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These startups are banking on bitcoins

Entrepreneurs have come together to draft regulations for cryptocurrency that is yet to be recognised by the government

Ever since its creation in 2009, Bitcoin, the world's most popular cryptocurrency, has been in the limelight. While some countries like Bolivia, Ecuador and Bangladesh have banned bitcoins, Australia and Japan are regulating it. Today, there are almost 750 cryptocurrencies with a capitalisation of more than \$104 billion. And a handful of startups in India are making early moves in a market that is yet to be recognised by the government.

Sandeep Goenka had started two companies before he decided to set up Zebpay with Saurabh Agrawal and Mahin Gupta. In 2014, they attended a conference in the US which gave them insights into the future of bitcoins. "We started as a bitcoin wallet and expected people's interest to be low, but every time we set targets, we surpassed them," said Goenka. When they met investors in 2015, there was apprehension but a year later, the founders raised close to \$1 million. He said Zebpay has 7 lakh users and adds a lakh a month. The startup plans to expand to Southeast Asia.

OVERCOMING DOUBTS

When Sathvik Vishwanath set up Unocoin along with Sunny Ray, Harish B V and Abhinand Kaseti, they believed in bitcoin as the future of money despite the apprehensions surrounding cryptocurrencies. "Technology always precedes regulation. There were no cab-sharing guidelines before Uber. It is after the disruption and its impact on lives that the government looks into the issues and decides on regulation," said Vishwanath.

What could have led to the increasing acceptance of bitcoins is the surge in value. In 2017, bitcoins have touched an all-time high. In January, the currency crossed \$1,000 for the first time in three years. Last month, bitcoins crossed \$1,500, becoming more valuable than gold. Earlier this week, the combined market capitalisation of cryptocurrencies crossed \$100 billion.

Vishwanath says the surge in prices has helped garner users, adding that Unocoin has 2.7 lakh users. In August 2016, the startup raised funding of \$1.5 million in a pre-Series-A round from multiple investors, including Blume Ventures, Mumbai Angels and Ah! Ventures.

For Blume Ventures, bitcoins presented a rare opportunity. "Bitcoin has the ability to transform the way we look at money. When we made the investment,



we didn't know that this sector would become so hot. India has a large unbanked population, and is on its way to becoming digitized. With the possibilities this technology brings in cross-border remittances, it seemed like a natural reason for us to invest in a company dealing with bitcoins," said Arpit Agarwal, principal, Blume Ventures.

Hesham Rehman was a bitcoin trader for four years before he set up Bitxoxo with Mohammed Rizwan. It now has almost 10,000 users, and the founders are in talks with investors to expand their presence.

An equity and commodities trader, Siva Kameshwara Rao was exposed to bitcoins when he was trading in forex markets.

Rao set up BTCX in 2014 but has not limited himself to bitcoins. With ethexindia, Rao has introduced the next digital currency, ether or ethereum, to the Indian market. "We have niche users. While bitcoin accounts for over 40% of the cryptocurrency market, if the current trend continues, it will be ethereum that will take the number 1 spot," said Rao, who has seed investment from a Europe based investor.

Rao's focus on ethereum is in line with the global backing that the currency is receiving. In February, global behemoths Microsoft, Accenture, Intel, JPMorgan and a dozen other banks and companies formed an alliance around the cryptocurrency. Just last month, Indian IT major Wipro joined the alliance.

While cryptocurrencies have caught the attention of many in India, the lack of clarity in regulation has raised concerns. RBI has issued warnings on usage of bitcoins. In a bid to create a self-regulatory mechanism, Zebpay, Unocoin, Coinsecure and

Zebpay
Digital asset exchange where users can buy/sell bitcoins. Has bitcoin wallet app that enables bitcoin transactions using mobile phone number
Founders: Saurabh Agrawal, Mahin Gupta, Sandeep Goenka
Founded: June 2015
Funding: \$1 million in pre-series A round from angel investors in January 2016

Searchtrade launched Digital Asset and Blockchain Foundation of India (DABFI) in February. "We are working on a draft set of regulations and it should be ready in a few months," said Vishwanath of Unocoin.

