

Angel Investment Network in India – Recent Trends and Future Prospects

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Abstract

In the midst of a growing economy the possibilities for entrepreneurs are increasing day by day. However, the biggest problem in starting a business is raising of capital. In India it has often been seen that about 50 percent of new businesses close within five years of commencement. The only reason is that better management of funds is not possible in them. Significantly, there are several venture capitalists and private equity firms across the country which may come to rescue. By the way, taking their help many times puts extra burden on businessmen. In this context the term angel investment has gained phenomenal prominence in recent times. Basically, angel Investors are a group of investors who invest in early trading. Instead, they take a small stake in the business. These people are either businessmen or top executives of multinational companies. However, it may also be a group of ordinary people who want to invest the funds they hold in a business. There are many such networks across the country. Mumbai Angels, Indian Angels, Hyderabad Network are well-known angel investors. Angel investors typically invest for 8 to 10 years. They monitor the growth of the business and keep an eye on its accounts regularly. If they are dissatisfied, they can also pull their hands off the business. This is the reason that companies in which Angel Investor invests have a better performance than other companies. Angel Investing is in a very early stage in India. This article strives to figure out the operating procedure, future possibilities and precautions for the development a robust angel investment network in India.

Keywords

Angel Investment, Venture Capital, Start-up, Fintech, Entrepreneurs, Value-Added Services, EdTech, AgriTech, HealthTech

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Introduction

Traditionally, people who invested in Broadway (theatrical performances introduced in the 41 professional theatres, each with 500 or more seats placed in the Theater District and Lincoln Center alongside Broadway, in Midtown Manhattan, New York City) were referred to as “Angels”. Nowadays, the term has been adopted with the aid of all such people who have invested their money in any other person’s business or entrepreneurial efforts. Angel investing has taken off pretty phenomenally over the past 6-7 years, because of its potential to earn increased returns on the amount invested as in contrast to different investment methods. Angel investors can be any individual working in any industry or occupation like enterprise executives, lawyers, doctors, entrepreneurs etc.

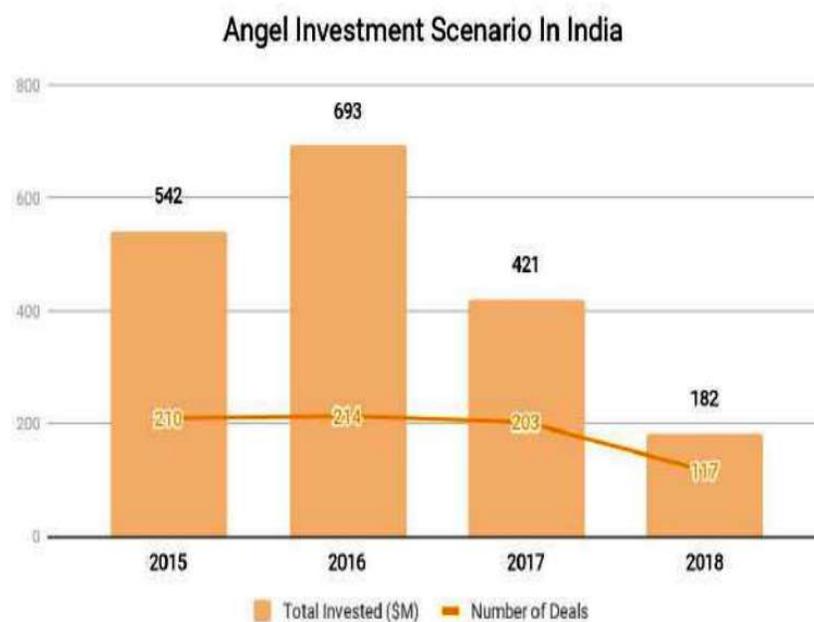
The fast growing startup ecosystem in India is attracting not only the world's big capital ventures but also hundreds of angel investors in the country. This is the reason, from Bollywood actors to cricketers, all are investing money in startups. Most of the major Indian angel investors are entrepreneurs themselves and have now become mentors of startups. According to IT industry body NASSCOM, the number of angel investors in India has tripled to 855 during the last one year. According to US-based venture and startup analytics platform Xeler8, there is a group of 10 people in India who have funded 425 startups over the past decade.

Angel investors commonly make investments in early growth or mature start-ups. But the most important aspect that differentiates angel traders from venture capitalists is that the former make investments of their own money in different businesses, whilst the latter is added into a commercial enterprise by using a variety of firms/companies that make investments using different people’s money. As a result, angel investors now have greater probability to be personally entangled with the business.

Angel investors connect with any business from the very beginning. They collect all information about it at the same time when the business is under consideration. For example, Angel Investor looks at who is starting the business, how much return will be made in it. Currently, angel investors in India see a lot of potential in education, telecommunications, value added services/ apps, fintech and healthcare services. In such a situation, people who are planning to start a business in this field can get the benefit.

Angel Investment Scenario in India

Angel investment in India has seen interesting traits in the last few years. While more than US\$350 million have been invested every year in the early stage area over the previous 5 years, investors and investees have faced some challenges in smooth flow of transaction. According to a remark with the aid of YourStory, \$173 million were raised in Pre-Series A and angel rounds in 2018 via Indian startups. While the variety of deals and the amount invested may also have reduced from 2015 to 2018, the personalized hands-on experience and the penetration to a network still make angel investors precious for a startup.



