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## WAREHOUSE MANGEMENT IN INDIA

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**Abstract:-** Warehouse is the place where goods are stored either in the form of Raw material or the finished goods. Management is the technique to control and manage the raw material so that there should not be any wastage and efficient utilization of the raw material is done. Organizations in India are aware of the management but had not opted the techniques in the way it should be. Warehouse Management includes the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. Basically designing, planning, executing, controlling, and monitoring the process of Raw material to give it a final shape to the finished goods is known as Warehouse Management.

Major objectives of the study are to know the opportunities for warehousing in India. Further study highlights the key challenges for warehouse management in Indian. At the end of the paper initiatives taken by the government of india for promoting Warehouse management are highlighted.

**Keywords:**management,warehouse management,supply chain,raw material,finished goods.

### INTRODUCTION :-

Warehouse management involves the receipt, storage and movement of goods, (normally finished goods), to intermediate storage locations or to a final customer.

Commonly accepted definitions of Warehouse management includes the management of upstream and downstream value-added flows of materials, final goods, and related information among suppliers, company, resellers, and final consumers. Many organizations in the world strive to focus on core competencies and becoming more flexible, they reduce their ownership of raw materials sources and distribution channels by hiring a special agency or employees especially for this only which results into higher rate of production with efficient utilization of the resources. Business-Software.com has just revealed a new list of the top Warehouse Management Software Vendors. Companies in all industry sectors today are under an extraordinary amount of pressure to keep their supply chains running smoothly. Moreover, there is an increasing need for a rapid turnover of goods in warehouses and distribution centers. An efficient way to assure organization and keeping a supply chain company successful is having an optimized warehouse management system (WMS).

According to Business-Software.com, a WMS is “a software suite that delivers the capability to map any warehouse structure according to the customer's specific requirements, increases the speed and efficiency of distribution processes, and optimizes internal goods movements.”

### AN OVERVIEW OF WAREHOUSE MANAGEMENT IN INDIA

Presently, the warehousing sector in India is in a highly fragmented state and comprises numerous competitors ranging from small truckers to the non registered business entities, which only offer some space for storage of goods. The majority of the players in this sector are small entrepreneurs running the warehouse as a storage facility for a single or multiple companies in India. The emergence of the logistics industry in India and the compulsion to move away from traditional working methods are great opportunities for players to apply out-of-the-box thinking.

However, this opportunity is plagued by many bottlenecks and one of the most critical is skill and talent deficiency. There is a huge gap in the knowledge and skill set requirement vis-a-vis availability. There are in fact very few professionals in the warehousing field in India and most of the activities, strategic or operational, are done by generalists. Skill and talent issues

exist in varying degrees in the warehousing sector in India. Many big organizations have started warehouse management on the big scale but still there are many organizations who are either not aware of it or some of them are not ready to opt it. This is a big reason that they are lacking in demand of Indian made goods in the international market because of the any reasons likewise delay in production due to non availability of raw material or inefficient raw material. We need to focus on the warehouse management as there are many advantages of implementing an automated inventory and warehouse management system, whether it is on-premise or the software oriented. Some of those advantages are 1)Increased Visibility. 2) Increased Inventory Accuracy. 3)Reduction in Shipping Errors. The big organizations need to outsource the WCM to their firms or agencies that can perform the activities better or more cost effectively. The effect will be increase in satisfying the customer demands, while reducing managerial control of daily logistics operations. The purpose is to improve trust and collaboration among the chain of employees, thus improving inventory visibility and the velocity of inventory movement.

By 2015, India will need approximately 35,000 to 40,000 warehouse managers. But there is no training institute which can train people for managerial skills or to cater to the needs of mid-level managers in the Indian warehousing industry. The operational needs for the industry as far as skilled labour is concerned, will undergo a tremendous change because of India's central position in the world economy. It will also raise training needs because of technological changes as well as evolving customer expectations. Several business schools offer executive development programmes, which impart theoretical know-how but largely lack practical skills.

#### OPPORTUNITIES FOR WAREHOUSING IN INDIA

India has become a manufacturing hub for most industries. The main reasons for this are increasing domestic consumption and the cost-effectiveness of outsourcing manufacturing activities. Some industries have gained tremendous attraction over the last few years, cashing in on the ongoing trend of the economy. These include the following:

**Automotive:** The automobile industry in India has attracted much attention due to the sharp increase in the sales of automobiles in the country. The tremendous growth was the result of liberty given by financial institutions which provided the loans to the customers for the easy buying and still it is on increasing trend.

