

# THE FUTURE IS A STARTUP

Inspired by the success stories of Google, YouTube and MySpace, Indian entrepreneurs are setting up shops on the infotech highway amply funded by venture capital amounting to over Rs 13,000 crore

■ By Nandini Vaish

Every year, Electronic Data Systems (EDS) Vice-President Jerry Rao gets umpteen business plans from IIT and IIM graduates. "Almost one every week," says Rao, admitting that he has only invested in two-three, but looked at about a dozen seriously. In the past, they were mostly emails from distant friends or cousins, college alumni or their friends asking for help in getting jobs or interviews abroad. But of late, it has become emails with massive attachments containing business plans, term sheets, work etc "from people who conveniently claim to admire me and seek 'advice and guidance' with a hint thrown in about seed money," says Rao.

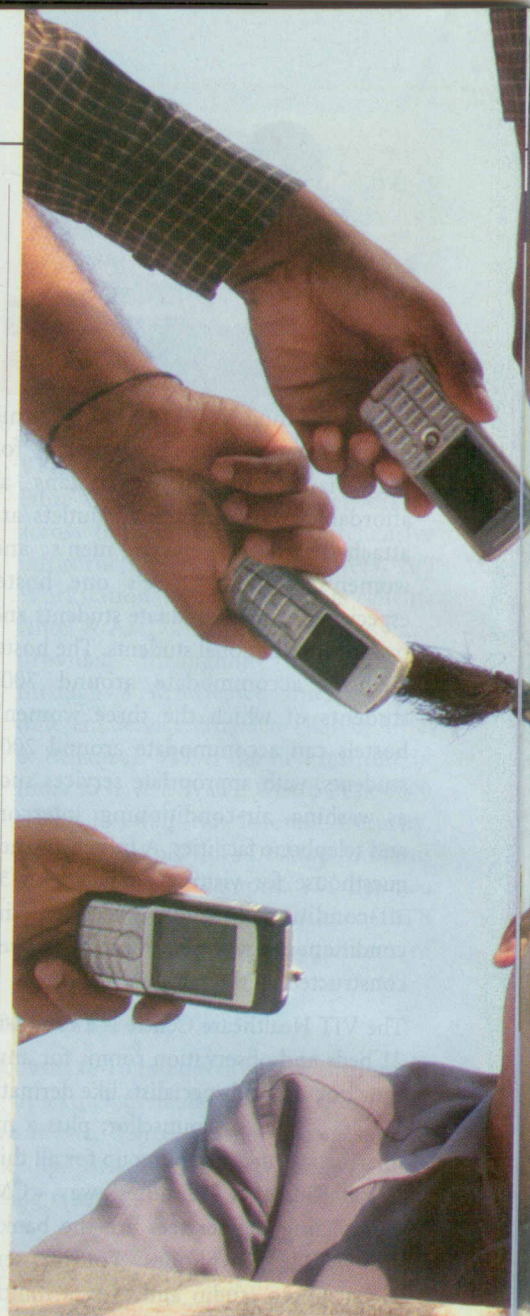
Interestingly, these are all young

people with B.Techs and MBAs who would rather live in India and start companies—that each one of them believes will soon become a Wipro, an Infosys or a TCS—than go abroad and take up a cushy job.

The plans cover an interesting range of subjects—from revolutionising retail trade in Gujarat to transforming point-of-sale analytics, from a new model for insurance intermediation to a theme restaurant that builds on Indian history. But what is telling is the persistence. "They never take a no for an answer... everyone wants 'five minutes' which invariably go on to become two hours," adds Rao.

And every year, this number is increasing. Moreover, with 20 million PC users (growing at 25 per cent yearly)

**HOW ARE YOU BEING SERVED?**  
Agrawal (left) with Baragi



## PAYEEZEE

**COMPANY:** Innoviti

**FOUNDERS:** Rajeev Agrawal, Kaushal Singh and Ashok Baragi

**FUNDING:** Primarily self-funded

Payezee, a wireless credit card swiping machine, will come to the guest's table instead of the card being sent away. The device, which costs \$89, is popular in China, Philippines, Malaysia, Singapore, Indonesia and Nepal. In India, it's being used in restaurants like Dumpukht (Bangalore) and Monza (Mumbai).

