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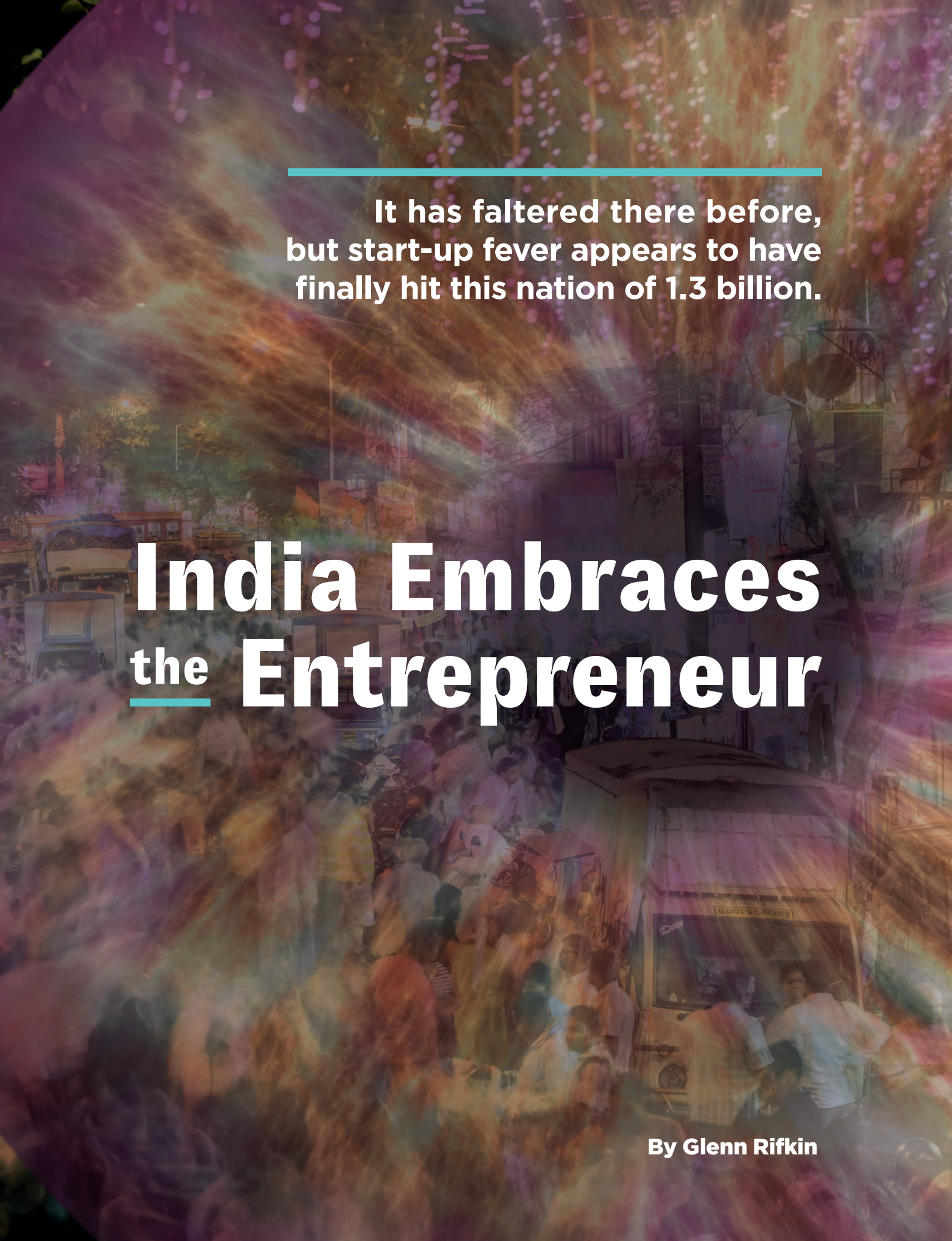
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It has faltered there before,
but start-up fever appears to have
finally hit this nation of 1.3 billion.

India Embraces the Entrepreneur

By Glenn Rifkin



It was another speech at a private conference for investors and portfolio companies, but this time, the speaker, entrepreneur Peyush Bansal, had

a most interesting story to tell the audience in Mumbai. Tall and soft-spoken, Bansal, 32, is a reflection of India's rapidly growing entrepreneur movement. And his company, Lenskart, is a start-up with a grand goal: to revolutionize the eyewear business in India, a country whose vast population is in dire need of options in vision correction.

