

# INVESTMENT CASE STUDY

## SUBMISSION

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# Abstract-Spark funds investment decision

## Objective

Spark funds, an asset management company is interested in investing in a few companies. So, to make sure that their investments yield profit, they formed an objective of finding the right investment type and sector in which they can make their investments.

## Strategy

Being an early stage start up they used a strategy of identifying the investment type and sectors where most investors are investing in order to choose their own investment type and sector.

## Investment limitations

- ✓ Wants to invest between 5 to 15 million USD per round of investment
- ✓ For the ease of communication they have decided to invest in countries where English is the official language

## Type of Analysis

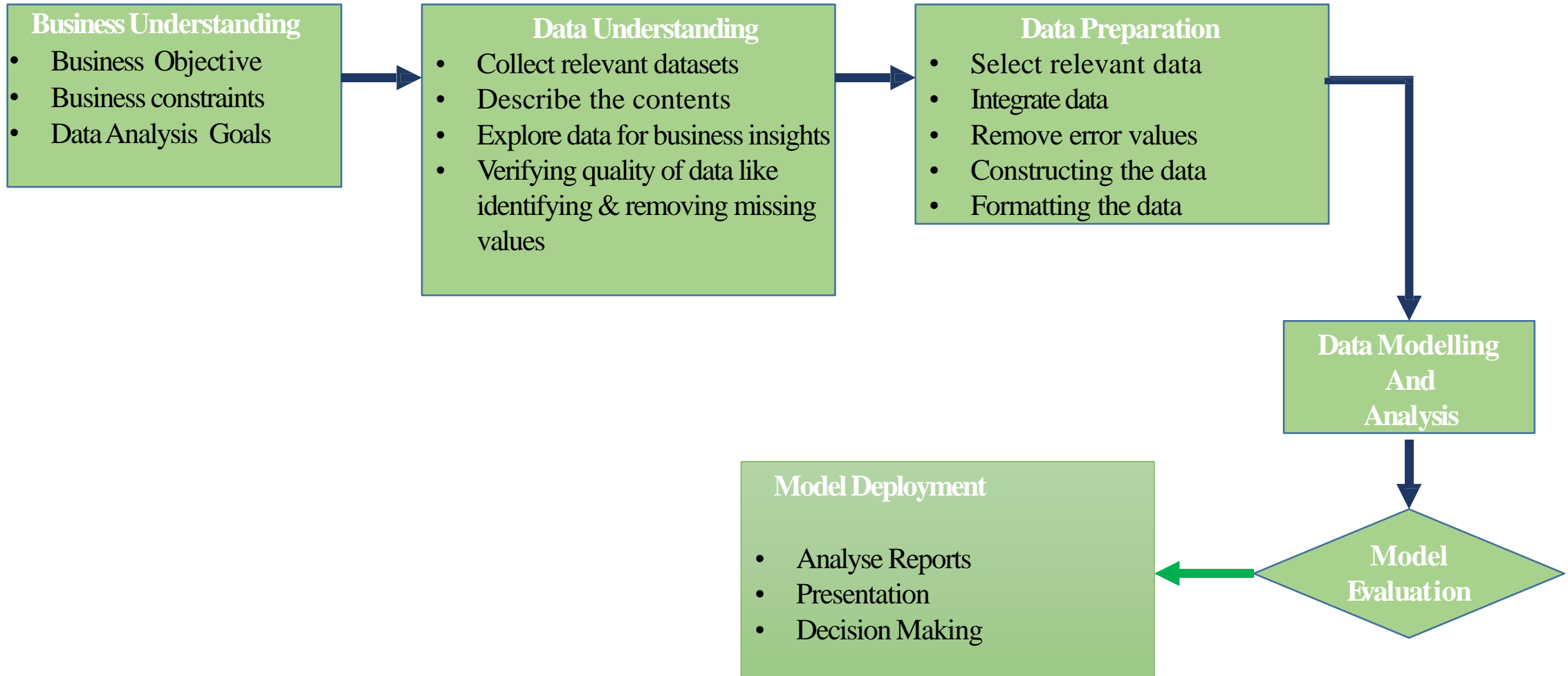
Keeping in mind, the objective and limitations, the analysis are narrowed down to the following:

***Investment type analysis:-*** To find the suitable investment type

***Country analysis :-*** To find the top 3 English-speaking countries where there are most number of investments for the selected investment type

***Sector analysis:-*** To find the top sectors in those English speaking countries where there are most number of investment for the selected investment type

# Problem solving methodology



# Investment Type Analysis

Based on the preference of Spark fund the investments were limited to the following funding types

- ✓ Seed
- ✓ Venture
- ✓ Angel
- ✓ Private Equity

- Based on the analysis done, Private Equity was found to have more number of investments
- But due to the constraints of spark funds investing between 5 and 15 million USD, **venture** was found to be the best suitable investment type

| Investment type | Avg investment (USD) |               |
|-----------------|----------------------|---------------|
| Angel           | \$                   | 9,58,694.50   |
| Seed            | \$                   | 7,19,818.00   |
| venture         | \$                   | 117,48,949.10 |
| private equity  | \$                   | 733,08,593.00 |

