

# 'We will be the start-up nation of the world'

**ABHISHEK LAW**  
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Padmaja Ruparel is the President of the Indian Angel Network (IAN), the country's largest network of seed and angel

investments. IAN claims to have funded close to 100 start-ups with a kitty of ₹225 crore over an eight-year-period. In an interview to

*BusinessLine*, she talks about the start-up scenario in the country and why the start-up bubble this time is unlike the 90s. Edited excerpts:

## How has the start-up scenario panned out in India, post government initiatives?

Since Independence, this is the first time that a government or a PM has put such a spotlight and acknowledged that there are start-ups, an angel investor network and the benefits of having a start-up culture.

Secondly, it has brought start-up as an agenda item in the bureaucracy. And that's brilliant. Start-ups will be creating jobs in the future. If that doesn't happen, there'll be growing social unrest.

Thirdly, start-ups have been able to create this whole engine

of disposable wealth going into economic wheels of venture creation.

## One of the topics that come up when we talk of start-ups is shared economy/ infrastructure; and this includes debatable issues like net neutrality. Your comments?

Today you cannot have electricity priced differentially - free for one and a different price for different people. It's an utility. You have to have a standard rate. So in this context, net neutrality is absolutely important. Otherwise, it penalises a start-up which does not

have money; it cannot access the speed; impedes it from building up the ventures, especially customer access and so on. It will cramp innovation.

## Many start-ups are now seeing a cash crunch because of high customer acquisition costs and deep discounting models. Is it sustainable?

I have a very old-fashioned take on this. Businesses should be valued as the top-line and bottom-line increases. Not on user-base or discounting models. You cannot build businesses on dis-

counting models. You cannot pay your customers and build a business model around it.

But the model has started to change; at least in our network we see the change.

## Going forward, will IAN look to take part in advanced stages of funding?

We invest anywhere between ₹25 lakh and ₹5 crore and across various stages of the company. But further rounds of funding (like Series A, B, C) are not our core. We are into seed/early stage funding, that's what we know, what we understand and we intend to remain that way.

## Many critics say that the start-ups are being over-valued because of a number of investors coming in. How do you react?

There's an adage, beauty lies in the eyes of the beholder. If somebody is willing to pay, there is no reason why the company should not take it.

The company needs to understand what the optimum valuation is.

So if the promoters have an expectation and the market is not paying according to that, they will die anyways.

## But isn't this happening now (with start-ups facing cash crunch)?

Not in case of angel invested (IAN) companies. We are supporting the companies and are investing at one a week almost. We have funded close to 100 start-ups and we have put in around ₹225 crore in eight years.

## What has been the average rate of returns across these investments?

We have had companies where returns have been like six times in 15 months of investment; 18 times net of tax in 30 months of investment and so on. But, I will not give an exact figure or link them to companies.

## The start-up ecosystem is ballooning. Are you apprehensive of the bubble bursting?

Start-ups and innovation are here to stay. I have seen the 90s bubble burst; and this (start-up ecosystem) is nowhere near that.

Entrepreneurship, as a career option, has become popular and is well-established.

Even, angel investment as an asset class amongst the high net-worth individuals.

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