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An Insightful Startup Funder



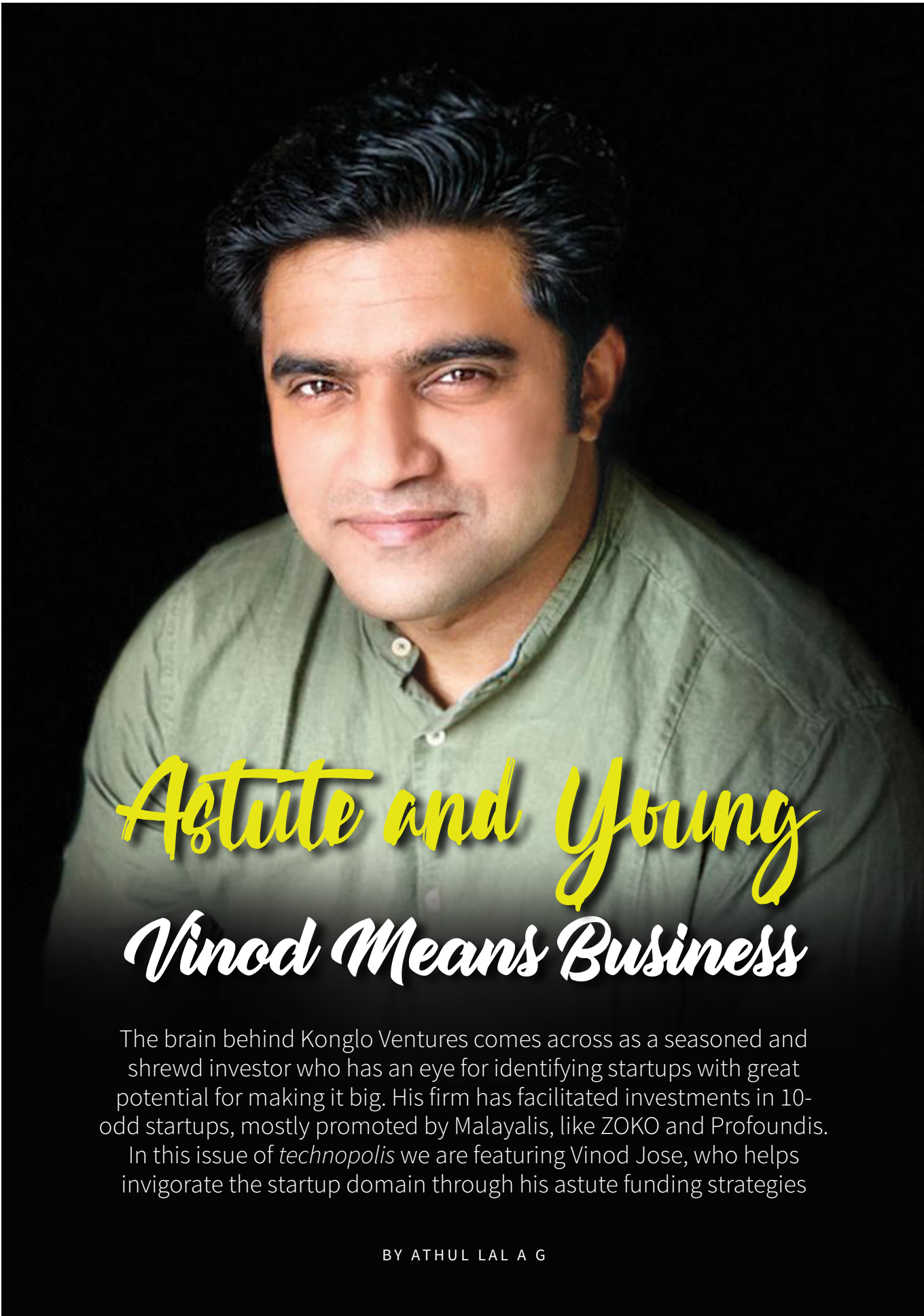
**REMINISCING AN
IDEAL ANTI-HERO**

ARYA NAIR EDATTU

SIMPLY GORGEOUS, HER MEHNDI
DESIGNS ARE A CULT OF SORTS

TESTVOX

A QUALITY-FOCUSED
STARTUP IN THE TECH DOMAIN

A portrait of Vinod Jose, a man with dark, wavy hair, wearing a green button-down shirt. He is looking directly at the camera with a slight smile. The background is dark and out of focus.

