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Logistics major DTDC upbeat on GST

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Abhishek Chakraborty, Executive Director, DTDC Express

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Home-grown logistics major DTDC expects GST to be a shot in the arm for its warehousing vertical.

With GST replacing State taxes and the need to have multiple smaller warehouses, the company is witnessing an increase in demand for its mid-sized spaces. DTDC's warehouses normally have a size of 50,000 sq ft to 130,000 sq ft.

Warehouse sharing

While e-commerce companies are a major driver, smaller brands that focus on omni-channel presence (both brick and mortar and online) too are increasingly taking up spaces in these centrally located warehouses.

Warehouse sharing is also an emerging trend. Different tax structures across States saw the sprouting of small warehouses and movement of goods in smaller parcels. FMCG and auto companies in India

used to maintain as many as one warehouse per State. In comparison, the entire Europe and the US are catered to by six or seven warehouses.

According to Abhishek Chakraborty, Executive Director, DTDC Express Ltd, the warehousing business is expected to see a near 50 per cent growth.

“There was some churn after the GST rollout. A set of older players moved out and a set of new ones moved in. Post-GST, we have seen a 25-30 per cent growth in warehouse space demand and this is expected to move up to 50 per cent soon,” he told *Business Line*.

“In terms of size, the 50,000 to 130,000 sq ft warehouses are ideal as they bring in more efficiencies,” he added. Currently, the warehousing business – run by a wholly-owned subsidiary, DTDC 3PL and Fulfilment Solutions Ltd – contributes around 4.5 per cent of the group’s annual turnover. The share would obviously go up in the coming years.

According to Chakraborty, DTDC will now look to finalise fund-raising plans for the subsidiary for expansion of the warehousing business.

“A significant capital will go towards expansion of warehouses. So we are now finalising the fund-raising plans. Previous expansion in the warehousing network was mostly through our internal resources,” he said.

DTDC at present has 13 warehouses spread across the country. It has another set of 15-odd logistics hub, a part of which is also rented out. Four of the 13 warehouses were made operational this year.

While its current capex – towards addition of new space – stands at \$750,000, the company has already invested \$2.25 million in the last two years as capex. Chakraborty, however, ruled out any immediate acquisition plans.