



No halos, but angels all: (Standing L to R) Flextronics' Arun Kumar, Cybermedia's Pradeep Gupta, Xansa's Saurabh Srivastava, IT&T's Rohit Chand, Scicom's Mohit Goyal and investee company Knowcross' Nikhil Nath (seated)

Band Of Angels

THEY ARE A BUNCH OF MEN WHO HAVE BEEN there and done that, and now they want to help others live the dream that they have lived—of turning entrepreneurs. They are the Band of Angels—a group of 20 men (so

far) that struck gold either building or running companies—comprising hi-profile tech executives like Jerry Rao, Raman Roy, Saurabh Srivastava, Arun Kumar, Som Mittal, and Alok Mittal (see *Meet The Angels*). The group started off about a year ago as an

Angel investing went out of fashion with the dotcom bust. But the renewed interest in the internet and the rise of tech millionaires has spawned a new set of angels. SAHAD P.V.

informal interaction between five or six of them, but has since taken a formal shape with its registration recently as a company called The Band of Angels. It has even found its first investment: A hospitality software-maker Knowcross, founded by Nikhil Nath. Says Srivastava, a founding member of the band: "We are looking to grow to 50 members with a pan-India presence in the next two years."

'God speed' is what India's entrepreneur wannabes should be saying. Angel investing, or whatever little of it has existed in India, has been an unorganised and random "business". Offering seed money and advice, which is largely what angels do, has been up to a handful of wealthy and well-meaning individuals. At the most, one or two persons came together, pooled in money and invested in a start-up. In contrast, venture capital (VC) or private equity investing has thrived because it is a well-structured industry. In fact, thanks to high stock market valuations, the VCs who had sworn off start-ups after the dotcom crash, are back looking at small companies. Still, the smallest investment a VC would want to make is about \$1 million or Rs 4.5 crore, whereas an angel investment ranges between, say, \$1,00,000 or Rs 45 lakh and \$1 million (Rs 4.50 crore). (Even Google, now a \$111-billion-in-market-value company, was kick-started with \$1,00,000 from angel and Sun Microsystems co-founder Andy Bechtolsheim.) Says Srivastava: "We really don't have a layer of angel investors in India."

There is a reason for it. Angel investing is generally done by first-generation entrepreneurs or rich technocrats. Venture capital, in contrast, is run by investment professionals. In India, first-generation entrepreneurs are only a decade-or-two old, so it's only now that the people who've made money building and selling companies are turning to angel investing.

Take Saurabh Srivastava and Mohit Goyal. The two set up IT services firm IIS Infotech in 1989 and cashed out in 1998 when British firm Xansa bought it for some \$50 million, turning them into multi-millionaires (together they pocketed nearly Rs 200 crore). Srivastava is now the non-executive Chairman of Xansa, President of TIE's (The Indus Entrepreneurs) Delhi Chapter, and serves several positions on government committees. Goyal, on the other hand, has been leading a semi-retired life at his Panchsheel Park bungalow in Delhi, except for serving as a director on the boards of Xansa and

Meet The Angels

There are about 20 of them, mainly from IT.

Aadesh Goyal, Head of HR, Flextronics Software Systems: A C-DoT veteran and part of FSS's start-up team.

Alok Mittal, Partner, Baring Private Equity Partners India: Co-launched Jobsahead.com and sold it to Monster.

Alok Prasad, President, Beacon Technology Ventures: A TIE member, and invests in India through BVG Advisors.

Arun Kumar, MD, Flextronics Software: He has been heading FSS since 1995.

Ashok Trivedi, Chairman, iGate: Was instrumental in building iGATE Corporation.

Sanjiv Kaul, MD, Chryscapital: Spent 20 years with Ranbaxy, part of it in China.

Rohit Chand, Co-founder, IT&T Group: Co-founded IIS Infotech and sold it to Xansa.

Sanjay Bhargava, Ex-Paypal: He is now an angel investor and an advisor.

Dan Sandhu, CEO, Vertex: A Briton, he is also an active member of TIE in Delhi.

Deepak Bagla, President, Citigroup: He was in the US before joining the bank.

Mohit Goyal, Director, Xansa and Scicom Technologies: An IT veteran, he co-founded IIS Infotech.

Saurabh Srivastava, Executive Chairman, Xansa: Co-founded IIS Infotech; and is industry grey eminence.

