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Title : Hedge funds pump \$525m into Indian tech startups in Jan-Oct

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Mumbai: Spurred by the fast-paced growth of Indian technology startups, a new set of hedge funds is starting to lay bets on private internet ventures as valuations soar for these companies. While Wall Street biggie Tiger Global invested early on in Flipkart — which is now valued at \$7 billion — and a dozen other internet startups, a bunch of new names like Steadview Capital, Lionrock Capital, Tybourne Equity Fund and Falcon Edge have entered the domestic startup ecosystem in the past one year eyeing future returns.

This has resulted in overall investments from hedge funds in the consumer tech sector going up to \$525 million this year (January to October) against \$133 million last year, a four-fold jump, according to data compiled by Venture Intelligence for **TOI**. The number of deals has increased from twelve in 2013 to eighteen till October this year.

While venture capitalists invest for the long term, involving themselves with startups closely at an early stage, hedge fund investments may seem like a risky proposition, espe-

PUSHING UP VALUATIONS

HEDGE FUND INVESTMENTS IN INTERNET/CONSUMER SPACE

Same Period Comparison	No. Of Deals	Amount (\$M)	
Jan-Oct 2014	18	525	
Jan-Oct 2013	10	129	
Full Year 2013	12	133	
Company	Amt (\$M)	Investors	Date
Olacabs	42	Sequoia India, Tiger Global, Matrix Partners India, Steadview	Jul '14
BigBasket	33	Helion Ventures, Ascent Capital, Zodius Capital, Lionrock Capital	Sep '14
UrbanLadder.com	21	SAIF, Kalaari Capital, Steadview	Jul '14
Hopscotch	2	Lionrock Capital, Others	Feb '14
Milaap Social Ventures	1	Jungle Ventures, Unitus Seed Fund, Lionrock Capital, Others	Jul '13
Saavn.com	NA	Steadview	Aug '14

Christos Georgiou/Stock/Getty Images

cially for younger startups. Coming at a time when Indian tech startups are drawing frothy valuations, hedge funds are seen as pushing these valuations further up.

Tarun Davda, a director at the US venture fund Matrix Partners India, said, "The Indian market dynamics have changed very rapidly — there is political stability, a large and fast growing internet user base, increase in mobile smart-

phone penetration and the emergence of early market leaders in several sectors. Many of these hedge funds have invested in similar businesses in other markets and have got good returns. They understand that the Indian market is finally ripe for picking ... and they are willing to pay a valuation premium."

The New York-based Tiger Global, which has already invested upwards of \$600 million

in Flipkart, is particularly active in India. Its portfolio includes Myntra (acquired earlier this year by Flipkart), Olacabs, online classified player Quikr, and a Polyvore-type social commerce site Lime-road, besides others.

Funds like Hong Kong-based Steadview Capital (Olacabs, Urban Ladder and Saavn) and the New York fund Falcon Edge, which has invested in Housing.com, are aggressively chasing some of the mid-to-late stage startups, people privy with the matter said. An investor with a VC firm who did not want to be named said that hedge funds typically have a short-term thinking and usually follow a momentum-driven investing thesis. They are not as helpful in building the business on the ground. But Indian entrepreneurs seem to think otherwise as they close deals with these hedge funds.

"These hedge funds are mostly co-investing with VCs in startups that have scaled up. They are spotting the opportunities now because a handful of these companies may go public when they can exit and make handsome returns," said Harish H V, partner at Grant Thornton India.