



GSF Report

Trends, Insights and Themes
captured at GSF 2011

November 14-15, 2011

Leela Kempinski, Gurgaon

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“Had such a wonderful time at GSF! Thanks for inviting me“ Dave McClure, 500startups

“It was a great event!” Rosemary, Kindon Capital

“Very insightful” Juneli Rai Wellcome Trust

“Many thanks for including me in this excellent event” Bejul, Somaia Lightspeedvp

“Good array of start-ups, angels and speakers. The debates were energizing, and the atmosphere infectious” Alok Gupta AlphaInsight Ventures LLP

“Thank you very much for organizing this great forum! I really enjoyed attending” Arne Christes, AC
CHRISTES & PARTNER

“Attending the Superangels was an absolute delight. The efficiency of organization, the great turnout, and participation was testament to your great network and organizational skills.” Amit Saxena Gem Holdings

“Phenomenal event” Niren Shah NVP

“Thanking you for organizing such a splendid forum. It was world class in all respects. Well done”

Ajit Surana Dimensional Holdings

“Fantastically organized event. Am confident that we will find opportunities to invest in some of these companies” Upal Basu Nokia

“Congratulate you on your event in Gurgaon. It was indeed a world- class event with participants that brought tons of value to the companies and the quality of the networking was second to none. The quality of the investment opportunities was also similar. Kudos for pulling this off! The buzz in the room was electrifying” Raj Narula, Tera Span

“The quality of the entrepreneurs was fantastic and I may end up investing in one or more of the super 30 companies” Vikrant Bhargava, Veddis

“Congratulations for putting together a stellar event. I am sure it will quickly become an annual feature” Pankaj Makkar, MD Bertelsmann India

“Great conference” Amar Goel Komli

“Congratulate you and thank you for arranging the whole platform. I must say that it was the best of the various forums I have been to, which focus on Angels and/or startups. I must specially congratulate you for pulling off the feat of getting angels to commit to investments there and then. Also, the constant smile and energy of your team on the d-day belied the hard work & sleepless nights that might have gone into making it this successful” Pranay Gupta, IIMA

“Great execution by Super Angel Team! Super “Anand Kumar, Partner, Sand Hill Counsel

“ A massive congratulations on GSF2011, it was a fantastic event! And thanks for the invitation” Adil Mohammed, Launch 48

“Thank you for inviting me. It was an awesome gathering, to say the least!” Mudit Seventymm

Key Takeaways

- ❖ Most early stage investors believe that India is at the cusp of the broadband revolution. It is seen as a transformative opportunity by investors and start-ups alike. From 80 million unique users in 2011, Indian Internet user base will grow to 300 million in 2015 with over 70% accessing Internet on Mobile.
- ❖ **E-commerce, Mobile and Education** sectors are seen as the most exciting opportunities in India by the angel and venture community. Investors at the conference were generally positive on the evolving “**Mobile and Smartphone**” led business models in India.
- ❖ Indian entrepreneurial engine has taken off: there has been a big surge in the number of start-ups in the last 12-18 months, with many high quality teams now looking to build businesses around a diverse range of opportunities.
- ❖ Angel community is still very small and nascent in India. Although there is scope to fund between 500-1000 start-ups every year, no more than 50 have been funded by the angels in the last year.
- ❖ Mumbai Angels and Indian Angel Network are the two well-established angel clubs in India. Year 2011 saw the formation of a few new clubs such as Chennai Angels and Hyderabad Angels.
- ❖ Founders of young start-ups are looking for mentorship, not just the initial capital from the angels. Many founders believe that angel community has not been able to help them in many critical aspects of business building.
- ❖ Relationship between the VCs and the angels in India is not experiencing the stress that is visible in the US. In fact, many VCs would like to collaborate with a segment of angels in building deal pipelines. A few VC were also okay with giving angels exits in series - A rounds.