Som Mittal, Managing Director, Hewlett-Packard GlobalSoft: Another industry veteran with stints in Compaq and Wipro.

Jerry Rao, Chairman & CEO, Mphasis: Prior to founding Mphasis in 2000, headed Citibank in India.

Raman Roy, Founder, Spectramind: A BPO pioneer, Roy sold Spectramind to Wipro in 2002 for Rs 400 crore.

Pradeep Gupta, Chairman, Cybermedia Group: He set up Cybermedia, a specialty publications group, in 1982.

Naresh Trehan, Executive Director, Escorts Heart Institute: A top heart surgeon, he is setting up a \$250-million hospital.

Pramod Bhasin, President & CEO of Genpact: He built GE's backoffice in India and oversaw its sale in 2004.

Gopal Krishna, Country Manager, Pipal Resarch: He was founder-chairman of ThinkIndia, bought by Rediff.

Note: Not a complete list

The Other Angels

THERE'S BEEN A HUGE REVIVAL IN ANGEL INVESTING OVER THE last six to 12 months, especially in the areas of mobile telephony and convergence," says Vish Akela, a Silicon Valley-returnee, who is now funding a handful of budding entrepreneurs like 26-year-old IIT Delhi-grad Varun Khurana's Wirkle, a mobile entertainment company. Recently too, Mahesh Murthy (formerly of Passion Fund), Pravin Gandhi and Bharati Jacob (both from Saurabh Srivastava's Infinity Venture Fund) formed a \$10-million (Rs 45-crore) angel fund called Seed Fund. The fund is expected to be closed in April, and will invest between Rs 1 crore and Rs 2.50 crore. Kanwal Rekhi—a man who struck it rich in Valley and who helped launch the The Indus Entrepreneurs (TiE)—himself is raising a \$150-million (Rs 675 crore) fund that will invest in a range of start-ups. "We feel that the post-bubble funk in Silicon Valley has fully dissipated and the entrepreneurial activity is hitting a full stride here," says Rekhi.

Money apart, TiE has set up an Entrepreneurship Acceleration Programme (EAP) and has roped in tech entrepreneurs such as Subhash Menon of Subex Systems and venture fund Jumpstartup's Sanjay Anandram to contribute. Says Sridhar Mitta, Chairman of e4e and head of TiE's Bangalore Chapter: "Many Indians have been able to start businesses in Silicon Valley easily because (an angel eco-system) is present there...we want to foster this spirit (in) India." Initially, TiE expects to support as few as five business proposals, although Mitta expects to receive as many as 100 plans in the next few months.

While Rekhi's \$150-million fund stands out for its sheer size in this space, there are other individuals like serial entrepreneur Prakash Bhalerao, iLabs' Srinji Raju, and US-based Euclid's Sateesh Andra doing their bit to help young entrepreneurs. Andra, for instance, has helped launch a company in the consumer internet space by investing Rs 1 crore out of his own pocket. A member of TiE, Andra is also a limited partner (read: investor) in two VC funds with focus on early-stage investing. "At an angel investing stage, it is not just funds but...one needs to mature an interesting idea and take it to the next level," he says.

RAHUL SACHITANAND IN BANGALORE AND
E. KUMAR SHARMA IN HYDERABAD



Scicom (the latter is a scientific software company that he and Srivastava angel-funded).

Raman Roy, too, hit pay dirt after selling off Spectramind to Wipro in 2002 for Rs 400 crore. Last year, he invested in a market research services and analytics company, Annik Technologies and now, armed with a war chest of \$200 million or Rs 900 crore, is looking to buy out a BPO. Alok Mittal too, a young middle class ITian, became a millionaire when he sold (along with his partner Puneet Dalmia of Dalmia Cement family) Jobsahead.com to Monster for \$9 million or Rs 40.5 crore.

Therefore, the emergence of rich technology entrepreneurs and successful professionals in India has spawned organised angel investing. The Band of Angels (BoA), conceived some time in February 2005 (it's a concept borrowed from a group of angel investors in Silicon Valley also called the Band of Angels; see *The Valley's Angels*), has now taken a formal shape. In October, the group was registered as a private limited company. Now it is looking at building a secretariat and is scouting for a professional to head it.

