

WATER STARTUPS LEFT HIGH AND DRY

There is A Need For Innovations That Will Provide Clean, Safe Water But Entrepreneurs Aren't Able To Find Fund Flows For Their Ideas

Anand.J@timesgroup.com

In January 2014, after a two-year struggle to raise money for his startup, Samuel Rajkumar, 45, sold his company's sole product to a non-governmental organization. His product, Caddisfly, comprises a couple of small contraptions that have to be connected to a smartphone and an app, which reads the fluoride content in water.

Close to 66 million Indians drink water with excessive fluoride content and six million are afflicted with fluorosis. "The technology was open source so that anyone could develop it further. I met most impact investors in the country but found no takers. They did not see value in a product that was open-source and served consumers in the poorer sections of society," says Rajkumar. Finally, he sold Caddisfly to Dutch NGO Akvo, a not-for-profit foundation that creates open source, internet and mobile software and sensors for social programmes.

Lack of interest from investors has left most entrepreneurs in the water space high and dry. Startup tracking platform Tracxn's data suggests that only 20 Indian startups have raised money in the space over the last decade. The most obvious technologies are in water filtration and bottled water, which large corporates have cornered. Other opportunities are in water filtration, purification, monitoring and metering and wastewater recycling. However, venture capital

funds, which support social entrepreneurship or impact investing, say they have not found good startups in the space.

Two consecutive deficient monsoons have led to a scarcity of drinking water in many parts of the country. The country loses ₹64,000 crore a year due to water borne diseases, and access to clean water

municipal and rural sectors," says Nishesh Mehta, who worked at Centre for Innovation Incubation and Entrepreneurship (CIIE), IIM Ahmedabad. Last year, an initiative by CIIE received 60 applications, says Mehta. The incubator is trying to bridge the gap between government and water startups and is working with the

settling on the current one: a water filtration plant which supplies water to subscribers. The filtration plant costs ₹5 lakh to ₹25 lakh depending on the capacity. Subscribers pay a user fee of Rs 5 for 20 litres of drinking water. It has installed plants at 4,000 locations, mostly in rural areas.

"The company touches 12 million lives," says Menon. It has received two rounds of funding from Aavishkaar and Matrix partners. "More than 3,000 people die because of water-borne diseases. You need a business model to maintain quality over long periods of time," says Menon, who is all set to take his company to Africa.

SHOULD IT HAVE A TAG?

Experts differ on whether water should be treated as a commodity. Most NGOs are against pricing of water. "Pricing will keep the most vulnerable sections deprived," says Menon of Akvo. "We need expertise in chemistry, microbiology, software and hardware to build a good product," he says. "Most current business models do not solve the lack of water availability. Leaving this to the market means it will address only the problems of people who have the ability to pay," he says. Not pricing water will result in lack of innovation in the sector, says Mark Kahn, founder of Omnivore Capital, a venture capital fund that invests mostly in agriculture. Kahn has been looking for startups in the water sector but hasn't found a good one. "People never put a pre-



will raise GDP growth by 2%, estimates UNDP. "The government reaction to drought and drinking water scarcity has been abysmal. Once the rains start, everybody forgets the lessons learnt," says Deepak Menon, the South Asia head of Akvo.

The water supply chain requires innovation, and presents an enormous opportunity to entrepreneurs and investors. "There are gaps in three big buckets — agricultural and municipal water supply efficiency, scalable arsenic and fluoride purification solutions and monitoring and managing systems both in

Rajasthan government to help startups deploy their solutions. Most entrepreneurs are struggling because the only buyers are government departments. Striking deals is tough and payments are never on time.

