

DEALSTREETASIA

Inventus Capital rethinks strategy for \$150 mn fund

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NEW DELHI

A few months after being on the road to raise its third fund, US-India venture capital firm Inventus Capital Partners is rethinking its strategy for its latest fund and is in the process of restructuring it.

The company was targeting raising at least \$150 million for its fund, with a hard cap of \$200 million, Kanwal Rekhi, co-founder and managing director of the investment firm, said in an interview.

"We are in the process of raising Fund III, but we are thinking of restructuring it because one combined US-India fund may not attract investors. So we may have two funds, one for the US and one for India. And that's where we are," he said.

The firm was founded in November 2007 and is based in San Mateo, California and Bengaluru, India.

Its current partners include managing directors Rekhi, John Dougery, Parag Dhol and Samir Kumar, and principals Manu Rekhi and Rutvik Doshi.

Inventus had raised around \$52 million in its first fund in 2007, and in 2014 it almost doubled the amount for the second fund, which closed at \$106 million.

Its current portfolio includes Power2SME, Tricog, Unbxd, Espresso Logic and PolicyBazaar, among others. It was also an investor in Redbus.in, which was later acquired by Naspers; Insta Health Solutions, which was acquired by Practo, and Sierra Atlantic, which was bought by Hitachi Consulting.

Prior to the establishment of the fund, the firm had made 91 investments between 1993 and 2006, of which 65 were in the US, while the remaining were in India. It has exited 51 of those companies so far.

Rekhi is one of the most well-known known faces of the Indian-American tech community in Silicon Valley. He was one of the first entrepreneurs from the community to take his company Excelan public on Nasdaq in 1987.

"Fund I has shaped up very very well. I think we are the best fund in that vintage, we have returned more money to our investors than others, we have really stellar companies in that fund. By the time it's done maybe in another year or so, it may be a 3x-5x fund. Fund II is also doing well but right now it's too early to comment," said Rekhi.

On whether the investment firm was planning two separate registered funds or a split between the funds for India and the US, Rekhi said, "The division of the funds for India and the US fund, will be decided by the LPs (limited partners). If there's more interest for the India fund, that's fine with us, and if they want to invest more in the US fund, that's also fine. In case they want to invest in both the India and US funds, that's fine too."

"With Fund III being on the road for about a year, it has become very clear that the LPs want you to have a simpler story to tell. The India story got ahead of itself with Flipkart and Snapdeal and Ola, and now there's a let-down. We haven't had in India what they had experienced in China, that is a steady flow of solid companies with good returns and Indian returns have been very paltry," he added.

Inventus, which focuses mainly on technology and technology-enabled firms, is keen on expanding its portfolio with companies that follow an asset-light model.

For the next one year, the fund will continue to invest out of the second fund, which is still in play.

JAMES BITANGA/REAPRA

No dearth of capital in South-East Asia



Course correction: Reapra chief legal officer James Bitanga

BY TANU PANDEY
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KUALA LUMPUR

Venture capital firm and business builder Reapra Pte. Ltd is expanding into diverse sectors in South-East Asia (SEA) while being bullish on digital media, education and real estate, a top executive said.

The Singapore-based firm, which has invested about \$100 million in 40 start-ups and 14 companies so far, recently made its fourth Malaysian investment in online florist BloomThis Flora Sdn Bhd.

It has invested \$600,000 in the company in a bid to expand into diverse sectors in the country.

Reapra, an aggressive investor in SEA, with 30 companies funded last year, had earlier invested in Malaysia's property portals Samurai Internet, PropertyPrice-tag.com, and beauty company Aspiria.

The company even has investments in hospitality firms that are in the process of building hotels as well as in education segment in countries like Japan.

"We think there might be an opportunity to bring those products and opportunities into the Malaysian market. At the end of it, we should be able to introduce these companies to South-East Asia," Reapra chief legal officer James Bitanga said in a recent interview.

Founded by Shuhei Morofuji, a prominent investor in over 10 start-ups, Reapra invests through its two funds Coent and Reapra Ventures.

