

MAKING VENTURE CAPITAL WORK:

# The Sequoia Way

IT IS THE ONLY SURVIVOR FROM THE 2000 DOTCOM BUST. IT ALSO INVESTS MORE THAN THE CURRENT CROP OF VCS. WHAT MAKES SEQUOIA INDIA TICK?

## Snigdha Sengupta

**K**P BALARAJ TAKES AFFRONT TO THE suggestion that Sequoia Capital India, the venture capital firm he co-founded nine years ago, with Harvard Business School buddy Sumir Chadha, is easing itself out of the VC business. But it is a fair suggestion, nonetheless. It is a suggestion drawn from the fate of at least 40 other VC funds that were alive when Balaraj and Chadha founded Sequoia Capital India in 2000. All of them have either died out or have abandoned classic, early-stage VC investing in favour of investments in more mature companies. Sequoia is the only survivor (*See All Fall Down*).

The gutsy duo has done more than merely survive. They have invested nearly \$400 million in 49 start-ups, the most by any VC. That is also 15% of all VC investments made in India since 2004. They have exited with profits from seven of the 18 investments made from their first \$135 million fund, even though it was launched on the eve of the dotcom crash of 2000. In just a few months, this fund will exit all remaining investments and return money to its limited partners (companies like Goldman Sachs, among others, that gave Sequoia India money to invest). Incidentally, this will be the first successful VC fund closure in India.

Along the way, Balaraj and Chadha, both 38, have framed the

## All Fall Down

Among VCs that existed in 2000, only Sequoia India survives.

**ICICI VENTURE:** ICICI Eco-Net Fund, which merged in 2000 with ICICI Venture invested in 14 companies. Many of them perished. Moved on to PE investing by 2001.

**ACTIS:** Known as CDC Capital Advisors till 2004, it counts BPO startup Daksh eServices among its better known venture deals. Now plays only in private equity and buyouts.

**CVCI:** Citi's private equity investing arm had backed about 30 start-ups by 2000 but changed track around 2002 to more mature companies. Today, it only invests in the PE space.

**CHRYSCAPITAL:** Started in 1999 with a \$64 million venture capital fund focused on Indian start-ups. About \$25 million had to be written off. Changed focus to PE deals.

**EVENTURES INDIA:** Backed by Rupert Murdoch's NewsCorp and Softbank. Invested \$45 million in 14 start-ups. It shut down in 2003 and returned only 70% of the money invested.

**ANTFACTORY INDIA:** The Indian arm of UK-based Internet incubator, Antfactory. Stopped investments in 2001 when its parent's global investments ran into trouble.

**TRAILBLAZERS:** Sumir Chadha and KP Balaraj founded Sequoia Capital India in 2000.

