


CONNECTING THE WINNING JUNCTIONS

mjunction, which was set up as an e-auction site for steel and coal by Steel Authority of India and Tata Steel, has shown how to build a thriving e-commerce model.

The company is aiming to sustain 50 per cent growth over the next few years and expects transaction values to top \$10 billion. A report by

Aarti Gupta.



It was baptism by fire for India's largest e-commerce company when it got conceived and launched right after the dotcom bubble in 2000. This was when e-commerce and every online business model was being seen with great scepticism.

mjunction services limited though did not just survive the 'neo-natal' battle that took a toll of most other e-commerce companies at the turn of the century, but has expanded manifold since then, transforming the country's supply-chain mechanics in commodity buying and selling.



Set up as a 50:50 joint venture by two leading steel producers – public sector giant Steel Authority of India Ltd (SAIL) and private sector behemoth Tata Steel – mjunction is today the world’s largest e-marketplace for steel, according to the company. It offers a wide range of e-Selling, e-Sourcing, e-Finance and Knowledge services across diverse industry verticals. mjunction has service offerings spanning the entire e-commerce spectrum and operates through - metaljunction.in, buyjunction.in, coaljunction.in, autojunction.in, straight-line.in, financejunction.in, valuejunction.in and mjunctionedge.

Even in financial year 2008-09, when many sectors of the economy witnessed a slow-down, mjunction grew by a record 50 per cent, touching the milestone transaction value of US\$ 3 billion. In the current fiscal, it aims at a transaction value of US\$ 4.75 billion, growing through strategic business expansion and technology and



Viresh Oberoi

knowledge-based services. The company aims to cross the US\$ 10 billion target in just three years.

So what is the secret of mjunction’s success and how has it been getting it right all these years? Viresh Oberoi, managing director, mjunction, reveals how the firm built important differentials in its business right from the start despite the bad timing. This was when most steel manufacturing majors the world over had set up e-commerce platforms as exchanges or as bulletin boards.

Many companies entered the space because of the high valuations the market offered and sell-off was the eventual intention, points out Oberoi. Shutdowns in the wake of the dotcom bubble were inevitable, he adds, noting that even Steel 24-7 (for sales) and BuyForMetals (for procurement), launched by European steel heavyweights around the same time as mjunction, finally shut down in October 2007 despite US\$ 100 million

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managing director, mjunction services ltd

being pumped into each venture.

One of the three original promoters of mjunction backed out of the venture and the start-up got less than half of the US\$ 4.5 million it had been promised.

Clearly it was imperative to know what worked and what did not in this new business. Oberoi travelled extensively across the globe to find out the right formula.

Not surprisingly, the original plan prepared by a consultant went out of the window and it was decided to change the model from one based on content, eyeballs and advertising to one based only on transactions.

Says Oberoi: "With our back to the wall, some amount of desperation had come in and we realised that to succeed we had to innovate and be thrifty." Costs had to be kept on tight leash, but more importantly, every service was to be sold for a fee. Chasing eyeballs with free services certainly was not going to be mjunction's business model.

Another thing Oberoi learnt from his international recce was that e-sourcing and e-selling should ideally be put together on the same technological platform. Setting up two distinct entities, with different processes, technology and infrastructure – as some international players had done – only led to duplication



of resources.

Selling and procurement are essentially two parts of the same process, points out Oberoi. So what mjunction did was to set up two teams – metaljunction (e-selling) and buyjunction (e-sourcing) – with common infrastructure in the same office.

In the beginning there were just four people for selling and two for buying, all on deputation from the promoter companies. By setting up two revenue streams, mjunction was hedging its risks. It did not want to buckle down under like its counterparts in Europe.

The business took off with support from the two promoters. Oberoi, an old Tata Steel hand, was able to make headway in the elaborate processes that had been laid out over the last 100 years at the Tata flagship. Initially, mjunction sold Tata's flat steel products and later long products. It was able to bag more business by showcasing the success of

its previous orders.

Public sector units such as Rourkela Steel, Bokaro and Bhilai also began using mjunction's services. But there was no assured captive business from the promoters unlike in the case of some e-commerce platforms floated by international metals majors. "Business development activity for mjunction had to be taken up from day one," says Oberoi.

The company also changed the way steel was sold. There was aggregation of buyers and suppliers and demand and supply on a common platform, enabling transparent price discovery. mjunction's customers were able to transact with a wider buyer base for smaller quantities at higher per unit prices.

