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Dynaflex, largest packing material supplier to e-commerce firms, eyes Rs 78,000 crore packaging industry

Harsimran Julka & Aditi Shrivastava, ET Bureau | Jun 9, 2014, 09:15AM IST

A 40-year-old company that once made polymer envelopes for collecting evidence from crime scenes is now the country's largest supplier of packing material for e-commerce firms, such as Flipkart, Myntra, Amazon and FashionandYou.

Set up by Niranjan Vora, 75, in 1985, Dynaflex supplies recyclable polymer and bubble wrap secure envelopes that now pack everything from mobile phones and apparel to cosmetics and lingerie.

The Vadodara-based company diversified its operations into e-commerce just four years ago, when India saw the emergence of its now \$3-billion (Rs. 18,000 crore) e-tailing sector.

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"We signed up Flipkart when it was operating from just a single room in Bangalore in 2007," said Gaurav Vora, 40, son of the founder Niranjan Vora.

Dynaflex, which now ships over a crore recyclable polymer envelopes for e-commerce firms that cost anywhere from 3 to 20, has over 100 customers. It expects to touch 100-crore sales within the next 18 months with an yearly growth rate of 40%. Dynaflex closed this year with 60-70 crore in revenue.

Before Dynaflex started to service ecommerce clients, its growth rate was stagnant at 20%. Since 2007, the company has been growing at 35-40% annually, with most of the growth coming in from e-commerce.

"About 45% of the business now comes from e-commerce, while an additional 20% comes from the logistics space," said Vora. Dynaflex has tie up with logistics partners like DHL, Blue Dart and DTDC.

What makes Dynaflex different from other local suppliers is its patented technology on serial- and bar-coded envelopes with a tamper proof handle. With the company's technology, the polymer bags are left with an irreversible mark, if someone tries to close an opened bag by heating, cooling or using a solvent on it.

Right now, the Indian packaging Industry is currently valued at about Rs 78,000 crore of which corrugated boxes is about 15,000 crore. While marketplaces such as eBay lets its sellers use their own packaging, Snapdeal and Flipkart charge 3-4 per envelope which they supply to sellers for shipping orders. Others such as Tradus charge 230 for 100 polybags.

Flipkart alone ships about 50 lakh shipments per month. Dynaflex claims to have about 50% share of this share. E-commerce suppliers also use local manufacturers to alleviate dependence on a single vendor. Flipkart and Amazon were not available for comment for this story.

According credit rating agency Crisil, India's e-commerce sector will grow to 50,000 crore in next three years, which will expand its ancillary industries.

"The packaging industry will grow even faster than some e-commerce firms since the number of orders are rising faster than the amount of order and every item needs a package," eTailing India founder Ashish Jhalani said. Dynaflex, which is currently 100% owned by the Vora family, is also looking to raise \$10 million this year to expand manufacturing capacities.

"We have added two more manufacturing lines and plan to invest an additional 25 crore in our plant this year," said Vora. "We have been approached by several private equity players. We will raise investment through equity dilution." Coping up with the rising online retail demand, the company aims to double its shipments to over 2 crore envelopes by Diwali this year.

Prior to the ecommerce boom in India, the company was supplying tamper free polymer packs for foren-sic evidence collection to India's CBI and law enforcement agencies in Dubai, Abu Dhabi and Ireland.

Dynaflex is also one of the biggest supplier of tamper evident poly bags for packing chips for most large casinos in Las Vegas. P&G, DuPont and Reliance are its biggest customers besides the e-commerce players. The company has a 200-member team and counts itself among the world's top five suppliers of such bags, with two US patents in secure packaging. With Dyna being the largest supplier, e-commerce firms share their India expansion strategies more than six months in advance.

"We have developed a trust relationship with all large players," said Vora. "Being privy to confidential information from the large players helps us to make investments in our manufacturing capacity much in advance."

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