**"It avoids credits card frauds and cuts down waiting time in restaurants."**



H.K. RAJASHEKAR



## WIZDOM

**COMPANY:** Valued Epistemics  
**FOUNDERS:** Anand Kannan and Yogish Lavanis  
**FUNDING:** Primary self-funded

Wizdom, a mobile phone software, helps you study for your GRE or GMAT while on the move. The GRE package costs Rs 6,000 and can even evaluate the student's level of preparedness. The cost of using GPRS is Rs 1.5-Rs 2 for an hour-long session, so a course of 60 lessons will be less than Rs 200. A coaching class could cost Rs 8,000.

*"It is interactive and provides a personalised learning experience."*

### DIAL GRE FOR WIZDOM: Kannan (left) with Lavanis

scholar Rafiq Dossani and The Indus Entrepreneurs (TiE) director Asawari Desai. According to the report, over 90 per cent of the vc funds in India got invested in late-stage mature service providers and most of the remaining went into new firms which were merely replicating proven business ideas. Some innovative startups are being funded in India mostly by small Silicon Valley-based vcs. Their success may be important in demonstrating to India-based vcs how to fund product companies. Today everybody wants to be a Google or a YouTube. Many even end up looking like them. Social networking sites such as Orkut and Friendster have spawned a host of me-too's. And if that wasn't enough,

and 142 million mobile users (adding 6.5 million new users every month), India is today a hotbed for innovation in the wireless infrastructure or mobile content space. And people are taking note.

"We have already reached a certain level of maturity in providing services. Now the next level of growth and profitability has to come from innovations," says Kiran Karnik, president, NASSCOM. In short, it's boom time in India and entrepreneurs are scouting for opportunities everywhere. This is not restricted to students only. Buoyed by the success of Google and more recently YouTube and MySpace, even professionals and middle-aged businessmen are looking at starting their own company. Of course, for some, there is the lure of being your own boss before you turn

35. Even venture capital (vc) money into the country is on the rise. According to the Securities and Exchange Board of India (SEBI), in 2006, domestic and foreign vc funds invested Rs 13,480 crore in Indian companies—an increase of over 100 per cent over the previous year—and are now looking at investing in startups. "The new trend is no longer the big company," says Hemant Sachdeva, corporate director, Bharti Airtel. It is now an ecosystem, where everyone has an equal role to play and it is quite ready for the next 10 years now. Adds Nandan Nilekani, CEO, Infosys Technologies, "We are at a stage where the companies are ready to take off."

However, it may still be early days for innovative startups, suggests a report by Stanford University research

SUMEET INDER SINGH



**SCREENING EVERYWHERE:** Vice-president Arvind Jha (front) with Radstone

## HAVA

**COMPANY:** Monsoon Multimedia  
**FOUNDERS:** Graham Radstone, Vadim Dagman and Prabhat Jain  
**FUNDING:** \$5.5 m (founders, angel)

Now you can watch TV channels of any country in India or Indian channels in another country. Hava works by connecting it to your Internet and video source, like a TV, DVD player or set top box. So if you're travelling, you can call a family member back home to play your favourite programme for you which you can watch on your laptop or Smartphone. Hava is available in the US for \$249 but will only be here in the first quarter of 2008.

