

we may need to raise funds even earlier. This is exactly what happened. Between June and October 2014, we had built up a huge volume of business. The company was doing close to 1.2 lakh pieces per day around October. We knew that at that rate and the kind of expansion plans we had in mind, we will have to raise money again," said Krishnan.

Sawhney's response was that Warburg Pincus would be interested in investing in the company. He told the founders not to worry about valuations or money. The PE firm was ready to bet on it.

"So we kind of got engaged with them. (In) June of last year, we were able to close the round as well," said Krishnan.

TIMING AND SPONSORSHIP

According to Vinod Murali, managing director of InnoVen Capital India, Ecom Express's main asset was a strong understanding of how logistics works in the country.

"The team had done this together in the past while in Blue Dart. They had a lot of real India experience which they capitalized on. The fact that the people at the top had the expertise to navigate through challenges helped them ramp up the business fast," Murali said. "Then it was about the timing and the right sponsorship. Warburg came at a very good time, when they needed to invest in building capacity for warehousing and improving their geographical reach and capabilities overall."

Ecom Express doesn't use airlines during the September-October festive season for deliveries. "We go 100% surface. We tell our customers that this is what we will be doing and they also know that this is the kind of transit time that it will take. If they are OK with it, it is fine, if not they will go to somebody else. The fact is I am still saying that I am more worried about being reliable rather than being the fastest," said Krishnan.

Predicting demand at the city level is not possible, according to him, because different requirements come from different areas of the same city. It has to be tackled at a more micro level—at the level of pin codes. "Today we do it at a pin code level. What kind of capacity build-up will happen, what kinds of volume would flow in, what kind of buffers are being built up. We can't go and say that this will be the volume for a city. It is too vast," he explained.

In the last week of September, Krishnan was back from a 10-day trip during which he checked Ecom Express's preparedness to handle festive season deliveries.

In an interview, dressed in a black Lacoste polo shirt and jeans, Krishnan said

he is confident that nothing will go wrong in this year's sales season. The company, of course, has learnt its lessons early on. Ecom Express expects volumes to spurt to 500,000 deliveries per day during October from 250,000 a day currently. This will be double the festive season peak touched last year.

The company was present in around 500 towns during October 2015 and has now expanded to 1,000 towns. It is now delivering to 12,000 pin codes compared to around 8,000 last year.

Success is not just being present in multiple pin codes, it is about the ability to service those pin codes. Companies need the entire chain to be ready, which takes a lot of investment and capacity in terms of people, processes and automation.

EXPANSION PLANS

Ecom Express has expansion and fundraising plans lined up. But it will turn to all that after the festive season. It plans to set up seven large warehouses with pickup, processing and fulfillment facilities over the next two years to speed up product delivery. That will allow the company to deliver at least 80% of its orders within 24-48 hours, faster than the 24-96 hours it takes now.

Each warehouse will have around 500,000 square feet of space. Ecom Express currently has 33 small hubs for its last-mile operations, besides 30 processing centres. The size of these hubs and centres ranges between 5,000 sq. ft. and 100,000 sq. ft.

It also plans to raise \$200 million by April to fund its expansion plans and will actively start searching for investors in January after the festive season ends.

In a bid to expand its revenue stream, Ecom Express will also offer its 300-odd clients, including Amazon, Flipkart and Snapdeal, the option of stocking their inventory in its warehouses.

The company will also start deliveries for global e-commerce companies in India. It is in talks with multiple Chinese e-commerce companies, said Krishnan, declining to name the firms.

Sreedhar Prasad, partner (e-commerce and start-ups) at consulting firm KPMG, said dedicated e-commerce delivery companies had grown because they were more technologically savvy than courier firms and offered solutions tailored to online retailers.

"That is the reason why they were able to garner market share. Ideology and speed-wise, they were far more aligned with the start-up community than traditional courier companies. That is the reason why they clicked," he said.

