

# AJVC SLACK CHANNEL

**AMA#18 WITH VAIBHAV DOMKUNDWAR**  
DATED 1ST NOVEMBER

## SNEAK PEEK



**Vaibhav Domkundwar,**  
Founder & CEO at  
Better Capital Inc, a  
micro-venture firm.

His portfolio companies include Khatabook, OPEN Bank, Gramophone, Rupeek, TestBook, Yulu, and ShopKirana. Vaibhav also started one venture-backed startup (Roamware) and has therefore himself been through the founder's journey and considers himself a huge fan of growth hacking and considers scale as the core of everything that he does. Prior to work, Vaibhav got his MBA degree from Haas School of Business, UC Berkeley

At Better Capital, Vaibhav has been investing in a diverse portfolio of category-defining businesses at the earliest stages and has a particular focus on Indian markets along with other investments in the USA and Europe.

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**On what parameters do you judge pre-seed companies for investment? What has been your secret sauce?**

I am a market-first investor so the first filter for me is "how well can I feel the market need" and "how accessible does it seem". Timing plays a big role too - it is hard to determine but I often try to answer the "is this a good time" vs the typical "why now".

This forms the framework for whether I do the second meeting or not.

**What led to your transition from a founder to investing?**

It was a natural transition as Better was always set up as a startup studio and over the last decade, we had done early checks in a set of companies. That laid the foundation to scale early investing as Better Capital from 2018.

Early stage investing also helps me apply my learnings where it matters most, so it has been incredibly satisfying too.

**What are your views on Fashion/Fashion Tech?**

Too niche. Not large enough TAM. Features mostly. Retail tech overall has been the hardest segment for decades.

**What are the new themes in edtech that you are seeing?**

The "new theme" in edtech 2.0 which is happening right now is to "fix edtech 1.0".

Jokes aside, I think there is a real opportunity to do edtech today than 5 years ago as everyone is primed for truly addressing the problems in edtech across sectors.

Early Learning, K12, Test Prep and Adult Learning will all see immense innovation. Adult Learning is a massive opp that is less talked about.

**What has been your understanding from Series A+ funding of your portfolio companies, of what makes VCs invest in them?**

There are many learnings and it has been very confusing as the world of VC is irrational. Some raises happen on traction. Some raises happen on categories becoming hot. Some raises happen on stellar teams. Some raises happen on thesis. Some raises happen on networks. All successful raises need good engineering and the best founders learn how to raise correctly.

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**What % of your portfolio goes on to raise follow-on capital? What differentiates the winning founders from the ones who don't?**

We've been lucky to have seen a fairly high percentage of our portfolio companies raising follow-on rounds. Follow-on rounds usually take 12-18 months at a minimum from the time we invest which is at the early stages so they need time to build. Considering that we are at upwards of 50% and have had multiple companies who raised follow-on rounds within weeks or months of our check. But overall, I believe it takes 18 months on an average from the stage we invest in so I track it based on that.

I personally believe there is no definition for "winning founders" - there never was and never will be. If you look at the last 25 unicorns, you will see that there is no pattern. Innovators come in all shapes and sizes and backgrounds and at Better, I make it a point to keep all bias aside which has worked really well for us so far. We have taken multiple contrarian bets on founders and will continue to do so.

**What are the mistakes founders do while pitching or during the process of being connected with you that turn you off?**

The best investors are flooded well beyond their physical ability to be helpful no matter how genuine they are. In such cases, the mistake founders make it "not realizing this" when reaching out. They are often uninteresting which is a quick pass. They often don't say what they are doing which I'd want to read in the first line. They don't do the hard work to get an intro via the network which makes me wonder if they are lazy or they have no one who can vouch for them. Lastly, founders are not persistent most of the time and when they are, they are boring - they can follow-up with interesting updates that educate about their space and progress. Those are the ones I like and try hard to reach out to and speak with.