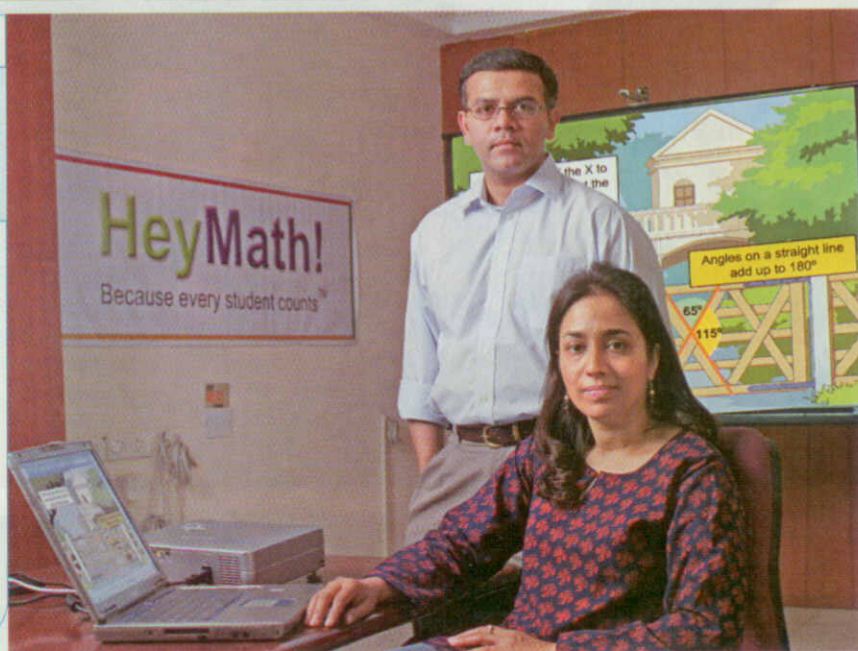
**"Our USP is our simplicity. Hava installs in seven minutes."**

## HEYMATH!

**COMPANY:** HeyMath!  
**FOUNDERS:** Nirmala Sankaran and Harsh Rajan  
**FUNDING:** \$3.5 m (non-institutional)

Heymath! is a software that promises to transform those boring math classes into fun with the use of animation, graphics and quizzes. What would take teachers 4-5 lessons to teach, would now take one. Schools in the US and Singapore are already using it. The India numbers are small, but with prices as low as \$13 (Rs 600) per student annually, many schools are showing interest. There is also a home version, for \$99 (Rs 4,500) a year.

**"Parents can now avoid tuitions, children can learn at their own pace."**



HEMANT CHAWLA

YouTube, Myspace, Flickr, Kodak Photo Gallery, Google have their "Indian versions" today. Even vcs admit that many of the ideas they get are copycats—such as yet another online travel agency or social networking site or online DVD library. Often the business plans are ill-defined.

The flip side is that vcs are rushing to fund what has already been invested in—the online travel space is one such example. The big three in this space have already got two rounds of funding each, leading analysts to feel that it is "overfunded". But Sandeep Murthy,

### **NO-MORE-TEARS FORMULA:** Sankaran (sitting) with Rajan

partner, Sherpalo Ventures, counters: "How to assess whether or not companies are being innovative? You have to consider that the market is early in terms of creating new companies and so one has to take into account how companies actually meet the existing customer needs."

Therefore, principal sources of finance for seed and small enterprises—not just in India but globally—remain informal methods whereas 50-60 per cent startups do without exter-

nal funding. Dossani attributes this to a mismatch between the skills of the investor and the entrepreneur's needs. This again could be due to a lack of technical skills or market awareness as well as the absence of a wide-enough professional network for the early-stage entrepreneur. Says Dossani, "One of the reasons for Silicon Valley's success is its vibrant network of 'weak ties', that is, opportunities for would-be entrepreneurs to interact with financiers, potential co-founders and fellow employees through professional networks. Entrepreneurs or in-

