

Dailyhunt: The internet's local flavour

By Sayan Chakraborty | Nov 28, 2017

Virendra Gupta wants his news aggregator platform Dailyhunt to continue with its focus on vernacular content in the pursuit of digital ad revenues—the elusive holy grail for online content providers



Virendra Gupta, founder and CEO of Dailyhunt, at his office in Bengaluru

Image: Selvaprakash Lakshmanan for Forbes India

In 2011, much before high-speed wireless internet and smartphones became ubiquitous, Virendra Gupta, 46, was running a mobile value added services (VAS) startup with aplomb.

His four-year-old company Verse Innovation, which provided SMS alerts on jobs, property, matrimony, news and education to subscribers across India, Africa and Bangladesh, was growing profitably at a fast clip. In FY11, Verse's revenue and profit doubled year-on-year to ₹35 crore and ₹11 crore, respectively.

But despite Verse being in the pink of health, Gupta was worried. His many years in the telecommunication industry—he started his career with Airtel in the mid-'90s—helped him foresee the end of days for VAS. The impending proliferation of smartphones and penetration of the internet would soon render the business redundant, he felt.

Under the circumstances, over the next few months, Gupta orchestrated the acquisition of Eterno Infotech, the owner of the English and vernacular news aggregator Newshunt, and renamed it Dailyhunt in 2015.

The shift to a consumer-facing internet business was a calculated move. Consumer internet was gradually finding a footing in India with patronage from venture capital firms such as Sequoia Capital, Matrix Partners (both of which are investors in Verse), Tiger Global Management, IDG Ventures and Kalaari Capital, among others. Gupta and his partner Shailendra Singh were convinced about the benefits of jumping onto the consumer internet bandwagon, and their early investors OnMobile and Matrix Partners agreed.

In hindsight, the buyout seems to have been a marriage made in heaven. Dailyhunt, which had a mere 800,000 monthly active users at the time of the acquisition and ran only on Nokia's Symbian OS, has now overshadowed its parent's core VAS offering and become the face of Verse's business. The news aggregator has amassed 35 million monthly active users across Windows, Android and iOS platforms. About one-third of the app downloads is driven by pre-burn tieups where a phone comes with a pre-

installed Dailyhunt app. Gupta, from the looks of it, has hit paydirt.



Because of its vernacular content, advertisers are picking Dailyhunt to tap people beyond metros

Gupta admits that he did not see this coming. Barely did he realise that an acquisition and a few perseverant years later, he would run a business hinged on news and one of the largest in India at that. “We were working with Eterno for Verse’s news service since early 2011. The founders [Umesh Kulkarni and Chandrashekhhar Sohoni] were in the market to raise funds. We showed interest in making an investment and somehow things clicked,” recalls Gupta during an interview with *Forbes India* at Verse’s headquarters in Bengaluru.

While Sohoni moved on after the acquisition to set up financial advisory startup Amigobulls, Kulkarni stayed on and is currently head, strategic initiatives at Eterno, which has been incorporated as a subsidiary of Verse.

While Dailyhunt has cleared the test of user acquisition, success, by definition, remains incomplete without a proven monetisation model: Eterno remains in the red. Losses in FY17 stood at ₹22 crore, though it was less than the ₹50 crore posted the year before.

In the game of monetising its user base, Dailyhunt is playing David to Goliaths such as Facebook, Twitter and Google for a share of the digital advertising pie, which is still a trickle in India compared with splashes in print and electronic media. Dailyhunt’s 35 million monthly active users is just a fraction of Facebook’s 241 million user base in India, but significantly higher than Twitter’s 27 million.

Gupta, though, is confident of Dailyhunt’s ability to attract advertisers. Cheap smartphones and inexpensive internet connections are poised to trigger an exponential growth in mobile internet users. And, with its focus on vernacular content, Dailyhunt may be in a sweet spot as most of the new mobile internet users would prefer local content. An April 2017 report by Google and KPMG projected a 129 percent growth in vernacular internet content consumers to 536 million between 2016 and 2021. In comparison, English language users are likely to grow a meagre 14 percent to 199 million in the same period.

“Strong local content was the driver of internet in most countries, unlike India, where it was English. The next wave is going to come from vernacular content. To Dailyhunt’s advantage, Google’s and Facebook’s contents are primarily English-led, though they are working on local languages,” says Karthik Srinivasan, national lead, social@Ogilvy, a global, cross-discipline team of social experts from across Ogilvy’s businesses.

No wonder then, advertisers are picking Dailyhunt to tap into the non-English speaking populace beyond the metros. Eterno almost doubled revenues to ₹64 crore last fiscal from ₹33 crore in FY16, according to regulatory documents. (In comparison, Twitter India closed FY16 at ₹43 crore while Facebook’s India operations generated ₹177 crore.)

