

Aujas – The Journey of an Entrepreneur in Residence at IDG Ventures India

By Manjula Sridhar

On February 10th 2008, 10 PM, all of Aujas's founders assembled at IDG Ventures India's Founding Chairman and MD, Sudhir Sethi's residence to sign the agreements for the seed funding of Aujas Networks Private Ltd and celebrate Aujas's formation. We had spent most of the earlier part of the day on finalizing the documents. Although exhausted completely, an immense sense of satisfaction and excitement overwhelmed every other emotion. This was the occasion of successful completion of Entrepreneur in Residence program at IDG Ventures India for me. Here is how it came to being.

Lucent Days and the Start up Bug

Although Entrepreneurship always fascinated me, it was during the middle of 2006 that the idea of entrepreneurship really possessed me. I had been watching the entrepreneurial scene in India for quite some time and was encouraged by the fact that the entrepreneurial eco system in India was booming with lot of VCs coming into India and setting up early stage funds. This was at a time when I was very comfortable in my career having been successful as a technologist and a manager in Lucent Technologies. Having spent considerable time in Lucent US, I had taken a transfer to India to be close to my family. I reported to a very competent, hardworking highly successful boss and mentor Chitra Kasthuri who was a name to reckon with worldwide in Lucent. Chitra kept me busy with many "entrepreneurial" activities of setting up quite a few firsts in Lucent India. Moreover Lucent has been very good to me; While in US, Lucent had sponsored my Masters program and I was appointed as the first DMTS (This was the path to becoming a Bell Lab's Fellow which is the pinnacle of recognition in the technology world) in India. So by the end of December 2006 with lot of hesitation and trepidation I broached the subject to Chitra and my other director Antarpreet Singh. Although surprised they were extremely supportive and encouraged me to take the plunge.

When I shared my ideas with my family and friends, they were supportive but cautioned me about my inexperience coming from a non-business background coupled with not too secure financial status. I concurred with them, but was strangely confident that things will somehow work out eventually. Some nagging rational and irrational concerns remained though; "How will I pay my EMIs", "Is it wise to eat into my savings", "If things fail will I be able to get back to a good job", "what if another bust happens", "Am I business savvy enough", "How and where will I find co-founders" and many other what if scenarios. However, I was in touch with many entrepreneurial clubs like TIE, both in Chicago and Bangalore and was encouraged seeing many less experienced and less settled than me chucking the comforts of corporate jobs and working hard to create start-ups. I met many successful entrepreneurs, read biographies of successful entrepreneurs, attended the entrepreneurial conferences and charged with hope and dynamism made up my mind that this is for me.

I also did some number crunching and figured that I needed to find some angel money in next six months in order for me to continue in this path. I had masters with a major in network security and had done lot of work in wireless networks and security area. I visualized a product concept based on wireless security. I spoke to a colleague who had quit Lucent and was with another company to be the co-founder. However as he had recently become a father, I asked him to wait until I check out the ground realities and

raised money. My plan was simple. Build a proof of concept with some freshers and project trainees (as salaries would be cheaper), organize the business team and raise money. I spoke to some friends and acquaintances who gave me positive indication of some freelancing offers.

Interestingly at this point, I met Sudhir Sethi founding Chairman and Managing Director of IDG Ventures India through a friend Savitha Kini. She came to know that IDG was investing in Telecom industry, knowing my plans suggested Sudhir, and I meet up and sent an introduction. This was in January 2007 and this meeting would be providential although at that time I did not know it. When I went there, he assumed that I had come for an interview of Investment Advisor position and grilled me for half an hour. I clarified that I had only come to meet him and explained my plans and ideas quite earnestly and told him that I might be looking for funding sometime later. Nevertheless, he asked me to meet the whole team in IDG Ventures India. I then met TC Meenakshisundaram who handles the telecom space and I had detailed discussions with him. He is the most tech savvy finance person I have met so far. He surprised me with very intuitive questions about my telecom work. Then I met Manik Arora who foresees internet and mobile space and Hemir Doshi the investor advisor in Software products and Services. I spent a couple of hours discussing with them some of the aspects of entrepreneurship and VC funding. I learnt that Sudhir and TCM in their earlier Avatar of Walden had seed funded Mindtree Consulting, Techspan. Moreover, what I found out was their significant operational background of leading many companies, which is unique in the VC industry.

