'mjunction has become the world's largest e-marketplace for steel, and is set to bring in more transformations.'
—RATAN TATA, Chairman Emeritus, Tata Group

Intrapreneurs @ mjunction

The Making of an e-commerce Giant

RAJEEV KUMAR

Preface

This is the story of mjunction services limited, an e-commerce joint venture company of Tata Steel and SAIL that offers diverse e-commerce services. It was incorporated as metaljunction.com private limited in February 2001. mjunction has grown to be India's largest e-commerce company and the world's largest e-Marketplace for steel. This was possible because mjunction under a dynamic entrepreneurial leadership, aggressively developed new services and entered new areas. mjunction spread its wings beyond its original charter and diversified its business through constant innovation. It forayed into several new lines of business like eAuction of coal, automobiles, eFinance, eRetailing, publications and conferences, and achieved success in every venture and has now enhanced its business portfolio by entering into B2C e-commerce space for consumer goods and automobiles.

This is a gripping account of the evolution of the Company from the entrepreneurial perspective. The essence of entrepreneurship lies in the perception and exploitation of new opportunities in the business world. The story covers the unique birth of the company and how it overcame challenges of limited capital resources, shaping the environment, winning over the buyers, adopting new technologies, breaking monopolies of buyers, overcoming resistance in PSUs, identifying opportunities in secondary markets, limiting influence of promoters, dealing with competition and changing mindsets of client companies. Through determined and focused efforts, mjunction was able to gain legitimacy, establish trust, show neutrality, elicit cooperation, mobilize support, exploit social capital and meet stakeholder interests successfully.

mjunction has proved to be an instructive case of entrepreneurial growth. With a start-up capital of Rs 8 crore in 2002, the market valuation of the Company as determined by a private equity firm in 2009 stood at Rs 800 crore.

Chapter 1

The Birth of mjunction

"Competition creates better products, alliances create better companies."

\- **Brian Graham**

As was the usual practice in his office, Dr J.J. Irani, erstwhile MD, Tata Steel, would examine, each morning, a folder containing important news clippings of the day. Such clippings would be assiduously selected by his staff based upon their relevance to the steel business. One small clipping drew his attention and concern. The Hindu, Delhi edition of 13 October 2000 had a report titled, "Steel Portal from Mahindra Group". Dr Irani wiped his reading glasses and pulled the clip closer. It read, "The Mahindra Group has announced the launch of its steel trading portal, www.steelmartindia.com. ....Steelmartindia will operate as an online hub, providing customized services and wider reach to market players." Dr Irani picked up his favorite Cross fountain pen and inscribed a remark addressed to Viresh Oberoi, the designated CEO of the new joint venture with Steel Authority of India Limited (SAIL) - metaljunction.com Private Limited. The inquiring comment was, "Are we being left behind? I believe that jointly with SAIL, we can offer much more."

Viresh assured Dr Irani that they were doing enough to grab mind-space and market-share and that they were also in the process of forging alliances. This was not a first Metals B2B exchange being set up. About 70 such exchanges existed globally and whilst new ones were being announced many were fading away at regular intervals. This was around the same time that the dotcom bubble had burst. Trends in India pointed to over 30% of steel transactions moving to online marketplace by 2003. It was thought that existing suppliers would use this efficient and speedy channel for transacting business with existing and new customers. Besides, the more the number of suppliers and buyers who get together and participate in the independent marketplace, that much greater would be the value creation opportunity for all participants.

On May 04, 2000, a Memorandum of Understanding had been signed between three competitors in the steel industry, Tata Steel, SAIL and Kalyani Steel Limited, to set up an independent and neutral steel marketplace portal, metaljunction.com, through which e-commerce could be executed. The signatories to this MoU were Dr J.J. Irani, MD Tata Steel, Mr Arvind Pande, Chairman, SAIL, and Mr B.N. Kalyani, Chairman, Kalyani Steels Limited. These companies had viewed creation of an independent, digital steel marketplace as a future oriented and profitable business opportunity. Internet was still at a nascent stage in India and steel business was tradition bound. A B2B marketplace creation was risky and challenging business. This e-marketplace was for all manufacturers, dealers and users of steel and allied materials. It would be a place to sell all kinds of steel, scrap and related material and subsequently for procurement of inputs for the steel industry.

