

Nurturing entrepreneurs with more than just money

The Chennai Angels invests in and mentors ventures in a range of sectors

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They are a diverse group of individuals each with expertise in fields as varied as manufacturing, healthcare, automobiles, security systems, consultancy, finance, software and hospitality.

Some have run their own ventures, a few still continue to do so, they invest in start-ups and mentor entrepreneurs. What binds them together is the goal to foster entrepreneurship, drawing upon the expertise they represent as a 90-plus-strong-group to give the venture a better chance of succeeding.

They are The Chennai Angels, a group of individuals that puts money, a lot of their time and effort in nurturing start-ups. As a group they are as low key as the city they represent, preferring to let the success of the ventures they have nurtured do all the talking. Unlike a few other angel investor groups in the country that have a strong bias towards technology and Internet-based ventures, The Chennai Angels thanks to the profile of its members invests in a range of sectors such as clean tech, healthcare, education, Software-as-a-Service (SaaS), real estate and chemicals.

Port of call for entrepreneurs

"There is a great deal of ownership and passion to make it a stellar brand within the angel community," says Rajeev Mecheri, a leading member of The Chennai Angels, of the network. "Largely, from day one," he elaborates, "our ethos in Chennai Angels has

been not about making money alone. It has been focussed on making sure we are the first port of call for an entrepreneur when he thinks about creating a business and getting funded. There is a humane side of investing which we focus on."

The conversations the members have with entrepreneurs are not always focussed on valuations, but it is in really making sure that The Chennai Angels give the right environment to the entrepreneur to perform.

"We want not just the return out of it, but also want the legacy capital out of it: that it is a Chennai Angels groomed company," adds Rajeev.

The Chennai Angels owes its origins to the Chennai Entrepreneurship Trust Fund established in 2007. The idea initially was to develop the entrepreneurial ecosystem in Tamil Nadu, but then as more members joined and diversity increased, the network started looking at ventures "one hour away." That meant it would look at ventures in, say, Bengaluru or Hyderabad. The Chennai Angels has gone beyond that boundary too and invested in ventures from New Delhi too, probably because there is a strong Chennai connect.

Sameer Mehta, another leading member of the group, points out, "we are looking for great entrepreneurs and great entrepre-

neurial stories and they are not limited by geography." They needed a connect and that could be through personal connections with individual members.

"Where we started and where we are today is a function of meeting more people. The investor appetite has also changed. We now have more angels who have come from different parts of India," says Sameer.

Investment strategy

The Chennai Angels typically invests ₹2-3 crore in a venture, now doing bridge rounds too, and co-investing with venture capital firms. However, Chandu Nair, an active member of the network, says the cheque size is becoming something of a challenge. Some of the better ventures or certain types of businesses require much

more money. This is where the Indian Angel Network, with its 500-odd members and a proposed fund, will become the first port of call for better entrepreneurs, posing a challenge to a smaller angel network like The Chennai Angels. The quality of the deal flow can get hampered, says Chandu.

It is to counter that, The Chennai Angels is increasing its outreach and improving its visibility, participating in various start-up events. And, trying to crash the time taken to decide on a deal.

According to Sameer, the angel ecosystem is still in its young days in India and the success of a network will depend on the exits and the returns the investors get. "If we continue to double down and make successes of the guys we have, I am pretty sure an entrepreneur will look at the success track record and the fact that

the failure percentage is lower relative to other angel groups," he adds.

According to K Mahalingam, member of The Chennai Angels, the intensity and involvement of a wider group of people in mentoring the companies are specific to

The Chennai Angels. "The network is pretty close for us to reach out. They are benefiting from that," he says and adds that the diversity of the members is fascinating.

Sameer says that The Chennai Angels has been co-investing in start-ups with a few venture capital firms and this has benefited both immensely. Some of these VCs are institutional members of The Chennai Angels and, says Sameer, to a large extent that programme has worked out successfully. The institutional members, according to him, clearly value the fact that they get a glimpse of the proposals much before they are thrown open to the larger market. He believes that these kinds of deals will only increase in future.

How long would The Chennai Angels stay invested in the ventures? Rajeev and Sameer say the

target is between three and three-and-a-half years, but the harsh reality is that it takes five years for an exit opportunity.

The Chennai Angels has funded about 40 start-ups, investing collectively over ₹50 crore. Its investments include Proklean Technologies, Ragtagger Lifestyle, Edgex Technologies, Betaout, Silvan Innovation Labs and Agile Parking Solutions.

Bridging the time gap

Unlike the strong tech or consumer internet focus of some of the other angel groups, The Chennai Angels will continue to remain sector agnostic, looking at good opportunities across sectors. This is mainly because of the diversity of the profile of its members. It believes narrowing down its focus to a handful of sectors will be a disservice to its members. Also, apart from providing angel funding to start-ups, in the last couple of years, says Mahalingam, The Chennai Angels has done a few bridge round financing. That is because the time gap between ventures raising a Series A round and a Series B round is getting longer and the bridge round helps them.

A lot of the members contribute generously of their time and expertise even if they are not investing in a venture.

Sameer sums up The Chennai Angels' outlook when he says: "We are trying to make sure the company and the legacy institution for what we come together for is better than when we arrived. The company has to be better off than when we intervened. If it isn't, we have not done any good service."

