

Angel investors look beyond tech, show interest in sectors like clean energy, food

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http://articles.economictimes.indiatimes.com/2015-02-07/news/58902918_1_the-chennai-angels-clean-energy-angel-round

CHENNAI: The first external risktakers in a start-up, angels, have begun to look beyond technology concepts at ideas that address local markets in the fields of clean energy, healthcare and foods. This branching off is taking place in an environment where more and more of them are emerging from traditional business backgrounds: former financial consultants, chief executives who ran stationary businesses, drug firms, paint companies, and realty entrepreneurs are looking to cut their teeth in the investment world.

Take, for example, The Chennai Angels, which will soon have on board Ravindra Sanna Reddy, who promotes the 5,000-acre Sri City SEZ in Andhra Pradesh. The network is also in talks with top executives from drug makers, healthcare firms, hotel chains, and energy companies who will participate in its investment rounds soon. Keiretsu Forum, which has about 1,400 angels worldwide as members, is getting on board for its Chennai chapter investors including Biji K Kurien, former CEO of Berger Paints; S Sridharan, ex-managing partner, EY, and Chand Das, the current CEO of ITC Stationary and Paper Products.

The story of angels widening the horizon began unfolding as recent as August last year. That is when a Chennai-based start-up Inthree Access got funds from the Indian Angel Network. Its business lies in taking retail into rural areas through a delivery system fronted with assisted sales done by field staff. "We have sold eight lakh units so far in the last four years, and the way forward is to extend services," said R Ramanathan, Founder and CEO of Inthree Access. Lok Capital and The Chennai Angels put a little less than one million dollars last year in a start-up that installs science paraphernalia such as solar and physics models to facilitate observation-based learning. Also on offer is setting up and maintaining science labs for educational institutions. This is second round of funds for Everest Edusys' Quest Explore Discover.

A similar narrative exists in Dosamatic, which was incubated and angel-funded by the Indian Angels Network. The table-top machine, wired to churn out 50 dosas an hour, can make it thin, and cut fat content, and is selling on Snapdeal for Rs 1.5 lakh. Founder Eshwar K Vikas, a 24-year-old engineering graduate, said a smaller version designed for the home kitchens to make dosas, omelettes and pancakes is in the works. The cost will be around Rs 10,000 per unit.

"I estimate the Internal Rate of Return for my investment in this idea to be around 20 per cent, which is comparable to many tech start-ups," said Hari B, who led the angel round in Dosamatic. The start-up is in talks with angel investors before approaching venture capitalists for a target of \$5 million. Another Chennai based start-up Atchayam Foodbox just received in-principle agreements for Rs 2 crore of angel investment.

Mix 'n' Match

123 angel/seed investments into non-tech start-ups

\$36

million was the deal amount for these in 2013-14



17%

increase in deal volume over the previous fiscal



While we cannot say angels are shifting focus, it is definitely a phase where the interest is broadening out to other sectors. This is also partly due to a kind of race among investors for technology ideas, which led to their attractiveness diminishing

RAJAN SRIKANTH, Co-president at Keiretsu Forum India

In fiscal year 2013-14, angel/seed investments into non-technology start-ups made up 123 deals, gathering \$36 million. The deal volume increase is 17 per cent over last fiscal.

"It is definitely a phase where the interest is broadening," said Rajan Srikanth, co-president at Keiretsu Forum India. The angel network had its first ever presentation in India on Friday.