INVESTMENT BANKING EXPERIENCE PROGRAM PROJECT 3:

1).
The sector-specific PE funds focus on investing in a particular sector, in contrast to sector-agnostic PE funds that invest in various sectors. I personally prefer to set up a sector-specific fund because expert fund managers in a particular industry would give an edge for the PE fund, with which more and more investors can join the fund. It is true that a sector-agnostic fund helps investors minimize the risk of loss by reducing the impact of market volatility, but it is also true that a vast range of companies in the portfolio would give below-average returns for investors. For this reason, I would select a sector-specific fund.

There are very few top fund managers who can manage a sector agnostic fund as it would be very difficult for any person to have such broad knowledge in the market. So it would be difficult to recruit such fund managers, whereas in the sector-specific PE fund the fund manager should have deep knowledge of a particular industry. Sector-specific funds also have the ability to attract investors who specialize in that particular field. For example, the HNIs and family offices mentioned in this project report ahead primarily specialize in IT, Digital Media, and Consumer Internet. As investors are also from the same field as PE fund dealing with, it will be great for the fund as these experts would be helping the companies in their core operations. This guidance is especially beneficial for the commercialization stage and early growth stage start-ups.

2).
The main focus of my fund would be the tech and fintech sectors because more and more innovative ideas are coming up in these two sectors which are in turn becoming very successful. The famous fintech startups are Paytm, phonepe, cred, and many more. The main theme of these startups is digitalizing the finance sector. And also core tech startups like ola,zomato,swiggy, etc performed very well. Therefore, my targeted investors would primarily be from a technology and FinTech background, who can provide technical and managerial guidance to the start-ups.

Aditya Puri - Former MD and CEO of HDFC bank:
Aditya Puri is a veteran banker and also an active investor who specializes in the banking and finance sector. He has worked as MD of India’s top private bank HDFC bank he has knowledge in all verticals of finance. His active investment in growth companies such as PNB housing finance, etc his primary focus is on the fintech industry. His active involvement in start-ups would be a big yes for my PE fund as it provides an opportunity for start-ups to learn and grow.

Sanjay Mehta - Co-founder and CEO of MAIA:
MAIA, a business intelligence firm, is one of the three ventures of Sanjay Mehta. One of his appeals is his ability to exit a firm at the right time. His first venture, Bespoke Software, was a thriving success. Although it was not scalable and keeping this in mind he ventured into different areas. One of his most successful and well-recognized investments is OYO Rooms. He got a whopping 280 times to return from it. Sanjay Mehta is one of the most active investors in India,

with investments in over 130 start-ups. His ideology is to invest in a large number of deals with a smaller ticket size. This mindset would not only help my PE fund diversify into different industries but also rope in other investors, given his previously recognized gains.

Sandeep Tandon - Managing Director of Tandon Group:
Sandeep Tandon Co-founded Accelyst Solutions Pvt. Ltd. in 2010 and has been its Chief Business Officer since September 1, 2015. Sandeep Tandon serves as Managing Director at Tandon Technology Ventures (Tandon Group). He has been involved in the technology industry for over 20 years. During this time he has contributed significantly to the growth of Information Technology exports from India. He has been investing in startups such as Dukaan, Progcap, Unacademy, Bharat Bazaar, etc. He not only holds in-depth knowledge in all arrays of technology but also has been in a position of great power for several years. His guidance would be of immeasurable worth for the start-ups.

Nithin Kamath - Founder and CEO of Zerodha:
Nithin Kamath is an entrepreneur and trader who is the founder and CEO at Zerodha, a large Indian broking house. He is also the CEO of Rainmatter Capital. He brought a different perspective to the stockbroking business in India by introducing a discount brokerage system for retail traders, Zerodha is a bootstrapped business. He is very actively investing in budding tech startups like cred, Agnikul, Kudos Finance, and investments, etc. His active involvement in the start-ups and experience in Tech and finance can add a lot of value to the various portfolios under the PE fund.

Ruchi Sanghvi - Paytm's Board of Directors(Individual investor):
Sanghvi is an investor and adviser in a number of Silicon Valley companies. She is an Indian Computer Engineer and Businesswoman with great investment acumen. As she is from a tech background she mainly invests in tech startups, the startups she invested in are some of the famous companies among the common public such as Paytm, Cure.fit, Brex, Cleartax, Alchemy, etc. Sanghvi was awarded a TechFellow "Best Engineering Leadership Award" in 2011 for her work at Facebook. Sanghvi best suits my PE fund as she has so much experience in tech and strategic investments.

Catamaran Ventures – N R Narayana Murthy:
Catamaran Ventures is a family office of N R Narayana Murthy, Founder of Infosys. It would be ideal for the PE fund as it is sector agnostic and is under the founder of one of India's top IT companies. The biggest benefit of this family office is its flexibility in terms of investment size and structure. They invest from very early to very late-stage businesses as well. This leaves a lot of room for the PE fund when hunting for scalable startups.

