

TASK

Imagine that as fund manager, you are looking to set up a Private Equity Fund. The fund is sector specific or can also be sector agnostic.

Using the following structure, please set up the PE fund:

- Please write on whether you would be looking to set up sector specific fund or a sector agnostic fund. (250 words)
- Please pick 5 HNIs and 2 Family Offices as potential investors into the fund. You can give brief details about their profile and experience and why do you think they would add value to the sector / sectors that you are looking to invest in. To pick HNIs, you can look at senior executives of listed companies in the sector / sectors that you are looking to invest in and while looking at family offices you can look at family run businesses in the sector / sectors that you are looking to invest in. (500 words)
- Please write about the type of private equity investment you would be looking to make through this fund. Please note that the type of private equity investment depends on the stage at which the company is. Therefore, please pick the stage / stages of the company life cycle that you would be looking to invest in and why do you feel investing in that particular stage could be rewarding, given the risk. (250 words)
- There are many ways of scouting the market for companies. Please pick the way that you would implement the most and the reason for the same. (250 words)
- There are many important points that are part of the screening process of a company, going in for investment. These points are mentioned in the second video of this module. Please state two points which you would give most importance to and the reasons for the same. (300 words)

Please note that you can exceed the word limit by a maximum of 50%

RESPONSE

My approach would be to establish a sector-agnostic private equity (PE) fund, designed to explore investment opportunities across a wide array of high-potential industries such as technology, healthcare, consumer goods, and financial services. This diversified strategy helps manage risk by spreading exposure across sectors, thereby reducing the impact of market volatility. Additionally, it offers the fund the flexibility to capitalize on emerging trends and invest in businesses with strong growth prospects, regardless of their industry.

For the investor group, I would aim to bring together five prominent High-Net-Worth Individuals (HNIs) and two well-established family offices, each bringing a wealth of experience and strategic insights from different sectors:

HNIs:

1. Nandan Nilekani – Co-founder, Infosys: With his extensive expertise in technology and digital transformation, Nandan's strategic vision and deep industry knowledge would be invaluable.

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2. Uday Kotak – MD & CEO, Kotak Mahindra Bank: A stalwart in the banking and financial services sector, Uday's insights on financial strategies and risk assessment would enhance investment decisions.
3. Kiran Mazumdar-Shaw – Founder, Biocon: As a pioneer in the biotechnology and healthcare sectors, Kiran's experience and network would be critical in evaluating and supporting healthcare investments.
4. Harsh Mariwala – Chairman, Marico: With a proven track record in consumer goods and brand building, Harsh's expertise would help scale businesses in the FMCG sector.
5. Deep Kalra – Founder, MakeMyTrip: His success in building digital businesses and online platforms makes him an ideal mentor for technology-driven startups.

Family Offices:

1. PremjiInvest (Azim Premji): Known for its diversified investment approach across technology, education, and consumer goods, PremjiInvest would provide both capital and strategic direction.
2. Burman Family Holdings: With its strong presence in consumer healthcare and FMCG, this family office brings a blend of financial support and industry-specific expertise.

The fund's primary focus would be on companies in their early growth and expansion stages. At this point, businesses typically have validated their product-market fit and require capital and strategic input to scale operations and enhance market reach. Investing at this stage offers a balanced risk-reward profile, as these companies often demonstrate robust revenue potential and operational efficiency.

For identifying potential investments, I would emphasize institution-driven scouting through incubators and accelerators. These organizations support early-stage businesses by offering mentorship and essential infrastructure, ensuring that companies emerging from these programs possess strong business models and clear growth trajectories. This approach provides a curated pipeline of well-prepared, high-quality investment opportunities.

In terms of screening potential investments, I would prioritize two crucial aspects: scalability and the strength of the management team. Scalability ensures that a business has the potential to achieve significant growth and profitability, making it an attractive long-term investment. A competent and visionary management team is equally essential, as their expertise and leadership are critical for executing business strategies and navigating challenges.

Through this approach, the PE fund aims to create a diversified and high-performing portfolio, supported by experienced investors and driven by opportunities for growth across multiple sectors.