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# Young Start-Ups Attract PE Funds, and Attention

Venture capitalists bet on start-ups' role in growing retail sector of India

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Eager venture capitalists are pouring money into very young start-ups with innovative ideas to support the ongoing boom in India's retail sector. They are stepping up investments in companies that are building new technologies and business models, betting that they will play a prominent role as India's retail sector grows in size and sophistication.

"Highly specialised and niche business models designed for the Indian market are very attractive to investors", said Shailendra Singh managing director of Sequoia Capital, which on Tuesday announced it was investing ₹20 crore in Freecharge.in, a start-up that generates online leads for big brands including McDonald's, Café Coffee Day and Barista.

"We loved it from the get-go," he said of Freecharge, which has built a user base of about 1.5 million since its launch 18 months ago. While recharging mobile and direct-to-home television subscriptions, Freecharge's consumers can pay a small fee and redeem coupons of over 50 merchants, among whom are McDonald's and Barista.

Kunal Shah, co-founder of the start-up, said that he plans to use the money from Sequoia to add new products and merchants to the site.

"As the consumer has already paid for the coupon, it signals high intent to spend more. Therefore, mer-



chants use our service to generate new leads and for targeted advertising," he observed.

India is seeing a burst in early-stage investments that target specialised consumption-led business models. Earlier this month, Sequoia invested ₹35 crore in Knowlarity, a start-up that builds inexpensive voice and data communication products for small entrepreneurs and has over 40,000 clients.

Other funds such as Norwest Venture Partners and Accel Partners have invested in niche online sites, with the former backing TrendSu-

tra last December.

This growing investor interest in India's domestic consumption boom is contributing to a sharp spike in venture capital activity, which expanded by nearly 50% to \$1.07 billion last year, according to research firm Venture Intelligence.

Also on Tuesday, Indian Angel Network said it will invest seed money of around \$1 million in Peel-Works, a Mumbai-based start-up that provides an online platform to manage indirect sales teams at large consumer goods companies.

"Indirect sales teams are not managed internally at large corporations and so they do not get the attention they deserve," said Sachin Chhabra, Founder & CEO of Peel-Works who worked with Hindustan Unilever for 14 years before he starting his own venture.

The start-up computes performance-based ratings and offers recommendations on promotions, skill and competency for outsourced staff on an online platform.

Srikant Sastri, an IAN investor who funded Peel-Works with veteran investors Harish Mehta and Saurobh Srivastava, said it is an exciting time to be investing and mentoring start-ups in India. The investors have together acquired up to 40% in Peel-Works, that has built its platform on the cloud.

"A new, eclectic breed of entrepreneurs is emerging — all bursting with new ideas," he said.