telecom corporations on the AGR dues, a senior official said. There are certain cases where players were parties in the court and in those cases the companies are bound by the court order. Some parties have also filed review petition, the official noted. **PTI**