Astute and Young Vinod Means Business

The brain behind Konglo Ventures comes across as a seasoned and shrewd investor who has an eye for identifying startups with great potential for making it big. His firm has facilitated investments in 10-odd startups, mostly promoted by Malayalis, like ZOKO and Profoundis. In this issue of *technopolis* we are featuring Vinod Jose, who helps invigorate the startup domain through his astute funding strategies

BY ATHUL LAL A G

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or him, a lack of growth or absence of challenge is anathema. He deliberately puts himself into situations that are not familiar and challenges himself to learn and grow. Investment in startups is one such adventure. Meet Vinod Jose of Konglo Ventures, which focuses on investing in early-stage startups with high growth potential. Since its inception in 2013, Konglo Ventures has been a trusted channel for the investors outside India, especially successful professionals or entrepreneurs from Kerala, who have a desire to invest back home but hardly have any access to new business opportunities nor the bandwidth to conduct necessary due diligence. The firm has so far invested in 10 startups that include Profoundis, which was recently acquired by FullContact. "I chose Kerala to start with purely because that's where I am from. I am a proud Malayali!" says Vinod Jose, in an exclusive interview with *technopolis*.

Here are the excerpts:

How did you get attracted to investing in startups?

It was not premeditated, but rather by accident.

After completing BTech (Mechanical Engineering) from NIT Calicut (NITC), I joined Accenture in Bengaluru where I got financial independence and the feel of a professional environment for the first time. But in hindsight, I feel it was a bit late compared to Europe and the US where students experience a professional work environment through internships which help them make better career choices. After a couple of years, I started getting complacent and realised that I needed a challenge to grow further and wished to see the world. Around that time, I started getting more curious about business and economy and wanted to do an MBA

to get a better understanding on these topics. To make it more interesting, I decided to go to a country where I did not know the language and hardly knew anybody - Germany. After my MBA in Germany, which included a three-month exchange semester in Rio de Janeiro, Brazil (where to make some money I worked for a real estate broker), it took me six months to find a job in Germany. During this time I did some volunteering work which took me to different parts of the country and offered very different perspectives about life. I helped a German couple that was restoring a 11th-century castle, supported another couple that was renovating an old building into a children's school and assisted an artist in organising an exhibition. These were very valuable real life experiences for me.



In 2011-2012, I got the opportunity to work with a startup called 21Diamonds in Munich as the Head of Business Development and Finance. It was an e-commerce jewellery startup funded by Rocket Internet. I was part of the core team that led the expansion of our operations across Europe. It was my first exposure to the startup world. I learnt a lot working closely with the founders and it was an exciting time. Gradually, I noticed that there could be an opportunity in replicating that experience in India where the startup scene was just picking up. As an investment avenue, which fetches good returns and facilitates people with innovative ideas to come out with disruptive solutions to many problems, I found investing in startups an attractive proposition. Incidentally, it also held the charm of collaborating with some of my close friends.

However, Kerala's HNWIs, successful entrepreneurs and wealthy family offi-

es are averse to investing in startups.

In the Kerala context, the alleged reluctance on the part of homegrown businessmen may be due to a lack of awareness about modern funding options since many of them have built their enterprises using traditional funding methods like bank loans. This is quite understandable. But I hope things would be different in the case of highly successful Malayali entrepreneurs of the present generation like Byju Raveendran and P C Mustafa. Sachin Bansal, who is literally on a startup funding spree post his Flipkart days, is a glittering example.

You are investing in startups from salaried savings which is a much bigger risk than say, investing from an enterprise's profits. What is your motivation?