To inspire confidence amongst manufacturers and dealers, it was agreed to strive for an independent, fair and neutral management that would run the business in a professional, fair, equitable, economical, reliable and efficient manner. It would also aim at creating value for clients by reducing cost normally associated with selling, advertising, marketing and distribution.

The business processes were to be so designed as to ensure adequate integrity, security and confidentiality of all transactions carried out. The joint venture was to develop an image of being a reliable and user friendly e-marketplace for both B2B as well as B2C transactions. It was to have a Chairman by rotation amongst the promoters. Dr. JJ Irani issued a diktat, "Let the plan execution be systematic and swift!"

The expected risks were slow business acquisition and ramp up; low availability of proper internet infrastructure; shortage of suitably skilled and talented manpower and unwillingness of existing players to migrate to the Net.

The critical success factors would be speedy and effective execution of marketplace development; rapid acquisition of buyers and sellers onto the marketplace and ensuring that they continue to remain locked in; development of key alliances and partnerships and providing value added services.

In September 2000, Viresh Oberoi of Tata Steel was specially picked by Dr. Irani, to lead this entrepreneurial venture. In his first communiqué to Dr. Irani, Viresh wrote, "First mover advantage has been lost to Metalsite and eSteel globally and possibly to CFS and Steel Rx locally. We are therefore positioning metaljunction to have the first 'Prover' advantage. This means that we get far more things right when we go live as compared to the others and then have a robust process to make value added changes on the fly." Dr Irani responded, "Keep it up. We rely on you…Do what is best for the JV. You are in charge! "

By December 2000, SAIL, Tata Steel and Kalyani Steels Ltd had signed the joint venture agreement to manage their steel e-marketplace. The first step that Viresh Oberoi took was to know why others had failed in similar businesses. In 2000-01, Viresh met the promoters, CEOs and customers of successful and failed dotcoms in the US and Europe – Metalsite, eSteel, Global Steel Exchange, Ferrous Exchange, Steel 24-7 and Buyformetals – in order to learn from their experiences. Some concerns regarding a common e-commerce platform were also afloat. First was the evident dependence on the promoters; second, speed of decision making due to involvement of multiple partners and third, the perceived risk by the promoters both in terms of venturing into a new business area and also in terms of security of internal data on the Special Purpose Vehicle platform.

In entrepreneurship ventures, good timing means founding a company in a given industry at a time when most new ventures in that industry are doing well. For metaljunction this was not good timing at all as the dot com bubble was bursting. Other than good timing, there is a component of success that is determined by the entrepreneur's management of the venture. So managerial skill and entrepreneurial skill of the leader, Viresh Oberoi, was all that the success of this venture depended upon. Viresh banked on other critical factors too – Commitment and Competence of his People.

Recollections of the Parent Promoters ***(Photo of Dr. Irani here)***

Dr. J.J. Irani, erstwhile MD, Tata Steel recollects,
"During one of my trips to USA in the late 1990s, we spoke to the Chief Executive of a worldwide e-commerce company called 'e-bay'. We asked him why they were not coming to India. They were not interested in India. Around this time, the father of this project, Viresh Oberoi, was on the verge of leaving Tata Steel to start his own business in Delhi. So I talked to him and I could envisage that he was the right person with lot of passion. Passion is most important. Knowledge itself is not enough. Viresh had both passion and knowledge and I must admit that I did not understand much about this e- business. But I could sense the opportunity. So we persuaded Viresh against starting something on his own and assured him that we were prepared to stand behind him.
Further discussion showed that Tata Steel might not be big enough by itself to launch this project. So we decided to rope in SAIL as well and planned a 50:50 JV. At that point, Mr Kalyani of Bharat Forge also showed an interest. He wanted one-third share but we maintained that Tata Steel and SAIL would be major partners. Finally we agreed on sharing in the proportion of 40:40:20 and for a few months, Mr Kalyani worked with us. However, he had not made any financial contribution till then. Finally, Kalyani opted out. So we went back to our original plan which was 50:50. Although the two companies are competitors, they then saw the possibilities of synergy and growth in this venture and believed that 2+2 will make 5. The board of directors of SAIL including the Chairman, Mr Arvind Pande, also supported the idea and the JV started. Soon, we got a good band of people and added more items to our portfolio. Throughout, it has been Viresh who has been the path and light behind this venture. The Board supported him and I am glad to see the way, the venture has grown and now it is on a very firm footing. SAIL also is very happy to see that the baby that we have produced has grown so much."

