

AJVC SLACK CHANNEL

AMA#27 WITH NITIN SHARMA DATED
24TH JANUARY

SNEAK PEEK



Nitin Sharma, Founder of FirstPrinciples VC who recently joined Antler as Partner and co-lead for all India efforts. To help accelerate the tremendous innovation in the Indian tech ecosystem,

Antler aims to invest over US\$100M in India across funds in the next 4 years with Nitin and Rajiv Srivatsa, co-founder of Urban Ladder leading the reins. Prior to joining Antler, Nitin was the founder of FirstPrinciples VC, a thesis-driven syndicate and portfolio of 35+ startups, including Fynd, (acq. by Reliance), OnJuno, and many others backed by marquee investors. Previously, Nitin was a founding team principal at Lightbox Ventures and in the US while at NEA, one of the world's preeminent venture funds, where he invested in multiple companies (Millennial Media, AddThis, OPower, EverFi, etc.) with successful IPO and M&A outcomes, and also co-led the firm's first edtech investment.

Nitin was also an early executive at EverFi, one of the world's largest education networks, reaching 41 million learners, with \$250M raised. He started his career as a technology investment banker at UBS in San Francisco. Nitin holds an MBA from The Wharton School and two degrees from the University of Southern California. He serves on the India Advisory Boards of AngelList, the USC Viterbi School of Engineering, and TheBetterIndia, and has advised the Indian central government's policy think tank (NITI Aayog) on frontier tech policymaking.

"NO "RIGHT WAY" TO PITCH I THINK.
BEING AUTHENTIC, SHOWING WHY
YOU'RE REALLY DOING IT IS A GOOD
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How is India different from the US and other developed countries w.r.t. the market conditions and opportunities for startups?

The US, China, Israel have had an additional 20 yrs (let's say 2-3 cycles). So the maturity and density (serial founders, experienced angels, tech employees) is obviously higher but India is catching up rather well. And with cloud, SaaS, mobile, Covid, etc. being drivers of change, that gap matters a bit less today except perhaps in deep tech where we lack a strong ecosystem (govt-academia-industry collaborations).

What are your thoughts (if any) on podcast adtech space?

Very promising but perhaps a bit overhyped. There are only 24 hrs in a day, and there's a proliferation of content.

At some point, the power law takes over, only the top podcasts mint money.

What are your views about funds focused around students?

Love it. I was at Penn when DRF started. It was an amazing idea. I do think it'll happen in India too.

We will look at exceptional people from all backgrounds incl college students starting up.

What led you to start First Principles and then join the Antler team?

After NEA in the US (which I call the 10->100 stage) and Lightbox in India (where I was investing at the 1->10 stage), I was keen to support founders at the 0-1 stage when I moved to Bangalore.

So organically, started angel investing and one thing led to another (incl time going deep into blockchain and crypto) and I ended up doing 40 investments (2018-20) which became FirstPrinciples.vc

And as far as Antler goes:

I wanted to scale my efforts in terms of capital, follow-on help and an institutional structure along with a respected co-founder. And I was keen to go further with the "go global from India" theme, where a large global network can be helpful. So joining forces with Antler and getting to work with Rajiv seemed like a great fit.

What was the difference during your time and now?

The difference between then and now - a WORLD of difference. Much easier to come back now (lifestyles have evolved, tech everywhere, startups are hot)

You can replicate a good part of the lifestyle here, but yes - it's still a big adjustment. You don't come back to India only for rational reasons - has to be more: impact, growth, giving back, family.

How did you navigate through your career choices in the early part of your career? Any decision-making frameworks you developed for yourself?

These things are only clear in retrospect, but I suppose I have always used two axes: growth and impact - when making decisions.

While I grew up in a middle-class Indian family, I somehow made it to Singapore and the US on scholarships, and this expanded my horizons so to speak...

The first decision - going into i-banking (though never studied finance) was fairly traditional in a sense, but after that, I've followed my passion for early-stage startups for 12+ years.

I've been very very lucky...I never forget that. Got an opportunity at NEA back when VC was very closed to young people....and then one thing led to another.

What are the top 3 things you would love to see in early-stage Startups to be qualified for current Antler Program?

Ambition, ambition, ambition(ok of course, there's a lot more...but I think the size of the vision is key)

What's the "right" way to pitch something to you?

No "right way" to pitch I think. Being authentic, showing why you're really doing it is a good place to start.

What is expected of(or rather looked for in) the candidates interviewing for Entry level/Analyst roles at a VC firm?

If I had to pick 2 things, I'd say:

(a) genuine, deep intellectual curiosity that can help you be a self-starter and figure things out without being spoonfed (given VC firms don't have formal, structured mentorship)

(b) a love for working with founders and rolling up your sleeves to help them (beyond analyzing things)

Why would someone come back from the US today to India and dive into the start-up ecosystem? Considering you have done your MBA from Wharton - Why didn't you stay there in the US and live the American Dream?