## Country Analysis

- ✓ After identifying the suitable investment type, the next job is to filter the countries that have the highest number of investments for the investment type **Venture**
- ✓ We have found out the top 9 countries for the most amount of venture type investments
- ✓ We also found that there are 4 out of those 9 countries are English speaking countries
- ✓ Out of which, we have considered the top 3, they are: **USA, United Kingdom and India**

| country | Total investment (USD) |
|---------|------------------------|
| USA     | \$ 4225108,42,796      |
| CHN     | \$ 398354,18,773       |
| GBR     | \$ 202456,27,416       |
| IND     | \$ 143918,58,718       |
| CAN     | \$ 95833,32,317        |
| FRA     | \$ 72595,36,732        |
| ISR     | \$ 69075,14,579        |
| DEU     | \$ 63469,59,822        |
| JPN     | \$ 33636,76,611        |



# Sector Analysis

Sector analysis is done in two stages:

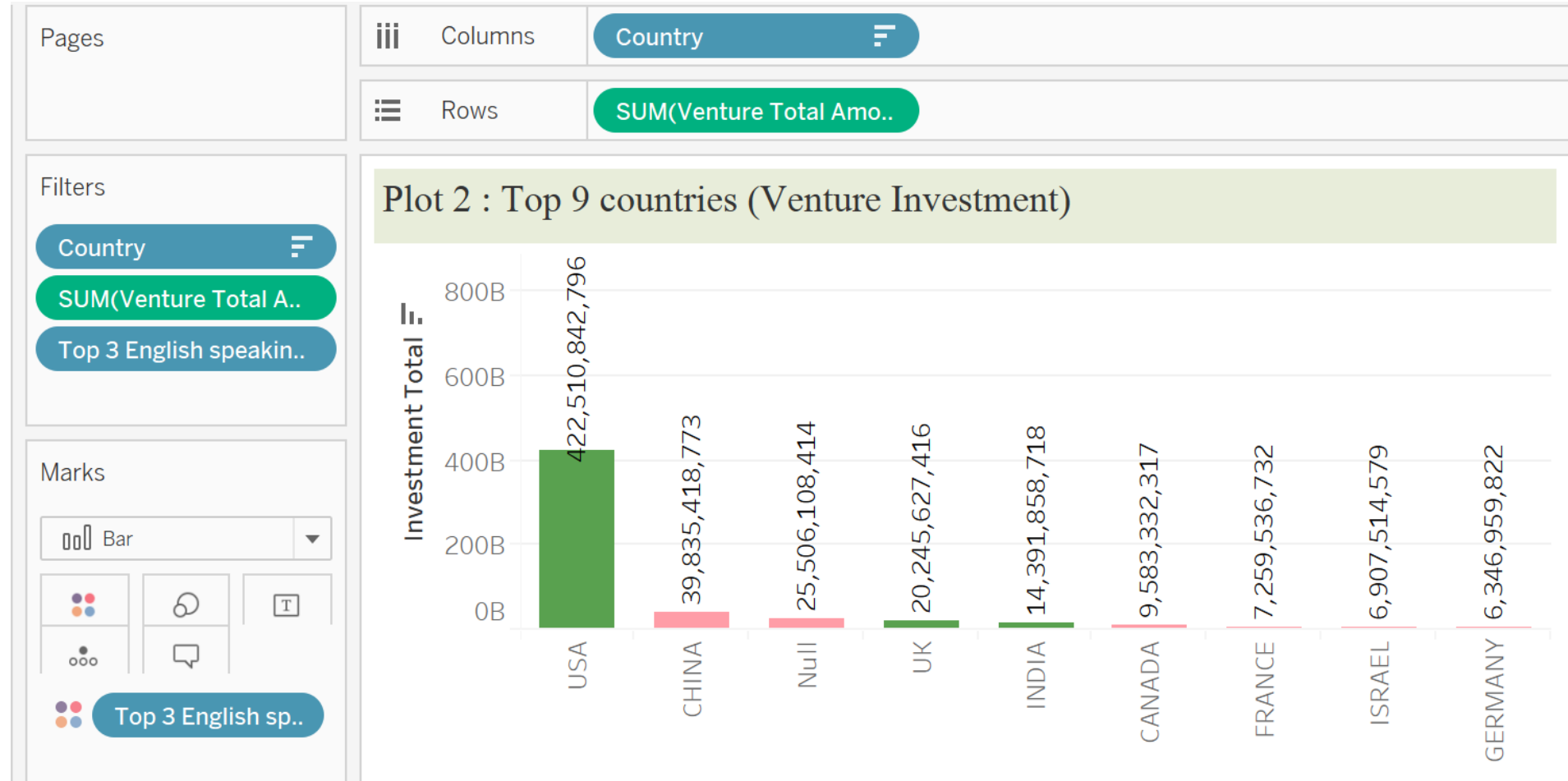
- ✓ In the first stage, to make things easier we have decided to map the primary sector where the companies are investing to 8 main sectors
- ✓ In the second stage, as the analysis has shifted from the broader primary sector to shorter 8 main sectors. We have identified the top 3 sectors in **USA, UK and India** for **venture** investment type.
- ✓ To stay in course of the business objective, top 3 sectors are selected based on the number of investments that are made in that particular sector, individually for each English speaking country