- ❖ Most of the angels and VCs are not yet willing to fund pure product companies in India, especially the ones without clear revenue models. While some founders are optimistic about building global product type of companies out of India, investors remain hesitant.
- ❖ India is likely to see multiple cross-border collaborations in early stage investing. A number of US based Superangels such as Dave McClure, Jeff Clavier and International groups such as B-2-V are positive on the early stage investments in India.
- ❖ Year 2010 -11 has seen the launch of a number of incubators, especially in the private domain. But most incubators are not yet sure of their business models and are experimenting to find the right formula.
- ❖ Most start-ups are concentrated in the three major hubs: Delhi-NCR, Mumbai, and Bangalore. Hyderabad, Chennai and Pune have emerged smaller hubs. Clearly, India is a multi-hub country with start-up activities and innovation spread in many different cities.
- ❖ Rajesh had met around 400 start-ups during the run-up to GSF 2011. **Out of the 44 companies (GSF Super 33 and GSF Hot 11) that were showcased**, 11 were from Mumbai, 9 from Delhi-NCR, 8 from Bangalore, 4 from Chennai, 4 from Pune, 3 from Hyderabad, 1 each from Udaipur, Jaipur, Baroda, Singapore and London. Despite his best efforts, he could not find a worthy company from Calcutta.

Session 1: Panel on the state of Angel Investing in India, US and Europe

Session Chair: Rajesh Sawhney

Participants:

- Sasha Mirchandani-Founder, Mumbai Angels
- Florian Schweitzer – Founder, B-to-V Network, Europe
- Dave McClure–Founder, 500 startups, Silicon Valley
- Pradeep Gupta – Founder, Indian Angel Network, Delhi
- Sudhir Rao – Chennai Angels
- Alok Agarwal –Mumbai Angels

Session Highlights:

The session began with **Sasha** giving a background of Mumbai Angels that has done 38 angel deals so far. Size of a Mumbai Angel deal typically varies from \$ 1/4 M up to \$ 1 M. Members of Mumbai Angels look at 4 deals every month and make one investment every month on an average. Majority of the investors in Mumbai Angels come from the financial services sector. However, they have now started to actively induct members from other domains.

Dave McClure of 500 startups has been investing in search of a big hit like facebook or twitter. He believes in software, internet and mobile stories and does about 100-150 investments/year with 50% of these being incubator-led and the other 50% being seed stage. Dave has invested in 220 companies so far, out of which 40 companies have women founders. Most of his founders are first time entrepreneurs, many of whom have between 5-10 years of experience with the leading valley based companies like facebook, twitter, google.

Pradeep Gupta felt that the Indian Angel Network members prefer to invest behind founders with experience, though they are age agnostic. He admitted that IAN members are not yet confident of funding college- based start-ups. His message to startup was, “ Be passionate about your business, live your dream!”. He felt that there was not much friction as yet between Angels and VCs. They need each other at this stage of evolution. IAN members are open to invest in international opportunities and have invested in 3 international deals so far.

Florian from B-to-V, Europe, informed that his network looks at about 40/50 business plans every month. They get this deal flow due to the excellent reputation of the B-to-V and the profiles of its members. Many of them have successfully built and sold businesses in Europe. They get a large number of deals from their members. He identified smart-phones as his number one opportunity in India.

Sudhir informed that Chennai angels, the youngest angel group in India, has 17 members and has completed about 8 deals so far. Typical investment size is about US \$ 400,000/- and they take about 30% stake. Chennai Angels have invested in diverse sectors such as real estate, telecom, IT, and even food business.

Sasha feels that there are serious challenges in making angel investments in a club type of arrangement. Multiple investors get involved in each deal and potentially one investor can derail the entire process of investing or harvesting. Most of the issues have to be sorted out through repeated discussions among the members and this causes delays and loss of opportunities at times. Disallowance of LLP structure is a big hindrance.