VULNERABILITIES EXPOSED

Experts in blockchain, the technology behind bitcoin, have their reservations given the hacking it has been subject to. Bitcoin was first hacked in August 2010 when hackers exploited a vulnerability and generated billions of bitcoins. Mt Gox and Bitstamp, two of the largest bitcoin exchanges at the time, suffered massive security breaches in 2011. A couple of years later, Instawallet, a web-based wallet provider, shut down after it lost 35,000 bitcoins.

"Many people believe bitcoins are un-hackable. That's not true. Hackers have targeted an Australian bitcoin wallet provider (Inputs.io), a Chinese cryptocurrency exchange (Bitstar), a Slovenian exchange (Bter), and a Hong-Kong exchange (Bitfinex). Bitcoin has seen frauds such as Global Bond Limited and Cryptsy," said Rohas Nagpal, co-founder, Primechain Technologies.

Nagpal believes bitcoins are another way to gamble in the hope of windfall profits. "The current bitcoin price rise is a massive pump-and-dump scheme which will see millions of people lose a lot of money while a few will rake in billions of dollars in profits," he said.

GIVING WINGS TO IDEAS

WHERE FOCUS IS ON MACHINE LEARNING, IOT

SAP Startup Studio, Bengaluru

The idea: The aim was to build an accelerator programme that helps early and growth stage startup companies with opportunities to expand their businesses in sync with SAP's vision. "This initiative fits into SAP's philosophy of fostering entrepreneurship and promoting innovation for growth and development," said Dilipkumar Khandelwal, MD, SAP Labs India. The in-house accelerator is the first of its kind in SAP and the company intends to replicate it in other locations.



Dilipkumar Khandelwal

Benefits to startups: One-year mentorship, access to SAP knowledge, experts, venture capitalists and academia.

If required, the company will take an equity position and refer to its merger and acquisition team for the next stage of growth.

USP: Deep domain and technology expertise that SAP has in providing solutions across the globe for 25 industries and 12 lines of business.

Progress: Seven startups graduated, 16 currently part of the programme working on artificial intelligence (AI), cloud, machine learning and IoT functions. By end of this year, the incubator will expand to a 100-seater facility.

Founded in June 2016

Success stories: Ecolibrium Energy, a provider of energy management solutions that joined the accelerator in 2016 has been on-boarded into the Co-Innovation Labs programme at SAP; Sellerworx, an e-commerce technology solutions and services firm that joined the accelerator programme in 2016 was acquired by Capillary Technologies.



MENTORING TAKES CENTRESTAGE: Seven startups have graduated and 16 are part of the programme working on AI, cloud, machine learning and IoT functions

DOUBTFIRE

Entrepreneurs ask questions they have encountered while building their ventures, and we get them answered by seasoned entrepreneurs and investors
TWEET YOUR QUESTIONS TO @TOSTARTUPS

Agriculture has been one of the slowest adopters of technology

Sudeep Anandapuram | CO-FOUNDER, INDI.COM, VIDEO-SHARING PLATFORM

Ranjith Menon | EXECUTIVE DIRECTOR, IDG VENTURES INDIA

Q Why are VCs following western trends while investing in startups? It has been proved that India has its own characteristics. Don't you think the startup ecosystem should be structured around this? As India is an agrarian economy, we probably need more startups in agriculture or realty.

A This is particularly true in the digital consumer domain. Consumer behaviour across the world is consistent. Consumers want better products/services at affordable prices in a convenient fashion. To learn from another region where it has played out at scale is a natural thing. However, each market has its own constraints. This is what has played out in India. Successful companies have innovated to overcome challenges of lack of payment infrastructure and internet penetration. It is playing out differently

in the software space, where companies like Manthan, Freshworks, Unbxd and Uniphore are building solutions for global markets from here. Technology can drive productivity in the farm sector significantly. But agriculture has been one of the slowest adopters of technology globally. The farm output in the US is about 1% of GDP; in India it is about 17% but employs about 60% of the population. If we study the history of startups, they have thrived in sectors that have two fundamental characteristics – sectors that have less regulation, and sectors that have rapid adoption of technology. Agriculture globally has challenges on both fronts. With the advent of technologies like the cloud and mobile, there are entrepreneurs looking at the agriculture sector to solve problems relating to supply chain, distribution, and content. We will see more in this space in the next few years.

