

# Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 1)

Posted By [irinapatterson](#) On June 23, 2010 @ 6:00 pm In [Uncategorized](#) | [No Comments](#)

By guest authors [Irina Patterson](#) <sup>[2]</sup> and Candice Arnold

This is the eight interview in our series on seed financing and angel investing. I am talking to Padmaja Ruparel, president of [Indian Angel Network](#) <sup>[3]</sup>. She is based in New Delhi, India.

**Irina:** Hi, Padmaja. Let's start with your telling us a little bit about yourself.

**Padmaja:** I have been in the early-stage entrepreneur ecosystem in India for over a decade now. It was something I did in addition to working for a software company as head of Indian corporate communications strategy. I operationalized The Indus Entrepreneur's (TiE) Delhi chapter back in 1998.

From there, I have built it up over the past nine years and laid the foundation of an award-winning chapter in the TiE universe. I also helped rejuvenate the Indian Venture Capital Association. About three years ago, I stepped out of my corporate life to operationalize the Indian Angel Network and now focus on it full time.

When we started the organization was called Band of Angels, but we soon rechristened ourselves Indian Angel Network, which is how we are now known. We started off with a nine-year-old laptop and using our investors' offices, to now having operations in four cities: New Delhi, Bangalore, Bombay, and Pune. We have a team of six people and we are looking to expand to other cities in the country. With about 125 investors across the country and overseas, we have more than 20 investee companies based in India and overseas. We've had four partial and full exits, the most recent one giving our investors about five times [return] over 15 months of investment. And we've got a deal flow averaging about 150 deals a month.

**Irina:** Do your angels have any particular industry expertise, or is it really broad?

**Padmaja:** Our angels come from various domains. We are largely sector agnostic but are size specific. Having said that, we are interested in sectors in which our investors have a background or domain expertise. Take something very high-end, such as nanotechnology, for instance. I think that despite its being a great proposition, we may not have interest in it just because we may not have an understanding of that space. But tomorrow, if we have an investor from the nanotechnology sector who becomes a member, we may just take a punt on a proposition in this space it. It's really driven by what we can understand, and more than anything else what we can help, mentor, and grow. I think mentoring is the real role of angels, apart from initial small funding that we may do.

**Irina:** Tell us more about your organizational structure. How do your chapters operate?

**Padmaja:** We don't work as chapters and federal organizations as TiE does. For instance TiE, has, I think, more than 50 chapters around the country with each chapter being a separate P&L. We don't operate like that. We operate as a single body. It's a hub-and-spoke model. We have the hub in Delhi, and we have spokes with operations in all these other cities. It all feeds in. All our investors across the world have an opportunity to invest, participate, do due diligence, whatever, equally. In that sense, we are a national (and international) body.

**Irina:** Even international, I might say, because you also have members who are outside of India, right?

**Padmaja:** Correct, and we've also invested in companies that are based overseas.

## **Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 2)**

Posted By [irinapatterson](#) On June 23, 2010

By guest authors [Irina Patterson](#) <sup>[2]</sup> and Candice Arnold

**Irina:** What are your current sources of deal flow?

**Padmaja:** There are various sources. One is, of course, our own members. For each of them, if you look at our website and go through the profiles of our investors, you can see that they themselves are brands in their own right. So, a lot of entrepreneurs connect with them and send them their plans and, therefore, they send it on because they basically joined the network to help reduce risks, leverage collective domain expertise, and participate in the co-investment process. One source of deals is clearly the members themselves.

**Padmaja:** In addition, we've built, in a very short time, what is probably the most dynamic media strategy in the early stage investing ecosystem here in India. Our own brand building and our media visibility and events participation have created a bit of a push strategy for entrepreneurs to send us plans. And we've done some very large business plan competitions.

For example, last year we did about two and that brought us about 12,000 entrepreneurs in 30 days. The other brought us 7,500 in less than a month. And we keep engaging at different levels. So that's the second source of entrepreneurs coming to us.

Number three is that we've now got a very exciting engagement model with investment advisories. That's become the third model where we get a little more ready-made stuff because the advisories would have worked on them.

And we've got our relationship with the Indian Venture Capital Association. They pass on to us entrepreneur plans that are not relevant or not appropriate in terms of investment size or space or geography for the VC funds. That creates still another source of deal flow.