As an individual, I consider my savings as equivalent to an enterprise's profits. Investing in startups is risky but there are ways to mitigate it. Luckily, I had some disposable income after the closure of my student loan and I could afford to take some risk. The options before me were to hold the savings in bank accounts or spend it or invest in lending, equities, bonds, real estate, startups etc. For me, investing in Fixed Deposits is not attractive so does splurging on material objects. As an enterprising youngster, I found investing in startups ideal as it has some interesting characteristics apart from the potential for high returns. They are:

Channel to give back: It allows you to be a part of India's next wave of growth and fuel the companies that script India's success story in the next 10-20 years. Offers personal engagement compared to the pure transactional nature of investing in other asset classes. Lets you impact lives through direct job creation.

Experience the startup journey (getting a job was the dream when we graduated in 2005): For those with dreams of starting a company but unable to do it due to personal constraints, investing in startups is an alternate way to get closer to experiencing the entrepreneurial journey. It is an opportunity to learn from high-

ly-motivated and skilled teams which adds value to professional careers/business ventures.

Lets you leverage expertise and capabilities (by 2013, I had 7-8 years of global professional experience):

Professionals looking to be engaged outside of regular 9 to 5 jobs get fulfillment and satisfaction by creating value in new ventures. Allows deploying expertise and skill sets by playing a mentor role to young companies.

Tell us more about how Konglo Ventures came into being and operates?

Konglo was founded by me along with two close friends from NITC who also shared a similar interest in startups and investments. We were looking for a reason to reconnect and stay connected with friends from NITC. After eight years since graduation, everyone was in different locations globally and busy with their own lives. The idea was to find something that we can do together where we can leverage each other's experience and skill sets, and establish a network for engagement. We thought of a forum to discuss topics of varied interests in business, economy and investments that ensures continuous learning while shaping our world view through an exchange of ideas. Eventually, our attention turned to startup investments in India.

After experimenting for three years, we were in a position to share our learnings with those who were considering startup investments. We soon evolved into a group of investors that came together to source, evaluate deals, negotiate terms of investments, add value through customer and investor connects, offer expert inputs or simply be a sounding board wherever needed.

Kindly share the details of startups in which Konglo Ventures has invested since its inception?

I have syndicated \$2 million-plus across the companies I have invested, which includes my own funds and funds of investors who have co-invested along with me. In Profoundis, I received a total RoI of around 120 per cent in one year. Other investment details cannot be shared as they are active and hence, bound by confidentiality.

Since 2013, I have invested in 11 companies namely:

- **ZOKO** – It enables organisations to reach customers and do business with them, via the world's most popular chat platforms like WhatsApp, Facebook Messenger and iMessage.
- **Carestack** – Comprehensive Dental ERP solution for practice management.
- **Explara** – A global Do-it-Yourself Event Management Platform which supports pre-event, event-day and post-event activities.
- **BuildNext** – One-stop-shop for procurement of building construction raw materials with a focus on offering procurement-as-a-service/solution.
- **Aisle** – Matchmaking platform for relationships targeted at urban crowd.
- **Winterberg** – Winterberg is a small cap PE fund with a successful investment track record, mainly in resource productivity technologies in Europe.
- **Insent.ai** – A conversational marketing platform that collects, organises and activates data from multiple sources to provide a holistic view of the consumers to the marketers.
- **Crosspay** – A global payments/remittances platform providing the cheapest and quickest transactions for personal, business and charity payments from Europe to 120 countries around the globe. Additionally, they also offer a b2b SaaS solution for management of Churches.
- **Reelmonk** – VOD platform to distribute films with a foolproof mechanism to prevent piracy for Indian regional content.
- **Profoundis** – Known for its flagship product, Vibe (a search-based technology which provides human verified data). Profoundis was acquired by the US-based FullContact.
- **Ovo Health** – A fast growing healthcare facilitator dealing in multi-specialty treatments like Cosmetic Surgeries, Cancer and Fertility.