As far as the problem of multiple investors is concerned, Dave felt that for each deal, one member should take a lead role and others should rally around him or her. Regarding international opportunities for 500 startups, Dave is setting up programmes in China, Brazil, Russia and India. He dismisses the impact of the recent global turmoil on angel investing. He will continue investing for the next 5 years. According to him, the recent crisis in Europe will have little impact on the angel/seed investing in the US and the emerging markets like India and China.

As far as the fear of a **valuation bubble** is concerned, Pradeep felt that it has not been a big issue for the type of deals that IAN does. In a few cases where they felt this challenge, they were able to take care of it through appropriate structured instruments.

Florian mentioned that for each deal that b-2-v does, one of their members takes the board lead, usually someone with a relevant sector expertise. There is also a support team at B-to-V that looks after the administration work, while angels concentrate on the deals and companies. There is a 50-member team working with 400 angels in their network. The investment model is globally local. They prefer investment in areas where their members are present.

Session 2: Rajesh Sawhney in Conversation with Jeff Clavier

About Jeff Clavier, Managing Partner, Softtech VC

Based in Palo Alto, California, Jean-Francois “Jeff” Clavier is the Founder and Managing Partner of SoftTech VC, one of the most active seed stage investors in Web 2.0 startups. Since 2004, Jeff has invested in over 100 consumer internet startups (Fund I, Fund II, Fund III) in areas like social media, monetization, search, gaming or B2B/B2C web services. These investments are typically located in Silicon Valley, Newyork and Boulder. With over 20 years of operational, entrepreneurial and venture capital experience, Jeff is able to add relevant perspective and value to his companies as they grow from inception to maturity.

Jeff’s Views on Investment:

Jeff has so far invested in about 113 startups. His team looks at about 300 opportunities in a month and does about one-two deals a month. Most of the investments are in companies with products in alpha stage.

He is bullish on:

- 1) **Applications on smart-phones,**
- 2) **Revival in the e-commerce space** and
- 3) **SaaS, especially the vertical Services.**

While considering an investment in a start-up, he looks at the following three criteria:

- 1) People behind it,
- 2) Product they are building, and
- 3) Market opportunity they are addressing.

Jeff looks at founding team keenly and is excited about the companies building transformative products.

His first filter is to fund products/teams that are playing in a large enough market opportunity so that the company can scale to a revenue of \$100 mn in 5 years.

He likes the teams that have great talent in design/ development/ distribution, which he feels are the key components of success.

He advocates a strong CTO/Design person in the investee company.

He spoke about his 3 recent investments:

Mobile: (Geegok)– Offers very local cheap labour (geo-enabled).

Ecommerce: (Fab) – Flash components are very fast, amazing experience for great product selection.

SaaS – (Visual) – the place to discover great info-graphics.

Jeff on Global business models:

He likes to invest in companies that are building products with global appeal. He advises companies to stay focused on the user/customer experiences and let communities drive global adoption.

Jeff on investing in India:

He would be keen to look at a great product company with a global appeal, though his bar is very high.

Session 3: Founders Panel- When it is more than an idea: building companies from scratch.

Nine founders at different lifecycle stages in discussion with Sandeep Murthy, MD, Sherpalo and Chairman, Cleartrip.com

Participants:

- Naveen Tiwari: Founder, Inmobi
- K Ganesh, Founder, Tutorvista
- Vishal Gondal: Founder, Indiagames
- Srinivasu Vasu: Founder, BillDesk
- Phanindra Sama: Founder, Redbus
- Pavan Vaish: Co-founder, Daksh
- Vijay Sekhar Sharma: Founder, One97
- Ravi Pratap: Co-founder, Mobstac
- Shalini Pillai: Co-founder, Brand Idea

How much should one raise in seed rounds? This was the first question that the panel addressed. **Ganesh** felt that founders should raise money to suit the business model and not vice versa. He explained that with the examples of the 4 companies that he has founded so far, two of which were bootstrapped. He raised external funding for the other two since these required more money than he had.

Naveen felt that a founder should not distinguish between an angel/seed round and subsequent VC rounds. The purpose of each investment round is to take the business to the next level.

