

Venture Capital

NET IMPACT

VC companies drive portfolio firms to launch e-commerce

Online presence helps boost revenue and visibility of start-ups; it even gets them clients 'at hardly any cost'

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BANGALORE

After about a decade of selling its health supplements through third-party stores, **Deccan Healthcare Pvt. Ltd** began taking orders directly from consumers three months ago, encouraged by its investor **Nexus India Capital**.

The company now gets an average of 80 online orders a day and expects an additional revenue of ₹1 crore this year though its e-commerce initiative. It estimates a total revenue of ₹100 crore for the year.

"We are now asking a few of (our) other portfolio companies to go online," said Sandeep Singhal, managing partner, Nexus India.

"We don't yet have a pan-India presence. This is our way of getting a national presence," said Minto Gupta, founder and chief executive, Deccan Healthcare.

VC investors are increasingly asking their start-ups, and even potential portfolio companies, to open e-commerce gateways, both to boost revenue and visibility.

"While online alone doesn't make an off-line business attractive, having a business that can get traction online certainly adds to the appeal of a company," said Kanwaljit Singh, managing director, **Helion Venture Partners**. "A company with an online presence with traction stands higher chances of attracting funding."



New horizons: Helion Partners, an investor in Bangalore's YLG salons, is helping the firm go online.

Helion-backed **Humming-Bird Suites Pvt. Ltd**, which arranges service apartments and other accommodation for corporate clients, launched a beta version of its e-commerce platform three months ago.

Vivek Madappa, chief executive of HummingBird Suites, said the online presence is helping the company add clients at hardly any cost. "We have so far had B-B (business-to-business) play. With this initiative, we are getting into the B-B-C (business-business-customer) play."

Business from non-travel retail websites was ₹1,200 crore in 2009, according to estimates by the Internet and Mobile Association of India and the Indian Market Research Bureau.

Around 71 million users accessed the Internet last year, including 52 million active users who went online at least once a month—a fact new entrepreneurs are latching on to.

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lon go online. Its portfolio firm **R&R Salons Pvt. Ltd**, which runs the YLG (You Look Great) salons in Bangalore, will soon begin offering options for buying gift vouchers or making reservations on its website for both onsite and home services, said chief executive of R&R Salons Rahul Bhalchandra.

A lot of time, effort and resources go into building a retail brand and not leveraging it online would be suboptimal, said Mohanjit Jolly, managing director of **Draper Fisher Jurvetson India (DFJ)**.

"It is almost absurd to not think of having an online presence for almost anyone...especially if you are a branded retailer. If the intent of having Internet presence is e-commerce and transactions, then there is a very direct impact on revenue," he said.

Investors say having an e-commerce gateway has become easier as several companies that offer the required tools to manage inventory and logistics are coming up.

Going online adds levels of complexities related to logistics, sourcing and other issues that have to be sorted out or the brand could be hurt, said Avnish Bajaj, managing director, **Matrix Partners India**, which has two portfolio firms—**Itz Cash Card Ltd** and **FIITJEE Ltd**—going online.

"The approach needs to be calibrated," said Bajaj. "It needs to be on a city-to-city basis than across India in one go so that capital efficiency can be maintained."