What has been your success rate? Can you talk about some of the investments that did not work out and your key learnings?

It is difficult to define a success rate as investments are spread over several

years. Of the 10-plus investments I have made, I had to exit once when Profoundis was acquired by FullContact, and one company had to shut down after two years. The rest are in various stages of their evolution and I hope to get results in the next 3-5 years from some of them. Although not by design, I think I have ended up with a decent-sized portfolio with diversity in terms of geography (India, US and Europe), sector, stage (seed, angel and pre-Series A) and type (VC/PE). The PE exposure is from the opportunity I got to invest in a small cap private equity fund in Europe on the same terms as the GP (General Partner) which was an incentive offered to the leadership team at Singular (the consulting firm where I worked).

So far only one investment has not worked out though they came out with a product that was probably ahead of its time. The issues, however, were mostly related to team setup:

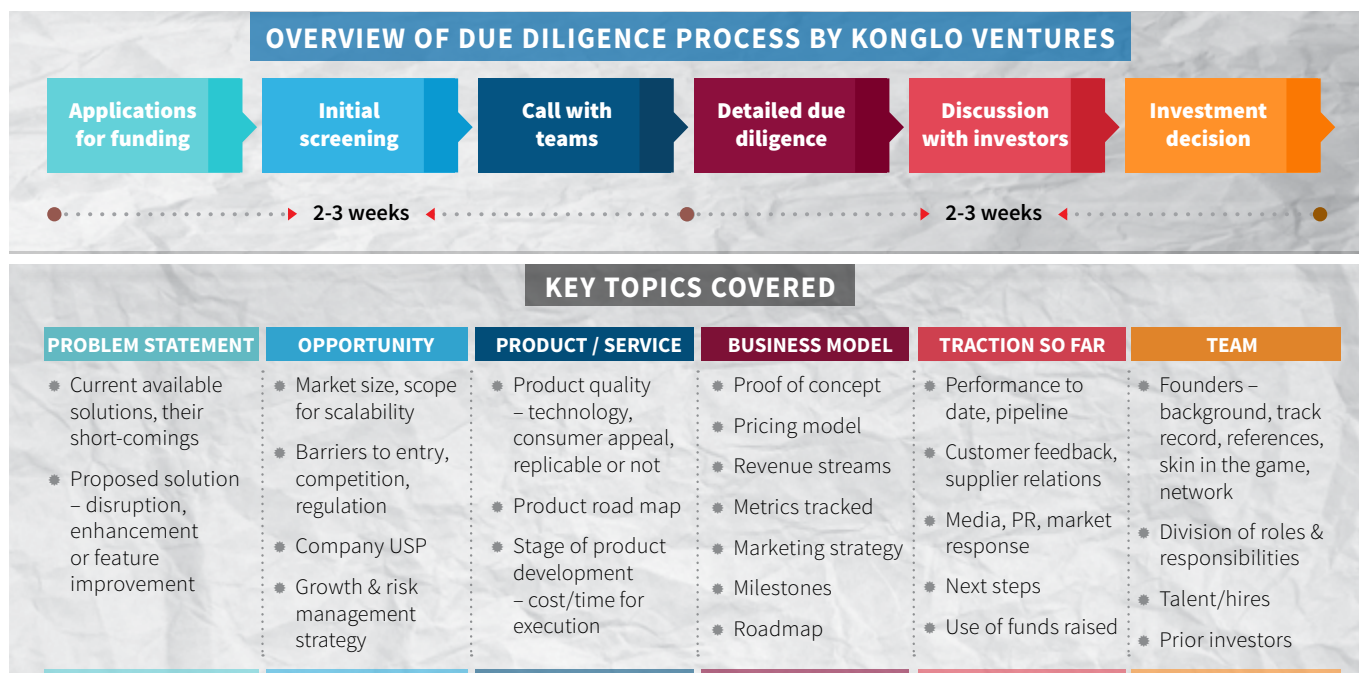
Key founder having no skin in the game; Mistrust and infighting within the team; Lack of knowledge about the market and no experience in marketing and building relations with stakeholders; Lack of experience in team-building and business; Poor financial planning and incorrect budget estimation – they raised too little.

