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Rich Indians warming up to angel investing

Krithika Krishnamurthy, ET Bureau

BANGALORE: Lured by the prospect of big returns, a number of moneyed Indians are taking lessons on how to invest in startup ventures, an asset class that combines high risk with high rewards. Last week, over two dozen aspiring investors from diverse backgrounds attended a training session in Mumbai where they were taught the nuances of investing early in a startup, popularly termed as angel investing.

"I've been interested in it (startups) since the public listing of JustDial (in June), but without an opportunity to learn more, I've stayed away," said Vikas Sethi, founder of financial services company Sethi Finmart.

He attended the two-day session organised by LetsVenture.com, an online platform that links entrepreneurs with investors and the Centre for Innovation, Incubation & entrepreneurship at Indian Institute of Management, Ahmedabad.

Angel investors and entrepreneurs, who spoke at the session, explained the concept of angel investing. In addition, two startup companies made presentations seeking funding, with participants expected to evaluate and ask the right questions.

In less than a week after the session, Sethi, 43, who has so far traded in gold, equity and debt funds, picked the first startup he will invest in. He declined to identify his maiden startup investment.

"Nowhere in any asset class can you hope to make a 1,000-time return," said Mandar Mhatre, 36, a former executive at JPMorgan Chase in Hong Kong, who also attended the session seeking know-how to build a new profile as an angel investor.

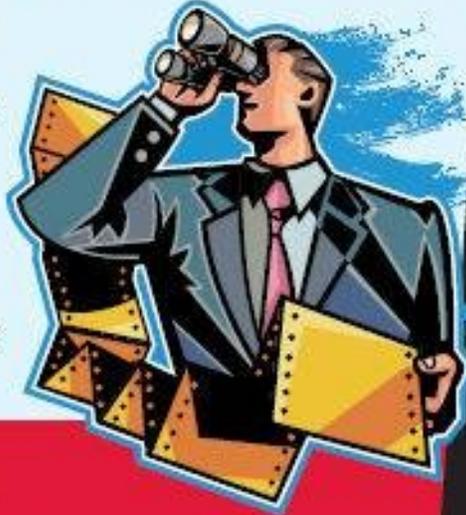
Experts said the rising interest in startup investments from this new class of investors will help boost the availability of rupee capital for local companies. "This could be a solution to the notorious Series A crunch (lack of early stage venture capital)," said Khushalee Vakil, manager of angel affiliations at CIIE, who expects more training sessions will be organised to meet the rising demand.



"It's a relatively new concept in the high-tech industry, and at the end of the day, they are all angels," said Sanat Rao, an angel investor, who advises iSpirt, an Indian software product thinktank.

A Slice of the Action

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Deals like Flipkart – its valuation crossed ₹9,200 crore – and restaurant listing service Zomato, which raised ₹227 crore this year, are motivating wealthy Indians get a slice of the action

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MANDAR MHATRE

Former executive at JPMorgan Chase in Hong Kong, who attended the session

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VIKAS SETHI

Founder of financial services company Sethi Finmart

But others recommend that new entrants learn to be cautious while backing startups. Typically, angel investors take between 10% and 20% stake in a startup with the option to go as high as 30% depending on the risk involved. But on the flip side, the industry average points to just two or three startups out of ten succeeding.

"I would be cautious in setting expectations, especially if there are people looking at it only for return on investment," said Sundi Natarajan, an angel investor, who has backed a number of startups through the Indian Angel Network, in addition to funding robot maker Grey Orange Robotics. He typically invests up to Rs 1.2 crore in a company. "Angel investing is not like an MBA that can be taught; it is born out of passion," he said. But thanks to examples such as Flipkart — its valuation crossed \$1.5 billion (Rs 9,200 crore) — and restaurant listing service Zomato, which raised Rs 227 crore this year, wealthy Indians are hankering to get a slice of the action. Mhatre, who is looking to invest across diverse areas, said he would like to devote about 5% of his liquid assets in startups, and calls angel investing "a slot between gambling and equity".

Forty-year-old Vijay Talreja, former vice-president of Accenture India, said he has invested in all asset classes, including equity, mutual funds, real estate, and wanted to try his hand at angel investing, before turning to art and wine. He has bought a 15% stake in a personalised retail apparel store and 3.5% stake in a big data and

analytics firm so far. "I am looking at riding my experience in the software and financial services industry," he said.

Many of these new entrants said they would also look to join the top angel networks, with many having applied for membership at the Mumbai Angels Network. Sethi of Sethi Finmart expects to allocate up to 10% of his liquid assets for investments in some 10 startups through networks such as Mumbai Angels Network. "I'd like to go after big names. It is herd mentality, but that's how I would like to begin, by working with the group."