

## **INDIA STARTUP ECOSYSTEM TRENDS: INSIGHTS BY BEN MATHIAS, MANAGING PARTNER VERTEX VENTURES SEA & INDIA**

### **PART 1: VC FUNDING SLOWDOWN**

I think the best days for the Indian start-up ecosystem are ahead of us. Yes, funding has come down this year. And I think that's a good thing. Why do I think that? The reason is the last 2-3 years, there's been too much funding that's come into the Indian ecosystem. Companies that are over-capitalised, investors are giving startups more money than they needed. As a result of that, the startups increase their burn and they built very inefficient businesses. Today, the fact that less investment is coming into the country means that businesses need to right size. They need to focus on profitable growth and not just on GMV growth. That's the only way to build a long-term sustaining business. So I believe that the startup ecosystem will continue to grow. What is happening today is a very, very healthy development.

### **PART 2: D2C TRENDS IN INDIA**

We see D2C as being a very major trend in India. What do I mean by D2C? So D2C refers to brands that get created, that sell online first. So it's a brand that you will only see on an online platform and you will not see on a store. Why do these companies get created? The reason being that they're appealing to the millennial generation that buys online. So for example, if you're creating a new beauty brand, or a new food brand, or a new apparel brand. And you want to target the people in the age of 18 to 35 or 18 to 40. These are people that we prefer buying online. They would first go to Instagram and look at the influencers and see what the influencers are saying about the product. They will go look at the reviews of the product. And then they will get directed to an online app or a website and buy the product.

Now, there comes a point in time where there's a D2C brand will go offline. But they will get a certain momentum online and then they will go offline. We've invested in companies in D2C. One example is a Kapiva, which is an Ayurvedic brand. They've taken a 2 thousand year old Ayurvedic formulation and repackaged and repurposed it for the millennial generation.

Another example is a company called Licious, which is an online meat and seafood brand. Typically, meat and seafood is something you expect to go to a wet market or to a supermarket to buy. Licious has built a product where you go to an app and you can buy fresh fish or fresh chicken delivered to your home in 90 minutes or less.

### **PART 3: FINTECH TRENDS IN INDIA**

We see a lot of fintech companies in India. We see almost one or two every week. And a couple of trends that are driving this. One is of course, UPI has been a game changer. Now, anybody can link into the UPI platform and provide digital transaction. As a result, we've seen companies that do digital lending. We're seeing companies that do wealth management. We're seeing companies that do digital insurance. We are seeing neo banks. But it's important to notice, to realize that fintech is not only about the tech, it's also about the fin. And the companies that we see succeed are companies that have a combination of founders that bring the technology expertise and the financial expertise.

So if you look at one of our portfolio companies Kissht, Kissht is doing extremely well today. They are one of the only digital lending companies in India that's running a net profit. The reason for that is they built, of course, great technology that users like to interact with. But they also have the strong financial acumen to do the risk management, to know exactly who to lend to, to know what sort of product to lend. And so that you minimize your NPAs while maximizing your revenue.

So those are the types of fintech companies we'd like to look at. It's very easy to lend money. It's very difficult to recover that money and make a profit on it.