Couple of days later we met again and Sudhir asked me if I would be interested in Entrepreneur in Residence position with IDG. I was not sure what it meant, as I had never heard of that designation before, but it sounded quite an attractive option. Partly due to my lack of understanding of the markets and partly out of my own enthusiasm, I did not pursue this at that time. I also wanted to understand the bare bone way of doing entrepreneurship and see if I could do it. Armed with all this knowledge I quit my job in February 2007 and plunged headfirst into entrepreneurship.

Virefree Days

I named the company Virefree and did all the right things by doing market analyses, meeting as many prospective customers as possible, talking to many advisors. Anjana Vivek a friend who is a venture advisor helped me immensely in terms of business plan structuring and providing some good references and acting as a sounding board for some of my ideas. Revathy Kasthuri who had been an entrepreneur in the past and who was an M.D in Novell helped me in my go to market strategy. I hired two MCA students Mamatha and Deepak who had to do six months of project and assigned them to build the proof of concept. It was quite a challenge to go back to basic coding and making sure that the trainees could do the necessary work. Meanwhile I filed for the patent and started looking for customers and angels. I had immense support from friends and fellow entrepreneurs who were slogging themselves in unfamiliar terrain. However, it soon became apparent to me that there are not many angel investors around and almost no VC firm funds such an early stage venture. This stage is probably most crucial in any entrepreneur days.

Since I dabble in mountaineering, I know that in each trek up the mountains, hiking up to 10000 ft is a pleasant experience. When one hits higher altitude around 12000 to 13000 ft, stringent mental and physical strength are required to go further up. The "death zone" after 22000 ft one needs supplemental oxygen as well. I was at the crux of high altitude and death zone. Although my product was ready to go, I realized that market cycles are

too long for the area I was focused on. Some of the freelancing offers that I had also fell through due to various reasons. Apart from these business realities I also experienced what I now call "corporate withdrawal symptom" similar to Altitude Mountain Sickness (AMS) which happens due to thin oxygen. The only cure for AMS is to go to low altitudes. I missed my AC cabin, cozy office environs and the certainty that came with a "regular job". It was a painful realization but I decided to bite the bullet and seriously started considering alternative options available to me. One easy option was to get back to a corporate job; however, I wanted to get into a job, which would give me necessary business skills for my future entrepreneurship activities. After the trainees completed their respective projects, I started looking seriously at other options available.

That is when I called IDG and asked Sudhir if the investment advisor position was still open. We had a discussion and to my dismay, he only offered me a consulting assignment for studying the security business. In hindsight, I realized the importance of this, but I grudgingly took it at that time as I thought it would give me some insights of VC ways and time to figure out my next course of action. What I did not know at that point of time was Sudhir was very passionate about Digital Security and was planning to fund a startup in this area. Sudhir is passionate about startups having done Mindtree Consulting, Techspan, Connect M and Emploi Globale thus far. Later Sudhir did share with me that this was a deliberate action so that I can ease into the role. In a sense, it was like a start up pitching to a VC.

Technology analyses and Primary market research was a breeze, as IDG owns IDC as well and I had access to all the market research for this business. However, secondary research proved more difficult. This is where I had to understand the market reality in India and understand the ground realities. Initially I surveyed couple of big names in the industry for a discussion, but could not get any response. Though disheartened I persisted in reaching out to many product and services company heads. Eventually I was able to interview many people and get their views on Security Business and Industry. I attended many conferences, met many business leaders in this area and understood peer's perspective of this. I also studied all the companies existing in this space and made a comparative analysis. I met many of the security startups to see if there was any investment opportunity for IDG. Finally, I presented the findings of both security industry and security business opportunities around May 2007. That is when I officially became Entrepreneur in Residence with IDG. What this means is a guaranteed funding if the team and business plan fits together. This was a great opportunity for me to realize my dream and get back on track albeit in a different format and much safer path. Having gone through the travails of no frills entrepreneurship, I can value the immense benefits of EIR model. All the challenges of entrepreneurship remain in this model, but the platform and the expert guidance from the VCs themselves reduces them considerably.

