

Venture Capital

FUTURE LEADERS

Ten start-ups to watch for in the new year



HEMANT MISHRA/MINT

Chosen ones: Founders of Ziva Software Pvt. Ltd Ajay Sethi (right) and Sameer Shishodia.

They stand out for the products or services offered, founder credentials and new business models

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MUMBAI

It was the year of networking for the nascent Indian start-up economy. Entrepreneurs mixed work and play at informal gigs such as Bar-Camps and Open CoffeeClubs or competed for attention and venture funding at business plan contests and start-up showcase events. It is difficult to pick any one forum as the most influential, but in terms of bringing start-ups closest to their natural partners, venture capitalists, business plan contests and showcases win hands-down.

In 2007, a couple of thousand, perhaps more, start-ups sent in applications to business plan contests and more than a hundred made to the final shortlists. When *Mint* put together a list of the 10 most interesting start-ups to watch in 2008, we decided to use those shortlists as a reference point. The forums we picked our 10 start-ups from include Proto.in, MoDeMo, the National Association of Software and Services Companies (Nasscom) annual list of innovators and TiE-ISB Connect. Proto.in was born out of Bar-Camp Chennai and is possible the only start-up showcase of its kind in the country. It does not declare winners but shortlists 20 business plans, which are showcased to venture capitalists. MoDeMo, a mobile application demo event was born out of Mobile Monday Bangalore. About 20 start-ups made it to Nasscom's annual list of innovators. TiE-ISB Connect, the annual business plan showcase by The Indus Entrepreneurs (TiE) and the Indian School of Business (ISB), saw 400 initial entries, virtually double the number it received in 2006.

It has been tough arriving at the final 10, more so because there are bound to be several other interesting companies that did not feature in any of these contests or showcases. The final 10, we think, stood out from the rest in terms of the products or services of-

fered, founder experience and credentials, differentiated business models and potential market opportunity. We put them forward not just as interesting companies to watch for but also as representatives of the infectious and powerful wave of entrepreneurship that is now sweeping the country.

1. Sloka Telecom Pvt. Ltd

Founder(s): Sujai Karampuri and Venkata Subbaiah
Space: Telecom infrastructure
Funding: Self-funded

Description: Sloka Telecom Pvt. Ltd makes wireless equipment for WiMAX and 3G (third generation telecom) networks. The Bangalore-based company, which was shortlisted for Proto and Nasscom's 100 IT Innovators 2007, claims its technology will help reduce operator capital expenditure (capex) by up to 50%. It recently rolled out its first WiMAX network in Saint Medard en Jalles in France.

2. Dim Dim Inc.

Founder(s): D.D. Ganguly, Jayant Pandit, Saurav Mohapatra, Sundar Subramanian and Rohit Shankar.
Space: Online Web conferencing
Funding: \$2.4 million (Rs9.4 crore) first round funding by Nexus India Capital and Index Ventures.

Description: Dim Dim Inc. offers free online Web conferencing solutions based on open source software. Its founders, scattered across the globe, came up with the idea while trying to communicate with each other. Shortlisted for DEMO, the Silicon Valley-based product showcase, and the TiE-ISB business plan showcase, Dim Dim is up against larger players such as Cisco Systems Inc., which owns Web conferencing company WebEX Communications, and Microsoft Corp.

3. Ziva Software Pvt. Ltd

Founder(s): Ajay Sethi and Sameer Shishodia
Space: Mobile search
Funding: \$1.7 million by Nadathur Holdings and Investments Pvt. Ltd

Description: The Bangalore-based start-up, which offers mobile search services under the brand Zook, has recently launched a service to answer any question posed by users, using a combination of database and mobile social communities. Incubated at the NS

About 20 start-ups made it to Nasscom's annual list of innovators

Raghavan Cell for Entrepreneurial Learning (NSRCEL) on the Indian Institute of Management (IIM), Bangalore campus, Ziva Software Pvt. Ltd was shortlisted for the second edition of Proto.

4. Novatium Solutions (P) Ltd
Founder(s): Rajesh Jain, Ray Stata and Ashok Jhunjhunwala
Space: PC hardware
Funding: Undisclosed investment by NEA and NEA IndoUS Ventures

Description: Novatium Solutions (P) Ltd, which was shortlisted for Proto, makes thin client personal computers. Its founders come from impressive backgrounds—Stata is chairman of Analog Devices Inc.; Jain is a serial entrepreneur best known for his Internet company Indiaworld.com, which was acquired by Sify Ltd for \$115 million in 1999; Jhunjhunwala established the TeNeT (Telecommunications and computer Networking) Group at the Indian Institute of Technology (IIT), Chennai. Novatium recently tied up with Mahanagar Telephone Nigam Ltd (MTNL) to offer low cost, Internet-enabled PC's in Delhi.