Last, we have a lot of overseas entrepreneurs connecting with us, and that's how we've done a couple overseas investments. That happens because of our engagement on the international front. We are the Indian partner of the UK India Business Angel Network, which [former prime minister] Gordon Brown announced in January 2008. On the British side, there were a group of angel groups and from India, it was one angel group, which is IAN.

We also have taken a leading role in the Asian forum of angel networks. That's why we get a lot of deals from Singapore, Malaysia, Indonesia, Australia, and even China. We are the founding members of the World Business Angel Association. So, we've created a bit of an international footprint that gives us a look into different entrepreneurs from around the world.

**Irina:** Great. Could you tell us more about your business plan competitions? Were they virtual or live?

**Padmaja:** It was a mix of virtual and physical. We largely did the online part because that's how you can do a scalable model. For example, when we had the 12,000 plans, we brought them down to 1,000 on a virtual basis. We engaged with them online, we had telephone call, mentoring going on [through] e-mails, and so forth. From 1,000 to 250, we brought it down in a much more engaged virtual program.

We had investors helping the entrepreneurs improve on and understand their plans over a period of ten days, but largely through phone calls, through conference calls, Skype, e-mail, and chat sessions.

We activated everything. But, if the mentor and the mentee were in the same city, of course they met. That was quite nice. But it wasn't the norm, it was the exception. Finally, when we brought it down to 250, we had each of those 250 meet with a group of at least four investors. So, over four days, we had 50 or 60 tracks running where entrepreneurs pitched to investors.

## Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 3)

Thu, Jun 24, 2010

By guest authors [Irina Patterson](#) and Candice Arnold

**Irina:** How many investments resulted from that competition?

**Padmaja:** This whole program was really to inspire entrepreneurship in the country. A large number of them benefited from the mentoring. In fact, every single person who was declined was given specific feedback as to why he or she was declined, and given suggestions, and relevant connections were made; that is, relevant investors and debt financing organizations were introduced. In short, we did all what we could help with.

This competition was a kind of ecosystem build-up. A whole lot of them received investments from banks, from grants, from VCs, by networks; it came at all levels. We did have people who even wanted \$8 million, which is not really an angel bite, but we took the time to vet their plans, have them mentored, and bring in the relevant VCs.

Interestingly, quite a few angel investments are coming through – we are now looking at closing about three or four of them, if not more – they all needed help. They needed mentoring help, rebuilding their strategies, or changing them. We had some interesting ones where we suggested to them that they should close down some part of the business to focus on the other, we've shown them where the margins are really coming in.

**Irina:** How do you work with the investment advisories? What is your relationship with them like?

**Padmaja:** That's a simple one. There are not very many angel groups in India. The smaller investment advisories and even the larger ones have groups working on smaller investment bites. So, they connect with us with their clients' plans and have them present to us, and we take it forward if it's interesting. That's a model that has worked out much more easily than we expected. When your companies give good returns to investors, that goes around the network and the grapevine. And that attracts a lot of investment advisories to send in their remits.

**Irina:** What is the best way for entrepreneurs to approach your angel group directly?

**Padmaja:** On the website, or write into us directly. (Our contact information is on the website.) As soon as it comes, we pick it up and take it from there.

**Irina:** Roughly how many pitches per month do you get these days?

**Padmaja:** Almost 150, and 50% of them comes through the website. And this does not include these competitions that we do. That would be over and above the business-as-usual deals that come in.

**Irina:** Out of these 150 pitches per month, how many of those deserve a closer look?

**Padmaja:** We get deals that are at different stages. We pick up the ones that are ready and move them for investor presentation. There is an example in which we moved our deal in almost 12 days from the entrepreneur approaching us to a term sheet. That's more of an exception, to be honest, but having said that, we've done it. There's meat on the table.

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**Padmaja:** There are other entrepreneurs whose plans we look at and play the devil's advocate, punch some holes, and have the entrepreneurs really improve their presentations and really make them more investable. Or make them more palatable to investors. We make them think through their numbers, operations, and even valuations, which can really be over the top.

That happens all the time. We have an internal rule, every e-mail must be responded to within three working days. But having said that, there's obviously a due diligence [process] where we'll have to sometimes invest a little more time; because we're getting plans more vetting is required and there need to be several iterations to improve the plan.

What we do to save time is get the entrepreneur on the phone or meet with him or her, whichever works, and we work through the whole thing so the entrepreneur understands our thinking, understands why we are punching holes and what are those holes. We give him the logic as we see it. How quickly these holes get fixed is completely dependent upon how quickly the entrepreneur works. It's very difficult to control that time.