EIR Days at IDG Ventures India

In the first week of my stint as EIR, Mr Pat McGovern the worldwide Chairman of the fund visited India. Also visiting were the Advisor board members of IDG who include Dr Balasubramanyam, Dr Chandrashekar, Mr Arjun Malhotra, Dr Sridhar Mitta, Dr Jagdish Seth, and Dr.V. Sumatran who are all stalwarts. I presented the plan to them and got very good feedback. The idea behind the next step was simple, to build a team and get out of IDG Ventures. However, this was the hardest and most important step of the venture. Terabytes of memory have been used while writing about the importance of the team in any organization. Many VCs swear by the fact that the business plan is secondary

compared to the team. We were looking for a person who is entrepreneurial and who has handled a large business with some domain exposure. A leader who could build the team and scale up the plan to the next level. That is when I hit the first serious roadblock.

Through our own networks and placement agencies, I made a list of some thirty possible candidates. We started meeting people through various contacts. We also drew upon Sudhir's vast networks. Now I was pitching the plan to co founders instead of VCs. It was quite an exhaustive exercise. Once Sudhir and I spent one whole day in Bombay meeting with ten candidates. However it turned out there are very few who fit the bill and the ones who did either were hesitant about entrepreneurship or too comfortable in their current job and were on retirement mode. After our initial flurry of activity, we hit a lull. Uncertainty and inactivity is a dangerous combination. I approached Sudhir and asked him if I could help in other deals they were doing. A firm no followed, as that would mean losing focus. After a month of this and several near misses of finding the right person, I seriously started wondering about the viability of this model and some skepticism did surface. However, it is very hard to stay skeptical with Sudhir around. IDG Ventures India has "Maintain Action Oriented Let's try attitude" as one of the vision statements and Sudhir is a perfect practitioner of this. His enthusiasm and innovative ways to solve problems rubs on everyone around.

At that time, Lalit Chowdhary who was my mentor in Lucent introduced me to ex Director of sales in Lucent who had been an entrepreneur himself. Sudhir and I met him and we thought this might work, only to find out that he already had other plans. At this time, I met Shalini Sethi who was founder CEO of Emploi Globale an Executive Search firm angel funded by Dr. Jagadish Seth amongst others. I decided to meet her to get some advice on finding the right team. She shared with me some trade secrets as to how to go about finding the right person. She informed me about a business-networking site where one could get Rolodex of contacts in various companies. I went to the site and got the contact info of candidates that I thought would fit the role. Another flurry of activities followed and again we hit a dead end. Deciding to reach larger audience Sudhir and I posted the ad on LinkedIn's recruitment section. Next day the mailbox was full with close to thirty applications, some even from countries like Estonia, Portugal and Brazil. In the following week, we had more than 70 resumes. A flurry of activities in terms of short listing and interviewing followed. Again, we hit a wall here, as still there was not one with the right set of attributes for this venture. After two more months of dead ends, Sudhir and I brainstormed as to what are the options available for us. We decided to revisit this after sometime.

Meanwhile interesting things had happened. We happened to meet Iviz, which was one of the security startup companies in my original research. They were looking for funding and had approached IDG Ventures. They had built a product for AI based automated penetration company based on AI concepts. Bikash and Nilanjan from IIT Kharagpur had set up Iviz. Sudhir was interested in investing in this company as it fit the plan of a comprehensive security portfolio. He explained his vision for a video analytics company that could do automated physical security that could be fascinating if we implement. In any case, for my future company, Iviz could be a great partner, they could detect the vulnerabilities and we could go in and provide solutions including automated monitoring. I did a thorough analyses of Iviz product and did the Technology Due diligence. We agreed to collaborate in future. IDG Ventures did eventually invest in them.

Then sometime in November 2007, Anjana introduced me to a person from a large Indian Service provider. We met for Lunch and I pitched the plan. He was very enthusiastic about

this and we agreed to meet Sudhir for further discussion. He introduced us to some more members from his circle. One of the team members even had the security start up experience. During the same time, I also chanced upon the profile of Srinivas Rao. He was a senior VP in Cisco India with perfect combination of sales and operation background and had been involved in an entrepreneurial venture at Netsol in the past. We met in IDG office. When we met, he had already quit his job and was on entrepreneurial path. I instantly knew if this has to take off, he is the person. Generally, we used to schedule discussion with Sudhir after couple of days, but that day I walked up to Sudhir and told him he had to meet Srinivas. Sudhir had another meeting in few minutes but he agreed to meet him. Instantly we could see that this might work out. We agreed to meet Srinivas the following week for further discussions. I was amazed and delighted. In a span of a week, we had gone from being in a dead end to having possibly two teams. At the onset I was sure it was Srinivas team we will go ahead with which turned out to be true eventually.