Vasu shared his experience of setting up Billdesk almost a decade ago. Then, the venture industry was nascent and not willing to fund his business that had revenue cycle 5 years out. For him, the first investor was a bank, a strategic player. Along with the bank, he also brought in a public sector VC subsequently.

Pavan mentioned that this motivation behind doing angel deals is the immense value creation potential. Mentoring and reverse learning is also important for many angels as they seek to get involved with the start-ups.

Shalini felt that the tweaking of the business model could be an option to get funding for angels. They would not have got any funding from the Mumbai Angels if they had stuck to the original business plan which envisaged much bigger investments before any revenue came in.

Most founders felt that there were multiple challenges in dealing with the angel community. Ganesh felt that the biggest challenge is that angels tend to disappear in bad times. Angels should work with the promoters through thick and thin. The other challenge in India is the lack of M&A opportunities for businesses that could not be scaled for an IPO.

However, **Vishal** had a different view on exits. He felt that the founders should not concentrate on the M&A exits. The focus should rather be on building a great business and a kick-ass product.

Vijay, one97, felt that the founders should look at seeding other young companies to spur innovation in their company: to do something that their own company is not able to do internally.

Naveen of inmobi has funded a few start-ups that his erstwhile team members have built. He felt that people component is the most significant peg in his evaluation of a start-up. At the end, it is about people who are passionate about their ideas and business.

Finally **Sandeep Murthy** summed up the key takeaways for the new founders, “find friendly, patient angels who share a vision.”

Friendly: Most founders have raised their angel capital from their friends/former colleagues and people who knew them well.

Patient: Most companies took longer to develop than originally anticipated and the ones that had patient angels benefitted immensely from them.

Vision: Alignment of thinking and direction was crucial for the companies to ensure that they were able to take the right calls as they moved forward.

Session 4: Rajesh Sawhney in Conversation with Joachim Schoss and Dave McClure

About Joachim Schoss: An accident survivor, Joachim Schoss founded **TellSell Consulting** in 1990, a consulting company focused on innovation in marketing and sales. He sold the company successfully in 1996 to the Beisheim-Group. In 1997, he founded a very successful Immobilien Scout in Berlin along with the Beisheim-Group in 1998 - the holding company of Scout24 AG. Joachim was the biggest private shareholder and the first CEO of Scout24 AG. In January 2000, Joachim was appointed CEO of Beisheim Holding Schweiz (BHS) AG, which was the major shareholder of Scout24 and several other companies. After a serious injury from a traffic accident in late 2002 he sold Scout24 and retired as CEO of BHS in December 2003. Because of his continued support for young entrepreneurs, Joachim was named "Business Angel of the Year 2002" in Switzerland.

Views on early stage Investments:

- His most important criterion while making early stage investment is the quality of the team. He backs entrepreneurs who are 100% devoted to the company.
- He is not looking for perfect entrepreneurs, but for people who are aware of their weaknesses and have the ability to get the right people providing the crucial competencies in the company.
- The next important criterion for him is the business model of the company. A sound business model should have a strong defense against being copied. It should deliver above average profits and address a large market. He also looks at the exit potential, which should happen for him after 5-7 years of foundation of the company.

About Dave McClure:

Dave McClure is a micro VC and founding partner at **500 Startups**, an internet startup seed fund & incubator program headquartered in Mountain View, CA. Dave has been geeking out in Silicon Valley for over twenty years as a software developer, entrepreneur, startup advisor & investor, blogger, and internet marketing nerd.

Dave has a deep passion to help startups with smart products & differentiated marketing strategy. He is a vocal & notable industry speaker on lean startup metrics. He has invested in over 100 startup companies including: Mint.com (acquiredbyIntuit), CreditKarma, Crowdfunder, KissMetrics, Mashery, Sendgrid, Simply Hired, SlideShare, TeachStreet, Twilio, and Wildfire Interactive, among others. He also runs conferences and events on technology, marketing, design, & entrepreneurship such as SMASHsummit & WarmGun.