On the uniqueness of two competitors joining hands, Dr Irani commented, "It was Tata Steel who offered and SAIL readily took up the offer. In the 70s and 80s, we were not really competitors. It was more like a duopoly. We even used to share technical details and solve problems in steel making and, procurement of raw materials. We were not allowed to grow by the government. We actually always looked upon SAIL as our big brother. We have always been cooperating with one another and we looked upon this venture as another opportunity. And *there was not any moment when there was doubt or suspicion in anybody's mind."*

Whether the growth exceeded the promoters expectations, Dr Irani commented, "I think, yes, as far as growth is concerned, yes they exceeded. I had anticipated an incubation period of three years because ventures of this kind do not click immediately. That period was a very bad time for steel. SAIL was making losses, and Tata Steel was making very nominal profits. We did not want to do something which would be a burden. Also that Tata Steel in the past had taken up many projects which had not clicked and resulted into losses. In attempts to increase the horizon of our business at Tata Steel, we had gone into areas which were not our focus area. So, I was very conscious. We had thought that after 3 years, if metaljunction continued to make losses, we could always withdraw. Ultimately, this cautiousness proved unnecessary because from the very beginning it became very obvious to us that we had hit upon an area which was a great opportunity. In this modern age, there are very few unexplored areas for business opportunities and this was one. We capitalized on it."
On whether this joint venture elicited any reaction from the Government, Dr Irani commented, "Nobody said that it was a cartel or anything like that. Nobody said that. Everybody saw a gain. No one thought of anything negative arising from this venture. We were just taking advantage of our combined volume, both in sales and purchase."

Mr Arvind Pande, erstwhile Chairman, SAIL recalls: *(photo here)*

"E-Commerce conversations started during the boom period of the IT industry. It was around 1999, when the idea first came up in SAIL's office that this new technology and the processes of e-commerce could be a path breaking approach to marketing and procurement. At that time Y2K was being discussed and e-commerce was getting introduced as a concept. Initially, SAIL thought about exploring different e-commerce companies that approached us, like Steel Rx, to become their client. The concept of becoming more transparent in purchase and sale was something we had thought of and were looking for solutions. When Dr J.J. Irani and I discussed the possibilities of setting up our own platform, there were no hassles. We have always had good working relationship with Tata Steel. We were the only two major players in the country for long. Markets were bad at that time. We were ready to try whatever we could. We were looking for international partners but that did not materialize. So when this proposal came along, there was a fair amount of skepticism. It was perceived by us as an experiment. We were not thinking of prime products on this venture. As the steel industry was facing a difficult period, India Steel Alliance was formed. A collective fear was leading to more collaboration. Against this background, our joint venture idea came up.

Then a task force was constituted by both Tata Steel and SAIL. Dr Sanak Mishra was the Chairman of the task force set up by SAIL and he was assisted by Aarti Luniya from my office. They were given a mandate to develop a *collaborative approach to setting up an e-commerce joint venture. The steel market was suffering a recession and both companies could offer more volumes. Tata Steel also had expertise in IT and installation of SAP and SAIL also had some expertise. By pooling this expertise, we felt that we could work together.*

Initially, Tata Steel supported the new venture and as it grew, SAIL also got more involved. It was a small concept and did not start with very high ambitions. It is a unique public-private partnership with cultures and approaches being different. This is distinct from a joint venture where there is a race for dominance. In Indian JVs you find one dominant but here we are equals; with no ego issues. Viresh Oberoi deserves credit for balancing well. His commitment and belief has taken the Company far beyond the initial plan.