Then there are those who are really not ready, and we sit and explain it to them. But there's always a door open, so they can come back to us when they're ready or have improved their plan or start something else.

That's how it plays out. And then there are those who we tell, Look, you haven't got this . . . why don't you go work on it and come back to us, and then we track it. There is a regular tracking mechanism through which we touch base with the entrepreneur and say, hello and where is it going?

**Irina:** What would be the next step for someone who came to you and who is really good and you would consider investing in them.

**Padmaja:** They would present to the investors.

**Irina:** Do you have regular meetings?

**Padmaja:** Yes, every month we have a minimum of three meetings. We have a full calendar for the year.

**Irina:** When you're debating whether to fund these ventures, what are the most decisive factors?

**Padmaja:** I think two things. One is the team itself, because at the startup level, what else is actually there? The most tangible thing is the team, whether it can execute the plan or not. The rest of it could well be just about one presentation or an Excel sheet, which can be tweaked around as much as one wants. But at the end of the day, can they execute, can they deliver, can they create the value from customer acquisition to collections and delivery? So, to my mind the team is critical.

Number two is the proposition, which is, how differentiated is this? The proposition needs to be doing something different or differently for a VC or angel investment. If I take those two, a class-A team with a class-B idea is better than a class-B team with a class-A idea.

An idea is still an idea until it gets executed; it's still the team that makes a difference. So, those two are what I would be driven by. After that, of course, comes the understanding of competition, understanding of how they use finances, how they use the funds, how much bootstrapping they are doing, All of that comes later. At this stage, numbers should be reflecting operations and not the other way around.

## **Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 5)**

Fri, Jun 25, 2010

By guest authors [Irina Patterson](#) and Candice Arnold

**Irina:** How many investments have you made in the past 12 months?

**Padmaja:** Within the past 12 months we would have done five.

**Irina:** And how much do you usually invest per deal?

**Padmaja:** We're touching \$400,000 to \$500,000 per investment.

**Irina:** On average, how many investors join in per deal?

**Padmaja:** We used to do about nine to ten investors per deal. But our last deal has clocked 47 on an about \$800,000 investment.

**Irina:** How long does it take for a company to receive funding from your group?

**Padmaja:** I would say three months. That's an average, but there's always less or more, but the 12 days case that I was telling you about was really signing the term sheet. Then the due diligence happens, the legal due diligence, all of that. In this particular company, he needed to change a few things on his pre-investment equity holding, which he wanted to change and which took him time. So, you factor all those things in and it becomes about 90 days.

**Irina:** What is the typical valuation of a company that you invest in?

**Padmaja:** We usually take between 20% and 30%.

**Irina:** Do you usually have a valuation of \$1 million to \$3 million for a company?

**Padmaja:** You could say that. Sometimes below \$1 million. Once, we funded a company that approached us with a \$10 million valuation. Finally, when we invested, pre-money was \$750,000!

**Irina:** What is the typical return you seek?

**Padmaja:** As I said, it would be nice to have a typical return of 5x over 15 months. That's what we've done with [Druvaa](#)/Druva , a software solution for continuous data protection and disaster recovery .

**Irina:** In what stage of a business's development do you usually invest?

**Padmaja:** I think what our investors typically like is a company which has gone operational or about to go operational, with some customer endorsement. It's not necessary, but if a company has revenues, we're happy to look at it. We looked at a company which had revenues of about \$200,000. For an Indian company to have \$200,000 in revenues is not bad.

**Irina:** Do you take the total available market (TAM) into consideration?

**Padmaja:** Yes. The market should be large. But since we're sector agnostic, it completely depends upon each sector.

**Irina:** Would you consider a company with the TAM as small as say, \$20 million?

**Padmaja:** In Indian terms, it could work, but remember we need an exit. We need to figure out whether the next round of investment is going to come in or what is an exit route.

If the market is too small, it is hard for us to fix a number. It may be large from an angel perspective, but it also needs to be large from a VC perspective because only then will a VC come in and give an exit to the angels.

Or if there is the development of intellectual property (IP), you can ride the IP valuation game, meaning that if a venture creates an IP, the valuation of the company increases which allows for tech transfers and licensing and finally acquisition opportunities. These are also interesting opportunities.