Founders walk a tightrope when it comes to customer communication

Mayank Grover | TECHNOLOGY ARCHITECT AT TECHPILLAR, SOFTWARE DISCOVERY PLATFORM

Apoorv Ranjan Sharma | CO-FOUNDER AND PRESIDENT, VENTURE CATALYSTS

Q One of the most important aspects of a startup is ensuring user acquisition and user retention. What all should a startup take into consideration in order to provide better experiences and ensure customer retention?

A Undoubtedly, one of the most important aspects for any startup is to build a great customer service and a support system that allows it to acquire more customers and retain them. A great customer experience ensures positive word-of-mouth publicity that acts as the strongest factor to attract more customers. In today's highly competitive business environment, providing quality experience to customers often becomes the deciding factor behind the success or failure of a venture.

Startups should have a specific team that ensures prompt responses are provided to customers and grievances expressed on any forum are replied to quickly. The website, app or any other user engagement platform should be simple and engaging, which leaves a positive imprint on the user. Furthermore, any new venture should ensure that an official channel of communication such as email or phone numbers are provided to the customers, which helps avoid complaints on public forums. Also, they need to walk a tightrope when it comes to customer communication and adopting a unique mix of a formal yet engaging interaction style. Adopting an attitude of 'one customer at a time', startups should focus on providing impeccable service to each individual customer to attain a content user base as a whole.

INTERVIEW

'In the last 10 years, the time to scale has compressed'

Anand J & Shalina Pillai | TNN

Bipul Sinha is founder of Rubrik, a cloud data management company that is considered the fastest growing enterprise software company in Silicon Valley. As a venture capitalist, Sinha bet on startups like Nutanix and Hootsuite. Sinha, who grew up in Patna and was in Bengaluru last week, believes in scaling fast and has raised \$292 million for his unicorn company. While VCs always think of exits, Sinha says there is no exit for an entrepreneur. Rubrik has 400 people worldwide, and is adding 90 people a quarter.

How much does Rubrik plan to invest in India?
We have become a global company in the last 12 months and we have big plans for India, both on the engineering and product side. We want to invest \$50 million in the next two to three years. In the next three to six months, we will grow our India team five fold. Our biggest client base is North America, which is 70% of business.

How did you start?
I grew up in Bihar, went to IIT-Kharagpur and did electrical engineering. In the US, I worked at American Megatrends, which used to make server appliances, for two years and moved to Oracle.

Later as a VC, I funded companies led by my Oracle colleagues, including Nutanix CEO Dheeraj Pandey. I pulled people out of Oracle to create startups like Numerify. The journey taught me a lot about operations, hiring engineers and getting things done at high speed.

Why did you turn entrepreneur?
I wanted to get out of engineering so I went to Wharton and joined Blumberg Capital in San Francisco. My first investment was HootSuite, social media management software. At Lightspeed, I invested in Pulse News, which LinkedIn acquired. But I was sitting on the sidelines clapping, not on the field. I wanted to make a bigger impact.

Was it difficult to make the transition from VC to entrepreneur?
The transition was not



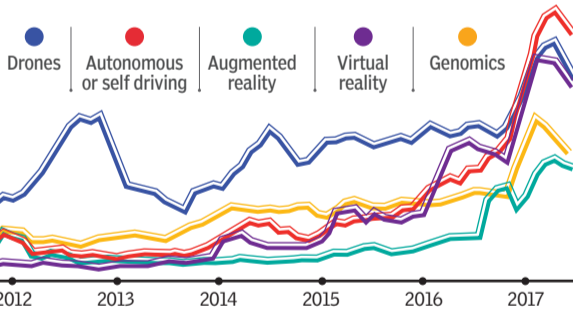
Bipul Sinha
Co-founder & CEO, Rubrik
Education: Electrical engineering, IIT Kharagpur, MBA from Wharton Business School
Previous experience: American Megatrends, Oracle, Lightspeed

