

Startup Investors Turn to Smaller Cities for Growth

Look to invest in ventures with strong business models in places like Surat, Ahmedabad and Indore

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Ahmedabad: Incubators, investors and fund-raising platforms are turning to regional startups and ecosystems in smaller cities for the next level of growth, as stakeholders look to cities like Surat, Ahmedabad and Indore, players in the industry said.

This week, Mumbai-based Venture Catalysts expanded to Surat, the world's largest diamond business hub, making its first foray into a regional area aimed at mobilising startups, mentors, investors and catalysts. Last month the Indian Institute of Management Ahmedabad's incubator CIIE and global IT player SAP India started its second edition of the startup accelerator to mentor and build capacities of 30 startups by 2017 targeting regional investable startups in Gujarat, Rajasthan and Pune. "We are looking at different breed of angel investors & diversity in startups from regional ecosystems" said Dr Apovr Ranjan Sharma, Co-founder & President, Venture Catalysts. According to him, after the recent marking down of valuation of a few unicorn and non-unicorn startups, most investors are now seeking to invest in strong businesses with actual revenue and profit flow.

After entering Surat, Venture Catalysts will set up operations in five more Tier-2 cities out of which three would be from Western India and one each in North and South India. "In next two years, we will have presence in more than 10 Tier-2 cities across India" Sharma said.

Last week, Mumbai-based Fundtonic.com, a fund-raising platform for start-ups as well as an enabler that allows angel investors or High Networth Individuals (HNIs) to invest in promising start-ups forayed into Gujarat. "We are looking for new investors and HNIs from different regional zones who can invest in our shortlisted start-ups" said Bhavin Parikh, Co-founder, Fundtonic.com.

Parikh said that Gujarat has a large number of HNIs investors who are already known in Mumbai investment circles for making deals as angel investors. Rakesh Dube, founder, BookMyStorage was one of the Mumbai based start-ups that



pitched in front of Ahmedabad-based HNIs and angel investors. Dube is exploring a completely new set of investors from regional startup ecosystems as funding in mature startup hubs has been scaled down. After organising a start-up fund raising event in Ahmedabad, Fundtonic.com plans to do the same in other regional startup zones -- Surat and Nashik. "Ahmedabad gives the opportunity to engage with start-ups across varied businesses. We also cater to parts of Rajasthan and Madhya Pradesh that provide more variety of startups," says Vibhuti Channa, director, Viridian Ventures that runs Espark-Viridian Accelerator, a joint initiative with Entrepreneurial Spark, UK. It opened its first accelerator centre in Gandhinagar in 2015 and has a second centre at Greater Noida. In total it has supported over 25 startups. From last year, many top VCs and investors have been interacting with Indore based startups which was not a city in their radar until recently.