Premjiinvest - Azim Premji:
PremjiInvest is a multi-family office specializing in private equity and venture capital investments. It is a private equity fund owned by Azim Premji which manages his $1 billion personal portfolios. Premji is the founder of Wipro(One of the biggest software tech companies). His recent investments in startups such as Snapdeal, Flipkart,Lenskart.com, etc have proven his

intention to develop the tech startup ecosystem in India. As he is a veteran of the Indian tech system his encouragement would be a big plus for startups.

3).
With new start-ups sprouting every day, the average success rate for start-ups is falling. That being said, the criteria for selecting a successful startup must be stringent. Out of the 6 stages of the company lifecycle, the core focus of my PE fund would be the first stage of commercialization and the early growth stage. This is because even the most brilliant ideas need guidance to understand the business ecosystem. Investing at an earlier stage could help the startup and thrive and bring high returns.

First Stage of Commercialization:
This is the second stage of the company life cycle. At this stage, the startup is still new but has crossed the ideation stage and is looking for an appropriate sales channel strategy for its up and running product. The perfect product-market fit helps sustain the product's growth and profitability and is difficult to determine without guidance from an expert. With the help and expertise of the mentioned investors, I intend to target start-ups at this stage. From an investor's perspective, this stage of start-ups is pretty attractive as it is associated with high risk which may correspond to greater returns. For example, Sanjay Mehta invested in OYO rooms at an early stage and earned 280 times returns. Most of my targeted investors are risk-taking and hence inclined towards early-stage financing.

Early Growth Stage:
This is the third stage of the company life cycle. By now, the start-ups have found their perfect product-market fit and are now penetrating the market. Most of my targeted HNIs are core investors of the first stage of commercialization and the targeted family offices invest in both the first stages of commercialization and the early growth stage. However, the early growth stage is still my most preferred stage, this is because investors prefer taking a different route when investing through PE funds since they have a bigger ticket size than direct investments. By pooling in money through various investors, PE funds can make a more significant impact on growth-stage funds corresponding to larger gains.

4).
Scouting the market is a complex process as there are no undefended markets at the present time. The objective is to find companies that are differentiating their products/services and their value offering to the customers.

Network Driven Scouting:
Network-driven scouting can be done through experts in the field, such as investment bankers. Start-ups reach out to investment banks to help them find capital. These bankers are well versed with the PE criteria and therefore skim through the start-ups themselves and provide a list of start-ups that fit among other PE fund investments. This not only helps save a good portion of time but also aids in finding good quality start-ups.

Institution Driven Scouting:

There are institutions designed to help young entrepreneurs attain success. Incubators help entrepreneurs with idea generation and accelerators help existing companies grow with a minimal viable product. These institutions are the home of fresh ideas and act as an ideal place for picking good-quality start-ups for funding. The benefit of scouting through these institutions is that the entrepreneurs are well trained and have interacted with other entrepreneurs as well. They have been exposed to a structured environment and have been supported to create solid business plans. As investment bankers, the incubators and accelerators are also well versed with the selection criteria of PE funds. Incubators assist the first stage of commercialization start-ups and help them raise funds and on the other hand, accelerators guide early growth stage start-ups. These institutions organize events and workshops to help start-ups find capital, and these events can be extremely beneficial for PE funds as it also helps them gauge investor's reactions towards the startups.

5).

The screening process is the final and the most essential aspect of a PE fund. Determining whether the startup is a good fit for the development of the fund can be a hefty task. From the leader to the secured investments, they're all viable variables for the screening process. Given that my fund is focusing on the first stage of commercialization and the early growth stage companies, my top two screening parameters would be the market size and business plan.

Market Size:

Start-ups should target large and addressable market opportunities. Large market size increases the potential of long product life and may later help scale operations resulting in cost advantages. From an investor's perspective, investing in start-ups is risky and therefore they want to bet on quickly scalable start-ups. Therefore, a startup that is aiming big and can be durable for a long period of time is preferred. A large market size would lead to high returns in the future which would increase the probability of a trade sale. This attracts investors because it gives them a potential way to exit their investment.

Business Plan:

The business plan is the heart of the startup. All the variables in the business plan should be clear, crisp, and linear. A business plan can help get insight into an entrepreneur's mindset. Entrepreneurs tend to focus on their big ideas but lack execution. The business plan acts as a blueprint for their vision, it highlights their strengths and uncovers flaws in their business planning. For example, the spending of the business can speak a lot about the entrepreneur's priorities. This is of utmost importance to the investors. They take a keen look at them to ensure that the business has been vetted through thorough market research. Another important variable in the business plan is the customer cost acquisition and customer lifetime value. The time it takes for the customer lifetime value to cross customer acquisition cost helps determine when the company will start becoming profitable for the investors.