| Row Labels                              | GBR        | IND        | USA          |
|---|------------|------------|--------------|
| Others                                  | 147        | 110        | 2950         |
| Social..Finance..Analytics..Advertising | 133        | 60         | 2714         |
| Cleantech...Semiconductors              | 130        | 20         | 2350         |
| News..Search.and.Messaging              | 73         | 52         | 1583         |
| Health                                  | 24         | 19         | 909          |
| Manufacturing                           | 42         | 21         | 799          |
| Entertainment                           | 56         | 33         | 591          |
| Automotive...Sports                     | 16         | 13         | 167          |
| <b>Grand Total</b>                      | <b>621</b> | <b>328</b> | <b>12063</b> |

# Best suited funding type for spark funds(\$5-15million)



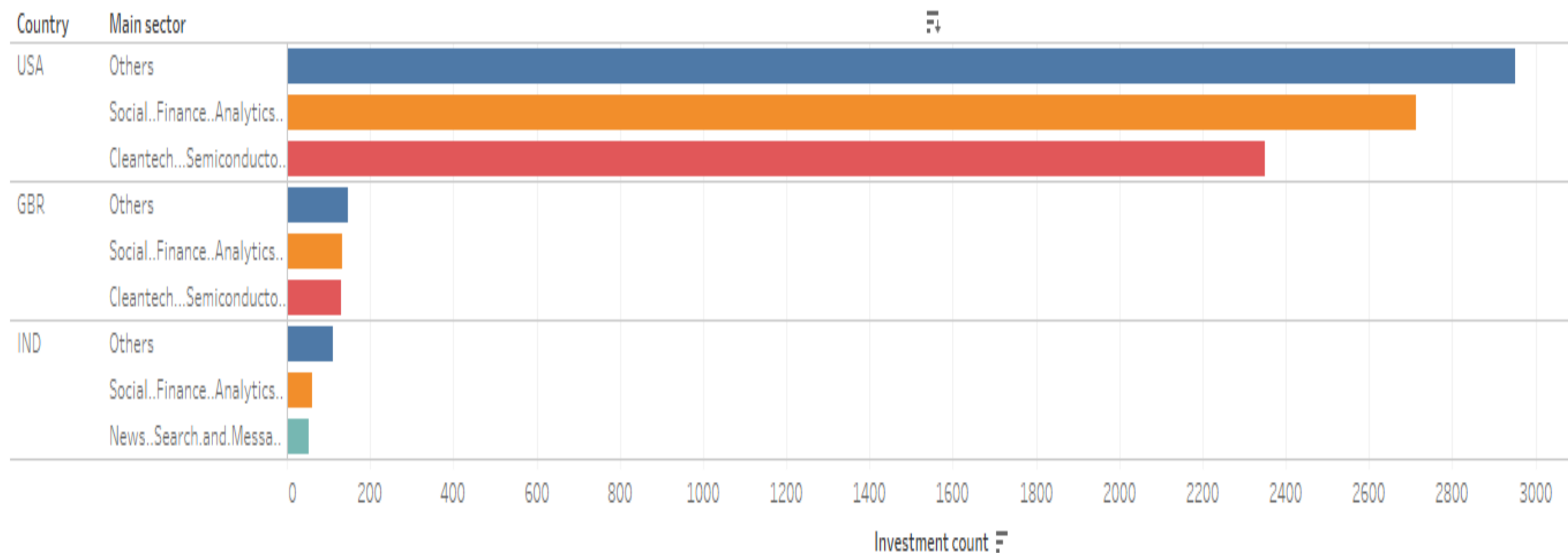
# Top 3 English speaking countries for venture Investment





## Top 3 sectors of the top 3 countries

Plot 3: Number of investments in the *top 3 sectors* of the *top 3 countries* for the investment type-venture



## Conclusions

1. **Venture is identified** as a suitable **investment type** due to investment constraint of 5 to 15 million USD in each round.
2. **USA, UK and India** are the **top 3 English-speaking countries** among the heavily invested countries under Venture type of Investment.
3. Top 3 sectors identified in USA, UK and INDIA are:
  - ❑ **“Others”** sector tops the list for venture investment type in all the three countries
  - ❑ **“Social, finance and analytics”** holds the second place
  - ❑ **“cleantech, semi conductors”** sits at third place for both USA and UK where as **“news search and messaging”** fits 3<sup>rd</sup> in India

### Recommendations :

As per the business objective and strategy, based on our conclusion, we would recommend Sparks Funds to invest in:

- **USA** (as it has the highest number of investments among the top 3 English-speaking countries) &;
- In either of the **sectors (Others, Social..finance and analytics or Cleantech,semiconductors)** as all 3 sectors hold high number of investors investing
- **Both the factors mentioned above, give insights on a pattern of demand of investment coupled with growth of these sectors in USA.**