A former Microsoft program manager with a burning passion to change the world, Bansal saw a classic market space that cried out for a start-up. Out of India's population of 1.3 billion, more than 500 million require glasses but lack the practical access and money to get them. "There are more than 150 million Indians alone who need reading glasses but don't have access to them," Bansal told the gathering a year ago last fall. Worse, he added, is that India is the blind capital of the world, with more than 12 million blind or visually impaired citizens—and 75 percent of those cases are avoidable.

Now, eight years since its launch after receiving venture capital funding, Lenskart offers a unique business model that incorporates an online retail portal, physical stores, and an innovative, first-of-its-kind method to provide home eye exams. Lenskart technicians ride out on bicycles, arriving at a customer's

The Problem There are many obstacles to India's becoming a Silicon Valley-esque start-up hub.

Why It Matters India's 1.3 billion consumers are a clear opportunity for entrepreneurs.

The Solution A combination of government support and agile leaders could unleash a flurry of successful venture-backed start-ups ... and exits.

home with all the tools needed for a comprehensive eye exam. The techs determine a customer's vision and put in an order. The glasses, also manufactured by Lenskart, can be delivered to the customer within a few days—all for less than \$15.

The result, to put it mildly, is eye-opening: The firm now has \$70 million in revenue and 100,000 customers each month, and Bansal expects \$200 million in annual revenue by 2020.

Success stories like Lenskart are a boon to India's determined effort to become a global player in entrepreneurship—a goal the country has aspired to for years and is only now approaching. To be sure, it isn't quite the next Silicon Valley, “but the venture capital there has reached critical mass and could become a real driver of the Indian economy if the government nurtures it,” says Pat Kenealy, managing partner of Ridge Ventures, a venture firm in San Francisco. Indeed, after weathering everything from weak economies to political instability to wobbling currencies, the country's private equity and venture capital industry is now growing at an average annual rate of more than 30 percent over two decades, and is nearly \$50 billion in size, according to a report from Ernst & Young India. The boom includes some high-profile venture capital exits, with initial investors cashing in off successful start-ups. One of the largest—Flipkart, India's answer to Amazon—was bought out by Walmart last May for \$16 billion.

Today, the landscape in and around Bangalore, India's Silicon Valley, is already rich with nearly 1,000 venture capital funds. Global investors believe India, like China, is a fertile market for entrepreneurs armed with innovative ideas. “There have been many doomsday predictions and there have been ups and downs. But the general trend has been upward,” says Sudhir Sethi, founder and

managing partner of IDG Ventures India, one of the country's largest venture firms. “I see a 75 percent upward gradient for the venture ecosystem over the next five years.”

That ecosystem has gotten a big boost over the last decade, thanks to a potent combination of risk capital,

pioneering VCs, a good legal environment, universities producing talented graduates, entrepreneurs splitting off from big tech companies, reasonable intellectual property protection, and tax incentives. In 2016, the Indian government, under Prime Minister Narendra Modi, launched “Start-Up India,” a flagship initiative aimed at building a strong ecosystem for nurturing innovation. At the same time, a new generation of Indians is more willing to take risks, and the stigma around failure has faded. “Young entrepreneurs now believe that they can build global businesses of significant scale if they

“It's very important to know that a classic US model won't work in India.”

are passionate and determined about it. Even if they fail, it is not a social stigma or taboo,” says Avdesh Mittal, a Mumbai-based Korn Ferry senior client partner.

IDG's Sethi, who has been a pioneer in India's VC market, started his own fund in 2006 with the backing and investment of Patrick J. McGovern, Sethi's mentor and the founder and chairman of IDG, the global technology media giant. Now with \$500 million under management, Sethi's IDG Ventures India has 71 portfolio companies and has provided exits for its investors every year for five straight years, an important endgame.

India Embraces the Entrepreneur



The online grocery Bigbasket delivers to 25 cities in India.

“It’s very important to know that a classic US model won’t work in India,” Sethi says. “It’s an emerging market with its own efficiencies and inefficiencies.” In a nation where it was nearly impossible to get a landline, for example, India went first to mobile phones and then leaped right away to smartphones, with all the attendant market opportunities that offered.

“Smartphones will allow small entrepreneurs to introduce innovations like the emergence of dot-com companies in the US,” says Iqbal Quadir, founder of Grameenphone in Bangladesh and senior fellow at Harvard Kennedy School’s Belfer Center for Science and International Affairs. “As smartphones proliferate, a great many entrepreneurial ventures will emerge in India. The various inefficiencies in the physical infrastructures will only contribute to this boom.”

India is expected to have 650 million mobile internet users by 2020, with digital commerce reaching \$250 billion.

