

# 'We can help ship managers save tax'



**Shashikant Mali, Managing Director, StarGroup**

StarGroup is a provider of one-stop solution for exporters and importers, who propel world trade and, in turn, the shipping industry. In a little over a decade

since its inception, the company has grown leaps and bounds and is planning to foray into a number of fields, from marine travel to consultancy for ship

management companies. In a free-wheeling conversation with Manoj Kumar of The Marine World, Shashikant Mali, managing director, StarGroup,

elaborates his future plans and his views on the slowdown in the shipping industry. Excerpts:

**Please brief us on the various activities of your company, especially in relation to shipping and logistics.**

Our main business is consultancy for exporters and importers. We are also into custom clearing and forwarding and transportation. Our consultancy services include the entire process from various licence registrations to bond cancellation. We also undertake post-export activities at the Directorate General of Foreign Trade.

We are a one-stop service provider for exporters and importers. One of our main customer segments is the hotel industry, which along with tourism is the largest foreign exchange earner in the country. With years of expertise behind us, we facilitate duty-free license for hotels that want to import equipment or vehicles. This way they can save custom duty up to 30 per cent by taking recourse to various provisions in the relevant rules.

Hotels import vehicles on a large scale to serve their guests. Hotels are eligible for tax exemption if their foreign exchange earnings are more than Rs 1.5 crore. Those hotels that for imported vehicles can save 100 per cent tax, again, by citing various provisions in the rules. Rent-a-car companies and inbound tourism operators, who import vehicles, also are our target customers.

We serve our customers by analysing the project submitted by them and defining what is best for

them. There are usually three stages in our service. The first is the application of license and the second is the installation of certificate. The final state is the closure of license and cancellation of bond and bank guarantee when the purpose is done. The entire process can take two years to eight years.

**Can you please elaborate on shipping and logistics activities and various group companies under which each business is carried out?**

We have CHA licence in the name of Star India Logistics. Our licence is registered in Mumbai and Pune jurisdictions. Our corporate office is in Mumbai and we have branch offices in Pune, Nashik, Vapi, Kalmboli, Vashi and JNPT.

We are providing export and import consultancy under our group company Star Exim Management Consultancy and Services Pvt Ltd.

Custom clearing and forwarding services are provided under the name of Star India Logistics. We are making big headways in transportation, which is part of integrated logistics services. We own a fleet of 10 vehicles that carry 20 feet and 40 feet containers as well as other cargo to ports. Our transportation services are provided under the name of Hare Krishna Transport Pvt Ltd.

**Please throw some light on the picture of the industry you are operating in.**

As far as export and import consultancy, which as I told you is our main business is concerned, it is a dispersed business segment.

There could be around 15 odd firms that offer services similar to ours. The level of quality we provide is unmatched in our business segment.

We are targeting to multiply our market share manifold in the coming years.

As you know, an export and import consultant needs tremendous expertise in the field. In the last decade or so, we have perfected our trade and are equipped to take up any challenge.

**Please tell us how you ventured into this business?**

I started my career in an export consultant firm. That firm was into export of dyes and intermediaries. I began my career as an export assistant and there I had the opportunity to delve deep into various aspects of foreign trade. After a few years, I got bitten by the proverbial entrepreneurial bug! I wanted start my own business and realise my own vision. By that time, I had acquired the skill-set, the knowledge and the expertise that are required to functionalise an export and import consultancy.

I finally decided to plunge into entrepreneurship. I set up this company in 1999 in a relatively modest way but within a period of five years we grew into a private limited company. Over the years, we have made many great strides. Today, we have an employee strength of 110 people. Since our inception more than a decade ago, we have not only grown into a "one-stop solution for exports and imports" but also expanded into related fields. Transportation is on such field that we have expanded into.



**What are your future expansion plans?**

We have indeed charted out growth plans for future. We are poised to take our staff strength to 300 by the December 2014. By that time, we would also be increasing the number of our offices to a minimum of 20 across the country. Right now, we have five offices. In three years, we will have significant presence in all major cities of India such as Chennai, Kolkatta, Ahmedabad and Hyderabad.

