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We pass on only a part of price increase: DTDC Courier

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DTDC Courier and Cargo, in which Anil Ambani-promoted Reliance Capital has a 39.95 per cent stake, is betting on its international business segment to drive growth. The Rs 550-crore company, that acquired a stake in four companies this year, will focus on its 'leased' model strategy to expand its domestic business. DTDC Director Abhishek Chakraborty spoke to Business Line highlighting the company's strategy to battle the slowdown and its growth targets.

Excerpts:

Abhishek Chakraborty, Director, DTDC.

What are the challenges facing the industry ?

There are challenges due to competitive pricing, worsening market conditions and rising fuel costs. These factors put a lot of obstacles in the way we do business.

If fuel prices go up, Aviation Turbine Fuel prices also go up, and then overall prices tend to increase. Every three months, it is not easy to go to the customer and tell him that prices have increased.

Also, courier and logistics is a very fragmented market. It's not a regulated industry.

How is DTDC coping with the challenge?

We pass on only a part of the price increase and try to optimise cost elsewhere. Five years ago, we had limited offerings. But we took a conscious call to upgrade our services and brought in a complete new set of premium services into the market. That's when we launched our premium express product, which includes features such as money back guarantee, time definite deliveries and guaranteed services. This was transformational for our business. This product segment is the fastest-growing in DTDC and has seen a triple-digit growth for the last four to five years and contributes to nearly 20 per cent of our revenue today.

What has DTDC's overall growth been over the last four to five years?

For the last three years, DTDC has been growing over 35 per cent on a year-on-year basis. As a result, our base is much larger now than what it used to be three years before. We are expecting to grow between 25 to 30 per cent in the next two to three years.

How has the company been able to achieve such a growth and what makes you think that you can sustain it?

We are a zero debt company...we do not borrow for any of the expenses. All our requirements are met through internal accruals. We try to maintain our annual capital expenditure in the range of 5-6 per cent of our turnover.

We are not a capital asset-driven organisation. We run most of our business on a leased mechanism. We hire the vehicles we use, work with contracted vendors, and service partners. Our core investment is in our information technology, which is the backbone of our network.

What is the share of international business to DTDC's total revenue? How do you plan to grow your international business?

International business contributes nearly 15 per cent of the overall revenue.

Most of our past acquisitions have been in the international space. After our acquisition of the UAE player - Eurostar Express - we are now one of the largest players in the UAE market. We have set up joint ventures and subsidiaries in China, Singapore and Australia, among other locations. We would like to look at ourselves as an Indian multinational company, a company based out of India, but spreading its wings across the world.

What is the contribution of e-commerce to your business?

The supply chain of e-commerce is different from the supply chain of a traditional B2B business. We have set up a separate company to take care of e-commerce.

We have over 200 clients in the e-commerce segment. In the entire domestic segment, e-commerce is the fastest growing segment. We expect to grow at 60 per cent plus at least in the foreseeable future in this segment.

What is the impact of the rupee depreciation on your business?

At a group level, we do not lose much because of the rupee depreciation vis-a-vis the dollar.

Whatever loss we incur because of the rupee depreciation in the domestic business is made good of by gains in the international business.

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