Views on Investment:

- Dave observed that though venture capital helps other businesses scale up, the VC industry itself is not scalable.
- In today's age of global connectivity, start-ups don't need to invest very heavily in technology and marketing, as there are many efficient tools to build businesses quickly. He observed that web 2.0 companies do not need to pay heavily for software.
- These days, a smart team in a garage can build an online business that can ride on the global platforms such as twitter, facebook and youtube.
- He does not like businesses that have a huge product development cost and significant customer acquisition costs.
- He advocates investing small amounts in a large number of companies instead of backing a few. His approach is to look at a university style model of funding and taking advantage of economies of scale.
- In India, he is super-excited about **mobile and e-commerce** opportunities.

Session 5: Incubator Panel

Participants:

- Sameer Sood, Founder, VH Capital, Moderator
- Dr. Ashok Jhunjhunwala, IIT Chennai, RTBi
- Pranay Gupta, IIM A Sine
- Sushanto Mitra, IIT Mumbai
- Sameer Guglani, Morpheus
- Aseem Chauhan, Amity
- Gautam Sinha, T Labs

Key Takeaways

1. Most incubators are in infancy in India.
2. Incubators attached with IITs and IIMs take a long- term view. Many start-ups remain with them for multiple years.
3. Private Incubators have a more focused approach and take start-ups in batches with a fixed term incubation process.
4. Most incubators have struggled to get expertise and angel financing for their companies.
5. There is still no clarity on which incubator model will create the most value in the Indian eco-system.
6. Most incubators are experiments with inconclusive evidence of success.

Profiles of Top 5 Winners in ‘Super 30’ Showcase

In GSF 2011, 30 companies competed in the ‘Super 30’ segment for the seed round of investment. A panel of eminent personalities comprising Founders, Angels and Venture Capitalists judged the companies.

Winners:

- **Chhotu:** Chhotu is a fast growing e-commerce logistics company providing innovative and cost-effective solution to the e-commerce delivery problems in India. Focused on last mile delivery, it provides reliable services for the zooming e-commerce service providers,.
- **Zivame:** Zivame is India’s largest online lingerie-only store. Retailing premium and super-premium brands, Zivame provides a complete lingerie shopping solution. It has a collection of lingerie suited to the needs of every Indian woman complete with world- class styling.
- **Autowale:** Autowale’s vision is to make commute system better and reliable - not by putting more vehicles on roads. Instead, by re-using existing infrastructure in a more optimized way. Offering radio-auto-rickshaw service is company’s first step towards this vision, as it sees auto-rickshaws as the nerve of commute system, especially in fast growing cities like Pune.
- **Edutor:** Edutor Technologies designs, develops and markets innovative, technology-based educational products. It believes in the power of personal learning and is constantly focused on developing products that deliver engaging and effective learning experiences on tablets.
- **Biosense:** Biosense is focussed on creating a technology solution that not only considers screening for anaemia but also simplifies monitoring on a regular basis. Its non-invasive solution attempts to democratize healthcare by empowering the doorstep health workers and enabling them to proactively screen and monitor anaemia.

Profiles of Super 30 Start-ups showcased

1. 99tests: 99tests.com
2. Aurality: aurality.net
3. Autowale: autowale.in
4. Baldor Tech: Baldortech.com
5. Biosense: biosense.in
6. Brandidea: brandidea.com
7. Cazbak: cazbak.in
8. Chhotu: chhotu.in
9. Dezyre: dezyre.com
10. Dhiti: dhiti.com
11. Edukart/Education Valley: edukart.com
12. Edutor: edutor.com
13. Excellere: excellere.com
14. Floh: floh.in
15. Ideaforge: ideaforge.co.in
16. IntouchiD: thecontactid.com
17. Kixar: kixar.com
18. Meraevents: meraevents.com
19. Mississippi: thestylekitchen.com
20. Mobicule: mobilcule.com
21. Oxylabs: oxylabs.com
22. Political Edge: politicaledge.in
23. Rolocule: rolocule.com
24. Round One: roundone.in
25. Social Wavelength: socialwavelength.com
26. Stayzilla: stayzilla.com
27. Teesort: teesort.com
28. Uniphore: Uniphore.com
29. Unmetric: unmetric.com
30. Zivame: zivame.com

