



PE & VC Funding : Trends and Role of Investment Banker



Mergers & Acquisitions | Syndication | Advisory

I. Equity Funding Options	3
II. Key Trends & Statistics	8 – 20
III. Fundraising Fundamentals	21 – 26
IV. Role of Investment Banker	27 – 30
V. About Merisis	31 – 35

Investor Type	Stage of Company	Amount of Funding (Rs)
Friends & Family	Idea Stage	< 1 crore
Angel Investor	Proof of concept	1 – 3 crore
Venture Capital	Proof of concept in place, started sales	3 – 50 crore
Private Equity	Growth capital, funding for expansion	50 – 500 crore
Hedge Fund	Growth capital, funding for expansion	100 crore+
Mutual Fund	Generally more mature company	100 crore+

- **The first investor**
- **Relationship /Trust based**
- **Quickest Funding**
- **Usually no value add other than money**
- **Dilution could be 10% - 15%**

- **HNIs, Successful entrepreneurs, CXOs**
- **May invest in a group**
- **Can bring in value add through relationships/experience**
- **Usually no ability for future funding**
- **Can help future funding through connects**
- **Well known angels can bring credibility and also help operationally**
- **Dilution could be 10% - 20%**

- **Institutional funds with professional team**
- **Detailed evaluation, long decision making process**
- **Looks for exit options before investing**
- **Works closely with company on scale up plans**
- **May put pressure on revenue growth**
- **Dilution could be 10% - 30%**

- **Growth funding**
- **Look at more mature companies**
- **Extensive evaluation**
- **Investment amount is not a constraint**
- **Dilution could be 10% - 40%**

I. Equity Funding Options	3
II. Key Trends & Statistics	08 – 20
III. Fundraising Fundamentals	21 – 26
IV. Role of Investment Banker	27 – 30
V. About Merisis	31 – 35

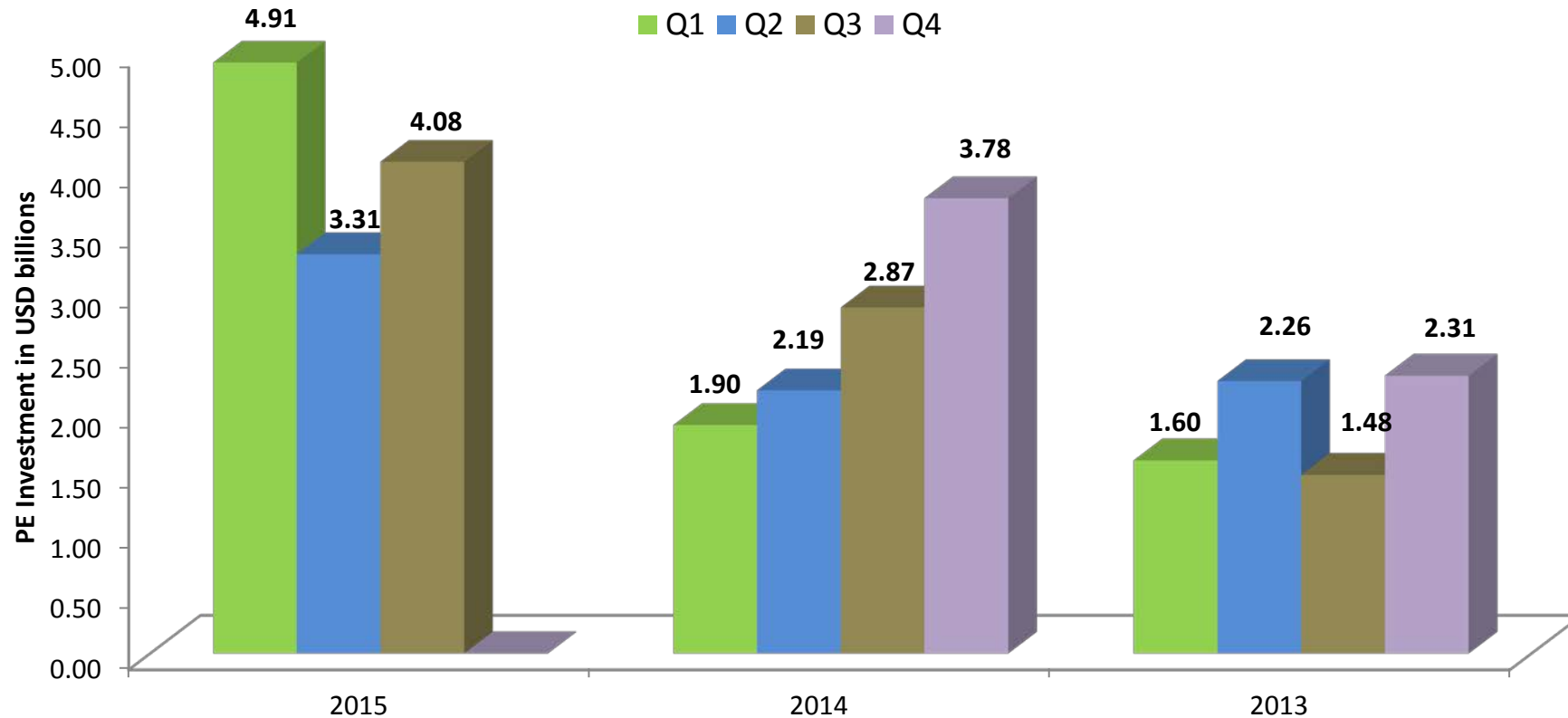
2015: A Record Year for Private Equity Investments in India

