

Hindu Business Line

Gati mulls buy/tie-up to add capacity

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Amit Mitra

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Express and logistics service provider Gati will be finalising a deal to either acquire or team up with a domestic freight forwarding company by the first quarter of the next fiscal to add capacity. "In case we go for an acquisition, we may consider some stake dilution to fund the buy. We are yet to decide on the size of stake dilution," Mr Harry Lagad, Executive Director, told *Business Line*.

Gati, which is expected to clock revenues of about Rs 1,000 crore this fiscal, is aiming at a turnover of Rs 2,500 crore by 2014. "Our focus now is on supply chain logistics, including 4PL (Fourth Party Logistics) and cold chain services. By 2014, this will account for about 60 per cent of our revenues. Today, this segment has a share of 15 per cent in our total revenues, with dis-

tribution services accounting for about 65 per cent," he said.

The company recently tied up with UK-based Meridian Mobile to provide the entire supply chain services in India, marking its entry into the 4PL segment. In this segment, the company intends to provide more value-added services such as product sourcing, channel management, inventory management, distribution services and reverse logistics. "Some services as part of this chain such as BPO and technology management solutions will be outsourced. We will target FMCG, telecom, pharmaceutical and retail segments," Mr Lagad said.

Gati will be competing with foreign 4PL service providers such as Ceva Logistics, which was earlier part of the TNT Group, Toll Holdings of Australia, Ryder of US and Caterpillar Logistics.

EXPANSION PLANS

The company has lined up an expansion programme of Rs 200 crore for the next two years, which include procurement of cold chain trucks and setting up of container freight stations at all major ports in the country. As part of its ongoing business restructuring process, Gati will not be making fresh investments in its shipping business – it presently operates six ships, including two chartered vessels; it recently sold two ships. "We expect our shipping division to break even this fiscal," Mr Lagad said.

The domestic logistics industry is expected to grow annually at the rate of 15-20 per cent, reaching revenues of approximately \$385 billion by 2015.

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