

From the Editor

One speaks the glory of the British queen,
And one describes a charming Indian screen;
A third interprets motions, looks, and eyes;
At ev'ry word a reputation dies.

Alexander Pope; The Rape of the Lock: Canto 3

At every word of the Comptroller and Auditor General of India, Manmohan Singh's reputation has died a little more. Coal left a dark stain on every palm that touched it, but is it clogging the nation's arteries? Our analysis on page 29 puts things in perspective. But Parliament's monsoon session was a washout, and you would be hard put to find a clue in the *Handbook for Members* issued to every MP on how to plumb these depths of bad behaviour, disruption and disdain for etiquette and decorum. Let's not even try and guess how much economic damage has been done to the nation by legislative paralysis and political cussedness.

The good news is that, like fireflies on a dark night, hundreds of small businesses are sparkling across India. Seed and angel funding is booming, and more and more very early stage investors are stepping in where banks and the government are absent. Sahad P, publisher of VCCircle.com, estimates there are at least 60 seed and angel funds in India, and their numbers are growing. People like Sasha Mirchandani of Kae Capital, Karthik Reddy of Blume Ventures or Anand Lunia of India Quotient are at the front of this huge spurt. Sahad cites disclosed deals to estimate that there were 57 deals worth \$17.34 million in 2011 and 69 deals so far in 2012 worth \$17.07 million. This is up from 16 deals worth \$9.39 million in 2006. Don't forget that early-funded start-ups could grow to be giants like Google and Facebook. Mirchandani illustrates the excitement and passion of the quest for the Next Big Thing. He started investing around the turn of the

century when he was still with his family firm, Mirc Electronics, which makes Onida products. In 2006, he co-founded Mumbai Angels, India's first angel-investment fund. Earlier this year, he launched his own seed fund. On the way to Kae he spent four years as India head of Blue Run Ventures, and also started and sold a BPO firm. Deepak Shahdarpuri, Managing Director of BCP Advisors, which advises Beacon India Private Equity Fund with \$320 million under management, says seed and angel investors are playing a critical role in the development of business in India, providing mentorship and capital. "Capital in particular is lacking in India with Centre and states not doing anything material in supporting entrepreneurship and banks shying away from lending to

'risky' early stage businesses; odd how these same banks are happy to lend to an overleveraged technically bankrupt airline or developer," Shahdarpuri says.

Foreign investors are keen on the India story, despite our government and despite the graft and grime. "Given that there is so much noise on the level of corruption in India, one scam after another, foreign investors are reassessing how they want to get their India exposure. If you look at the new funds that have successfully raised capital recently, most have been early- to mid-stage growth funds focused on tech and other consumer-related businesses. Angel and seed funds are significantly smaller in size and tend to invest in asset-light businesses. Many deals are in e-commerce, tech services, tech products, consumer products, services and ancillary, and so on," Shahdarpuri says. Investors are particularly shy of venturing into infrastructure, or real estate, or big-ticket ventures that require fund managers to rub shoulders with suspect politicians. For a good look at this thriving ecosystem, read Special Correspondent Taslima Khan's cover story starting on page 50.



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