## **Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 6)**

Fri, Jun 25, 2010

By guest authors [Irina Patterson](#) and Candice Arnold

**Irina:** Do entrepreneurs have to have previous senior executive experience?

**Padmaja:** No. They need to have two things. One is an understanding of the domain, and the other is a bit of a complementary skills within the team. You don't want to be investing only in a "CTO," because he or she may be able to produce the best technology but who's going to take it to the market, commercialize it, and create the revenue line? There is a bit of the complementarity that we look for.

In fact, in one particular investment we recognized very early that there was the marketing or the commercial person missing. So, we actually did a bit of an innovation in the angel process and located somebody who was a perfect marketing/commercial person and embedded him into the founding company. This really did help as the company won an exclusive order for over Rs. 125 crores (over \$26 million).

**Irina:** So, if the team is not complete, you can help them to find who is missing?

**Padmaja:** Yes. We have a database of people who want to work in startups. We don't always necessarily get it right, but we do try.

**Irina:** What is the most important character trait for an entrepreneur to have?

**Padmaja:** Three things. First, if he or she is going to lead the venture, that person must surely have an understanding of the domain and how it works. An entrepreneur must have an ability to market and also the ability to understand how the delivery will happen, even though he or she may not drive it.

Number two, an entrepreneur should know deep enough that he or she is not a pushover, yet mentorable enough to take in new ideas that investors or teammates may come up with or feedback customers may give.

The third, which people do not really enunciate, but to my mind, [is important] is integrity of thought, action, intent. One doesn't enunciate it very often, but I think beneath any diligence, that is an underlying point that one looks out for.

**Irina:** Yes, integrity is very important. Now, let's talk for a moment about those companies that you would not invest in because for some reason they are not ready. What do you do for them?

**Padmaja:** There are three or four things we do. First of all, we tell them what the investors were feeling or what the gap was. On the basis of those gaps, we cannot progress at that time. So, they understand why we are declining them. Then we give them suggestions (i.e., these are the gaps, but here are some suggestions) so they get some value feedback. We could well say, You are wasting your time, go back to a job, because we think that's honest feedback. Then, if we think we can help them connect, then we tell them, For this, we think this may be a useful organization – or person – if you like, we can connect you to them.

## **Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 7)**

Sat, Jun 26, 2010

By guest authors [Irina Patterson](#) and Candice Arnold

**Padmaja:** As another example, there is an entrepreneur who's doing 46% net profit, and we give him honest feedback: Don't share equity. You don't need to. He needs working capital, so we told him we put you on to people who give debt. Maybe that's a cheaper way for you. Why do you want to share equity?

Even though I think from an investor perspective, it's a good deal. Forty-six percent could well be a very nice investment, but is it fair to the entrepreneur?

From the Indian Angel Network (IAN) there are two things: One, we believe our customer is the entrepreneur, so you need to be true to your customer if you want to do anything in your organization.

Two, in the long term, IAN is building its own credibility. I don't think it builds credibility to say, Forty-six percent, here's money; now give us equity. Whereas, he could well just run the whole thing on debt, and why dilute his wealth?

And then there are those entrepreneurs whom the investors declined for whatever reasons [...] and whom we do help, and we've connected them to other investors who have invested in them. So, we do give these kinds of referrals.

**Irina:** You are taking them one step farther along whatever path they've chosen?

**Padmaja:** Yes. My point is also in nurturing entrepreneurs. We have that philosophy.

**Irina:** Let's talk exits. What is your preferred exit strategy?

**Padmaja:** Again, it's deal to deal. In one, we have a VC coming in as our next round funding. The angel's got an exit option. In another, there was a strategic investor who came in, so the angels decided to exit in cash and still hold on to equity or a part of it. That's a partial exit, in some ways.

In a third, there was a complete takeover of a company by somebody, so it's a takeover exit. An IPO is too far off because the companies are too young. To my mind, angel-invested companies have to up a few other rungs on the ladder. Maybe we can someday see a management buyout. We haven't seen that, as yet.

**Irina:** How about generating dividends? Have you invested in deals like that?

**Padmaja:** Largely, our investors are not very excited about dividend gains.

**Irina:** What is your usual investment type?

**Padmaja:** Cumulative preferred shares is what we would do.

**Irina:** What is your biggest success to date?

**Padmaja:** Our biggest success is the one I earlier quoted you, an exit giving our investors five times over 15 months. Another is a company where people have gotten back all the money they invested and are still holding shares.