We have also devised strategic plans to increase our total turnover significantly. In five years, we will be a well-heeled medium sized company.

We are also in the process of expanding into newer areas of business. We have just set up Star Holidays Pvt Ltd, which will carry out training sessions in stress-busting and motivation for our clients. We are planning to start work from April. This group company will gradually enter into all aspects of employee welfare and motivation and also into travel. We will also organise camps for employees of our clients and organise their travel. In future, our vision is to be present in various segments of the travel industry, including marine travel.

Another area we are seriously looking at is shipping and offshore. Many ship management companies and offshore services companies have import needs but do not have much expertise in the intricacies.

**Can you tell us how ship management companies and offshore companies fit in your business scheme?**

Let us start with the offshore industry for the sake of convenience. Offshore companies, as you know, take up projects of foreign energy exploration companies. Offshore companies are either into construction of offshore facilities such as rigs and platforms, or into maintenance of such facilities. Offshore construction companies need to import raw materials and equipment for setting up facilities. Here is where we come into the picture. We advise them on how to take advantage of tax exemptions given by the government. Raw materials can be imported under advance license and equipment under EPCG. As I said in the beginning, we facilitate the entire procedure from application of license to the closure of bank guarantee when the purpose is done.

Offshore maintenance companies can take advantage of Served from India (SFI) scheme of the government when they import consumables and spares for the maintenance of offshore facilities. Offshore companies can gain significantly by availing of our services in the area of consultancy and facilitation.

**Do the same rules applicable for ship management companies also?**

It works more or less in the same manner. There are a number of foreign ship management companies that operate out of India. Most of these companies are organised under trade bodies such as Foreign Owners and Ship Managers Association (FOSMA) and Maritime Association of

Shipowners Shipmanagers and Agents (MASSA). There are also many Indian ship management companies that manage the ships owned by foreign principals.

It is a relatively novel industry in India's economic history but a very important one in the backdrop of the fact that over 90 per cent of the world trade takes place by ships. Ship management. Even during economic slowdown, ship management companies stand to benefit in a way because owners will then typically opt for entrusting their ships to professional managers to cut cost. Besides, there are many shipping lines that manage their own ships. Coming to the point of tax saving, these companies can also take advantage of the SFI scheme when they want to import anything from office machinery to equipment. Marine services companies that market spare parts and equipment manufactured by foreign companies also can avail of our services. We are planning to expand in a big way in this segment.

**What are the opportunities in your kind of business for seafarers who are looking for shore-based job?**

As far as forwarding business is concerned, experienced seafarers can explore possibilities there. With their hands-on experience in matters relating to sailing, cargo loading and many other areas of operations, forwarding companies will find them apt to handle many tasks. Seafarers, who are looking for shore-based jobs, can also look at the logistics industry. Logistics is a fast developing industry in India,

and the manpower requirement will certainly go up in times to come.

**How long do you think the shipping industry will take before coming back to normalcy?**

Frankly speaking, I do not see any recession around. There will of course be a lot of ups and downs in any industry. The present slowdown is largely caused by fluctuations in the dollar.

There is a lot of talk about recession, especially in the shipping industry. Recession means there is no scope for further growth. We cannot see a full-fledged recession in the present scenario. You must also understand that the demand for

goods has not reduced in a big way. I mean demand, as defined as willingness to purchase and capacity to pay, has not reduced. What has happened here is that people have stopped buying for future, or have just postponed buying decisions. Many companies have postponed building up inventories. Even Indian companies have warehouses abroad which they can put to use in times of a slowdown.

In fact, it is usual for any industry to face such situations, say, two or three months in a year. Such situations may come up due to reasons of war or an extremely cold winter in the West, or any such reason. There is nothing

abnormal in it. When consumers stop buying due to lack of capacity to pay, then we can term it as recession. The shipping industry, in my opinion, is not in such a situation. When business goes below more than 50 per cent, then we can call the situation a recession. Only essential goods are purchased during recessionary period. As you may have observed, industries that deal with essential goods such as food and pharmaceuticals are not affected by recession. We can, therefore, comfortably say that the present economic slowdown in the shipping industry is a passing phase.

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