This could require a long answer....but the short of it is:

I've tried to always be a bit ahead of the curve. Went into edtech in 2009, and similarly, saw India tech emerging in 2011-12. Funnily, while everyone from India in my class at Wharton was there to work in the US, I had already been in the US for 12 yrs (and LOVED it) and was plotting a way back because I saw product companies like Inmobi appear (I interned there)

I did get a taste of the American dream, but for both professional (and some personal reasons), thought it was a good time to come back. The longer you wait, perhaps the harder it becomes.

How is India different from SE Asia w.r.t. the market conditions and opportunities for startups?

India and SEA: Both exciting markets which are heterogenous. SEA obviously a collection of countries that each have their nuances, policies, different income levels, etc.

In that sense, India also a heterogenous market (what sells in South Bombay vs. North Delhi vs. Odisha)

Startup opportunities are everywhere. And if I have to compare the two, SEA a more economically attractive market, but India offers a better geo to build for multiple regions.given much better technical talent pool, etc.

What are some of the most important metrics that you look at as an investor. Probably varies a lot by industry but say for instance with saas businesses?

Yes, that'll vary a lot. In SaaS: net revenue retention, ARR growth rate, LTC/CAC.

What is your take on developing a good mentoring framework for young entrepreneurs in India, who aren't from management background and don't have much network to approach for the validation of innovative ideas, mentorship in journey from initial stage to developing a smart product.

It's a big problem. Part of our thinking with Antler is to address this. I do think though that today, with the kind of platforms available (content, networking), raw hustle and persistence can still take one far. so I'd tell founders to not worry so much about this today. If you're doing something exciting and can persist, people will find you too (though I agree this is much tougher for folks who aren't in the ecosystems like Bangalore, etc.)

Considering that Antler has a global footprint across the US, EU, Asia, and Australia, what benefits do founders get from such a platform?

Our goal is that any founder who works with us - especially (but not limited to) those who might have global aspirations (users, investors, partners..) on Day 1 or later....can find a lot of value.

There's a missing institutional layer at the seed stage. With Antler, we can provide a founder a global network for validation, learning, capital on Day 1, lots of institutional resources and follow on capital on Day 1, and hands-on help on Day 1.

What is your definition of a tech startup?

My favorite example of a prior investment I worked on - Diapers.com (sold to Amazon) in the US. The founders were lawyers and business people but they were very solid operationally and could attract good tech talent. Re: the definition, I don't think there's a narrow definition....as long as technology will make a difference in giving the startup scale / competitive advantage / operating leverage...I can think of it as a tech startup.

I am a start-up enthusiast with engineering background. I have some ideas but not sure how to execute it as I am not holding required skills for successful execution but definitely can be a driver to run a team of skillful people.

If you're serious about a tech startup, you don't need an MBA today. The best idea I have for you is to go work for a startup. You'll get to make the mistakes, and learn everything for some time before you jump out on your own.

What are your plans for Antler India program? Any particular thesis to start with?

Our goal is that any founder who works with us - especially (but not limited to) those who might have global aspirations (users, investors, partners..) on Day 1 or later....can find a lot of value.

There's a missing institutional layer at the seed stage. Founders have to run around spending a lot of time with multiple parties for money, while they validate their ideas....fundraising alone can waste a lot of time.

With Antler, we can provide a founder a global network for validation, learning, capital on Day 1, lots of institutional resources and follow on capital on Day 1, and hands-on help on Day 1.

Among the theses, one is to focus on "build from India, for the world".

With VCs always backing more on the founder and his passion and mentality (in early stage startups) , and believing on execution, how do VCs identify the execution capability of the team?

A combination of looking at prior experience (did they build something, did they exceed expectations somewhere, can they execute on their own without a large org and infrastructure, have they built a team in the past)and secondly, what you learn during the investment process (how clearly have they thought through the plan, do they identify the key levers and risks).

Most SaaS biz that have scaled have had to sell globally. For a non tech founder, what is a compelling reason to build it from India vs other geography such as US or Singapore?

Gap in terms of salaries for great resources has also reduced with the hyper funding phase in India ?

Good points. In general, the build from India opportunity has expanded from

v1: IT services

v2: old school SaaS

v3: self-serve SaaS, dev tools, APIs

Plus also areas like fintech, edtech, and some consumer brands (e.g. Skillmatics).

But your broader point is valid. It doesn't have to make sense for all types of businesses.

In lots of non-tech businesses, it just may not work when you factor in the ability to understand the demand side, plus logistics, etc.

But there are non-tech plays (products from India, health wellness, arts and crafts, etc.) of course.

How does a company leverage blockchain if the data stored on the blockchain is decentralized? Does "decentralized" just mean stored on separate servers? I am not able to understand if you can still keep the blockchain private to the company or no?

