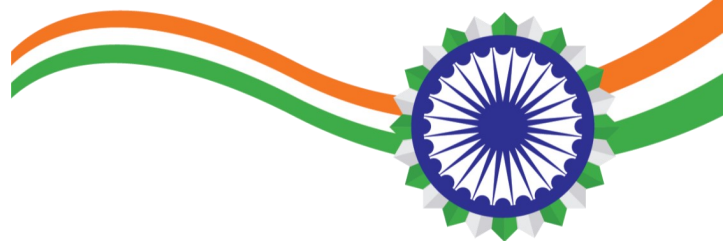




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## Logistics Companies Post COVID-19 World

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COVID-19 swept across the globe & completely changed the way we work, the way we interact and even the way we transport our products. The logistics sector in the post COVID world has to institute immense precautions, follow strict hygiene and sanitization measures, to ensure that their employees and their trucks, trains, containers and packages do not spread the virus. The logistics sector is the life blood of the economy, employing an estimated 40 million people and contributing over \$200 billion to the economy. Their commitment to their service is the reason deliveries reach each customer on time despite the challenges of reduced staff, unplanned stoppages, border closings, rescheduling, multiple payment options, etc.

While we rely on e-commerce to provide us with our daily essentials and ensure we play our little part in flattening the curve, many companies large, medium and small, including those of e-commerce in nature are heavily dependent on Logistics Companies to ensure the delivery of essential goods at the right place at the right time, each time every time.

As the world re-starts in a post COVID scenario, what does it mean for logistics and supply chain companies? In this article we look at how these companies, which are already under stress with many existing issues like lack of technological

development, thin margins, weak infrastructure and increase in petroleum price, need to re-assess their operations and action plans in the wake of COVID-19.

Let's take a look.

### Redefining Operations Post Covid-19

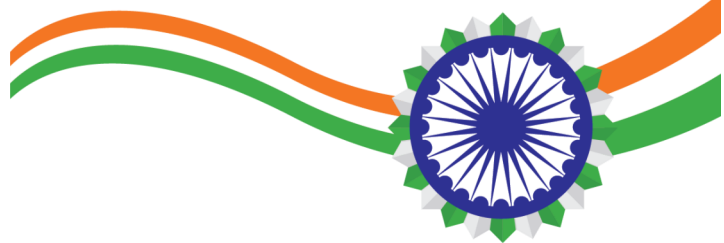
- **Impact on Optimization of Resources**

When the lockdown was in force, only the transportation of essential goods was permitted. This meant that a limited number of trucks were moving with a limited number of goods. Now with the gradual lifting of the lockdown, demand remains low and containers are not being used at full capacity. In such a case, companies have to deliver their orders without fully utilizing the capacity of their trucks/ships.

- **Supply/Demand Imbalance**

Due to Covid 19 outbreak, the demand for essential commodities is high in Hot Spot areas. However, the factories or warehouses that supply these commodities are either shut down due to rising infection numbers or out of production capacity. Transporters need to reposition their fleets to serve the affected areas, which adds costs and additional lead time to the supply goods. This has led to carrier transportation networks are being disrupted and impacted supply chain systems.





- **Increase in Delivery Time**

An increase in compliances and documentation, delays when crossing state borders, increased check points along their routes etc. has led to a costly increase in delivery time of goods and supplies.

- **Extra measures and cost for health and safety**

An unintended consequence of the lockdown was the reverse migration of migrant labor from the cities and industrial zones back to their native towns and villages in rural India. Now logistics companies have to content with resuming operations with a reduced workforce of drivers, loaders and warehouse workers. Companies also need to pay to meet the new health and safety measures and sanitization requirements enforced by the Government and to educate their workers on the new way of working.

## **Navigating Through the Financial Impact**

- **Managing Liquidity**

Companies are finding it difficult to manage liquidity in the current scenario because a lot of transactions in this sector happen in liquid assets (for example, cash on hand, trucks, transport vans, cash at bank, shares). The delay in the delivery of goods has also resulted in a delay in recovery and has led to penalty charges.

With no new orders and frequent cancellation companies are leading to a liquidity crunch.