Why AUTO TECH startups are in the FAST LANE

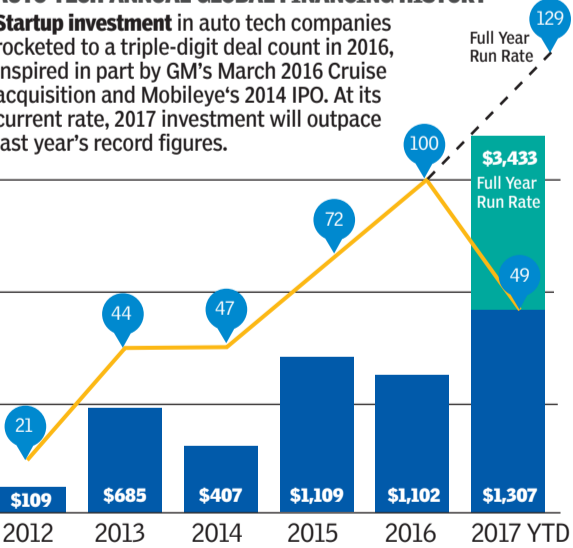
Technology has always been a staple of the automotive sector, but the past few years have seen rapid growth with IoT and artificial intelligence. Startup investment has risen dramatically as concepts once reserved for science fiction like autonomous vehicles move towards commercialisation

AHEAD OF THE PACK

CB Insights finds that talk about autonomous vehicles has overtaken other trending topics like AR/VR



AUTO TECH ANNUAL GLOBAL FINANCING HISTORY



Source: CB Insights

DONE DEALS

Goomo, Mumbai
online travel aggregator
Varun Gupta
\$50 million
from Naspers, Accel, Emerging India
CEO



ABI Health, Bengaluru, healthcare solutions; founded by Ajit Veerappan and Balaji Sundararajan; **\$1.5 million** from Norwest Venture Partners

BHive, Bengaluru, co-working space; founded by Shesh Rao Papliker; **\$1.2 million** from Blume Ventures, Meera Reddy

WayForward, Gurugram, wellness platform; founded by Ritvik Singh; **\$1 million** from Farhan Naqvi, Sreepathy Viswanathan

Spinny, Gurugram, platform for re-owned cars; founded by Niraj Singh, Ramanshu Mahaur, Ganesh Pawar and Mohit Gupta; **\$1 million** from Outbox Ventures, Blume Ventures and others

OTHER DEALS
Growritter (\$600,000), ZipLoan (\$500,000), Stockal (350,000), Guidoo (300,000), Rentongo, Gyandhan, MarketPulse, Ftcash
Source: Tractx

HOW I GOT MY STARTUP IDEA

'IT'S HARD TO FIND A GOOD SALON IN A NEW CITY'

The idea: Spalontime, online aggregator for spas and salons
Eureka moment: Parinitha Manohar and her friends moved cities and shifted jobs many times during the 15 years she worked in the corporate world. There was one service she and her female friends had difficulty finding – a good salon. "Whenever one moved to a new city, the hardest thing was finding an inexpensive salon. There are so many to choose from

but good service is not guaranteed," she says.
Early days: She quit her job at Verisign and started Spalontime as an app-only aggregator that listed local spas and salons in 2015. Manohar soon realised the importance of a web presence and expanded it for the desktop.
Now: The platform has started selling spa deals. It has over 1,000 salons in Bengaluru, Delhi and Mumbai listed on its website. The platform also does social media marketing for listed salons. TNN



SHE'S GOT THE LOOK: PARINITHA MANOHAR

'NO ONE UNDERSTOOD FRESH MEAT'

The idea: Licious, online gourmet meat brand
Eureka moment: Vivek Gupta believes there is no such thing as a Eureka! moment for a company. Gupta and his friend Abhay Hanjura decided to set up a meat delivery startup after having a number of discussions. "Everyone had the wrong notion about fresh meat. They didn't consider hygiene and the right temperature. Meat is a science."
Early days: They approached farmers and distributors, and set up delivery centres to

ensure meat was clean and properly packed. They supply chicken, lamb, seafood, and different marinades to customers in Bengaluru.
Now: Licious has revenues of Rs 2 crore a month and processes five tonnes of meat a day. The company has expanded to Hyderabad and plans to launch in Delhi this year. The platform is also introducing different flavours of spread under its brand. TNN



MAKING THE CUT: VIVEK GUPTA