**Startups like Khatabook are able to achieve a valuation of 300 million+ without any significant revenue. Currently, They are focused on a high volume of transactions and have huge market potential. What factors influence the Investors when betting on such startups apart from these two?**

There are multiple ways to build companies and I've learned a whole lot from Silicon Valley where my entrepreneurial DNA comes from and where I started off. When you build product-first companies, there is a clear proven approach to get that product to be used by a very very large audience and deliver value at scale before you start monetizing. I am happy to see that we are getting investor blessing for building such companies out of India which was not the case until recently. Speaking for myself, I believe there are several market segments that are apt for building such companies - usually I've seen these to be large commoditized needs of millions of users which are half-served by incumbents. Those are great spaces to build product-first companies like Khatabook, Teachmint, BharatAgri, and others.

**Product-Market fit something to stress over? If one is building something new and is creating a category like Airbnb.**

PMF is a fancy way of saying your users want what you've built - yes, it is a must. If your users don't want what you've built, it's not going anywhere - whether it is category creator or the 100th helpdesk product.

**What do you think angel investors don't understand really well about venture investing in India?**

It is hard to paint everyone with the same brush. Our angel ecosystem is super shallow. We need it to grow 100X.

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**What's the average duration for you to close a pre-seed stage deal. What does your due diligence entail?**

To commit - has been as short as 60 minutes. We invest super early so the due diligence is really more about digging deeper on the what/how/why with the founders and exploring it with a "why it will work" vs "why it won't work" mentality. A lot of good comes out of this for me and that makes our decision making easier. I've been very close to many founders that we haven't ended up investing.

**What are your suggestions for someone moving from US to India and wanting to join the Indian startup ecosystem? How can they start from scratch in the Indian ecosystem?**

- Understand that the markets are very different. A lot of your US learning may not apply here as-is. You will need to unlearn US and learn India/Bharat.
- The teams here are not maturing and there is a good amount of on the ground learning that is compounding - make sure you are ready to build that learning without which you will not find respect.
- Define what is your superpower and for what stage of a startup and first work in a stage-matched startup.

Then explore and find more things to go as it will give you a good way to blend it and learn.

**What do you think is the next big thing in the food-tech space after food delivery, cloud kitchens?**

Foodtech has not even scratched the surface. We are investing in a new co in this space. Less and less people will cook while all of the will eat the same number of meals everyday - thats' the opp. Multiple ways to solve it. YES, big opp.

**If a founder doesn't have a good network in the startup ecosystem while starting out, how can she/he go around connecting with Angels for their angel rounds.**

Start writing amazing stuff about your unique understanding of what you are building on a platform of your choice. The best VCs will find out. Less best ones like me will also find you. Aditi Sinha, Ajinkya Kulkarni and Saransh Garg are doing a great job. I reached out and invested in ShopKirana in 2018 after tracking Tanutejas's posts for a while and reaching out to him.

**Do you believe having a technical founder in the founding team is a must?**

It does go a long way.

**How do you evaluate a startup's founding team?**

Unique insights. The best founders I've met have been able to explain "what they are building" in simple words. That clarity of thought is a must. Besides that founder-market fit is crucial. I know that I am not suited to build a lot of business myself thought I could, in theory. In practice, I'd fail. So that is another big aspect I stress a lot on. "WHY YOU" is one way to say it.

**What are the risks that you're comfortable taking vs. risks that you would rather not take as an investor in India? (Like competition risk, adoption risk, market sizing risk, etc.)**

I invest pre-product and pre-registered company so we are technically going in with all risks. Having said that, market risk is something I am usually unwilling to take. Even the best teams can't succeed when the market is just not there. I invest pre-product and pre-registered company so we are technically going in with all risks. Having said that, market risk is something I am usually unwilling to take. Even the best teams can't succeed when the market is just not there.

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**What, in your experience, has worked with new business opportunities, while still not being the first mover. Because the competition is moving ahead aggressively but you know space is still huge. Would the differentiators be product or new distribution channels?**

Product is distribution in such markets. I was discussing just this an hour ago with one of our stealth mode investments. I'd laser focus on product and distribution, AND zoom out and think unlike my competitors.

**What is your outlook on the agricultural sector in India? Considering the recent bills and technology driven startups, what are the things an entrepreneur working in this sector should look out for?**

Agri is full of opportunity - but is also very hard so founders must ensure they are truly passionate about it. I am not sure if you can build a great agri company without being deeply connected with the space/people/etc.