PE Investments (excludes real estate and public equity investments) in India

2015: \$12.3 billion (till Q3CY15)

2014: \$10.7 billion

2013: \$7.6 billion



Most Active Investors (By Number of Deals): 2015

Top Investors by Number of Deals		
Company Name	Number of Deals	Amount Invested (\$mn)*
Sequoia Capital	46	232.54
Tiger Global Management	30	119.48
Accel Partners	30	30.88
Nexus Venture Partners	20	NA
Kalaari Capital	18	11.17

Top Deals		
Company Name	Buyers	Amount Invested (\$mn)
One 97 Communications (PayTM)	Alibaba Group, SAIF Partners	635
Jasper Infotech (Snapdeal.com)	Softbank Group, Alibaba Group & Others	500
ANI Technologies (Ola Cabs)	DST Global, Falcon Edge Capital, GIC & Others	402

**Amount invested has not been disclosed for many transactions, hence the amount invested may not reflect actual value*

Most Active Investors (By Number of Deals): 2014

Top Investors by Number of Deals		
Company Name	Number of Deals	Amount Invested (\$mn)*
Sequoia Capital	35	85.74
Helion Venture Partners	24	37.79
Accel Partners	23	14.56
Blume Ventures	22	0.89
Nexus Venture Partners	21	31.15

Top Deals		
Company Name	Buyers	Amount Invested (\$mn)
Flipkart	GIC, Tiger Global, Naspers, Accel Partners, Morgan Stanely	1,000
Flipkart	QIA, Baillie Gifford, Greenoaks, Steadview & T. Rowe Price	700
Sutherland Global Services	TPG Capital	300

**Amount invested has not been disclosed for many transactions, hence the amount invested may not reflect actual value*

Most Active Investors (By Number of Deals): 2013

Top Investors by Number of Deals		
Company Name	Number of Deals	Amount Invested (\$mn)*
Blume Ventures	28	4.81
Accel Partners	26	49.92
Sequoia Capital	20	107.66
Nexus Venture Partners	19	20.24
IDG Ventures India	17	20.93

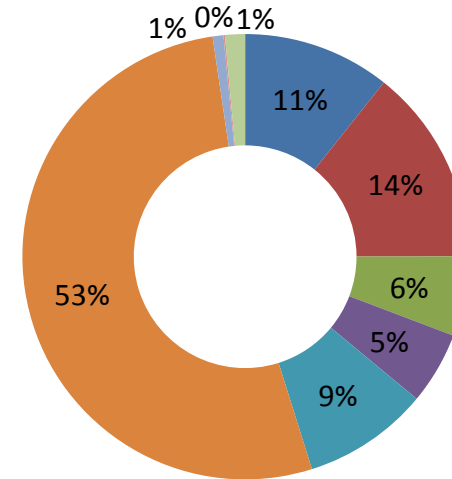
Top Deals		
Company Name	Buyers	Amount Invested (\$mn)
Alliance Tire Group	KKR	470
GlobalLogic	Apax Partners	420
Flipkart	Tiger Global, Iconiq Capital, Morgan Stanley, MIH Holdings, Accel Partners	360

**Amount invested has not been disclosed for many transactions, hence the amount invested may not reflect actual value*

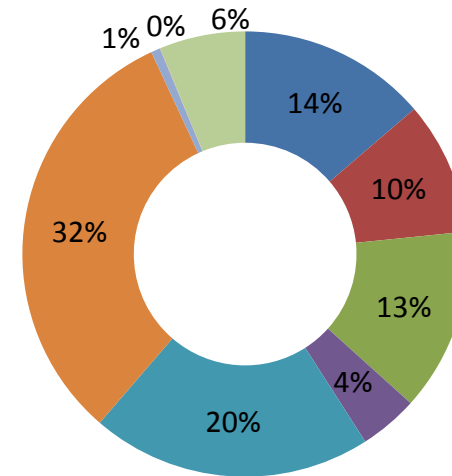
Funding by Sector: 2015 (Year to Date)

