

RIL to create a ₹5,000 crore fund to invest in tech start-ups

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MUMBAI

Reliance Industries Ltd (RIL) chairman Mukesh Ambani on Thursday announced that the company is setting up a ₹5,000 crore fund—Jio Digital India Startup Fund—to invest in digital businesses.

The announcement was made at the company's 42nd annual general meeting in Mumbai.

"We also have plans to partner with thousands of Indian entrepreneurs, whose digital ventures can bloom in the ground that Jio is preparing. For this purpose, we have created a Jio Digital India Startup Fund," Ambani said.

The corpus will be invested over the next five years. The company will also be setting up entrepreneurship hubs in key cities and towns, Ambani said.

The announcement shows a growing trend of Indian corporates becoming more willing to invest in start-ups, said experts.

"The announcement by Reliance Industries is a recognition of the fact that wealth creation over the next 20 years will happen from start-ups that have either been built or will be built over the coming years. Their setting aside ₹5,000 crore for investing in start-ups is a testament to the Indian start-up

ecosystem having arrived," said Rajan Mehra, co-founder and managing director, Nirvana Venture Advisors.

More companies today are focusing on digital, he said. "Many corporates have identified digital as an important area, especially where they engage with consumers, and have set up various internal initiatives, funds and ecosystems," Mehra added.

This is not the first time that RIL will be investing in start-ups. The group's media arm, Network 18 Media and Investments Ltd, has invested in companies such as BookMyShow.com.

In September 2014, GenNext Ventures, the venture investment management arm of RIL, signed a three-year partnership with Microsoft Corp., through Microsoft Ventures in India, to set up GenNext Innovation Hubs, a pan-India initiative to catalyse the country's technology start-up ecosystem.

GenNext looks to invest up to \$10 million in a start-up. Some of the companies it has

funded include surveillance solutions company Videonetics and enterprise software firm Covacsis.

According to Ruchir Sinha, co-head of private equity and mergers and acquisitions at law firm Nishith Desai Associates, a group like RIL is more likely to invest in start-ups for strategic reasons than as a plain investor. "Reliance's strategy looks

very interesting. Beyond telecom, they are getting into data and analytics and these are the areas they would like to invest in," Sinha said.

In the past few years, several large Indian companies too have become active

in funding start-ups and have set up dedicated investment arms or funds for the purpose.

Information technology (IT) companies have been at the forefront of this movement. IT services giant Infosys Ltd has set up a \$500 million fund. The company will invest \$250 million in Indian start-ups through the Innovate in India Fund.

Rivals Wipro Ltd and Tech Mahindra Ltd have also been

investing in start-ups. In 2012, Tech Mahindra set up a \$50 million investment fund in association with SBI Holdings, a Japanese venture capital firm, while in 2014, Wipro announced that it is setting up a \$100 million fund to invest in start-ups.

JSW Group chairman Sajjan Jindal has set up a ₹100 crore early-stage fund—JSW Ventures—that is run by his son Parth Jindal.

Corporate venture capital activity hit an all-time high in the first half of 2016 in India, according to an August CB Insights report. Corporate venture capital firms participated in 20 deals worth \$205 million in the first half of 2016. Both deal and funding participation rose on a quarterly basis in the second quarter of 2016 with corporate venture capital arms involved in \$171 million of investments across 13 deals, the report said.

The Jio fund announcement also comes at a time when overall funding for Indian technology start-ups has seen a slowdown in 2016.

In the January-August 2016 period, venture capital investments in Indian start-ups stood at \$945 million (across 265 deals), down from \$1.47 billion across 348 deals in the same period last year, according to Venture Intelligence data.

The slowdown is temporary, said Mehra of Nirvana. "Eventually, all of India is getting digitized and this announcement shows that the company (Reliance) recognizes where the opportunity is and they are getting big behind it," he added.

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