"We feel the post-bubble funk in Silicon Valley has fully dissipated and the entrepreneurial activity is hitting a full stride here"

Kanwal Rekhi / Angel Investor

Institutionalising Angels

BoA's aim is to scale up angel investing from an individual effort to an organised group activity. This has several advantages. First, you can invest in not one start-up a year, but in several start-ups. Second, you can take advantage of the collective wisdom of a large group of investors rather than relying on your own hunch to make the investment decision. For an individual, angel investing requires a lot of effort in identifying and screening the right deal, due diligence, administration, mentoring and finally making the exit. Your deal flow can be as slow as one deal in two years. But BoA's model is designed to provide both scale and diversification.

BoA won't be investing big money in start-ups. Typically, it will put in Rs 1 crore per company. But angel investment is at the top end of risk pyramid. So, the typical profile of the person who joins the band is that of a multimillionaire and someone who has the stomach for risky ventures (the success rate for

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angel investing is just 20 per cent globally). However, it is not just about capital. "It's about nurturing the entrepreneur, and handholding him through the most difficult early stage to the first round of VC funding in one or two years," says Alok Mittal, co-founder of Jobsahead and currently a partner at Baring Private Equity Partners India. "Our experience of having done it once helps the entrepreneur." So, essentially, the band welcomes only those members who can commit some time (usually a day in a month) for mentoring, besides a commitment to invest at least Rs 25 lakh a year, plus Rs 50,000 a year towards administrative costs. "But we will not want to welcome only money," clarifies Mittal.

BoA, however, offers flexibility to its members. It's not binding on every member to invest in a company the band finally selects. Here is how the system works: Start-ups and entrepreneurs need to convince at least one member of the band, who fine-tunes the plan, and finally sponsors the proposal. The band will meet every two months (the frequency can change depending on the deal flow) and consider four or five proposals. Each entrepreneur gets 30 minutes to make the presentation, including 10 minutes for questions and answers. It's likely that only a few of all the angels gathered there may be impressed with a proposal. That, however, is not a problem under BoA's system. There is no quorum required for making the investment decision. Therefore, even a single member, if he so wants, can go ahead and invest in the start-up.

Take the case of Knowcross, BoA's first investment. The company is promoted by Nikhil Nath, a former VC himself (he was a partner at Antfactory), and makes guest management software for the hotel industry. He was already revenue positive (Knowcross has clients like Oberoi and Hyatt Global), but needed a small amount of capital (about \$500,000 or Rs 2.25 crore) to take the company to the next level. He knew Umen Bewtra, one of the associates of Saurabh Srivastava and Mohit Goyal, who introduced him

to the duo. Nath got to make a presentation before the band sometime in June. On behalf of the band, Goyal took the initiative to consult other members (finally seven of them decided to invest), got all the transaction processes like valuation, due diligence, customer reference checks done and closed the deal. In November last year, the seven angels signed the term sheet with Knowcross. Goyal represents BOA on the board of Knowcross, while all seven remain as indi-

The Valley's Angels

Not surprisingly, BoA's inspiration comes from Silicon Valley.



INDIA'S BAND OF ANGELS IS FASHIONED AFTER THE Band of Angels in Silicon Valley. It's a formal group of more than 100 former and current high-tech executives who invest their time and money into new, cutting edge, start-up companies. The members have either founded companies like Symantec, Logitech, and National Semiconductor or have been senior executives at giants such as Sun Microsystems, Hewlett Packard, and Intuit. The Band meets every month and considers three start-ups short-listed from some 50 that are screened each month by a Band Deal Selection Process. It has seeded 164 start-ups with an investment of \$117.2 million (Rs 527.4 crore) ever since it was set up in 1994. There have been seven IPOs and 42 profitable acquisitions as exits for the Silicon Valley BoA. The Indian clone, then, has a tough act to follow.

vidual shareholders. A nice arrangement.

BoA is seeking proposals from IT, ITES, high-end BPOS, embedded technology, retail and so on, but there's one pre-condition: They should be businesses that break even quickly. This may change as BOA's membership profile changes. As of now, all the BOA members have a technology/ITES background. BOA's investment horizon can range from two to five years, with an exit happening either at the first VC round or at the IPO stage. But BOA doesn't intend to be Delhi-centric. It already has members from Mumbai (Jerry Rao and Som Mittal), Bangalore and even Silicon Valley. So, the idea is to be location-agnostic. "We see a lot of start-ups springing up on Mumbai-Pune and Andheri-Malad corridors," says Rao, who plans to expand BOA's presence in Mumbai. Finally, young entrepreneurs will no longer need a miracle to be blessed by an angel. ■