5. iXiGO.com (Le Travenues Technology Pvt. Ltd)

Founder(s): Alope Bajpai, Rajnish Kumar and Jens Schutter
Space: Online travel
Funding: Closing pre-series A funding

Description: iXiGO.com, a late entrant in the online travel space, says its differentiated business model helps reduce cost of operations, which allows it to scale faster. Instead of booking tickets on its site, it re-directs customers to airlines' home pages, for which it collects a fee from the airlines. Its founders worked for several years at European travel site Amadeus.net before moving to India in 2006. The company was shortlisted for Proto and Nasscom's 100 IT Innovators 2007.

6. MobME Wireless Solutions Pvt. Ltd

Founder(s): Sanjay Vijayakumar, Sony Joy and Kenney Jacob
Space: Mobile content sharing
Funding: Undisclosed angel investment

Description: MobME Wireless Solutions Pvt. Ltd's platform allows users to post and share photos from their mobile phones. The company, launched as a subsidiary of Thiruvananthapuram-based mobile advertising start-up Torque Technology Solutions, recently tied up with Café Coffee Day to launch a bluetooth-enabled service that allows a user to broadcast his photo on TV screens across 30-odd outlets. MobME's founders are among the youngest on this list—the company was born as a student project that turned into a full-time venture in 2005. It was listed among Nasscom's 100 IT Innovators 2007.

7. Anantara Solutions Pvt. Ltd

Founder(s): G.B. Prabhat
Space: IT enabled services
Funding: \$6.5 million by Helion Venture Partners, Walden International and SVB Financial Group.

Description: Anantara Solutions Pvt. Ltd offers "second generation outsourcing" solutions, which combines IT services with business consulting. Founder G.B. Prabhat was earlier instrumental in building a business platform at Satyam Computer Services Ltd that had earned the company \$200 million in revenue at the time he quit. The Chennai-based start-up was short listed for Nasscom's 100 IT Innovators 2007.

8. Tyroo Media Pvt. Ltd

Founder(s): Harish Bahl, Manish Vij, C.P. Singh, Aditya Khanna
Space: Online advertising
Funding: Undisclosed investment by Yahoo Inc.

Description: Tyroo Media Pvt. Ltd is an online advertising network that uses proprietary targeting technology to ensure advertisers reach out to the right websites from its inventory of publishers. Internet company Yahoo picked up at least 35% stake in Tyroo for an undisclosed amount in July 2007. Incubated by Delhi-based digital media company Smile Interactive Technologies Group, Tyroo was shortlisted for the second edition of Proto.

9. Mango Technologies Pvt. Ltd

Founder(s): Sunil Maheshwari, Lekh Joshi
Space: Mobile applications platforms
Funding: Self funded

Description: Mango Technologies Pvt. Ltd develops mobile platforms to enhance user experience on low-end handsets. Incubated at NSRCEL on the IIM, Bangalore campus. Works with handset and chipset manufacturers to build platforms that allow rich media applications on a light framework. It was shortlisted for Nasscom's 100 IT Innovators 2007 and showcased its product at mobile demo event MoDeMo in December.

10. Zoho (AdventNet Inc.)

Founder(s): Sridhar Vembu and Tony Thomas
Space: Online Web applications
Funding: Self-funded

Description: Zoho showcased its product at DEMO this year. It offers a number of online office tools such as word processor, project management software and CRM solutions. It competes with Microsoft and Google Inc. Software product development is done out of Chennai.

NEW AVENUES

VCs gear up for more investments in 2008

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MUMBAI

After raising funds and setting up teams in the last 18 months, venture capitalists (VCs) are now ready for some serious action. Investments will accelerate in 2008 and teams will be expanded to accommodate the increase in deal flow. Firms such as Matrix Partners India, Norwest Venture Partners and Canaan Partners will add investment partners while ePlanet Ventures, Helion Venture Partners and NEA IndoUS Ventures plan to hire associates at different levels.

