

‘Startups must look beyond 1 lender’

Asmita.Dey@timesgroup.com

New Delhi: The biggest learning for Indian startups from the collapse of the Silicon Valley Bank (SVB) is the need to diversify their exposure to banks and look beyond the prospect of being tied to a single lender, said Dipanjan Basu, partner at Fireside Ventures. The consumer-focused VC firm has a portfolio of 33 companies, including D2C firms Mamaearth and Boat. “The US funds should encourage startups to set up different bank accounts across multiple banks and diversify,” Basu told **TOI**.

The abrupt collapse of SVB, a banking haven for startups and tech firms, has sent local startups scurrying

US crisis: Banking MFs lose 6% in a wk

New Delhi: Banking mutual funds lost up to 6% last week following the collapse of Silicon Valley Bank (SVB) and Signature Bank that dented investors’ sentiment in the financial services space. The failure of the two US-based banks sent shockwaves across the global financial system and weakened sentiment in the banking sector in India too, wherein shares took a beating and declined in the range of 3-13% in the week under review. However, experts believe that the direct impact on the Indian banking sector was negligible to low. AGENCIES

to secure their deposits at the now shuttered bank. The crisis was a setback particularly for SaaS (software-as-a-service) startups, most of whom count the US as a key serviceable market and those that are backed by global funds and investors.

The lure of getting deep-pocketed foreign funds on the

cap table often nudges startups to have an overseas setup, while at times investors prefer their portfolio companies having one. Getting funded by global startup accelerator Y Combinator, for instance, requires having a US headquarter as a pre-condition, said experts. Of the 250-odd Indian startups backed

by Y Combinator, 90-95% are based outside India. “A long-standing trend of private equity and venture capital investors pushing Indian startups to incorporate holding companies in the US (with the Indian business operations becoming the US entity’s subsidiary), along with having their banking operations there, had resulted in SVB becoming a key banker to many Indian start-ups,” said Ankush Goyal, partner at Trilegal.

Downfall of SVB has added to woes of startups and the broader tech community that is already battling a downturn in funding. Basu, however, describes the funding winter for Indian startups as ‘Bengaluru winter’ and not ‘Delhi winter.’