The firm does believe that there is no dearth of capital in the regional market with venture capital funds, including some traditional ones, private money and larger private equity funds all trying to enter the VC space.

"A mix of those means there is plenty of money to go around. I don't think there is

dearth of money. I am quite bullish on the availability of funds," said Bitanga.

He, however, added that the valuations cannot be expected to be what they were about five years ago in Silicon Valley.

"You are going to see modest valuations of companies. I don't expect there to be a unicorn boom but that is not a bad thing. I think if there is a correction in any of the big companies that is making the news, that is probably because there is a global correction, non necessarily a regional one," he commented on the direction company valuations could take this year.

With an investment ticket size between \$200,000 and \$600,000, the firm is bullish on Indonesia, which according to it is a big market but difficult to crack. "It has potential and it is the same with Philippines," Bitanga said, adding that Thailand, Malaysia and, of course, Singapore are the countries that the firm is looking at.

Reapra establishes new businesses locally, with the intention of expanding regionally, taking off throughout South-East Asia and beyond, according to its website. Rather than simply starting a business in an already established market, Reapra intends to cultivate industry scale marketplaces. In order to create these new industries, we plan to start and manage numerous businesses ourselves, while simultaneously investing in brilliant entrepreneurs and innovative companies, the firm said.

Meanwhile, when asked for advice to the startups in the region, he said, "Don't fall into the trap of making false generalizations about market fit and remember that South-East Asia is only a region by name; it isn't a singular, homogeneous market."

He added that growth or success, whether actual or perceived, can be distracting and it takes a lot of discipline and humility to remain skeptical and continually question the assumptions of ones start-up idea.

KataAi to close series A funding round

BY ANTONIA TIMMERMAN
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JAKARTA

KataAi, Indonesia's business-to-business B2B artificial intelligence (AI) platform, is set to announce the close of series A fundraising soon, founder and CEO Irzan Raditya said in an interview.

"We closed pre-series A round last year, which we did not announce. But this time we will," Raditya said, adding that the investors participating were all from abroad. He did not disclose additional details.

The funding will follow KataAi's transformation from the old business model, previously known as YesBoss.

In October 2015, YesBoss, the first virtual personal assistant service in Indonesia, announced seed funding from leading venture capital firms including 500 Startups, Japan's IMJ Investment Partners, and Indonesia's Convergence Ventures.

The idea seemed very promising: users could ask an AI bot to complete tasks such as booking a plane ticket, sending flowers, or ordering food through a text message.

With funding, demand too increased. It was a time that Raditya would later go on to what he describes as "the honeymoon phase for Indonesian start-ups". Within four months of its launch, YesBoss had 20,000 registered users and a long wait list of "several thousand" prospective users. But it did not take long for the founders to realize the AI bot was still underdeveloped to handle thousands of requests. In order to keep up with demand, the company hired dozens of customer service personnel to help answer texts. Capital requirement ballooned while it was still struggling to make a profit.

"We then realized that monetization and scalability were the problems. We could have kept the course and continued to grow, but it would have required a lot of capital. After some assessments, we decided to pivot the business. It was a tough call," Raditya said.

The company had to let go about 50 personnel, changed the business model, and rebrand itself. Today, with 16 employees, the firm is set to start again. Yet, that does not mean that the start-up has to start from scratch. There was one asset that was handed to KataAi: data.

During its lifetime, YesBoss received more than four million messages from users that KataAi can now use to refine its AI tech. The messages, loaded with slang and abbreviations, will help KataAi's bot to sound more natural and clever.

The new venture's pipeline include potential clients operating in various industries including packaged consumer goods, e-commerce, banking, and telecommunication. Two kinds of products are being developed: marketing engagement and customer service.

"Marketing engagement will include surveys, quizzes, and games. Meanwhile, bots for customer service will be in high-demand too, as the pain point for telcos is handling complaints," said Raditya.

Going forward, KataAi said that it is aiming to become the most advanced platform offering natural language processing (NLP) technology in Bahasa Indonesia. To support this vision, local Deep Learning and NLP expert Jim Geovedi has also joined the company and has been assisting the team as technology advisor.