- **Onerous Contracts**

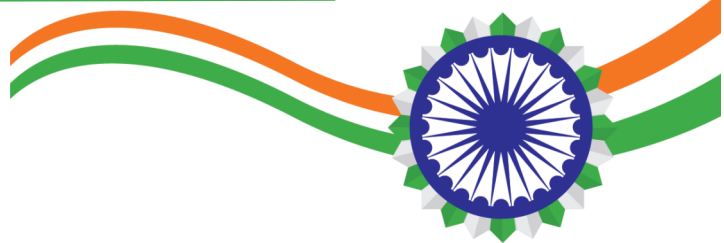
Agreements for assets taken on lease, e.g. Warehouses, Trucks, etc. may turn onerous due to low supply from the manufacturers. Lease rentals may be higher than the revenue generated from these assets. In the absence of back to back agreements or recovery plans in the logistics business, many logistics companies may find themselves paying to lessors which may result in a credit crisis.

## **New compliances and regulatory obligations**

Due to the outbreak, few new legal and compliance considerations have been drawn up by the government for commercial organizations that need to evaluate and prepare themselves to respond to this emergency. These include some key compliance and regulatory obligations that have to be taken into consideration for proper functioning in a post-COVID-19 scenario.

- Compliance relating to Epidemic Diseases Act - Section 2A empowers the Central Government to inspect ships and vessels leaving or arriving in the territories of India and empowers the government to detain such vessels if required.





- Specific laws and regulations applicable to emergencies as imposed by the Central or State Government such as movement of goods from one state to another, social distancing rules, health safety SOPs for employees etc. Dealing with various checkpoints by local authorities of the States Government.

## The way forward

As seen above, some of the major changes post COVID-19 include delay in the supply chain, managing liquidity, and investing in health workforce management amongst other challenges. So, the question is what can logistics companies do to ensure they stay afloat and prosper in the immediate future as well in the long run?

## Immediate Actions

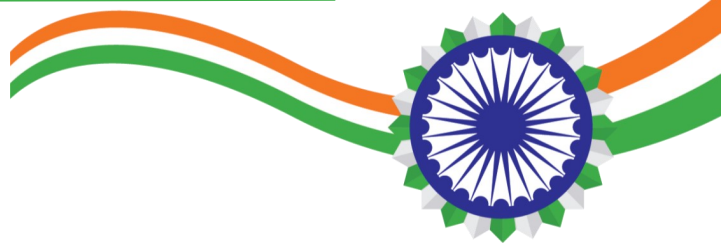
- Implement new policies and procedures to protect the health and safety of the employees and reskill the workforce to deal with the new norms.
- Identify all available avenues for improving cash-flows, e.g., aggressive collection efforts, reassessing the cash flows, reducing overhead cost by focusing your efforts on optimizing warehousing, using different modes of transportation, automation replies, and outsourcing some aspects of your business to a third-party at an affordable cost.

- With respect to better utilization of resources, transporters should perform a costbenefit analysis and seek third-party collaborators with alternative transportation formats and develop a flexible distribution capability to quickly implement alternative supply chain models if necessary.
- Assessment of various regulatory compliances with respect to GST related compliances for relaxation in submission of various GST returns and depositing the GST, extending the validity of lower TDS Certificate till June 30, 2020, relief of 25% cut in TDS/TCS rates with effect from May 14, 2020 till March 31, 2021 for non-salary payments. These changes will help to increase the liquidity to some extent.
- Focus on capacity and perform assessment of the network operations to identify inefficiency, weakness and factors impacting profit margins. If required, revisit the contracts entered with vendors, renegotiate the pricing and add on back to back clause in the agreement.

## Long-term Actions

- Logistic companies large, medium, or emerging need to communicate with each of their transporters and ascertain their situation in understanding any potential impact on the business. This means establishing an emergency response team that can help them in the need of the hour.





- A major chunk of the long term plan for logistics companies who want to be leaders of tomorrow should be focusing their efforts in maintaining high levels of customer satisfaction, lowering their costs, improving productivity and efficiencies in their logistics operations and seek out initiatives that drive business growth.
- Having said that, this is the time for logistic companies to document all the lessons learned and find out the gaps in their business processes. Also, learn from this outbreak to lead in a challenging business environment. The post COVID-19 world have thrown open a whole new set of challenges and opportunities for logistic companies to

tweak and experiment with. As the operations of businesses resume, the ability and demand to get things delivered seamlessly without any hurdles will be demanding and challenging. In such a scenario, logistics companies need to look at revamping their business models to suit the current market conditions, put in place digitization plans, and take a close look at their operations and see where they can bring in more efficiencies as stated above. Whether this is the new normal or things return to what they were pre-COVID, it is always the most prepared and nimble companies in the sectors that will emerge as leaders.

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