The year 2007 saw VC investments scale \$900 million (Rs3,546 crore), according to industry reports. VCs invested more than \$777 million in 57 deals in the first nine months of 2007, according to Dow Jones VentureOne and Ernst and Young. This is about five times the \$158 million invested in the same period in 2006. Silicon Valley's best, such as Norwest Venture Partners and Draper Fisher Jurvetson set up offices here. Bessemer Venture Partners earmarked a third of its \$1 billion global fund for India.

New sectors, old sectors

Education and energy top the list of emerging sectors VCs are keen to invest in. Online learning services have started attracting investments—in the last three months, three companies—Hurix Systems Pvt. Ltd, TutorVista.com and 24x7

Learning Solutions Pvt. Ltd—together landed funding of close to \$12 million. Firms are also scouting for clean tech companies to bet on. VCs continue to remain bullish on the consumer Internet and wireless space. Some, however, are cautious about investing in mobile services companies, while the operator continues to keep the lion's share of the revenues.

Moving into growth

As fund sizes get larger, firms will invest larger amounts in companies in 2008. Matrix Partners India, for example, expanded its corpus from \$150 million to \$450 million so it can invest in growth as well as early stage companies. Lightspeed Venture Partners, which does not have a dedicated India corpus, will do more growth deals as well. ePlanet Ventures, in the process of raising a \$500 million global fund, will increase deal sizes after April. Canaan Partners, Norwest Venture Partners and NEA IndoUS Ventures will also invest in some growth companies.

Concerns

"Valuations, valuations, valuations!" says Avnish Bajaj, MD, Matrix Partners India, when asked about concerns for 2008. It is a sentiment echoed by most VCs, who fear overheating of the market, especially for growth companies. While valuations in early stage companies are not as affected by the stock market as later stage private equity deals, the effect may trickle down, say VCs.

mint Venture Capital Deal Counter 2007

Venture capitalists invested over \$900 million across 80 deals during the calendar year 2007

Top 10 Venture Capital Deals

Company	Description	Deal size
ISGN Technologies Ltd	KPO for mortgaging services	25 mn
Investor: NEA, NEA IndoUS Ventures		
Adventy Pvt. Ltd	Business services	20 mn
Investor: Norwest Venture Partners		
Makemytrip.com	Online travel	15 mn
Investor: Tiger Management, Helion Venture Partners, Sierra Ventures, SAIF Partners		
Kirusa Inc	Voice SMS	13.3 mn
Investor: Nexus India Capital and Helion VenturePartners.Qualcomm Ventures, EastvenPartners, Erasmic Venture Fund		
TutorVista Global Pvt. Ltd	Online learning	13.3 mn
Investor: Manipal Education and Medical Group (MEMG) International India Pvt. Ltd, Lightspeed Venture Partners, Sequoia Capital India and Silicon Valley Bank		
Itzcash (Intrex India Ltd)	Prepaid cash cards	10 mn
Investor: Matrix Partners, Intel Capital		
Four Interactive Pvt. Ltd	Online local information search	10 mn
Investor: Lightspeed Venture Partners, SVB Capital, Matrix Partners		
Mindworks Global Media Services Pvt. Ltd	Publishing and media outsourcing	10 mn
Investor: Helion Venture Partners		
Microqual Techno Pvt. Ltd	Telecom equipment	10 mn
Investor: NEA IndoUS Ventures, BTS Investment Advisors and JAFCO Investment		
DGB Microsystems Pvt. Ltd	Wireless communications	8 mn
Investor: Clearstone Venture Partners, SIDBI Venture Capital		

Top Five Venture Capital Funds Raised

Fund	Firm	India corpus (\$)
Matrix Partners India Fund	Matrix Partners India	450 mn**
BVP VII	Bessemer Venture Partners	350 mn**
Sequoia Capital India III	Sequoia Capital India	300 mn
NEA IndoUS Ventures	NEA IndoUS Ventures	189 mn
Nexus India Capital	Nexus India Capital	100 mn

Note: Includes funds closed in 2007 only

* - Matrix expanded existing corpus from \$150 mn to \$450 mn

** - Bessemer has earmarked \$350 mn out of its global \$1 bn fund.

Top 10 venture capital deals include announced and completed deals. Data for the Deal Counter has been sourced from Thomson Financial, Grant Thornton and in-house research from venture capital firms who did not want to be named. A single source of data could not be used because each source applies its own distinct methodology for calculating investments. Investments by angel investors and other corporate entities have not been taken into account. All figures are in \$ million.