KEY LEARNINGS:

- As an investor, I should not try to close the gaps that the team has by getting operationally involved
- Maintaining a healthy cap table (capitalization table shows the ownership structure of the company) is essential for facilitating future rounds of fundraising
- Founders should have a significant 'skin in the game' in the business (financial and non-financial)
- Founders should have some real-world experience (either professional work, business, previous startup etc.)

What about brick and mortar/offline startups?

I think there is a definition issue here. In VC parlance, startup refers to companies that have the potential to grow exponentially. In recent years, the



term ‘startup’ is being used to refer to any new business, including conventional businesses. Conventional businesses typically have a flat growth (e.g. lifestyle businesses) or a linear growth (through market expansion, inorganic or organic growth). Such businesses are more suited for traditional sources of financing such as a business loan, working capital financing, lines of credit etc. These businesses simply cannot offer the kind of risk/return that venture financing seeks. I think there is a real misconception in the market today and entrepreneurs need to understand what type of company they are building and find the right type of financing. Humans tend to think linearly and exponential growth is not something we can quickly envision. When founders are seeking VC funding, they have to make sure that their company has the real potential to offer a return multiple to the investor. Typically, brick and mortar/offline startups are therefore not suited for the risk/return expectations that we seek. I would encourage such companies to explore traditional financing, grow and, after reaching a certain size with profitability, go for private equity funding or strategic funding.

Please share the procedures involved in funding. How do you manage this sitting in the US?

We are not actively looking for

opportunities since we are not a fund. However, there are inbound and outbound channels through which we source our deals. Various channels for sourcing include: Trusted partners who provide legal and financial advisory services like investment banking firms; alumni networks i.e. of universities in India and abroad where members of Konglo studied in; Angel networks; active angel investors; Investment platforms like LetsVenture; Referrals from entrepreneurs and direct contact via email or LinkedIn

Funding eligibility: In a nutshell, we are looking for startups that can generate a superior RoI compared to traditional asset classes. This means that the startup should be able to grow exponentially in 5-10 years. Only such companies can meet the return expectations for the kind of risk being taken. This, in turn, means that the company has to target very large markets. The Total Addressable Market (TAM) should be greater than \$1 billion. It should have a product or service that can capture, create or disrupt a significant share of the market. Since there is almost no historical data available, we assess the opportunity by looking at various aspects.

Investment process: From origination to funding (i.e. money hitting the bank) it takes anything between 1 to 4 months. Investment decision usually doesn't take more than 2-3

weeks but after that, structuring the round, discussing term sheet, drafting the necessary agreements (e.g. shareholders agreement) and call for money take some time due to several iterations required to finalize the paperwork. This means that startups need to do some backward planning and start the fundraising process 6-9 months before they need the money in the bank.

Remote management: I was in India from 2012 to 2015 during which time I had set up the infrastructure on the ground to run the operations as well as built sufficient relations with various stakeholders in the ecosystem to stay up to date through regular communications. Additionally, we have advisors and service providers on the ground, who offer the necessary support to run the operations. I also travel to India a couple of times every year and meet up with new startups, founders of my portfolio companies, other angel investors, VC funds, policymakers etc.

Which are the sectors your firm is currently looking at and why?

I am sector-agnostic and rather look at the potential of the business to scale. I am not particularly attached to any technology. I only see technology as a lever that enables exponential growth. I look for startups which do one of the following: Indian compa-

ny solving Indian problems; Indian company with a US market (It is ideal as the cost base is in India and customers are in a premium market) and Indian company with a global market.

How robust is India's startup ecosystem? How is Kerala doing?

India's startup ecosystem is in an early stage and has a long way to go, but we are headed in the right direction. We see many NRI entrepreneurs and professionals expressing willingness to return to India and making efforts to give something back to society.