**What are your thoughts on marketplace as a service model? There are 1000s of entrepreneurs with cool ideas of serving niches in food industry example vegan marketplace or biryani only marketplace but problem is the chicken egg problem of bringing demand and supply.**

Marketplace is a great model as we have seen across markets and sectors. I'd highly recommend reading and re-reading Ben Thompson's writing on marketplaces to understand the nuances. Marketplaces work great for some situations whereas they fail for others.

**Which books/resources you would recommend as a must-read to every founder just starting out?**

PG's essays are good enough. The rest of the learning is changing super fast. You need to know what you are doing to track/read at the latest.

**What are the prospects of using Robots in Agriculture?**

Prospects are great. Humans cause more problems than they fix. Robots are likely to do better.

**According to you, which sector does not get enough attention, but you think will have great potential in coming years?**

**What common trends did you see in startups that failed?**

Healthtech 2.0

If there were common traits, we would have been able to save many of them. The average and bad ones deserve to fail. The good and best ones fail for variety of reasons.

They are less prepared than you'd think. Its easy to weed out the unprepared ones.

**Despite of being India's traditional business, handloom-based fashion startups are not able to attract investors as compare to other verticals. In your opinion how future startups in this vertical could bring differentiation so it could attract more talent + VCs. What are your thoughts on this?**

Build full-stack plays and backward integrate all the way.

**What is the top red flag that's made you skip a good looking investment opportunity ?**

Founder's over confidence. Never been wrong about that.

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**What are some metrics used by you to assess the execution potential of the team given you come in right at the seed/ pre seed stage apart from their profile/ past work. Especially when founders with strong execution skills command a premium in the market.**

Great question. I have not been able to figure out a formula to extrapolate execution skills as if we are investing pre-product the founders' last roles are not enough to extrapolate. I reply on my view of their super power and why I like them for the market they are going after. Different teams have executed differently - am less worried about speed and more worried about "systems" of execution that scale. We keep routing feedback across our investments to help new founders.

**Access to sports and good quality sports infra in currently broken in India, do you see potential in startups aiming to organize sports infra in India?**

Great on paper. Hard to execute. Think about "who" feel the intense need. They are all making do with stuff. It's not as broken as it seems.

**Corporate learning has not changed much, apart from moving from offline training to MOOCs .What do you think would be better ways to cater to this audience?**

The same way true learning happening - "learning by doing" and "learning in community/cohort setting".

**What do you think, why is no one in India looking towards something which may curb our water use over the years?**

We are solving the problem at the wrong end of it I feel. This problem needs fresh think and solving for this problem in a completely different way - don't depend on "people" - they are clearly not part of the solution.

**According to you, what are the biggest challenges for neobanks in India?**

They have to establish what they offer that banks don't. Unless this is loud and clear, it'd be hard to succeed. The best teams know this.

**What are your view on B2C Marketplace? small party space in specific like birthday and other high frequency repeat event, this space is still not disrupted and has no market leader and also has large enough TAM.**

High friction. Hard to execute.

**Many startups are raised by college entrepreneurs and they generally face a problem in raising funding because of less connections. They are greatly dependent on College Entrepreneurship Cells. Do you think VCs should partner with such E-Cells so that they can reach college startups easily. Did your organization have such partnership with E-Cells of colleges?**

Yes, I think college partnerships are key and will happen. Better would love to. I'd encourage college founders to build as if they are not in college and do what all other teams do.

**Given the limited time and data points to evaluate at the seed stage, what are some of the lessons which you can share from your investments which did not perform as expected.**

When I've gone wrong I've usually not knocked on the market enough and have taken the team's pedigree as a reflection of ability to build.

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**What is your opinion of Real money Gaming landscape in India for the next 10 years?**

RMG is the sticky factor but I am not sure if its gaming. People are playing for the kick of it, it feels like. Still learning.

**What is your opinion of Real money Gaming landscape in India for the next 10 years?**

Don't bite more than you can chew.

**What is your POV on CPG startups in India going with the immunity building messaging? Will they always have an existential threat given that the incumbents have much better distribution and retail branding?**

Puzzling.

CPG startups are hard to build. I am unsure about long term venture scale. Another model might be more apt.

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