

Simplifying online payments

Razorpay is disrupting this service market with its easy-to-use user interface and smooth on-boarding. Priya Prasad explores

Vikrant Singh, along with his batchmate from IIT-Bombay, set up an online luxury fashion store. They had everything going for them — immense market opportunity, backing from top investors, a solution to the logistics conundrum. However, the proverbial spanner in the works was managing payments. Most customers complained of being unable to complete the payment process. This was becoming a serious problem for the start-up, as they were losing customers.

“Online reviews of payment gateways weren’t positive; people weren’t happy with the choices they had. With a big market opportunity and many sectors going online, we wanted to do something in this space,” says Shashank Kumar, founder of Razorpay, an online payments gateway. Razorpay hopes to dominate the online payments market by focusing on merchants and business to business (B2B) entities, as compared to digital wallets, which are more consumer-focused.

“Our focus is on transaction success rates on both web and mobile. We offer five-10 per cent higher transaction success rates as compared to others,” claims

Kumar. Although available both on the web and mobile, the start-up wants to focus its services more on the latter. Kumar says the conversion rates — that is, of successful transactions — on mobiles are 50 per cent, while that on the web is 70 per cent. This occurs because of inadequate infrastructure and Razorpay hopes to plug the gap.

The start-up’s easy on-boarding process ensures it receives many takers. “When you sign up, we will not ask for a single physical document. Usually, activation takes two-three months. We want to bring it down to five minutes,” says Kumar. Razorpay recently raised \$9 million (₹58 crore) led by Tiger Global, with participation from Matrix Partners. “One good thing about having Tiger Global and Matrix on board is that people now don’t see us as a small start-up,” says Kumar.

Not only a hobby project

What helped Razorpay move from being only a “hobby project” to something investors and clients could consider a serious business was the mentoring it received from Jaipur-based incubation centre Start-up Oasis. Kumar says Start-up Oasis pro-



Razorpay co-founders Harshil Mathur (left) and Shashank Kumar

vided them a co-working space, and most importantly, a running internet connection, difficult to come by in places like Jaipur.

Besides, Razorpay became the second Indian start-up to have been selected by California-based seed-accelerator Y Combinator for a three-month programme. The selection also meant Razorpay received funding of \$120,000.

Principally, the programme helped the founders avoid making early start-up mistakes. “Y Combinator told us we should initially focus on building the business and not talk to investors,” Kumar recalls.

IIT-Roorkee alumni Shashank Kumar and Harshil Mathur quit their jobs at Microsoft and Schlumberger, respectively, to

work on a crowdfunding portal. The project required them to accept international payments in India. Though their experience was harrowing, it was an eye-opener to the immense potential the online payments sector presented, particularly to businesses and the B2B segment. Getting started was a Herculean feat for the founders. Kumar says the biggest challenge they had to overcome when starting out was licences — a bank licence, financial certification, security certification.

“We are PCI DSS certified. It’s an evolved certification and can’t be done in one or two days. We received it after three to four months and the financial certification took another three-four months,” says Kumar.

The transaction success rate on most online payment gateways is still low. This is one of the biggest pain points faced by established merchants. For newer players, their challenge lies in setting up their payment gateway as quickly as possible. Rajat Agarwal, from Matrix Partners and an investor in

FACT BOX

Inception: January 2013

Founders: Shashank Kumar and Harshil Mathur

Area of business: Online payments

Funds raised: Received \$9 mn in series-A and \$2.5 million in seed funding

Investors: Matrix Partners, Tiger Global and Y Combinator



GLOBAL ROUND-UP

Waimai to raise \$500 million

Baidu’s O2O (online-to-offline) food delivery subsidiary Baidu Waimai is reportedly looking at raising anywhere between \$300 million and \$500 million. According to various Chinese media reports, Waimai is contemplating deploying a major portion of the proposed funds to improve its platform, on research and development, new category expansion and marketing.

Palantir valued at \$20 bn

Palantir Technologies, a provider of powerful data analysis tools for governments and businesses, has raised \$880 million in its latest round of financing. With the new funding, Palantir is valued at about \$20 billion, up from \$15 bn. It brings the total amount of money raised by the firm to about \$2 bn. The money will most likely be used for hiring and developing new businesses, *The New York Times* reported.

UPQ’s gadgets in more nations

Tokyo-based UPQ has started selling two of its gadgets — a GoPro-like action camera for \$177 and a see-through glass keyboard for the same price — in Singapore via e-commerce giant Lazada. “Wireless items need more certifications, so we are preparing those now,” UPQ founder Yuko Nakazawa told *Tech in Asia*, hinting that her start-up’s SIM-free A01 smartphone could be headed for other markets soon.

Instacart lays off 12 recruiters

US-based grocery delivery start-up Instacart, valued at \$2 bn, has laid off 12 in-house recruiters, according to sources. Chief Executive Officer Apoorva Mehta attributed the job cuts to the firm’s plans to be less aggressive in hiring in 2016 than it was in 2015, when it tripled its staff, from just under 100 employees to a little more than 300.

Innovid raises \$27.5 million

New York City-headquartered video advertisement start-up Innovid has raised \$27.5 mn. Innovid works with 220 advertisers, including Best Buy, Procter & Gamble and Walmart, to create, target and measure their video campaigns. Innovid point to ‘media neutrality’ as one of the key factors in its growth, as well as its support for Internet-connected TVs. The new round combines equity funding with \$12.5 mn in debt from Silicon Valley Bank and Triple Point Capital.

If you have any information to share, please write to bsreporter@bsmail.in

EXPERT TAKE



India’s online payment volume is currently doubling every two years and is on track to be the third largest market for payments, after the US and China. The current size of the sector is expected to be \$54 billion in India and various start-ups are coming up, which would require payment gateway solutions.

For a business to take online payments in the country, it is required to go through a lot of paperwork, bureaucratic red tape and waiting time. The hurdle is big enough to have kept the number of firms offering payment gateways in India to a minimum and barred many foreign payment firms from outside India coming in to disrupt things. Razorpay is revolutionising the process by

providing a very simple interface and gateway for businesses that want to take payments for goods or services online. Using its application programming interfaces (APIs), a company can add payments with a few lines of code, and consumers can then pay using a credit card, a debit card or net-banking. However, while Razorpay aims to provide a seamless payments experience for customers, there are several pain points it has to address:

- Credit and debit card penetration in India is still nowhere near saturation, but a standard offering of cash on delivery for online sales is still available
- The online payments system in India is still in a nascent stage
- Transaction success rates are still low and it

is still difficult for smaller merchants to accept online payments

■ Razorpay faces competition from companies like Citrus, Paytm, PayU, CCAvenue and Paypal, all of which are either already into payment gateways or are developing one

Razorpay can differentiate itself from others by focusing more on research and development and focus on scaling in other countries, which it is already in the process of doing, as after the Indian market, it aims to enter Southeast Asia. The start-up can further improve its business model and operational processes by making changes from feedback by customers.

Chintan Bakshi, chief executive officer, *The Start-up Oasis*, a Jaipur-based incubation centre