All this has helped Gupta stoke ample interest among investors. The mother ship, Verse Innovation, has so far raised ₹568 crore (about \$90 million) from a clutch of marquee investors such as Sequoia Capital, Matrix Partners, Omidyar Network, Falcon Edge Capital and ByteDance, a Chinese conglomerate that runs Toutiao, China’s largest news app. Verse Innovation was last valued at about ₹2,195 crore, according to startup tracker Tracxn.

“With its tens of millions of users across 14 languages, Dailyhunt is a one of a kind company that has become a default platform for reaching India’s masses. Viru [Virendra Gupta] is a ‘son of the soil’ kind of entrepreneur who has stayed out of the limelight and silently built a world-class product that impacts millions. His execution is impeccable,” says Mohit Bhatnagar, managing director at Sequoia Capital India Advisors.

As with most startups, Dailyhunt’s success has come through much toil and sweat. “Back then [at the time of Verse’s Eterno acquisition], if you were to render a local language font on a smartphone, it would show up as gibberish. The operating systems could not support it as it was not Unicode. We developed a rendering engine that could display local language fonts on any handset,” says Gupta.

Between 2012 and September 2014, when Sequoia Capital, Matrix Partners and Omidyar Network pumped in about \$18 million (around ₹110 crore) into the company, Dailyhunt’s active user base had shot up to 8 million. These were the prime days of consumer internet in India, when investors flushed startups with unprecedented capital, leading to frothy valuations. Dailyhunt rode the wave as well. In February 2015, with about 15 million monthly active users, it snagged another \$40 million in a funding round led by Falcon Edge Capital.

It seemed at one juncture that everything that Gupta touched turned into gold. Not quite so, he says. For instance, Eterno launched e-books in 2014 and the next year content commerce, where the app would show users contextual ads based on their browsing pattern to explore revenue streams beyond advertising. Both turned into damp squibs.

Gupta is not keen on scaling up the e-books vertical and has shut the content commerce business. Instead, he is trying to create a conducive environment for digital content businesses. In a bid to foster harmony between content producers and aggregators such as Dailyhunt, who have been at loggerheads over issues such as revenue sharing and traffic, Dailyhunt, earlier this year, started crediting content providers for traffic on its platform. When a consumer clicks on content from a particular provider, it adds to the content provider's digital traffic. To facilitate this, Dailyhunt has partnered with Comscore, a company that tracks web and mobile traffic.

Such initiatives, Gupta says, will help in making peace with content providers—Dailyhunt works with about 650 of them—who are also stretching themselves thin to grab a share of the digital advertisement pie. According to an October report by research firm eMarketer, digital ad spends are projected to snowball to \$2.8 billion in 2021 from the current \$1.21 billion. Mobile is expected to account for about 62 percent of the overall spends by 2021.

Experts say that while Google and Facebook will continue to command a lion's share of the digital advertisement spend, Dailyhunt can still hold fort with vernacular content. "They can differentiate by offering localised and targeted advertising solutions, and can also create a niche by targeting smaller businesses for whom bigger advertisers like Google or Facebook may be intimidating in some sense," says Kartik Maheshwari, who leads the startup practice at Nishith Desai Associates.

According to Tracxn, as many as 769 digital content startups have been founded in India since 2010, which have together mopped up about \$424 million in funding. A dearth of external funding, coupled with fierce competition over the digital ad pie, has forced about 58 such startups to shut shop. Looking ahead, the emergence of UC Web, NewsDog and Facebook's growing focus on news is likely to make the going tough for Dailyhunt. According to research firm Kalagato, Dailyhunt's market share among news apps slipped from 23.4 percent in April last year to 18.9 percent in March 2017. UC Web, which barely had a presence in India last year, had taken over 23.5 percent of the market by March.

Gupta is unperturbed by such advances. The company is singularly focussed on growing advertisement revenue and churning out content. Last year, Dailyhunt acquired 89 percent stake in vernacular content provider OneIndia to grow its repository of video and lifestyle content. Apart from the flagship news website, OneIndia operates portals such as DriveSpark, Boldsky and FilmiBeat. Dailyhunt and OneIndia together boast of a formidable 74 million monthly active users. "We now have a new segment on videos, then three big segments like cricket, women and elections and a lot of micro-segments based on specific events," says Gupta.

The company's next big bet is to 'personalise' news, a lingo mostly used by ecommerce companies that serve consumers suggestions based on their search history. The inspiration here is Toutiao of China, the best-funded news app globally with \$1.1 billion in its kitty. Toutiao's parent ByteDance led a \$25-million investment in Dailyhunt in September last year.

"Where Dailyhunt currently lags is personalisation. With personalisation, the user experience becomes more fulfilling, leading to better retention and increasing time spend on the app," says Kunal Walia, managing partner at Khetal Advisors, an investment bank.

Gupta says past mistakes have made him wiser. The focus now is to offer content that consumers will find hard to ignore. "We want to remain a platform relevant to the next billion users," he signs off.