Oberoi reveals that at least two levels of intermediaries were got rid off and as a result realisations went up by 5 per cent to 8 per cent.

mjunction then began to deal in other commodities such as aluminium, wood

RETAIL FORAY

AFTER the success of its B2B foray, mjunction has entered the B2C segment by launching straightline.in, the company's online shopping portal, in October this year.

The company decided to enter the B2C space to tap the fast-growing e-commerce segment. "It is currently at a nascent stage, but growing at 40 per cent," explains Viresh Oberoi, managing director, mjunction services Ltd. "We are looking at a 30 per cent market share of e-retailing in India."

With the backing of technology majors IBM and Cognizant, the e-commerce portal plans to replicate the success of international B2C giants such as eBay and Amazon.com. straightline.in has outsourced its logistics services to Drive

India Enterprise Solution, a Tata group company. Drive India will help in real-time tracking of consignments despatched to consumers across the country.

The portal plans to initially cater to consumers in nearly 650 cities across India, covering about 5,000 Postal Index Numbers (PINs). Gradually, the coverage will be extended to rural areas as well, encompassing 10,000 PIN codes in about a year.

straightline.in has started selling top brands in electronics, home appliances, mobile phones, computers, music, movies, books, apparel, jewellery, watches, luggage and kitchenware. The brands include Nokia, Sony, Canon, Titan, Wills Lifestyle, Van Heusen and D'Damas.

According to K Senthilnathan, who heads the B2C initiative, the search functions in the portal have been created using advanced technology, enabling easy, intuitive search. "It will be a clutter-free portal, devoid of excess advertisements," he explains.

The B2C space in India is dominated by travel-related portals. The biggest, of course, is the website of the Indian Railway Catering and Tourism Corporation Ltd (IRCTC), a public sector enterprise and part of Indian Railways. IRCTC earned almost US\$ 600 million from the sale of online tickets during the first six months of the current fiscal. The company has seen an over 450 per cent increase in revenues over the past three years.





and paper; however, it soon discontinued the service as price discovery was already happening through the London Metal Exchange (in the case of aluminium) and trading in the other two commodities were regulated.

Coal was up on mjunction's radar next. A chat with a senior executive of state-owned Bharat Coking Coal Ltd that Oberoi had on a flight to Kolkata resulted in the launch of coaljunction in 2005. The objective was to conduct coal e-auctions for Coal India Ltd and all its subsidiaries.

mjunction managed to tweak the operating procedures and created a more transparent and efficient method to sell coal. Oberoi says the firm first studied the 'as is' process of selling, identified the lacunae and then re-engineered the process through technology. Today, 10 per cent of all coal production in India has to be routed through e-auction, and mjunction sells almost 22 million tonnes of coal annually.

Along the way, several 'pain points' in the supply chain came to the fore and addressing these opened up other businesses streams. Tata Steel and SAIL,

for example, would sell only on cash; so mjunction tied up with leading banks to make finance available to both the distributor and buyer communities. The added incentive for banks is that all due diligence is done by mjunction. Financejunction, another subsidiary, arranged nearly US\$ 550 million of finance last year.

Other opportunities followed and mjunction set up units to handle them. autojunction was established in 2006 and valuejunction a year later. Both sought to unlock the value of repossessed vehicles and assets (plant, machinery, land and building).

The firm is now gearing up to conduct auctions for retail surplus. Next year, it plans to launch a new integrated auto e-commerce portal catering to all three segments – business-to-business (B2B), business-to-consumer (B2C) and consumer-to-consumer (C2C) by offering specialised services such as e-auction, e-classifieds, e-retailing and e-referral.

The latest downstream foray has been into the space of branded consumer products including a complete range of home products across various catego-

ries. The segment was launched two years back.

Clearly, mjunction has established itself in the country. Oberoi now wants to expand globally and is on the lookout for suitable mergers and acquisitions targets. mjunction is building a war-chest to fund possible overseas acquisitions. It has already invested over US\$ 8.5 million in technology and office space this year and next year's investment target is over US\$ 20 million.

An initial public offer (IPO) somewhere down the road is on the agenda, but before that funding via private equity (PE) may also happen. A US-based PE player was ready to put about US\$ 20 million for a 20 per cent stake last year, valuing the company around US\$ 100 million, but the promoters did not want to dilute equity.

Mjunction was set up towards the end of the dotcom bust, but the remarkable uniqueness of its business model has made it the largest e-marketplace for steel and coal. Getting the business intent right – to unlock value for customers – was the start. And looking ahead, the future is bright for this metals dotcom. 🌟