Meanwhile, I don't endorse college students jumping into entrepreneurship citing that they are 'inspired' by the stories of Bill Gates or Mark Zuckerberg. I think they are missing the woods for the trees. They typically don't understand the resources available to Gates and Zuckerberg that allowed them to have a certain upbringing which, in turn, enabled them to take the kind of risks they took. I believe aspiring entrepreneurs should focus on the processes behind successful businesses and not the outcome. If you learn the processes, you can replicate it. Entrepreneurship is a tough path in general but in India, it is 10 times harder due to the type of business environment we have as is evident from the state of 'ease of doing business' in India.

As far as funding is concerned, more angel investors and funds are popping up. Funds with foreign Limited Partners (LPs) still dominate. But we need more participation from the domestic sector. The US is by far the biggest foreign investor and in recent times, they have slightly changed their allocation to emerging markets (China and India mainly, with India benefitting).

On the technology side, I think we are done with e-commerce, delivery companies and food tech etc. With the world becoming increasingly automated, it will be exciting to see companies that can work with large data sets, analyze patterns and derive critical insights that can then be translated to various use cases/products and services. This therefore involves use of Machine Learning, AI



etc. which India can do well because of its large talent pool. At the same time, the talent should recognise this change and upgrade their skill sets accordingly in order to stay relevant.

In my view, Kerala seems to be in a slightly difficult situation due to the limited availability of high-quality talent and lack of industries/customers. We need to make it attractive to retain talent in the State. However, I appreciate the efforts being undertaken by the State Government to turn things around. Kerala Startup Mission (KSUM), I must say, is doing a commendable job to support startups and spread awareness about the need for creating a robust ecosystem.

What are some of the biggest challenges/roadblocks you face in Kerala?

The biggest challenge as far as Kerala is concerned is the resistance to change. One should understand that for almost every problem we want to solve, there is probably a solution already existing somewhere. We don't need to re-invent the wheel every time but rather find case studies and benchmarks of best practices around the world. Instead of finding out those solutions, we always continue to hold on to legacy systems and processes, claiming that this is how we do things here. This we-know-everything attitude will not work. A problem-solving mentality with a can-do mindset is needed. Or else, we will lose opportunities. Another issue I find in Kerala is that we always put too much focus on the short term. It is important to have

a long-term vision and take concrete steps towards achieving it. We need to get out of the mindset driven by election cycles.

Do you have any association with KSUM? What about links with any informal angel network in Kerala?

I have interacted with the CEOs of KSUM and co-hosted the first edition of Seeding Kerala in partnership with LetsVenture in 2017. Other investor networks that Konglo has linkages include Angel Network Middle East run by Thomas Mathew, Malabar Angel Network run by Shilen Saganan, CIO Angel Network co-founded by Tony Thomas (CIO, Nissan) and Robin Alex Panicker (who looks after Unicorn in Kerala), all of whom are part of the Konglo Ventures investor group. Besides, I more or less know most of the other angel networks in India either directly or through one of our fellow investors. I also connect with VCs in India whenever I can.

Indian economy is facing a slowdown. The case of Kerala is no different. How does it impact investments in startups?

The current political situation in India will cause a loss of confidence in business and have a negative impact which will take several years to recover from. Purely from an investment perspective, this is quite good as the slowdown will bring down the cost of hiring good talent and offer attractive investment terms as investors will be conservative. The simple rule of value investing is 'buy low and sell high.' This is applicable across asset classes. But only those with the right preparation, analytical skill sets to assess opportunities and having necessary capital (own or raised) to invest, will succeed.

Can you explain startup investing as an asset class vis-à-vis preferred classes like real estate or gold or MF? How do you address the fact that it's not a liquid asset?