## **Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 8)**

Sat, Jun 26, 2010

By guest authors [Irina Patterson](#) and Candice Arnold

**Irina:** If you could give one piece advice to angels about how to become more successful, what would your advice be?

**Padmaja:** That's a tall order. I must first say this with a bit of a rider. Angel investing in India is very young. It's not as old as what is happening in the United States or the United Kingdom. So, keeping that in mind, I think per se, angel investing is a new phenomenon for people here. There are very few angels invested in the true sense. So, one thing that does happen – because the VC industry is a decade and a half or more older – the VC lens is sometimes used more than the angel lens.

If you're a VC coming in with let's say a \$5 million to \$10 million investment, you're obviously looking at a company that's got a history, that's got some traction, that's got some success. So, a VC would invest, looking at the past, and also taking a punt on the future. On the other hand, if you go to a bank that is giving a debt, or any debt financing agency for that matter, it largely looks at the past of the company.

But angel investment, if you think [about it, is] a little is different and is based on the venture's future. I think that's where the risk lies. Other than the team, you may not have anything else to take a punt on.

I think that may be what in India – and I'm being very specific to India – is where for angel investors, there's a bit of a learning curve that needs to come. And I think it will come. It's probably experience and exposure that is required. Also the entrepreneur ecosystem in India, though the traction is high, is in its very early stages.

The United States is a brilliant example, but think about how many years and decades of entrepreneurial activity have been going on there. India it's almost the first generation, middle-class entrepreneurs largely from IT industry about two decades ago. And they started off and it was only about a decade later that we had icons coming out ... sort of exited the companies, made money out of the entrepreneurial ventures. So, that, I think, is something which we would gladly move into, taking a little more risk on a few more unknowns.

**Irina:** And, of course, they should join your network because that's the best way to learn, right?

**Padmaja:** I would say, yes, of course. Because I think, if I look at the Indian angel investing scenario, we probably have the most experienced angels in our network and we have the most varied domain expertise. And those are two things which only help to risk your hedges, de-risk your investments, create a higher probability when you are talking to a network which is spread across the country and overseas.

A good example is last year when we invested in one company some time in April, they came to us with four clients. By December, they had 65 leads. Whether they convert – they did convert quite a few – but to have 65 solid leads in eight months is not mean.

## **Seed Capital From Angel Investors: Padmaja Ruparel, President, Indian Angel Network (Part 9)**

Sat, Jun 26, 2010

By guest authors [Irina Patterson](#) and Candice Arnold

**Irina:** And how is your network organized?

**Padmaja:** We were very entrepreneurial in how we started. I don't think there was much thinking at that time. We didn't realize it would be so big, to be honest. So, we just started with a private, limited company which is for more administrative purposes, just so that payments can be taken in and expenses can be pushed out.

There isn't a plan to create a value in the network. It was conceived as a not-for-profit, no loss/no gain kind of a scenario, and we still work on that. Having said that, we just instituted a section 25 company, which is a true not-for-profit company. So we will migrate to that. What we started was very entrepreneurial, but we have grown it well into a professional organization and becoming the largest player in the early-stage entrepreneurial ecosystem in India.

**Irina:** Is it supported by members' dues?

**Padmaja:** Yes, memberships.

**Irina:** What can angel-backed companies do to increase their chances of success?

**Padmaja:** Apart from doing what they have to do, I think they should be able to leverage the angel network very well. They have the fortune of being in touch with people who built companies from the ground up.

Angels bring not only investments, but also huge operational savvy, which is not embedded implicitly in the VC system, for instance. Unless somebody brings on a successful entrepreneur on the VC board or fund or whatever, it's not embedded in the system.

Here, largely there are people who have been successful entrepreneurs or successful intrapreneurs – people who changed their own corporate space successfully. I think that's a huge, huge opportunity to leverage and take advantage of to build their strategies, to change things, be open to it. So, mentorability and leveraging the investors network, I think, could make the difference.

**Irina:** Do you advise them to ask questions, be proactive, and go and engage with your network?

**Padmaja:** Yes, we do. In fact, in many of our invested companies we tell them, Here is the network, you can see it on the website, tell us who you want to engage with. And we do those proactively; we connect people and set up meetings.

Second, we send out the entire proposition to the network so that all investors, irrespective of whether they invested in that deal, do come forward and help. We create visibility for our invested companies so that they get a bit of a stage to stage their show. We do all of that. As a part of nurturing, I think it's important to nurture our invested companies before we go out.

**Irina:** Great insights, Padmaja. Thank you very much for sharing.