Within SAIL, there were issues of our procedures, vigilance and public accountability. In the public sector, there is much larger accountability and there is the need to be accountable not only to your shareholders, but also the public and the government. We had to go slow. On the concept, there was no issue at the Board level but at the lower level the idea that such transparency would improve governance took some time to seep in. This process of e-commerce was being looked upon as a tool. There was resistance within SAIL about joining hands with a private partner. We convinced people that this was a new area where we did not have any pre-existing competition. The new area needed a lot of expertise and so collaboration would be useful to the Company."

Collaboration with SAIL was seen by Tata Steel as a good option because, as Dr Irani explained, "It is not enough to set up shop. You have to fill the shelves. Collaboration with SAIL would give us a larger range of products to offer. We would complement each other. Also, it would help us drive large volumes. We will use the New Economy platform to become faster and more efficient. It should help us crunch the supply chain and force us to deliver with great speed. We might also need to customize more of our products." Dr Irani had also clarified then that the portal would be used by Tata Steel to trade in seconds and defectives and not in prime steel products. Both the companies involved were not expected to be giving away their direct consumers.

Viresh Oberoi recollects how both promoter companies were uncertain about the actual potential and work processes that such a venture could undertake. When Kalyani Steel had offered to pitch in, they were asked what they would bring to the table. They had undertaken some work with PwC and thus were better advised in this technology area.

'Click and Mortar is In', declared The Economic Times, Kolkata, 20 July 2000, as it reported the intention of Tata Steel to collaborate with SAIL in starting a B2B portal for steel. The newspaper called the venture a sign of *coopetition* – now you compete; now you cooperate. Dr J.J. Irani always referred to SAIL as partners.

"At that time, internationally, the steel industry already had two large e-commerce portals – metalsite and e-steel. There were also Steel Rx.com and steelworld.com. Tata Steel had earlier been approached by two international e-commerce players for collaboration. However, Tata Steel lacked the domain knowledge at that time and was cautious. At the national level, Essar Steel had set up a B2B portal clickforsteel.com. By October 2000; the Mahindra Group had also announced the launch of its steel trading portal, steelmartindia.com. A Vizag based consultancy firm had set up steelexchangeindia.com. However, the new venture, metaljunction.com, would have some advantages. It was employing world class technology with rich content and commerce functionalities. Added to this would be the backing of three major steel producers who have the liquidity, credibility and trust of the steel buyers, sellers and service providers. According to the World Steel Dynamics forecast, 30% of the total steel production would be traded on the internet wherein the Indian share was pegged at Rs 6500 crore on the Net by 2003. This venture born out of coopetition was to cash in on this business."

They promoters of metaljunction were not too worried about the steel trading portals that had mushroomed all around. Collectively, the three promoters commanded a market share of 50% and together were expected to bring considerable liquidity to metaljunction. It would be tough to gain a foothold in international markets and there were concerns about information to feed the sites as well as its security but the promoters were prepared to face such challenges. "Globally, the trend has been for brick and mortar companies to come together and create marketplaces that serve as frictionless and cost effective channels for reaching out to customers and dealers of firms participating in portals," the promoters felt.

By February 2001, PwC had prepared the business plan and decision to recruit personnel for different functions was taken. In March 2001, the Board reviewed the plan. Pre-operating expenses were estimated to be Rs 13.8 crore while total investment was to be Rs 37.4 crore over five years. Promoters' capital was only Rs 8crore.

In the third Board meeting held in April 2001, Viresh Oberoi, CEO, challenged the assumptions upon which the PwC business plan was based and claimed that they were not valid anymore. The PwC business plan relied upon eyeballs and footfalls to translate into revenue. Viresh felt that transactional revenue should be targeted rather than advertisement revenue. Viresh's business plan was simple. First, study the value chains and identify the weakness in the process; through application of IT, redesign the processes innovatively; bring in transparency and efficiency; increase realization and lower the cost and thus create value; and finally, appropriate a small percentage as service fees. The PwC business model was discarded and a new transactional model as designed by Viresh Oberoi was adopted.

