mint 40

Start-ups are the embryos of tomorrow's business ecosystem. They give us hope for the future while laying the foundation for growth. In the 1990s, India had the likes of Bharti Airtel, Axis Bank and, of course, Infosys for inspiration. In an earlier era, there was Reliance and Nirma, which set the gold standard for entrepreneurship. Now, as we stand bang in the centre of a new digital revolution, Mint seeks to find the potential superstars of the future. Our objective was simple: to identify the constituents of a Mint40 stock index in 2030. The choice of companies will be obvious in some cases, debatable in others, but there can be no arguing that these firms represent the zeitgeist of this new age of Indian business. Over the next few months, Mint will profile these 40 companies, across industries and segments.

Ecom Express
CASHING IN ON THE E-COMMERCE WAVE

A dinner table conversation between four friends in their late 40s led to the formation of the e-commerce-specific logistics firm. After its initial success, the firm now looks to embark on the next phase of growth with a fresh round of fundraising, seven new warehouses over the next two years and deliveries for global e-commerce companies in India.

BY PRIYANKA SARKAR
feedback@livemint.com

NEW DELHI

The company started in 2011 with 44 offices across 35 cities and has now expanded to 1,000 towns. From 100-odd deliveries per day, it is doing 250,000 currently and expects volumes to spiral to 500,000 deliveries per day during the festive season.
PRIYANKA PARASHAR/Mint

It started with a dinner table conversation sometime in 2012 between four colleagues and friends—T.A. Krishnan, Sanjeev Sarma, B. Sriramamurthy and Manjit Dhawan. Decided their employer, courier services provider Blue Dart Express Ltd, has had two other first-generation entrepreneurs at the helm, all were in their late 40s and ready to leave their comfortable jobs to take a shot at building their own company.

The four were working at the northern division of Blue Dart, a diversified blue-chip multi-city company and one of the pioneers of express delivery services in India. Krishnan was heading the newly formed e-commerce division at the firm.

Entrepreneurship is a risky career choice, all the more for those on the verge of their 50s and with a family to consider, but Krishnan, Sarma, Sriramamurthy and Dhawan were ready to take the plunge.

The result of the conversation the four had that night was the founding of e-commerce-specific logistics firm Ecom Express Pvt. Ltd.

E-commerce was a growing phenomenon at the time in India. Venture capital and private equity (PE) firms were dreaming about the bets in the potential of e-commerce in the country. The sector received $3.6 billion of funding in 2014, an almost sixfold jump from $.5 million in 2010, according to a 2012 report by research firm EY.

The idea behind Ecom Express was to set up a dedicated logistics firm to take care of the shipping and distribution needs of the e-commerce sector. Until then, it was largely catered to by courier services providers such as Blue Dart.

To be sure, a niche market for e-commerce delivery had already begun to spread when the four started up to start their own venture. Delivery, which was once a sideline, two-commerce logistics had launched in 2011. It was delivering more than 3,000 shipments per day for the e-commerce clients in the National Capital Region (NCR) by December 2011, according to its website. The projected growth numbers for e-commerce meant there was room for competition.

"The way the industry was shaping up and the volumes were happening, we knew it was only a matter of time before specialists emerged," said Krishnan.

The decision could have been easier. Krishnan's son was about to enter engineering college and his daughter was still in school. He stole to a decision under. The other three were in similar personal situations. According to Krishnan, at the age of 45-46, even if one is a domain specialist, employment becomes difficult. "We had only one option—that this had to work," said Krishnan, who is chief executive of Ecom Express.

The biggest question was how to ensure that none of their families would be adversely affected by their entrepreneurial endeavour.

So they conducted a second meeting. This time, their spouses were in attendance as well. Questions were raised—how would the Ecom ventures fare in terms of, how long would they give the project, among others. The four did their best to address the queries of their spouses and convince them. They got the go-ahead.

THE BEGINNING

Krishnan reminisces that when Blue Dart started cash-on-delivery services and entered into e-commerce deliveries, it would get dozens of calls every day, and three or four customers would get on board. "The first year, the revenue that came from the e-commerce segment was approximately Rs40-100 crore. It was one of the fastest growing segments Blue Dart had," he said.

Everyone was convinced that the opportunity was there.

Krishnan and Sarma met at Blue Dart in October 2012. Dhawan left a month later. Sriramamurthy quit in January 2013, when Ecom Express was launched with the help of funding from early-stage investor Elevation Capital.

They started with Rs17 crore of capital, with almost Rs12.5 crore coming from Elevation and the rest from the founders. The plan was to launch in multiple locations at a time, not only, so that customers didn't perceive Ecom Express to be a niche firm operating only out of NCR.

The company started with 44 offices spread across 35 cities. E-commerce firm Snapdeal was its first client.

Ecom Express started with 100-odd deliveries per day. It earned Rs40 lakh in revenue the first month. Business ramped up the next two months to Rs45 lakh and Rs65.40 lakh, respectively. For this, the firm doesn't share its revenue numbers.

"The market accepted us pretty well. The kind of services we were able to give, differentiated from what other players were giving them, we soon became the preferred partners. Once they got comfortable that we will be able to handle volumes, and were firmly left stable, there was no holding back," said Krishnan.

THE GROWTH PHASE

By early 2014, Ecom Express was delivering 5,000 packages per day. It was now ready for the next round of funding—Rs60 crore from PE firm Peepal Capital.

Once the money came in, the company expanded aggressively from 40 cities to 200 cities before Diwali that year. From delivering around 40,000 packages in June, it grew to almost 120,000 packages in October. "With expansion and with the money, it took us to a different position and the market. It was a huge task getting the resources to be used," said Krishnan.

In a statement from Flipkart said that the order volume was so vast that it took the company just 18 months to hit the target of $100 million in gross merchandise value, or the value of goods sold on the site.

According to Krishnan, the e-commerce companies never held back reasons with logistics partners about what they expected. And, there was no confirmation between the two.

"2014 was a bumper year from the volume perspective, but completely chaotic from that of operational efficiency. For logistics, it was a nightmare," he said. "We knew that we could not hold our business ... we had to expand the alone. We decided that we had to build our own network."

In January 2015, Ecom Express put together its own network by roping in dedicated third-party fleet providers. The company said it needed to have a consistent fleet and reliable road transportation network given the limitations of the aviation sector. "It was an organic expansion ... we have our own network. Our fleet ensures that our customers receive a better service rather than saying that we

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