Source: <https://www.yourstory.com/2019/05/angel-investment-india-startup-funding>

Angel funding in India's startup ecosystem is facing a litmus test right now, as a lack of proper exit opportunities, valuation mismatches, and regulatory and tax issues have made the seas rough. This, however, should help separate the wheat from the chaff, state industry members. Returns have also been modest for most angels, generally the major amount. Despite the risks, the Indian startup ecosystem is nonetheless attracting new traders and a new profile of angels is emerging. About 50% of new angel investors are now senior company executives or vertical heads at major startups, whilst others are serial entrepreneurs and

individuals of household businesses. Active angel traders say it is a sport of patience. It is vital for angel investors to be patient, location enough bets, and also consider whether they are doing it for economic features alone.

Industry Sector	Nos	%
BPO & Analytics	12	1.4%
E commerce	22	2.6%
Education	29	3.4%
Energy	7	0.8%
Financial services	9	1.1%
Food & Food delivery	46	5.4%
Healthcare & Biotech	27	3.2%
IT hardware	4	0.8%
IT products	153	17.9%
IT services	33	3.9%
Media-Content	15	1.8%
Mobile VAS*	111	13.0%
Online services	316	37.0%
Other services	42	4.9%
Others	26	3.0%
	855	100.0%

Note: *Mobile VAS: Mobile value-added services

Source: https://www.researchgate.net/publication/332321846_Angel_Investments_in_India-Trends_Prospects_and_Issues_in_the_Current_Economic_Backdrop_A_Background_Note

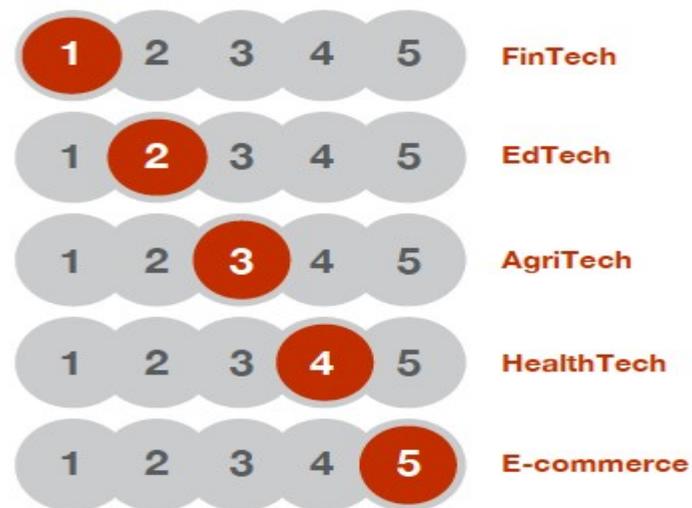
Most of the angel buyers see investment in start-ups as volatile as compared to matured start-ups. Therefore, they decide on to diversify their investment portfolio in more than one start-up with reduced ticket dimension amounts. Sectoral differences may also be due to the choice for definitive industries at prescribed points in time. Thus, Online Services was a favored zone in the early years of the new millennium when lone wolf angels used to actively invest in those businesses. But in recent times sectors such as fintech, healthcare, mobile value-added services, food delivery have attracted massive amount of angel investments. Notable big guns of the Indian corporate landscape have invested heavily in various startups like **Paytm, Olacabs, Snapdeal, Xiaomi, Zivame (Mr. Ratan Tata), Mobilewalla, WebEngage, Instamojo and Capillary Technologies (Mr. Rajan Anandan), Curefit, Unacademy, Hashlearn, Pandorum**

Technologies (Mr. Binny Bansal), NewsInShorts, Roposo, SpoonJoy (Mr. Sachin Bansal), OlaCabs, TinyOwl, Unicommerce (Mr. Kunal Bahl).

Future of Angel Investment in India

While it is splendid to see several new Venture Capitalists infusing corporate rupees and dollars and micro-funds establishing places of work in India, the significance of angel investors in an endowed start-up ecosystem remains unshakable. As a country, we are currently at an inflection point and while marching ahead technology startups can potentially grow to become the foremost catalyst in India's development trajectory. Over the closing few decades, Indians have featured in a variety of areas ranging from conventional companies to harnessing pioneering areas of technology. It is highly essential that the depth of experience of these well-turned people is handed over to the subsequent generation, which is aggressively making an attempt to bring in disruption throughout industries with technology at the core.

According to a survey conducted by PwC India with reference to the desired sectors of preference of angel investors in India there are multiple sectors in India possessing a lot of promise. Although the aim was to get a flavour of their funding potential, there came up an engrossing trend, whereby angel investors seemed open to start-ups with an ingenious idea, strong founder profiles, clear execution roadmap and universal ability to scale up. Quite a few in this bracket indicated that they will fix on technology-savvy companies, which reiterates the focal point on technological know-how for going ahead. According to the survey, a few essential sectors, which excite the angel investors are:



Source:<https://www.pwc.in/assets/pdfs/publications/2018/gearing-up-for-a-favourable-investment-climate.pdf>

Other sectors of interest for angels are social enterprises, media and entertainment, consumer goods and logistics, among others. From the survey it is also seen that 46% of angel investors wish to collaborate and work discreetly with co-founders of the start-ups, whilst 40% of them answered that they might also work with them but on case-to-case basis. Therefore angel investors may be viewed to be fairly zealous to work with co-founders.

If we consider the survey conducted by the leading audit firm PwC India, angels have really not received any illustrious exits yet. Despite this, angels from all over the globe are taking deedful savor in investing in Indian start-ups, and their outlook is not restrained to perceiving them as merely financial investments. The reality that a lot of angel investors have began investing lately proves that new angels are perennially getting inducted in the fold—thus bringing a set of multifarious information and masterliness that founders can leverage.

Undoubtedly, India is an unexampled country and angel investing traits may have patterns, which may not be comparable to other nations. It is therefore required that constant attempts and endeavor are made to map the emerging developments across angel investing, which are distinct to India.

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