

Pay through Bitcoin soon! Indian investors show interest in online payment system

Malavika Murali & Vishal Dutta, ET Bureau Apr 3, 2015, 10:48AM IST

BENGALURU / AHMEDABAD: The murky silhouettes surrounding the bitcoin notwithstanding, Indian investors are taking a closer look at the online payment system to understand its global potential.

Angel investors and venture capitalists have approached experts, lawyers and start-ups following the formation of The [Bitcoin Alliance India](#), an alliance of all bitcoin companies in the country.

"We are looking at a bitcoin start-up right now. So far, it seems extremely interesting and in two weeks' time we may confirm the investee," said Sasha Mirchandani, co-founder of [Mumbai Angels](#). "This is the first time I myself have bought bitcoins," he said.

The body, which will represent the Indian bitcoin industry to governments and other organisations, was formed last month, primarily to [spread](#) awareness, enable adoption and aid [entrepreneurship](#) involving bitcoin as part of efforts to lobby for the legality and practicality of the system.

"Yes, we are interested in bitcoin and have identified start-ups for potential investment," said Padmaja Ruparel, president of Indian Angel Networks.

VC funds Sequoia Capital and [Khosla Ventures](#), have reached out to a few of the Indian entrepreneurs, at least four people separately told ET.

While Sequoia did not respond to an ET query in this regard, Khosla, known for its [investments](#) in foreign bitcoin companies declined its involvement in bitcoin in India. "It's just a matter of time before Indian VCs get in on this," said Mirchandani, who is also the founder of VC early-stage investment fund [Kae Capital](#).

This marks Indian investors' acceptance of digital gold for the first time. Indian bitcoin start-ups have so far depended largely on foreign funds and support. Last year, Tumkur-based Unocoin raised \$250,000 (about Rs 1.55 crore) from Barry Silbert, CEO of New York's online marketplace SecondMarket, making it the first Indian bitcoin recipient of international investment. Ahmedabad-based GreenCoinX, which has developed an identifiable digital currency, has so far raised \$20,000 (about Rs 12.4 lakh) from Canadian VC GreenBank Capital Inc.

"With great risk comes greater returns. This is unexplored territory and it's great ground for an angel as it will offer attractive valuations" said Amit Agarwal, [managing director of public multinational](#) and textile manufacturer Jindal Worldwide, who has invested \$125,000 (about Rs 77 lakh) in Ahmedabad's Zebpay, which launched India's first mobile bitcoin wallet last month. The company, whose founders also set up the country's bitcoin alliance, is planning to raise Rs 2.5 crore and is in talks with Indian and international angel investors and VCs, said co-founder Sandeep Goenka. "The fund will primarily be used for product development and marketing for the Zebpay app," he said.

Vaibhav Parikh, partner at Nishith Desai Associates, international legal and tax counsellors, who has pushed the case of bitcoin in India, said that the benefit of almost nil transaction fees that the bitcoin carries with it is what makes it attractive to investors.

"Investment in such start-ups should be done by someone who is savvy and sturdy," said Parikh, whose law firm recently released a white paper clarifying the legality of the bitcoin in India.

The Reserve Bank of India had earlier issued a warning against dealing in bitcoin and other digital currencies due to multiple risks, including those related to money laundering and cyber security, as such virtual currencies are not backed by any monetary authorities or assets.

