

'Startups Have To Learn To Live On Their Own'

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By Sneha Shah

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Kanwal Rekhi, veteran investor

Veteran angel and venture capital investor Kanwal Rekhi, has justified the recent layoffs by Indian startups, terming it as the need of the hour. In an interview at a TiE Mumbai event, Rekhi, managing partner, SVQuad and co-founder and managing director of Inventus Capital Partners, insists that the employee firings at startups was long due as most businesses were running on unsustainable models with respect to compensations and cash burn, and hence the funding slowdown will help the ecosystem emerge stronger. Edited excerpts:

The startup ecosystem is going through a lot of pain currently. We are seeing layoffs happening and the funding tap seems to have dried up?

The fear of God, that I will run out of money is required. And I see this as not a bad thing to happen. This is a very necessary healthy market correction, because the party's over. You have to learn to live on your own. You have to live with more discipline. You cannot have those losses. You can't live beyond your means and expect to get more money. From where I come, entrepreneurs are still starting companies, we are funding them.

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Layoffs are good. And I find that we are having an easier time to hire people and people have an easier time to find a place in the (Silicon) Valley. Million dollars in salaries is unsustainable. Finding tech talent was becoming so difficult. Startup activity is a little bit cyclical. When recession is there, startup activity starts to happen. People have lost their jobs. It's easier, your rents are low, your salary expectations have come down. This is the best time. Startup activity happens at the bottom of the recession. And so, where I operate, I don't see any meltdown. The same seems to be true in India.

You still find takers at early stage but the late-stage venture funds have pulled out. Your take?

They (late-stage companies) should have been profitable by now. They should have learned to live by. Look at Paytm. How old is that? 20 years, right? How can you not make money when you have several \$100 million dollars in revenue and been around 20 years?

By that logic, a lot of unprofitable companies are hitting the stock markets. The narrative seems to be changing?

That narrative has been built by people who had not been around when this winter came in, right. The main factor is the entrepreneur, a disciplined leadership, the entrepreneur makes more difference than the money (capital). So, in capitalism, eventually, you know, the capital needs to be returned. Nobody puts in capital forever in a bottomless pit.

Has India emerged as a great alternative to other markets?

I'm here (in India) only two days. And I have noticed, there's something about the energy and there is an expectation that we are on the move, you can feel it, you can feel it when you meet people, but I wouldn't use word India has arrived or emerged, I would say India is arriving, an emerging and everything seems to have lined up your way.

There is capital flowing into India, China is having problem, and Europe is in trouble. So, India seems to be the country where you need to put your money, that's where the future belongs, that sense is there.

But having said that, we have squandered our opportunities in the past. In 2047, India will have 10 million startups and entrepreneurs. Its that's when we would have arrived. Policy framework, everything needs to, our infrastructure framework needs to be focused on that and we create million entrepreneurs.

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In India, we have seen domestic capital is now at par with the global ones and we have seen in 2021 a lot of rupee funds were raised where the corporates, the AIFs are finding this private investing as a very viable option. Are we now in a position to not really rely on dollar capital so much?

Stop right there. I think if we can mobilize all the capital, it is not going to be enough. We need to have massive capital infusion. We should not be worried about dollar capital yet. India is a poor country. If you need trillion dollars' worth of new capital is not going to be available from within India, and we are to think about million entrepreneurs, 10 million entrepreneurs, and the capital is lifeblood of entrepreneurs, we should welcome and mobilize all the capital in India, but we should also welcome capital from everywhere.