

## Ideal time to invest in start-ups

*By Duruthu Edirimuni Chandrasekera*

View(s): 454

Economic obscurity is a fact, but great businesses are also built in chaotic times despite the natural tendency for the rational investor amidst the crippling inflation, lower consumer confidence and the higher cost of capital to sit back and watch what happens.

Think Microsoft, Airbnb, Pinterest, WhatsApp, Square, Uber, Instagram, and many others that won during economic turbulence.

Ever the optimists, start-ups say that the country's economy is in the doldrums, but it will not necessarily impact the economic trends and the needs going forward. Digital transformation is still growing rapidly, and often, this is the only way to accomplish the competence to meet client needs as it won't cease because market sentiment has shifted.

This is what Kishan Nadarajah, CEO Lankan Angel Network also believes. "With little competition and low valuations, this is the best time to invest in start-ups," he told the Business Times. He added that funds such as the Digital Innovation Fund are eyeing more start-ups in key sectors. When the market is buoyant the valuations tend to go up. However, investing in this sector is riskier, but it needs to be patient funding, Mr. Nadarajah added.

"There are certain start-up companies in enterprise software, banking fintech, blockchain, cyber security, and banking software that we are looking at," Mr. Nadarajah added.

quickhelp.lk which is a company Uberising the services subsector such as hairdressing, plumbing, electric wiring, woodworking etc recently received Rs. 21 million seed capital from the Lankan Angel Network.

The fund has completed five such deals as of last December.

"We also see smaller deals happening which means lesser equity for the funders," Mr. Nadarajah added. "We are looking at close to three more such deals this year," he said.

He said that investments are in sectors like sustainable recycling, education, fintech, and hyper-local services.

Notably, this fund has invested 50 per cent of its cash in female-centric start-ups. Mr. Nadarajah said that within the next few months, the Rs. 100 million fund 1 will close, and fund 2 will start this year.

Prajeeth Balasubramanian, Co-Founder/Managing Partner – BOV Capital which funds early-stage companies, invested in three companies last year. "We invest in Rs. 100 million to Rs. 200 million worth of ticket size. We are also looking at fresh firms to fund this year," he said.