I don't think I would have succeeded in anything other than this, says Krishnan

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TA. Krishnan, chief executive officer of e-commerce logistics services provider Ecom Express Pvt. Ltd, started the firm in January 2013 with friends and ex-colleagues Sanjeev Saxena, K. Satyanarayana and Manju Dhawan. In an interview, he talks about the journey of the e-commerce logistics space in the last four years, the company's growth and future plans. Edited excerpts:

How has e-commerce delivery as a market evolved in the last four years? Where do you see it going from here?

From 2012 to 2016, there has been a huge difference. B2C (business-to-consumer) operators were almost non-existent till about 2011-2012. Today if you see the preference of a customer—45% of the volume that exists today in the e-commerce space is handled by dedicated partners like us (Ecom Express, Delhivery, Xpressbesh, among others).

Even though companies such as Amazon and Flipkart have in-house logistics firms, in future, my belief is that most of these companies would start focusing more and more on core, which is just the marketing activity rather than logistics. However, even if that were not to happen, the way the market (e-commerce) is expected to grow, there is enough and more for all of us to co-exist peacefully and not cut each other.

Given the sort of growth the e-commerce sector is expected to witness, how many delivery firms do you think India can accommodate?

There are four multibillion-dollar companies handling the China market, acquiring 70% of the overall market. India is far away from what China is in terms of e-commerce volume. So if India has to grow the way the Chinese market grew, there is enough space for four-five large companies, besides which there can be a few niche operators or value-add companies offering services such as next-day guarantee or companies who specialize in try-and-buy or reverse logistics.

What are your thoughts on hyperlocal delivery as a sector segment? Unlike your competitor Delhivery, you refrained from investing in this sector. What is the reason behind that?

To me, it doesn't make any sense. It is a volume game. Unless the ticket size improves, logistics costs will kill the business and it is not sustainable. It is a different ball game. I am not saying there is no science to it, but companies need to have a density of orders and



Ecom Express's Krishnan says if India grows the way the Chinese market grew, there is enough space for four-five large logistics companies.

PRIYANKA PARASHAR/MINT

order size beyond Rs500-600. This business needs a lot of capital to be infused, till the companies grow. My view is, companies should not focus on multiple cities. They should take one city at a time and then go to another city, and then replicate it. You can't have burn rates going up in multiple cities at a time. They should focus on one city, build the infrastructure, delivery points, have their own network of people to handle delivery, only then can this model work. There is a space, but it is a highly capital-intensive business and thus break-evens would take much longer. But once it grows, then there is no stopping it. The gestation period could be six-eight years. Only when the order density improves can the business become profitable; till then the companies need a lot of capital.

What are the key challenges Ecom Express has faced in the sector so far?

There are a lot of issues—infrastructure and regulatory ones. There is no space in Delhi which can be called a warehouse. There are regulatory issues and problems we all have to face when it comes to different states. Everybody is trying to encash the e-commerce thing. There is an entry tax issue which states have been building. Certain states are hostile, some are friendly, so we have to deal with such things every day. Sales tax is archaic and is not friendly to the e-commerce trade at all.

What are your expectations with GST (goods and services tax) coming into place?

Life should become fairly simple. We would not have to go through check posts. Technically, if companies want, they can just have one warehouse and can probably have an all-India distribution, which can be taken care of by us. Our proposal to the government of India is to also probably have a unified registration; otherwise, it is too painful and cumbersome to go get registration done in every state. Post GST the whole thing changes, you don't have to fight the old sales tax rules.

How busy are you this festive season?

Every year, around this time, we are hardly in town, trying to check the readiness in terms of people we are taking, infrastructure we have to create and synchronization of network, among other things. All those things we need to plan, depending on the kind of volume. So all that planning takes a lot of time. We are ready now, raring to go and wanting the volumes to happen. Once the festive season ends, we will be setting up large format facilities. Seven such facilities will come up pan-India. They will be at least of 500,000 square feet.

Had you not spent time in Blue Dart, would you still have thought of setting up a logistics business?

I have done only logistics all my life, haven't worked in any other industry. Twenty-six years of my life I have spent in the courier and logistics business. Don't think I would have succeeded in anything other than this.