According to the PricewaterhouseCoopers (PwC) prepared business plan, the approved capital was Rs 20 crore and losses were expected for the first four years. When the company called for the promoters to pay 50% of the authorized capital, Tata Steel and SAIL contributed Rs 4 crore each but Kalyani Steel backed out and did not pay up its Rs 2 crore. Therefore, metaljunction began its life with a business plan requiring Rs 20 crore but a paid-up capital of only Rs 8 crore. The challenge was to do more with less.

By August 2001, Baba Kalyani, Chairman, Kalyani Steel Limited cited differences in approach to the business as reason to withdraw from this joint venture.

Aarti Luniya, erstwhile, principal executive in the office of the Mr Arvind Pande, Chairman, SAIL, explained the possible reason for the exit of Kalyani Steel:

"At that time, US based platforms for trade on the internet existed. The Kalyanis were the driving force at that time in this area. Amit Kalyani, son of Baba Kalyani, had just returned from the US with lots of ideas for implementation. SAIL and Tata Steel felt comfortable with each other as their work ethics matched.. A working committee was constituted at that time to explore possible options in the e-commerce area. Bharat Wakhlu from Tata Steel, Amit Kalyani from Kalyani Steel and I from SAIL got down to working out the mechanics. Wakhlu and I had drafted the collaboration agreement between the three Promoter companies. This team was cohesive and pleasant and we met regularly to keep up the momentum. Amit Kalyani was keen to drive the initiative and he was overpowering at times. Wakhlu and I would not relent on some issues. Pitched against SAIL and Tata Steel's combination and cooperation, it is likely that Amit may have felt like being in a minority. So, Amit Kalyani opted out. Kalyani Steel wrote to us that they were not in favor of the direction that metaljunction was taking. Often, personal dynamics can shape history."

At the inception of metaljunction, the Board of Directors had asked the CEO, Viresh Oberoi, to keep an inspirational target of a cash break – even in the third year and cumulative surplus by the end of fourth year as against the losses anticipated for the first four years in the business plan.

By September 2001, marketing and sales people had been internally recruited from Tata Steel and SAIL. Others had to be recruited externally for all the functional areas. A problem arose. There was apparent disparity between compensation packages of employees of Tata Steel, SAIL and the new recruits. This could lead to problems that metaljunction at this juncture could ill afford. To attend to this issue immediately, services of PwC were sought to frame the organizational structure and the compensation package. PwC suggested vertical structures against the Company's preference for flat structures. While PwC was designing the organizational structure and compensation benefit scheme, the new business model was to start work in March 2002. The PwC project was completed by May 2002 and included fitment of human resources sent on

deputation to this special purpose vehicle. By June 2002, the new structure of metaljunction was operational.
In November 2001, Mr B. Muthuraman, erstwhile MD, Tata Steel had set up an internal steering committee to be chaired by Dr T. Mukherjee to take advantage of the potential offerings of metaljunction.com. Dr Mukherjee also became a Board Member with effect from 01 November 2001.

Niroop Mahanty, erstwhile VP (HR) Tata Steel stated, "It was an unorthodox birth of a Tata Group Company. It was born before its time. It was created purely due to Dr J.J. Irani's entrepreneurial thinking. Whosoever Viresh wanted from Tata Steel, we gave him the people."

In practice, there was reluctance on the part of Tata Steel to transfer all expertise to metaljunction. Dr T. Mukherjee, erstwhile Chairman of Board of metaljunction and Deputy MD, Tata Steel, explains, "While Tata Steel took on a leading role, metaljunction was an amalgam of two cultures, the private and public sectors. metaljunction had to respect both cultures. Viresh's loyalty had to be with metaljunction. We wanted him to be independent. We wanted him to recruit new people and not take all from the parent." Tata Steel was at the same time taking several initiatives internally to become an e-commerce wing and needed to retain expertise in this area.

Viresh was himself keen that metaljunction develop its own identity and retain an equal distance from its promoters. That would help metaljunction develop credibility and neutrality.