EVERY DROP COUNTS

The only exception is Waterlife, founded by Sudesh Menon, Indranil Das and Mohan Ranbaore in 2009. The company is profitable and its main customers are various governments and NGOs. Menon explored several sustainable distribution models before

FLOW OF FUNDS

COMPANY	FIELD
Aqua Designs	Installing water, wastewater treatment plants
Concord Enviro	Waste & waste water recycling company
Waterlife	Drinking water, hazardous recycling solutions
Greywater	Modular waste water treatment equipment
Swajal	Solar water purification



EVERY DROP COUNTS: Sudesh Merion, Indranil Das and Mohan Ranbaore started Waterlife in 2009 and have turned a profit while providing clean water to 12 million people

mium on anything that is free and innovations won't come from NGOs," Kahn says.

Arghyam, a non-profit organization started by Rohini Nilekani, aims to provide safe water to all. "No profit-oriented startups will work in reviving traditional water harvesting models. It is not easily commercialized as the poor won't be able to pay for it. This is a conundrum that is tough to break for scalable technological solutions to come," says Jayamala Subramaniam, CEO of Arghyam. The organisation has given Rs 115 crore in grants to 105 projects in the last decade. It has touched more than 50 lakh people across 22 states.

LONG-TERM SECURITY

US citizen Anu Sridharan, 28, is looking at long-term impact. Her vision is to give people information on water security over a long period of time by collecting water usage data. Her Bengaluru-based NextDrop works with apartment complexes to collect data. She plans to expand to industries and water supply departments.

NextDrop started as an SMS alert to inform people when water will gush through municipal wa-

ter taps. Founded in Hubli-Dharwad in 2011, the project was later expanded to other cities. "Over the last four years, sensors have become cheap enabling us to help people with a 360-degree water audit. Everybody will know their usage and wastage and can take control of their water supply," says Sridharan, adding that water shortage could be solved by mapping supply and demand on a larger scale. She plans to take the solution to other parts of the world.

Mehta of CII says most businesses start by serving the rich or middle classes who can pay for services. "Once these markets are saturated, businesses adapt and evolve to serve more customers, often from the poorer sections," he says. "No social enterprises start from providing free services."

Sridharan says low water usage should be free while high consumers should pay a premium. She hopes there will be more entrepreneurs coming into the space. "It is a huge problem everybody is turning a blind eye to," she says. "It won't be long before people realize we are close to a crisis and need solutions."

PERSON OF THE WEEK



CUTTING OUT ALL THE FLAB: DEEPINDER GOYAL

Defending his company has become as regular as having three meals a day for Deepinder Goyal. The outspoken founder-CEO of online restaurant aggregator Zomato is known to take challenges head on. Privately-held Zomato's valuation was slashed by half from \$1 billion by a leading brokerage house run by a multinational bank recently. On the company blog, Goyal made a point-for-point rebuttal of the brokerage firm's report. "The assumptions and statements in the report make it look like they're coming from someone who doesn't — and hasn't bothered to — understand the space," he wrote. Offering support to Goyal was one of his biggest investors Sequoia Capital's managing director Shaileendra Singh, who tweeted that the fund was proud of what Goyal is building. "Thank you for everything you are doing to build a wonderful company," Singh tweeted. More support came from Tracxn's founder Abhishek Goyal who also took to Twitter to say that the company is inexpensive even at \$1 billion. The revision of valuation has happened at a time when food technology startups are floundering across the globe (see graphic below). Food ordering and delivery companies have shut or shrunk operations in India. In the blog, Goyal said the company, which has operations in 23 countries, is growing the food ordering business by 9% and is doing 33,000 orders a day. He said the company would be profitable at 40,000 orders in the next three or four months. Zomato was founded in 2008 and has more than 2,100 employees. Early this year, it shut its food ordering business in four tier-2 cities and laid off employees, but it looks like focussing on going for a lean meal and cutting out all the fat.

Over the last few years, a number of startups in the water space have received funding

	FOUNDED	CITY	FUNDING
wastewater	2002	Chennai	\$25M
water	2009	Mumbai	\$21M
harvesting, is	2008	Hyderabad	\$3.5M
water	2010	Thane	\$1.5M
ment			
cation	2014	Gurgaon	\$1.2M

(Source: Tracxn)