Compared to most other asset classes, startups funding is very risky and illiquid with high uncertainty but if you find ways to mitigate the risk it could give higher returns due

to the exponential growth characteristic of successful startups. This is an exception compared to most other asset classes that have a flat or linear growth curve. So it comes down to an investor's risk appetite and portfolio allocation. For individuals, the way to look at it is to make an allocation of 5-10 per cent of your total portfolio which you are willing to put at risk in return for an outsized return. But don't bet the farm. In fact after fully realizing the risk involved in startups, I started diversifying into other investment avenues. Now I am also actively investing in real estate in Philadelphia (residential rentals).

Fixed Deposit, in my view, is not a lucrative investment option as it barely keeps up with inflation. But if you don't have a better option, then it is fine as at least you are not destroying value. But the recent FSDR Bill being discussed is a cause for concern and I think FDs may not be 'safe' anymore as we used to believe.

Investing in gold is an option if you consider it as a hedge or a store of value. Gold is a complicated option as there are various driving forces behind its demand and supply. In my view, other than its vanity value, buying gold ornaments cannot be considered as an ideal investment, as in that should not be the justification for your purchase. Similarly, I also do not consider sovereign gold bonds (digital) in the current format as a good investment option. I think it is better to keep it in physical form and remain 'off the grid'.

Real estate is a great asset class for wealth creation across the world. But it means different things to different people. I am a fan of cash flow-based real estate deals rather than speculation-based ones. In Kerala, we see more of the latter. I don't prefer it as it is not based on any fundamental analysis.

I am not keen on Mutual Fund either for many reasons. Firstly, it is based on the assumption that the fund manager can take better care of your money than you. Secondly, the fund manager has no skin in the game and stands to gain irrespective of his/her performance. Thirdly, the way they are marketed is questionable.

FAMILY

Settled in Philadelphia with spouse and two kids

PASSION

My latest passion is real estate in Philadelphia. I buy residential properties at a discount (from auction), fix up and rent out. I have built a portfolio of 10 rental units with around \$1.5 million AUM (Assets under Management) since January 2018. Outside of investments, I like reading a lot and traveling and meeting up with friends and family around the world

LEADER I ADMIRE

The scale of the impact that Bill Gates is making through his philanthropic initiatives is quite remarkable. Among investors, Warren Buffet and Charlie Munger, as I am a student of fundamental analysis and value investing and admire their approach to investment. Learning equity investments is in my bucket list and I hope to grow old and pick stocks

BUSINESS I ADMIRE

I have a lot of respect for businesses that bootstrap their way to profitability. To this end, the Kamath brothers have done a fantastic job with Zerodha



VINOD JOSE

Also, I feel ULIPs are a terrible idea. Buy insurance if you need insurance and don't mix it with investments. The bottom line is don't simply hand your money over to a third party without understanding what is happening.

How can we inspire more professionals like you to get into angel investing?

I don't think there is a dearth of angel investors that requires us to get more people in. But if there are people who have been looking at it and are interested but don't know how, I am always happy to talk to and share my experience. This can be done by reaching out to me via email or LinkedIn.

Recently, you have started Callapina Capital. Please share details

Callapina is a partnership with Anas Rahman Junaid, MD of Hurun Report. It is a vehicle through which we conduct experiments related to investments, fundraising and advisory. We are thinking of ways to ease the flow of capital on equity and debt. For example, recently we organised a LP (limited partner) pitch day where a group of 15 Chinese investors were brought to Mumbai to meet five

VC funds that we selected in India for fundraising. With select venture capital funds, we are planning to do a roadshow in China shortly.

In India, the time taken by lending institutions to process a loan application (end-to-end) is quite long due to lack of reliable data. At a macro level, this affects the GDP growth potential as there is a lot of unutilised funds. We believe this is a real blocker to economic growth. The same problem exists on equity, where private equity funds struggle to invest at the pace at which they need to due to the time taken for due diligence even on companies which have been operating for a significant number of years. These are some of the problems that we spend time thinking about in Callapina.

Do you plan to get into VC space in the future?

I am interested in working with a VC in the US if there is an opportunity. Apart from that, I have had discussions on setting up a VC fund in India with some co-investors and I have done my homework on how to go about it but there are no immediate plans.