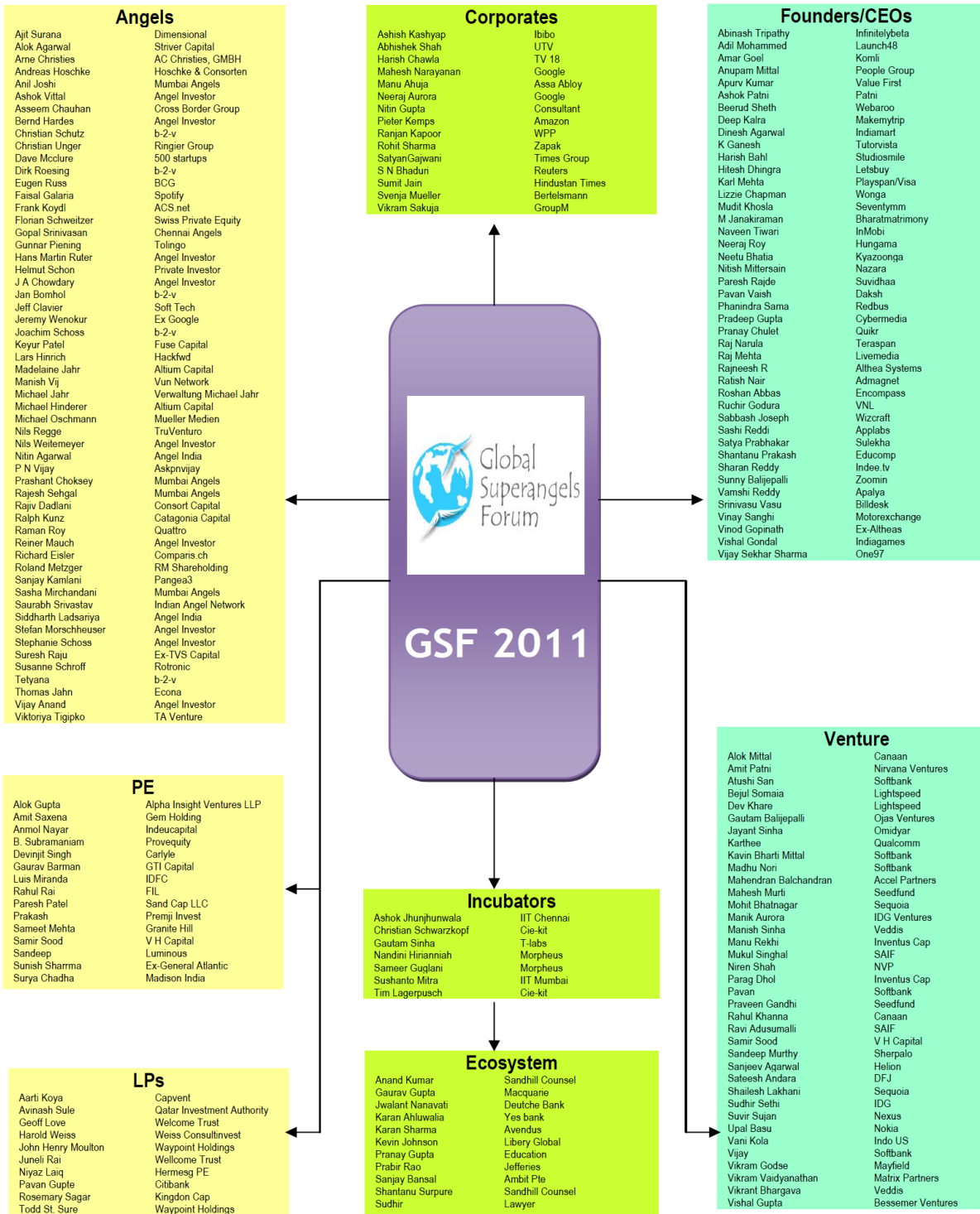
For Details please visit: <http://superangels.in/super33.html>