**MOJOPAC PC**

**COMPANY:** RingCube Technologies

**FOUNDERS:** Shan Appajodu, Mike Larkin and Kiran Kamity

**FUNDING:** Self, then \$4 m from VC

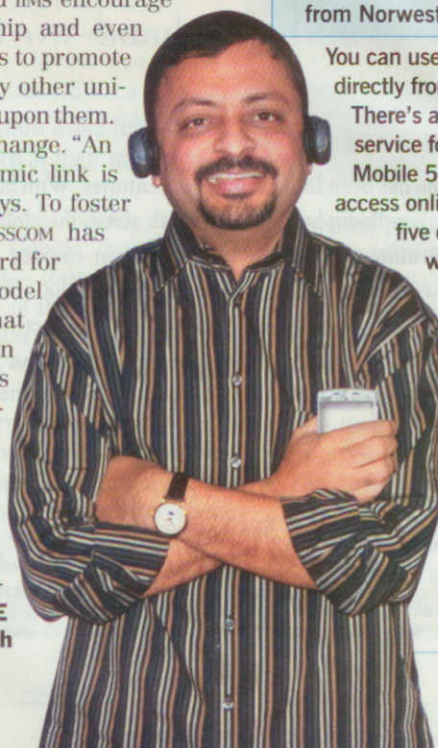
It allows you to turn any USB 2.0 compliant portable storage device, such as flash or hard drives—even an iPod—into a PC. So plug in your MojoPac device into a Windows XP computer and recreate your PC—complete with your desktop, shortcuts, applications and preferences. Slated for launch in India in the next three months, it will support English, Hindi, Telugu, Tamil and Kannada.

*“You can take your PC anywhere without actually carrying it.”*



ventors are more connected to their colleagues in other companies and this allows more experimentation in combining ideas from disparate sources and diffuse them in all directions. These are more useful than the ‘strong ties’ typically found in India, such as family, close business associates and friends, because they enable access to wider networks of people.”

**W**hat needs to be done, says Karnik, is to create an environment that can foster innovation. For instance, educational institutes like the IITs and IIMs encourage entrepreneurship and even have incubators to promote them, but many other universities frown upon them. That needs to change. “An industry-academic link is needed,” he says. To foster innovation, NASSCOM has started an award for ‘Product Model Innovations’ that honours Indian IT companies which have created new ideas, products, processes or technologies. The idea is to build innova-  
**MUSIC TO THE EARS:** Sampath



tion as the key differentiator for the Indian IT and BPO industry. Shortlisted companies—emerging as well as multinationals—will present their product to a panel of judges, who will then decide on the winners.

Some industry-watchers feel that funding by entrepreneurs like Azim Premji of Wipro, N.R. Narayana

**PC REMAKE: Shan Appajodu**

Murthy and Nilekani of Infosys will encourage other entrepreneurs to invest in seed companies. Says Arvind Jha, vice-president, Monsoon Multimedia, “They are thought leaders. If they set the trend, others will follow.”

What is truly encouraging is the emergence of casual, ‘unconference’ kind of platforms for new enterprises. These ‘geek meetups’ are in the form of Bar Camps, Code Camps, Foo Camps, Tech Cocktails, Mobile Mondays, social networking sites like Techtribe.com and the recently-launched Proto, the Indian version of Demo, which has been described as the ‘Sundance Film Festival of technology startups’ and has served as a launchpad for many in the Silicon Valley. These are, in fact, informal meetings where entrepreneurs, VCs, the media and industry professionals gather and companies demonstrate their business models. And the lucky ones get funded.

In our pages, we have identified six product companies that have been innovative. Since most of them are startups, few are currently making money, and some may even fail. But it’s equally likely that somewhere within this group waits the next Infosys. What’s important, though, is that we have the opening notes of a new theme song. As the music builds up with mentorship and funding, it could build into a great opera. ■

**M**  
**COMPANY:** Mercora  
**FOUNDER:** Srivats Sampath  
**FUNDING:** Over \$5 m in Series B from Norwest Venture Partners

You can use M to listen to music directly from the web, for free.

There’s also a mobile/wireless service for your Windows Mobile 5.0 smartphone. Plus access online music libraries of five of your friends anywhere in the world. It costs \$14.99 (Rs 690) for the download and \$5 (Rs 230) per month. To be launched in India in the second quarter of 2007,

*“Sharing music here allows much greater width and depth of content.”*