

DTDC strengthening core business for growth

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Home-grown logistics firm DTDC is strengthening the core business and focussing on e-commerce for growth.

The company has merged its subsidiary, DTDC E-commerce Logistics, with the parent DTDC Express Ltd. The move helped bring down costs which, coupled with the benefits of the GST rollout, helped strengthen the balance sheet.

DTDC is now ramping up warehouse capacity by adding nearly 25-30 per cent extra space. Nearly ₹80-100 crore is invested every year, of which around ₹60 crore is capex.

According to Abhishek Chakraborty, Executive Director, the consolidation in

operations helped improve key metrics. Focus on digitisation and automation brought in efficiency and economies of scale.

For example, EBIDTA margins stand at 5.5 per cent as against 3 per cent some two years ago.

New strategies

"The e-com sector was going through consolidation and a major e-com client of ours went bust. So we reworked our strategy," Chakraborty told *BusinessLine*.

De-risking was carried out. It looked to balance between e-com majors like an Amazon or Flipkart, which would give the company volume, and a host of smaller players (like Shopclues or Homeshop18) or



Abhishek Chakraborty,
Executive Director, DTDC

niche players that are more profitable per unit wise.

With the e-com business witnessing an annualised growth of around 40 per cent, DTDC expects the vertical to contribute around 18-20 per cent of its turnover by FY20, up from the current 13 per cent.

Other segments such as

international business and domestic express too are growing at 12 to 16 per cent respectively.

"There is an improvement in market sentiments and this is reflected in the growth across verticals," Chakraborty added.

Nearly 65 per cent of DTDC's business comes from its core domestic express vertical, 17-18 per cent from international business and 4-5 per cent from the fulfilment business category.

The Bengaluru-based company reported a turnover of ₹1,150 crore in FY18.

According to Chakraborty, warehouse capacity addition is also on. For instance, it moved to larger warehouses in Delhi and Pune

last fiscal; while this year it intends to upgrade those at Mumbai, Hyderabad and Bengaluru.

Warehouse ramp-up

In Mumbai, the new capacity will be 50,000 sq ft (from 20,000 sq ft), in Hyderabad it will be a 50,000 sq ft (from 18,000 sq ft) while in Bengaluru it will move to a 45,000-50,000 sq ft (22,000 sq ft).

"Currently, we are using our own funds to ramp up capacities," he said.

DTDC will explore alternative funding plans that could include an IPO, PE funds or other options post-2020. At present, GeoPost, one of Europe's major courier companies already has a stake in DTDC.