**Retail:** The retail market in India has been one of the most attractive investment destinations for multinationals and private equities. India is the most attractive retail market for global retailers reason being favorable demographics, rising disposable incomes, increasing urbanization, relatively low penetration along with large expansions by existing players and the entry of new players are the major drivers of the Indian organized retail market. Increasing industrial investments in manufacturing (near Chennai) and IT investments (in Bangalore and other southern cities) are expected to drive the growth of retailing especially in south India, thus pushing the demand for modern warehouse space. . In addition, the increasing relationships of logistics players—DHL, FedEx, Gati, with retail companies—Celio, Pantaloons, Future Group, Danone, are increasing the demand for quality warehousing spaces in India. The Department of Industrial Policy and Promotion (DIPP) has plans to induce FDI in multi-brand retailing. It wants FDIs to first set up their back-end logistics to create employment in rural India before allowing FDIs to venture into multi-brand retailing.

**Pharmaceutical:** The pharmaceutical market is one of the few sectors, which has been relatively resilient during the economic downturn. A highly efficient logistics operation and integrated supply chain is essential to support the growth of the pharmaceutical industry. Most pharmaceutical companies have increased the outsourcing of their logistics functions to outsource companies mainly due to the pressure of lowering operation costs and increasing supply chain efficiency. Logistics cost is high in this industry. These cost include packaging, distribution and other value-added services. More consolidation and integration of logistics operations are likely to happen in the future as customers are constantly looking to outsource their logistics operations to logistics service providers. Pharmaceuticals require highly reliable and safe storage spaces as they are temperature-sensitive and require an environment where temperature range can be pre-defined to accommodate the specific qualifications of the cargo. As Indian pharma companies seek opportunities to supply drugs to the global market, more developed cold-chain management practices will be required to maintain their competitiveness in the market.

**Agriculture:** Agriculture, one of the main occupations of India, Despite agriculture losing its share in GDP, it is still the largest economic sector. Lately, agriculture has been regaining its sheen, with the government and private entities taking special interest in developing the sector. However, the agriculture supply chain in India suffers from inefficiencies in the supply chain, leading to heavy losses of commodities throughout the country due to lack of proper storage and transportation facilities. It is estimated that about 20% of the food grains are destroyed annually because of poor storage facilities. There is a huge gap in the quantity of agricultural produce and the available storage, owing to the lack of proper cold storage facilities for agricultural produce. The huge gap between the demand and supply of logistics services, which was left unattended due to the unorganised nature of the market. Players like Shree Shubham Logistics of the Kalpataru group, Adani Agri Logistics, SafEx, National Bulk Handling Corporation (NBHC), National Collateral Management Services (NCMSL) and a host of unorganised players have already entered the market by setting up facilities for the agricultural sector. Apart from the logistics companies, even industry houses such as Reliance, Godrej and the Aditya Birla Group are entering the retailing segment of fresh produce and commodity markets. They are building their own warehouses and arranging transportation from farms to retail outlets. With the increasing

participation of private players in the market, the agri-logistics market, predominantly an unorganized sector is expected to consolidate and evolve gradually over time. This consolidation will result in the requirement of huge warehousing capacities with proper infrastructure and seamless backward and forward integration to manage the supply chain. Key challenges for Warehouse management in India

Despite its strategic importance in the Indian economy, the opportunities that the Indian landscape presents and its immense potential for growth, the Indian warehousing sector confronts several challenges. While the lack of sufficient physical infrastructure is one of these challenges, the time lag between devising and implementing strategies due to the lack of international warehousing standards is another. Indian warehousing players face challenges and bottlenecks at various stages of their operation lifecycle. Some of these challenges are strategic while others are operational and need to be managed on an ongoing basis. The sustainable growth of the warehousing sector will rely heavily on how effectively industry players and the government can work together to address challenges in the long term. Some key challenges that Indian warehousing players face are briefly discussed below

**Infrastructure:** Infrastructure is one of the most important components of the warehousing sector. An efficient warehousing operation hinges critically on high-quality supporting infrastructure that includes a good national highway network, interstate roads & congestion free city roads. The total share of organised warehousing space is less than eight per cent of the total warehousing space in India. The industry is fragmented and largely unorganised and is dominated by small players with small capacities, not well-linked with the national highway network and interstate roads. Land availability: Procurement of land in a strategic location with clear title and proper approvals is still a key challenge for any new entrant to set up a warehouse. Government policies have intervened with the help of various initiatives through various agencies. The lack of existing clear land classifications in Indian cities and the reclassification of land are major concerns as far as the development of warehouse zones are concerned. With land values peaking in the last three to five years, the availability of affordable land is another concern for the industry. It is getting increasingly difficult to procure land at affordable prices for building warehouses in India due to escalating valuations even in the fringes of large cities. To add to the misery, further different states have different rules regarding agricultural land acquisition, which create entry barriers and have serious cost and time implications.