Following week, Srinivas came up with a business plan. I was happy to see it match the outline we had in mind. Eventually Srinivas then brought in Sameer Shelke an expert in information security industry having had stints in various roles and another founder (our CMO) a business development and marketing person. Therefore, we had a perfect team. Later I learnt that getting Sameer Shelke was providential as he was leaving to Japan and would have missed Srinivas's call if he had called an hour later. We had couple of meetings and decided to go ahead. Srinivas turned out to be a sharp person and strategic thinker with an excellent multi tasking capability. I was amazed at the energetic way he handled multiple things. During our customer visits, I also noticed that he had great credibility in the industry with many people speaking highly of him. Sameer is a straight talker with sharp eye for details. His insights of the enterprise market coupled with his expertise of setting up security operations would be a great asset for our venture. Our CMO turned out to be quite an unassuming person with calm composure and expertise with biz development and number crunching. He would be our Excel and Power Point guru crunching the business plan numbers and dazzling the audience with power packed presentations.

At this stage, Sudhir told me to disengage with IDG and get involved with the team completely. While prima facie IDG was ready to invest in the team, Sudhir felt we needed to work as a team to arrive at our business plan. This was very crucial for me to integrate with the team completely. Again, the model was very similar to a team pitching to the VC.

Aujas Formation

From an EIR this is very tricky phase. One tends to sit on the fence between the VC world and Entrepreneur world in terms of day-to-day activities. Nevertheless, this was a crucial and significant phase. Some semblance of certainty, but many things could go wrong. The plans we make and the team building that happens are going to have huge impact for the next few years. For initial meetings we met at Wood Rose club where Sameer is a member, spent couple of days going over all the aspects of business. We started from scratch and spent considerable time on definition of vision, mission and goals. We analyzed the business segments, domains and focus areas. After a couple of iterations, we were ready with our presentation; however, our financial model was still incomplete. This is proving to be quite a challenge due to complex financial and pricing models. Cash flow analyses were very crucial for us as that would determine how much money we would need. We approached Dawn Consulting, a business advisory firm and after couple of weeks, we had very detailed financial model built.

Biggest task for the team was to understand the working style and communication style of each one. Adjusting the schedules of each one was a big task. Our CMO was in Bombay and he suffered the most by traveling on weekends. Coming from different business backgrounds we had many debates to arrive at decisions. Given Sameer's background in managing large teams, we agreed he would be the COO, while I would be the CTO. Some very hard discussions in terms of organization structure, salary and stake followed. There were many tense moments where we felt we would not be able to go further.

We also had some fun while finding the right name. After much search and analysis we settled for the name Aujas. Aujas is a Sanskrit word that means Energy as in a Warrior. Our CMO came up with "Enabling Digital Defense" as the tag line. Srinivas and I did lot of potential customer visits and came up with a list of offerings that we could tackle first. Finally, in December we presented our business plan to IDG and got a formal term sheet. After much discussion on details, we signed the term sheet in IDG's office in January 2008. At last!

At this stage, Sameer quit his job. Next few weeks were again were of extreme activities involving finding the office, name approval, company registration, logo, visiting cards, and web sites. Meanwhile many agreements like Share Subscription Agreement, Investor Rights, Escrow agreements and employment contracts need to be reviewed and agreed upon. The agreements were literally Greek and Latin with terms like Mutatis Mundatis, Paripassu and other equally choice words. Again some excruciating work followed in terms of meeting the lawyers, understanding the implications and negotiations. We also started writing the detailed solution specs for our product ideas. Sameer's experience in this was great as he came up with some great templates to present. After much discussion and debate we finally signed the agreement in February 2008.

Well, this is just the first step, I think we have reached the base camp, but the real ascent starts now. How we work as a team and execute will determine success and failures over the next few years. Personally, the biggest learning for me is the value of persistence and patience. The value of mentoring and insights provided could hardly be over emphasized in this type of journey. That is what an EIR model is, an elevated platform for entrepreneurship.