Changing mindsets at Tata Steel was the first challenge. 'Steel cannot be sold online. It has never happened before' was the common refrain. At the same time that metaljunction was getting formed, McKinsey was advising Tata Steel to create several high value e-Businesses. Tata Steel had deep domain knowledge in many different B2B areas, e.g. steel marketing, MRO purchasing, logistics management, environment management, maintenance services. This domain knowledge, combined with the Tata Steel brand, its relationships and real world assets could be combined with an "attacker's mindset" (e.g. speed; entrepreneurship) to create several high value e-businesses. McKinsey suggested creation of an arm's length entity that would leverage Tata Steel's knowledge, people, relationships and capital. The new company proposed was anytimemro.com that would provide sourcing services to Tata Steel.

However, Viresh was able to convince TATA Steel not to create another company to offer e-Sourcing services and instead take advantage of metaljunction's infrastructure to reduce costs. "Why should others get advantage of the procurement function of Tata Steel?" Viresh argued. Two different teams with distinct expertise could work side by side, he contended. With this agreement from Tata Steel, metaljunction was able to ensure two streams of revenue instead of one at a fixed cost or a shared cost. As a consequence, commercejunction (later buyjunction) – the e-sourcing wing of metaljunction – was formed.

In a meeting held at the office of MD, Tata Steel on 10 October, 2001, which Viresh attended, it was opined by the MD, Tata Steel, Mr Muthuraman, that it makes technological and economic sense to have the buy side and the sell side on the same platform. A platform that would build private (Channel Financing, Distributor Connect, etc.) and public (Auction, Reverse Auction etc) processes to offer a complete e-solution to meet Tata Steel's marketing and e-procurement requirements. However, it was decided not to sell and buy tailor made items on this platform for the time being. The decision, however, was to be reviewed at a future point of time after more inputs were received. It was therefore agreed that metaljunction would serve as an e-commerce vehicle for Tata Steel. At that point of time, the state of e-commerce was that steel traded online globally was just 1%.

On 31 January 2002, Viresh wrote to Mr Muthuraman, "We, at metaljunction, have positioned ourselves as a Process Innovation Company focused on the entire value chain, looking at ways and means to create/release value by leveraging the power of IT and the Internet."

In the initial stages of metaljunction's growth, there were 'doubting Thomases' in both Tata Steel and SAIL. Promoters were concerned regarding retaining confidentiality of customers. An anonymous letter written to MD, Tata Steel in February 2002, suggested that while metaljunction had brought about improvements, the process be carried forward within the Company and not by metaljunction. To alleviate these security concerns, metaljunction on its part ensured that Key Account Managers for Tata Steel and SAIL were different individuals. A technology architecture established Chinese walls between each process. metaljunction also signed confidentiality agreement with the Companies.

By July 2002, metaljunction had carried out three reverse auctions for SAIL, for procurement of Calcium Carbide, Wire Ropes and Cables which resulted in savings of Rs 1.8 crore to SAIL. For the financial year ending 31 March 2002, the Company suffered a net loss of 0.13 crore on total income of Rs 1.2 crore. In view of losses, no dividend was declared. By now, six work levels had been created and the total employees were 27.

In March 2002, Viresh adopted a unique way of reporting to the promoters, "Rather than report on various activities which we have done or plan to do, we felt that we should be reporting on the value creation in Rupees/Lakhs resulting from activities that we have done or plan to do. In the month of February 2002, we created/unlocked value of Rs 118.46 lakh and in March 2002, we plan to create/unlock Rs 200 lakh of value."

On 01 May 2002, Dr T Mukherji of Tata Steel was elected Chairman of the Board and shares of Kalyani Steel were transferred equally to the two promoters, Tata Steel and SAIL.

On 09 May 2002, Sanjiv Paul, PEO to CEO, Tata Steel wrote to Viresh, "We have received your proposal for sale of secondary products for Tata Steel through metaljunction. At present we would like to conduct sale of these products through conventional and e-route simultaneously. You may be aware that we are developing our own portal for e-auction and we are in the process of evaluating the effectiveness of the same. We can of course use services of metaljunction provided value added is greater than existing methods of sale." Tata Steel was continuing to be cautious.

On 21 May 2002, Viresh Oberoi replied to Sanjiv Paul, PEO to CEO, Tata Steel and referred to the October 10, 2001 meeting and stressed that no department or division of Tata Steel should develop independent capability for duplication/producing sub-optimal solutions. It was necessary that all departments and divisions of Tata Steel should close ranks behind metaljunction.