Profiles of Hot 10 Start-ups showcased

In GSF 2011, 10 companies showcased in the 'Hot 10' segment for series A round of investment. The list of companies is as follows:

- **Cinemacraft (cinemacraft.com):** Cinemacraft Technology's vision is to enable every mobile device to be transformed into a Television. Its patented compression and format (Prime Streaming Format) server technologies combined with html complaint player provides a single solution that can be used to stream to any mobile device on any network.
- **DEXL (dexlacademy.com):** DEXL Education, an institute that prepares students for examinations such as the IIT-JEE at all levels. It has a wider reach with target students being not only the English medium, rather also the ones with a Hindi educational background.
- **Gharpay (Gharpay.in) –** Gharpay is a doorstep cash payment network. Accepting cash payments was painful before it started with the mission of making it easy for customers.
- **Groffr (groffr.com):** Its mission is to promote the concept of group buying to help both the buyer and the seller. It deals in the 'real deals' - real estate, automobiles, electronics - where it aggregates demand for the product and gets discounts that a single buyer would have difficulty in negotiating generally!
- **HealthKart (healthkart.com):** Launched in March 2011, HealthKart is India's first e-health store. It aspires to be the one-stop shop for all consumer healthcare needs for people in India.
- **INI Farms (inifarms.com):** InI Farms is focused on creating world-class horticulture exports business from India. InI Farms is promoted by InI Group. It has extensive credentials in horticulture production and trading business. InI helped create India's largest exporter of fresh fruits (Desai Fruits and Vegetable) during 2005-2009.
- **Mettl (mettl.com):** Mettl is an online assessment and testing platform to measure, analyse and improve people skills. It is ideal for companies who want to run multi-competency assessments for their prospective hires or employees. It focuses deeply on the science of assessments and combines it with advanced technology to deliver highly valid and reliable tests.
- **Mobstac (mobstac.com):** MobStac's mission is to make it possible for people to consume the Internet on any mobile device on the planet by accelerating the availability of mobile Internet content and delivering it to the widest possible audience.
- **Owe Global Solution(ogsswitchon.com):** Owe Global Solutions (OGS) is a technology and solutions company in electronic payment transaction processing and data security space. It has developed a stand alone, next generation; secured payment processing electronic fund transfer Switch (**SwitchOn**) that enables banks to significantly reduce cost of operations, Increase overall processing efficiency, Scale up business faster.
- **Surat Diamond (suratdiamond.com):** Surat Diamond Jewellery manufactures and exports Diamonds, Pearls, Silver and semi precious jewellery. The company is a unique blend of traditional values and leading-edge innovation. Its product range and aesthetic designs have evolved over 3 generations of diamentaires. It has a formidable Internet footprint, with customers buying and gifting our jewelry around the world.

Strategic Map of Investors



Special thanks to the “Superangels of India” Investors and panel of judges

- Deep Kalra, Founder makemytrip.com
- Dinesh Agarwal, Founder Indiamart.com
- Janakiraman Murugavel, Founder Bharatmatrimony.com
- Naveen Tiwari, Founder Inmobi
- Pavan Vaish, Founder Daksh IBM
- Rajan Mehta, Founder Live Media
- Rajesh Sawhney, Founder, Superangels of India Network
- Ravi Adusumalli, Founder, SAIFpartners
- Roshan Abbas, Founder, Encompass
- Sameer Sood, Founder, VH Capital
- Sanjay Singh, Head, Akamai- Asia
- Sasha Mirchandani, Founder, Mumbai Angels
- Vijay Shekar Sharma, Founder, One97

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