“Some inefficiencies in India actually became a competitive advantage for those who could solve them,” Sethi adds. With a highly skilled engineering workforce, several top technical universities, superlative management training, and an English-speaking population, India was able to become an outsourcing destination for Western companies in need of call centers. When it came to entrepreneurs seeking new concepts and innovations, however, the road was bumpy.

A first attempt to foster a start-up economy in the late 1990s sputtered and failed. Most Indian start-ups were simply mimicking



CleanMax Solar has installed more than 300 projects in India for more than 100 organizations.

GETTING STARTED



Some of the well-funded start-ups in India include:



Swiggy

DISCLOSED FUNDING: \$480.5 million

A Bangalore-based food delivery business that services multiple cities in India.



Bigbasket

DISCLOSED FUNDING: \$547 million

India's largest online grocer, founded in 2011.



Policybazaar

DISCLOSED FUNDING: \$355.4 million

A marketplace for health, life, auto, and nearly any other type of insurance.



Gaana

DISCLOSED FUNDING: \$115 million

A music streaming service named after a style of Tamil music.



CleanMax Solar

DISCLOSED FUNDING: \$100 million

A developer of rooftop solar projects for corporate buildings.



successful US companies, often to disappointing results. And, unlike China, India's free market economy meant that major players like Amazon, Google, Netflix, and Facebook could operate in India, creating tougher competition for start-ups. More recently, Indian entrepreneurs began to focus on a market replete with unfulfilled need. "Eighty percent of our money goes into companies solving Indian problems, such as eye care, pathology needs, [and] health and fitness," Sethi says.


Among India's biggest challenges is to find a growing cadre of limited partners who are willing to invest, and enticing the country's talented risk-takers to stay home or to come back from abroad. Silicon Valley start-ups, as well as giant US technology companies, are heavily stocked with gifted Indians armed with advanced degrees in technology or management from top American universities. Getting them to return to their homeland has long been a challenge. Silicon Valley, with a deep well of funding and investors, is a potent lure. Ratan Tata, the billionaire former CEO

of the Tata Group, believes the nation has to dramatically increase support for its young entrepreneurs. Many of the start-ups in India, including notable successes like Flipkart, have merely reshaped existing ideas for the Indian market.

"We don't seem to have as many really disruptive start-ups in India as you might see overseas," Tata said recently at a conference of venture capitalists. "You have some. Unfortunately, we don't have an environment where somebody says, 'You have a great idea. You need to be supported.' In fact, over here, we have instead an attitude of, 'He's wasting our time. We don't need to have this, we can do well with what we have.'"

Tarun Khanna, a professor at Harvard Business School who runs Axilor, a successful incubator in Bangalore,

is a key player in India's central policy making. He is deeply committed to catalyzing



“If you are a young person, it’s a potentially viable path today to say, ‘I aspire to be an entrepreneur.’”

Start-up Lenskart supplies glasses and contact lenses to more than 100,000 customers a month.

India’s entrepreneurial efforts. Khanna says he agrees with Tata’s assessment. “If you had better policies in place, you’d improve the odds that you can work on interesting things,” Khanna says. “Nobody wants to leave their home. I already see a lot of my students going back.”

As a successful entrepreneur himself, Khanna was involved in drafting a blueprint for a broad, overarching strategy for entrepreneurship in India. Some of the policies his committee suggested are already being implemented, but in a nation as vast as India, such policies emerge in pockets—usually geographic pockets that favor the existing strongholds like Bangalore.

Nonetheless, Khanna is optimistic about his country’s prospects, but he acknowledges the remaining challenges. “The biggest challenge in any developing country is there’s no risk capital,” Khanna says. “There are organized angels, but there’s no good institutionalized risk capital. That’s a real limitation to entrepreneurship.”

In addition, many in the corporate sector

are often unfamiliar to dealing with entrepreneurs. Thus, big Indian companies don’t have protocols to understand how to share the game with entrepreneurs, Khanna says. “India is way ahead of others in developing countries,” he says, “but it’s still a developing country. The policies are in the right direction, but it’s going to take a while to get all this in place.”

With its British-born bureaucratic maze of rules and regulations, Indian transformation is unlikely to move as quickly as the VCs and young entrepreneurs desire. But momentum has spawned undoubted acceleration.

“There are certainly impressive start-ups already, and you see a lot of cool things,” Khanna says. “The question of how much is going on is relative to the size of the economy and the number of people. There should be a hundred times more. Depending on how ambitious you want to be, there will be more. The question is whether that takes three years, five years, 10 years, or more. That said, I’m very bullish. If you are a young person, it’s a potentially viable path today to say, ‘I aspire to be an entrepreneur.’ That was not the case 10 years ago.” ■