Viresh also drew attention of Tata Steel to the fact that the shareholder agreement between Tata Steel and SAIL places restrictions on shareholders of metaljunction. It reads as follows: "Shareholder shall not, either alone or jointly or on behalf of any person directly or indirectly carry on or be engaged or concerned or interested in any activities which are in competition with this business."

In May 2002, the first three forward auctions were done for Tata Steel free of cost. Later, 1% of transaction value was to be charged. This transaction value was to include freight and excise duty but not sale tax. Tata Steel wanted a discount by not including freight and excise in transaction value. metaljunction declined the request stating that it was getting larger volume business from SAIL. So both business development and business transactions with Tata Steel were done in a professional manner with no concessions. Even though it was a parent promoter, Tata Steel had no claim for discounts on transactions.

While metaljunction continued to acquire new and more customers, it was ensured that all rules and regulations were followed. Even though the Company is not a listed Company, it was ensured that corporate governance was proper and as per Company law. A company secretary was also appointed.

According to the Business Plan, the main revenue sources would be e-selling; e-sourcing; and Channel Financing. The competition was Steel Rx and SteelNext. metaljunction declared that the Company would offer a complete array of services i.e. right from order generation to order fulfilment which would be the value added service differentiator that the Company would offer vis-à-vis its competitors.

On 17 May 2002, on the international scene, e-trading site GSX ceased operations after negotiation for new funding failed. The Company was backed by TradeArbed, Samsung, Duferco and Cargill. The Company had a well respected e-trading system but it was unable to generate enough revenue from transactions and had not made sufficient progress in its new strategy to sell the technology. CEO and President of GSX, Lou Schorsch, was a cued up operator in the international steel business who had earlier worked with McKinsey.

The shareholder agreement between Tata Steel and SAIL clearly stated that metaljunction would be the preferred internet channel for both the companies........This would be equally applicable to any internal initiatives of the promoting companies as also third party proposals that may be received from competing companies such as FreeMarkets; Steel Rx and i Steelasia." There was no clash of interest between SAIL and Tata Steel. SAIL had products which Tata Steel did not produce. They were selling complementary products. Even the markets were different.

Mr Mihir Kumar Moitra, erstwhile member of the Board of Directors of metaljunction representing SAIL and also the first Chairman of metaljunction recalls:

"At that time, both the manufacturing and steel industries were in the dumps. Both Tata Steel and SAIL were just surviving and disposing of their assets. Arvind Pande was very positive. SAIL and Tata Steel had a healthy rivalry like those of brothers. There never was any mudslinging. It was the finest example of what competition should be. The joining of hands by Tata Steel and SAIL was a funny relationship. Cultural distinction existed but both were averse to too much risk taking. Tata Steel was also conservative then.
When this venture came about, nobody gave it much hope. We did not want 51% share as then it would become public sector. Lot of other similar companies had faded away and so we did not pin much hope on it success. There was general despondency all around and SAIL was sceptical about the JV. But Viresh Oberoi made the difference.

In the management of metaljunction, Tata Steel culture prevailed more as the CEO sets the tone. Viresh Oberoi moved things even though he used to be frustrated at times. Without him, metaljunction could have become an unwanted child of the promoters. The selection of Viresh Oberoi has been a fantastic decision. metaljunction is a fine mixture of the wisdom of the public sector and the entrepreneurship of the private sector."

Breaking Ice at Tata Steel and SAIL

Ujjal Bhattacharya of Tata Steel was one of the early members of metaljunction. It may be remembered that even though the promoters of metaljunction supported the venture at the strategic level, there was no assurance of business generation given to metaljunction. So, metaljunction had to develop its own business from the first day of inception. Ujjal explains how Tata Steel had to be convinced to make use of the services of metaljunction.com. "When we launched into auctions, we had to hire an auction platform, 'India markets' through whom we started e-selling. It took four months to convince Tata Steel to use our services. There was resistance from the operational level as well as the Sales Department. Tata Steel allowed us to start with defectives and we sold that for them free of cost," he said.