**High cost of credit:** Access to adequate and timely credit at a reasonable cost is one of the most critical problems faced by this sector. The main reason for this has been the high-risk perception among banks about the unorganised nature of this sector and the high transaction costs for loan appraisal. Since a majority of the players in this sector are small or medium entrepreneurs, they are unable to provide collateral in order to avail of loans from banks and are hence denied credit

**Power outages:** Power outages are a major problem currently plaguing cold chains leading to a huge wastage of agri-products every year in India. The increasing cost of power adds further to the warehousing cost for agri-products

**High costs due to long transit time:** Longer transit time and inadequate infrastructure also increase transportation costs. This leads to collection of material directly at mini-warehouse distributed across locations thereby defeating the purpose of augmentation and distribution

**Complex tax regime:** The delay in the implementation of GST and the existing complex sales and transport tax system tends to discourage the establishment of a national-level centralised distribution centre or hubs, the likes of which are often seen in developed countries.

#### Government Initiatives for promoting Warehouse management

**Indian government is continuously working to promote the Warehouse management by many means like:**

Free Trade Warehousing Zone (FTWZ) These were established by the government to develop infrastructure to facilitate import and export of goods and services with the freedom to carry out trade transactions in the free currency. These zones are established close to seaports, airports or dry ports, to be easily accessed by road or rail. According to the Special Economic Zones Act 2005, a FTWZ is a special category of Special Economic Zone (SEZ) and is governed by the provisions of the SEC Act and the Rules. FTWZ are foreign territories to carry on business and are envisaged to be integrated zones to be used as international trading hubs. The minimum area of development under FTWZ is 0.1 million sqm, with 100% FDI approved. Some of the features of FTWZs are as follows:

- Customised categorised warehouses for industries such as chemicals, food, electronics, oil, etc
- Sophisticated freezer/cooler facilities
- Break bulk, containerised, and dry cargo storage facilities
- Controlled humidity warehouses
- Enhanced transportation facilities
- World-class information system for cargo tracking, etc.

Office space

Support facilities and amenities like medical facility, canteen services, business centres

**Logistics parks:** A logistics park is a stipulated area that facilitates domestic and foreign trade by providing services such as warehousing, cold storage, multi-modal transport facility, CFS, ICDs, etc. Logistics parks facilitate loading and unloading of cargo for distribution, redistribution, packaging and repackaging. They are developed in the vicinity of emerging industrial hubs such as Mumbai, Chennai, Hyderabad, Bangalore and NCR. Speciality logistics parks are being constructed for industries such as automobile, pharmaceuticals, agriculture, electronic hardware and aero industry. These parks are being connected through well-laid rail links and multi-modal transport facilities. Logistics parks are similar to FTWZs but also cater to the domestic market.

**Warehousing (Development and Regulation) Act, 2007:** Despite the importance of agriculture in the economy, no adequate steps have been taken to protect the agricultural produce of the country. The introduction of the Warehousing Development and Regulatory Authority (WDRA) will make provisions for the development and regulation of warehouses. The government launched the negotiable warehouse receipts (NWR) system to help farmers gain access to loans from banks and allow the transfer of ownership of that commodity stored in a warehouse without having to deliver the physical commodity. NWRs are negotiable under the Warehouse (Development and Regulation) Act, 2007 and are regulated by the WDRA. These receipts are expected to improve the borrowing capacity of farmers as well as the quality of the bank's lending services in the agriculture sector, increase liquidity in rural areas as well as encourage better price risk management in agriculture commodities. The provisions of WDRA also lead to increased efficiencies in the lending portfolios of banks, as well as further enhance the interests of lending institutions in ensuring credit with reference to goods in warehouses. The NWRs will enable the transfer of ownership of agricultural commodities stored in warehouses without having to deliver physical commodities to the financial institution. This in turn is expected to reduce the wastage/pilferage of goods during their transit from the place of production to the custody of banks/financial institutions. The implementation of warehousing receipts under the supervision of WDRA is expected to ensure the smooth functioning of the system to foster the growth of warehousing in India.

**New tax policies to reduce supply chain costs:** The government has introduced good tax structures to reduce supply chain costs and also to encourage the participation of private players in the system. Octroi was one of the traditional taxes introduced by the government. This was introduced with a view to develop warehouses and trans-shipment hubs outside octroi/state boundaries. However, it was objected to by logistics organisations since they allow delays at the octroi check post as they ensure that only goods which need to enter the octroi zone do so. Otherwise, further delays are involved in pre-paying octroi on other goods and collecting the refunds later. The implementation of VAT played a significant role in reducing logistics costs. VAT was introduced to avoid the cascading effects of tax as it was being paid at each level. However, a simplified tax regime will help logistics players service multiple markets and offer end-to-end solutions far more efficiently and at much lower costs. Private sector participation lays an important role in developing the warehousing sector rapidly. Illegal warehousing can be curbed by the government by setting up stricter and clearer rules. This will enable deeper penetration by international and domestic players into the warehousing sector. The traditional tax policies failed to encourage this as they led to cascading effect on the downstream industry, thus leading to higher cost for such industries.

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