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Venture capitals seek angel investors to grow seed portfolio

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MUMBAI: Top-tier venture capital firms in India are roping in successful entrepreneurs and executives as co-investors as they look to build a portfolio of seed investments. SAIF Partners and Sequoia Capital India are roping in top Silicon Valley engineers like Greg Badros and serial entrepreneurs like UnitedLex's Ajay Agarwal to help mentor these startups.

While venture capital firms certainly have the cash to invest, they are limited in terms of bandwidth to mentor these companies as they are focused more on their larger bets. The mentoring required could range from technical to operational to networking.

SAIF is looking to bring in angel investors at a time when it is making an aggressive push towards expanding its seed portfolio.

VCs Feel Startups Scaling Up Faster

"One of the big questions over the last 12-15 months is how do we start to support these startups given our bandwidth," said Mukul Singhal, principal at SAIF. By roping in angels, SAIF Partners would help the startups get mentoring and angels would also have "skin in the game."



For instance, it recently led a \$500,000 investment in New Delhi-based Appiterate, which helps publishers optimise mobile apps. After its investment, SAIF introduced the company to Greg Badros, who was earlier a top engineer at Facebook and Google. Badros along with Prashant Malik, another former engineer at Facebook, also participated in the round.

"While SAIF is very strong in the Indian market, our product was targeting a global customer base. We wanted someone well known and connected in Silicon Valley," said Tanuj Mendiratta, cofounder of Appiterate. This strategy has also been adopted by Sequoia Capital which has worked with serial entrepreneurs like Agarwal, Sashi Reddi, Dhiraj Rajaram and Rajul Garg on investments.

"We invite current or past entrepreneurs to serve as advisors and mentors to our younger portfolio companies, where they can bring domain knowledge and their insights from company building to benefit startups. Often, these will manifest in the form of co-investments with Sequoia Capital or advisory/board seats for our more experienced entrepreneurs," said Sequoia MD Shailendra Singh.

Reddi, whose firm AppLabs was acquired by NYSE listed CSC in 2011, co-invested with Sequoia Capital in Shopo which was acquired by Snapdeal last year. Agarwal, whose new venture Sirion-Labs is backed by Sequoia, said that some of these startups have new business models which need to be proved and require less capital at earlier stage.

"Ability of VC firms to allocate resources to manage and mentor these investments is not available, which they offset by leveraging intelligence of entrepreneurs who have cashed out of their companies," said Agarwal, who has worked on three such undisclosed investments with Sequoia.

Garg, who co-founded Pine Labs and GlobalLogic, said that there is no formal structure to such deals which create a future pipeline for VCs. "They may come across a deal where capital requirement is small and refer those deals to us for an investment," said Garg, who makes angel investments in technology and healthcare. His investments like hospital management firm Cygnus and healthcare focused e-tailer Healthkart have seen participation from Sequoia.

VC firms' push towards seed deals comes as they feel startups are scaling up faster and quality of entrepreneurs has also significantly improved. Interestingly, both SAIF and Sequoia have also backed Sasha Mirchandani's seed stage firm Kae Capital as limited partners (LPs) in 2012.

"Scaling up is faster since market sizes have become very sizable. Because of social media layer, distribution mechanism has become easier and cost of experimentation has come down," added Singhal. Back in 2011, SAIF had also roped online travel portal MakeMy-Trip founder Deep Kalra as investor in apparel e-commerce player Zovi.

SAIF which has been an early backer of companies like OTA MakeMytrip and local search engine JustDial, is seeing more promising startups and plans to make 7-10 seed investments ranging from \$200,000 to \$1 million every year. SAIF Partners has a team of three looking at such deals. The venture capital firm actively started looking at seed companies in 2013 and now sees over 100 deals a month.