Decentralized ledgers can be called as the distributed network of centralized ledgers. There is not one, but multiple nodes (not all) who control, update, and validate the state of the ledgers. Bitcoin's ledgers are a type of decentralized ledger. Every time the new state is generated, each node (and only node) receives a copy of the new state of the ledger. It is always possible to also create a private blockchain for your specific use case if you want to keep it restricted.

Will love to hear some parting thoughts on SaaS opportunities for Bharat, given your experience in that domain if time permits and after other questions.

SaaS opportunities for Bharat - also expanding rapidly esp with SMB accounting, finance, HR as we have seen with the likes of Khatabook, Vyapar (disc: I am an investor), Dukaan.

I do think it's a bit overhyped given monetization for many of the hypergrowth names is very poor.

And "we will build a lending option for them" is not a winning strategy.

How is a start up valued when it is in idea stage or pilot stage? What will be the max valuation and what will be the dilution, like to know from your past experiences in valuation and first cheque?

I've done this for 12 yrs and I can tell you there is no science to it. Anyone who's telling you there's a method to value at this stage is mistaken.

It's really a function of estimating the ultimate prize, working backward to think of how much capital is needed and what ownership you want.

And finally, prevailing market "benchmarks" or ranges...which again have no logic to them.

And for the hot startups...just a bargaining act between the founder and investor at the end of the day.

Remember that for hot startups, the entry valuation doesn't matter that much at the end of the day.

Seen things like Emerald etc in the foreign markets. Any idea when we can see that in India?

From a VC perspective, India still not a very very deep market so specialization has started to appear (e.g. SaaS or fintech focused investors) but another 5-10 yrs before there are many more sector-specific funds.

What are your views/ thesis on opportunities in Electric Vehicle Industry in India ?

Good question, I don't claim expertise. Huge potential, but given capital needs and some connection to policy and incentives, becomes hard for a typical VC.

The software parts of it can be interesting but unlike China where there has been a lot of fragmentation (esp. in the scooter market), with India, I expect there'll be more concentrated among a few players...so that makes it a bit harder for independent software providers.

Batteries, charging, etc.. may create interesting opportunities in the future.

Was there any time when you wanted to invest in an idea when maybe the team was not as pro about the idea. What was your drive for that?

Happens a lot, esp. post-investment. I may have a view: strategy but the team feels differently.

In almost every case, I end up deferring to the founders. The reason for this is that unless the founder's heart is in it, the "right" answer won't matter. It is all about execution.

Do you see an increase in the Environment, Sustainability, Energy sector etc innovation and startups in India. Do you also see niche VC firms being created in India like in many developed countries?

Good question. Absolutely. Both for the local market, and perhaps solutions built for the global market (e.g. climate change / ESG focused software).I think niche firms will emerge eventually but it will take time.

How different is the experience a founder can expect when they get onboard with Antler than any other VC firm?

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With Rajiv's founder background + my decade in investing, we will bring a lot of unique perspectives to the table.

What are your thoughts about the European market (minus the UK). Do you see it more as an untapped opportunity for Indian Startups or a challenge that is hard to overcome (say because of laws such as GDPR)?

Good question. I think there's a lot of untapped opportunities, though, with the EU, you have a little bit of the SEA situation in that it's one market, but also several markets (languages, cultural nuances, different customer needs)...so you need work around localization, Maybe that's why it's been less attractive for Indian founders vs. some other English-speaking markets.

Yes, EU regulations and GDPR pose additional challenges.

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What are your views/ thesis on opportunities related to cryptocurrencíes / ICOs.

ICOs are dead. I liked the concept when it appeared (blogged about it too) in 2017 as a viable alternative to VC funding in a world where decentralized protocols could be built anywhere but I was wrong in that the idea got very badly misused by scams and speculators.

So what you have today (if you look at Uniswap or Compound) is that projects are first building out the platform and getting some adoption, and then tokenizing themselves which means that their early users get much more value. This is a more mature way of doing things vs. ICOs.

Anyway, as far as India is concerned, all this is less relevant because there's no right way to raise money in India, esp. with the policy uncertainty.

Crypto in general - BTC does seem to have globally become a store of value for many institutional investors as well. ETH has powerful network effects. Other than that, most other cryptos are still a bit questionable.

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What would be your advice to someone planning to move back from US to India to do a startup in India? Should one work at startups in India for a bit? How should one go about creating a network and spotting problems?

Good question. There's no right answer because it depends on each individual's personal situation, goals, background.

In general, I'd say it can be helpful to get your feet wet and have a softer landing. But if one has worked in India before, and generally has the risk appetite....no harm in just going for it and starting up.

As they say, all startups are about "jumping off a cliff, and building a plane on the way down" anyway so can't overthink it.

Spotting problems ... is the easy part I think. They are everywhere. Coming up with the solution is the challenge, and even more than that, committing to 5-7-10 years to overcome the friction that founders in India face 2x vs. other places (hiring, compliance, raising \$).
