

Baby steps for a 63-year-old lender, a stride for start-ups

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TT SRINIVASARAGHAVAN, Managing Director, Sundaram Finance Ltd

Leading NBFC Sundaram Finance lends its hand to a sector that is seeing a lot of action

TT Srinivasaraghavan is the epitome of under-statement. You ask him about an investment announcement that the company he is the Managing Director of Sundaram Finance Ltd, a leading non-banking finance company, made in a start-up in June, one that got many in the start-up ecosystem in the country excited, all he would say is, it is “early days for us.”

“We will take some small, cautious steps. Tomorrow, history shouldn’t judge us poorly saying there was a golden opportunity, you missed it. Many new ideas are coming, let us keep an open mind. At the same time, let us be sensible, prudent, which is the Sundaram Finance way,” he says.

Eyeing fintech space

The company, he says, will only look at ventures in the technology or financial technology space, especially those that have an “adjacency” to the businesses that Sundaram Finance is in and will make small investments in these ventures. The idea being that both Sundaram Finance, founded in 1954, and the start-ups that it invests in, benefit from the investment.

The investment should benefit the retail-focussed Sundaram Finance, in that it could improve efficiencies or reduce the workload of its employees and make them more productive or it could bring in a new technology that will help it grow its existing businesses – that of financing purchase of commercial vehicles, cars, houses, construction equipment, farm equipment, distribution of mutual fund products, general insurance and retail distribution of a range of financial products and services.

Or, the investment should help the start-up validate its product or service through the nearly 600-strong branch network of Sundaram Finance or help achieve proof of concept by testing them out with the hundreds of truck drivers and fleet operators who have been financed by Sundaram Finance.

Money, says Srinivasaraghavan, is a requirement no doubt for the ventures, but more than that, they need access to a customer base to validate their product or service. Through its network and clients and, more importantly, its experience, Sundaram Finance offers a ready testing ground for start-ups in the fintech space.

Investment in GyanDhan

In June, the Chennai-based lender invested an undisclosed amount in Delhi-based GyanDhan, an online marketplace for education loans for students aspiring to study abroad. Founded by two IIT Delhi alumni, GyanDhan uses proprietary logic to underwrite large ticket education loans. Sundaram Finance plans to invest up to ₹6.5 crore (\$1 million) in early-stage ventures and will also co-invest with like-minded venture capital firms and angel investors in start-ups where it can add value.

According to Srinivasaraghavan, Sundaram Finance will provide the back-end and administrative support to the ventures it invests in, including ensuring that they comply with statutory regulatory requirements. “Are we planning to build a ₹100-crore portfolio of start-up investments in the next one year? No. We have not started off with a target that I need to fund so many start-ups. It is not driven by that. It is driven bottom up. We are open to looking at new ideas, we are open to talk to these guys and if they have a proposition which we believe is in sync with what we are trying to do as a group, then those conversations we are willing to have. If it is compelling enough, then we are willing to put our money where our mouth is,” he says.

According to him, the company will only look at start-ups within its domain space – financial services and retail distribution of products. So, hypothetically, you ask him, will Sundaram Finance invest in start-ups in the logistics space. Srinivasaraghavan says a couple of players in the logistics sector had talked to the company. Then he recollects an initiative that the company launched nearly 20 years ago, of a freight exchange. “It was way before its time, it didn’t take off. When two youths presented to us, it was kind of a flashback for me,” he says and adds, “we will see.”

The real test

The real value that Sundaram Finance can bring to a start-up, according to him, is in terms of validating the idea or product. “Doing field test in the real world. That is the real value we can provide,” he says. That will also be the company’s differentiating position, he adds.

It is definitely not in this because it has a huge bag of money to keep investing from. That is not the primary proposition. “Of course, we will support them financially. It is about a larger picture, where we are saying, if we are convinced about an idea or a product, we will, in a sense, be an incubator,” he says.

He says the company will decide on a case-by-case basis on whether it wants to invest in subsequent rounds of fund raise by a venture or exit. It will depend on how much capital the company is going to require. Every business is not necessarily going to guzzle huge sums of money.

“If it is very close to our hearts and if we find it works excellently, then we might keep putting in money and engaging with them, because we wouldn’t want to lose the technology or the advantage it brings us. In some cases, exit might be the right thing, if they need to raise big money and we can’t run the race with them,” he adds.

The guiding principle will be that it must make sense for the company. “We have to get some value from it beyond just RoI.”

Given the company’s long years of experience in the financial services sector, will Sundaram Finance think of starting an incubator for fintech start-ups? Srinivasaraghavan says the company hasn’t even thought of those things. The possibilities of engagement are endless and the company has only just made a small beginning.

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