

Where is the money heading? investors talk at entrepreneur india summit 2016

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2016 has been all about funding and getting the right investors on board. While late rounds have been slow and cheque sizes have diminished, early-stage funding has witnessed a lot of investors support this year.

At the Entrepreneur India Summit in New Delhi, investors from different platforms spoke about challenges of picking the right entrepreneurs and provided valuable insights on the ongoing funding landscape in India and other markets.

When the going is tough, best is to invest?

Sanjay Nath, co-founder and managing partner at Blume Ventures, believes that sometimes it's best to invest, when the going gets tough. According to him difficult funding season will help segregate the chaff from the best startups in the business.

“ We'd like to say that the VC and the funding business is not like fashion, wherein, fads change every month and it's not our business to predict. But one thing I would definitely like to say is that there's a lots of growth in the other India, (i. e.) the B2B or the enterprise market. Whether it's fintech, or edutech or the SaaS market, a lot of core businesses and IT led businesses are going to get funded. Even in the B2C, it's not going to be just pure-play, but a lot of enablers are going to get funded,” he said.

When asked about his expectations from the government for the ecosystem, Sanjay said that it was too early to talk about the government's initiatives, but said that it was very positive that these initiatives were taking place.

Amit Somani, Managing Partner at Prime Venture Partners, spoke about why his firm actively invested in early-stage startups this year. According to him there is great opportunity in fintech and other types of early-stage start-ups, which hasn't changed and hence, they have actively invested in 2016.

When asked for domains that the firm plans to focus on for the next 6-7 months, Amit said, " We are very bullish on fintech - disruption of financial services using technology. We are looking a lot on global SaaS and thirdly, we are also looking at SMEs that are also beginning to use technology."

Sandeep Murthy, Partner at Lightbox, said that early stage doesn't feel the impact of downturn because according to him at an early stage, all you have is an idea and a concept. " At an early stage, whether the market is hot, or whether the market is bad, you are still out there trying to convince people about your idea. In a hot market finding talent might be a bit of a challenge, whereas, finding money might be easy. I think there are pluses and minuses to any cycle and the thing to remember for any startup is that every cycle is like a roller coaster ride and things will go up and they will come down. The thing to remember is to be prepared and get your house in order to ride the next wave out," he said.

Sandeep, like Sanjay Nath of Blume, agreed to the fact that recessions are times to get the best companies built. " Companies that come out of this are going to be very strong and are going to have strong fundamentals with great amount of learning," he said.

Is SaaS the new gold in startups?

A couple of investors there showed their interest in funding SaaS-based models. On asking what makes an ideal SaaS -based model, Prashanth Prakash, Partner at Accel Partners said, “ Entrepreneurs starting enterprise companies really don’t need to be good only in product, but the combination of products and online marketing. We have found very few teams, which have both the engineering and product sense and at the same time can market the product. The maturity of a team that can build a good SaaS product will take some time in our ecosystem. But I think that’s where good role models like Freshdesk and mentors come into the picture,”

“ I think you are starting to see entrepreneurs go after this space with the right teams and in some cases they need cross-border capabilities. It’s not enough if the team can build the product and market it, but it’s important that they market it globally. So if one of the founders has not lived abroad or one of the founders has no roots in the western geographies, it’s again difficult if he is a first timer in this space,” Prashanth added.

According to Prashanth there are two broad categories of SaaS- horizontal and vertical. “ A horizontal product would be HR that will cater into payroll and other things. Vertical SaaS is an area we at Accel really focus on, because we believe these are high-value disruptive opportunities,” he said.

Startup landscape in India’s neighbourhood

Pankaj Jain, Partner at 500 Startups, shared his views on the startup environment in Sri Lanka and Bangladesh. “ Sri Lanka and Bangladesh are both very interesting markets. They are both very young and nascent

markets with a lot of different opportunities but relative to each other. I think Sri Lanka has an incredibly educated population, markets are comparatively small. What I have noticed is that a lot of non-resident Sri Lankans have come back to Sri Lanka and are starting technology companies, looking at markets in SE Asia, Africa, Pakistan and in some cases other markets as well. Now there are opportunities for them that a lot of Indian entrepreneurs aren't thinking about because India in itself is such a large market. These entrepreneurs have to look at large markets from the beginning because they have no choice. So they can do their early MVPs in Sri Lanka and then go out internationally," he said.

Talking about Bangladesh, Pankaj said that Bangladesh is sort of in the middle. " Bangladesh has a fairly large domestic market, probably much more similar to India than SL is. A lot of non-resident Bangladeshis have moved back to Bangladesh and started companies. People have now started to set-up indigenous VC firms and accelerators in Bangladesh. There are investors from Japan and Singapore that are actively looking at Bangladesh because many of them didn't see the deals in India 5-10 years ago, so they missed out and are now trying to go to Bangladesh early," he said.

" What I really like about Bangladesh is that if you are an Indian entrepreneur, you can very quickly understand how Bangladesh works. The two markets are similar in a lot of ways, however, there are a lot of differences that exist in many other ways. But it is probably easier to go into the Bangladesh market than say to go into the Middle East, " he added.

Bullish on domestic opportunity

Talking about the venture's domestic strategy for the next couple of months, Pankaj said that in the longer term he is very bullish about the domestic opportunity, which includes domestic content, video and fashion. " Right now I am more bullish on B2B products both domestically and internationally. We will continue to look at B2C opportunities. I think there are short term and long term opportunities and India has so many of both," he said.

Pankaj also added that on a personal point of view he is interested in areas of fintech, health, education and vernacular content.