According to Ujjal, "As per the old method, the sales officer would have contacts with a group of traders who would be unofficially registered and it was convenient for sales officers to dispose of everything through this group of traders. We had to win over this group of traders also to adopt the new e-commerce method. In the first auction, only the existing buyers were included in the e-sales. This helped because the existing contractors did not feel threatened. When the first event succeeded, this group of traders felt more confident. Gradually, we inducted the outside group of buyers and expanded the buyer base. We found e-auction good for standard products which can have multiple uses and multiple buyers. From one auction per month we moved on to three auctions per month. Then we auctioned billets. Billets was a product that was sold in a restricted manner by region, quantity and freight cost. Our first auction led to a 41% increased price realization and payment was also received before delivery. The regional market agents who were interspersed between the buyers and Tata Steel were thus eliminated. Tata Steel was much relieved.

Through a market study we realized that buyers do not need credit if material reaches them earlier. Then we started sale of secondary products. Tata Steel has a secondary products division. We discovered the price for them, collected payment and then Tata Steel would arrange delivery of product. Such a divided responsibility was problematic. We realized that offering complete fulfillment was preferable than this dual arrangement. Normally, local brokers in steel plants were active in buying and dispatching materials. Buyers were unsure of credibility of brokers and did not want to part with huge sums in cash when dealing with them. So, we offered a support service by way of fulfillment service. 60-70% of buyers of secondary materials are traders. They are apprehensive of letting us know the actual users. The actual resistance lay here. Hence, traders continued to operate albeit through the e-auction process.

With success having been tasted at Tata Steel, we approached SAIL. They have a Central Marketing Organization (CMO) with regional branch offices across the country. They used to follow a tender process and we felt a lot of resistance in their bureaucracy initially. The different plants of SAIL could sell off secondary materials and the MD was the decision maker. Sale of secondary materials is a tricky issue and the public sector would be wary of their vigilance departments too. Nevertheless, we were able to convince them about the fairness of our processes and how much ease, speed, transparency and increase in realization we could offer. We quickly learnt all the norms of PSUs so that we could operate within their framework and on their terms."

"SAIL saves 14% from Net Initiative"

Business Standard, Kolkata dated 07 June 2002, reported,

"SAIL had taken the e-procurement initiative in 2001-2002 involving four major items. SAIL claimed to be the first public sector enterprise in India to have successfully conducted reverse auction for procurement of materials over the internet. The advantages that accrued to SAIL from this initiative were:

- saving of 10-14% in last purchase price of items
- reducing procurement cost
- reduction in lead time for purchase of materials
- a transparent online bidding process
- competitive bidding by large number of interested parties
- speedy process

For each item, a core group comprising reps from user and purchase division of SAIL's four main integrated steel plants was formed. The job entailed detailed study and preparation as well as wide ranging changes in roles, responsibilities and delegation of authority of personnel involved in the e-procurement initiative. Initially, SAIL selected for e-procurement, only those proprietary items which were of significant consumption and having an adequate vendor base. Plans were in the offing to commence forward auction also for sale of identified materials."

On 15 June 2002, The Economic Times, Kolkata reported, "Within six months of operation metaljunction.com – a brick and click process improvement 50:50 joint venture has clocked a turnover of Rs 200 crore. Approximately 90% of the revenue was generated by selling prime grade steel of SAIL and Tata Steel through forward auction and reverse auction as procurement for steel companies. Another 10% came from channel financing for sale of steel."

The Company's own technical platform started functioning for e-selling from June 2002 while e-sourcing platform started in July 2002.

According to Dr Amit Chatterji, erstwhile Chief Technology Officer, Tata Steel, *"metaljunction was a tremendous manifestation of foresight. While the concept belonged to Viresh Oberoi, Dr J.J. Irani had the courage and foresight to support the venture. It is the fastest growing organization of the Tata Group"*.

Armed with a diversified core group of loyalists with expertise in several areas, and a culture of ethics and continuous improvement drawn from its parent company, Tata Steel, and the convincing support of the other promoter, SAIL, Viresh Oberoi led metaljunction into the Indian world of e-commerce.