Funding Stage	Number of Deals
Consumer Internet	96
Offline Consumer	128
Financials	52
Health Care	47
Industrials	82
Information Technology	471
Materials	7
Telecommunication Services	1
Utilities	13
Total	897

Funding Stage	Value (\$mn)
Consumer Internet	1,686.9
Offline Consumer	1,189.7
Financials	1,634.5
Health Care	523.8
Industrials	2,507.6
Information Technology	3,907.2
Materials	80.7
Telecommunication Services	3.9
Utilities	766.1
Total	12,300.5



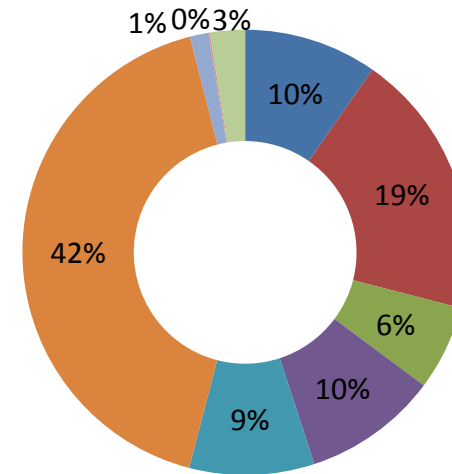
Funding by Sector (Volume)



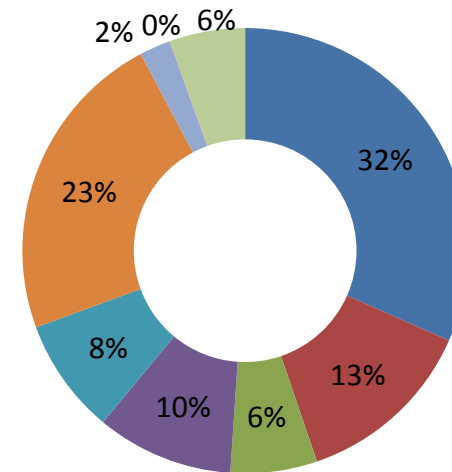
Funding by Sector (Value)

Funding Stage	Number of Deals
Consumer Internet	80
Offline Consumer	160
Financials	51
Health Care	81
Industrials	75
Information Technology	347
Materials	11
Telecommunication Services	1
Utilities	21
Total	827

Funding Stage	Value (\$mn)
Consumer Internet	3,389.6
Offline Consumer	1,411.6
Financials	674.7
Health Care	1,066.4
Industrials	900.1
Information Technology	2,447.5
Materials	240.5
Telecommunication Services	5.0
Utilities	587.1
Total	10,722.4



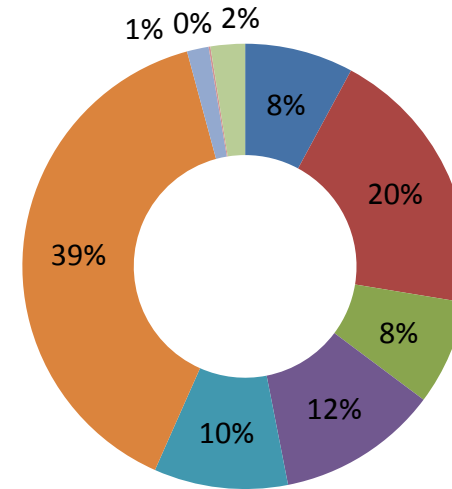
Funding by Sector (Volume)



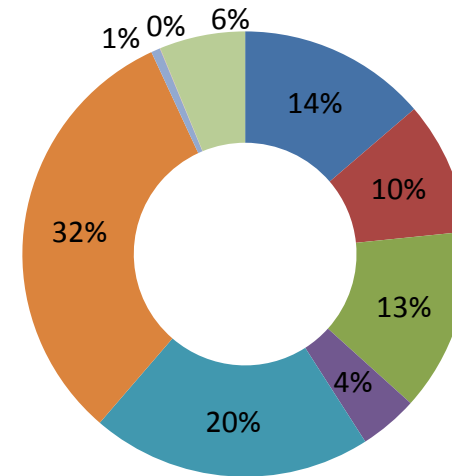
Funding by Sector (Value)

Funding Stage	Number of Deals
Consumer Internet	60
Offline Consumer	150
Financials	58
Health Care	89
Industrials	74
Information Technology	298
Materials	12
Telecommunication Services	1
Utilities	19
Total	761

Funding Stage	Value (\$mn)
Consumer Internet	597.2
Offline Consumer	1,507.1
Financials	1,320.1
Health Care	1,221.3
Industrials	618.3
Information Technology	1,597.9
Materials	248.2
Telecommunication Services	45.0
Utilities	507.0
Total	7,661.9



Funding by Sector (Volume)



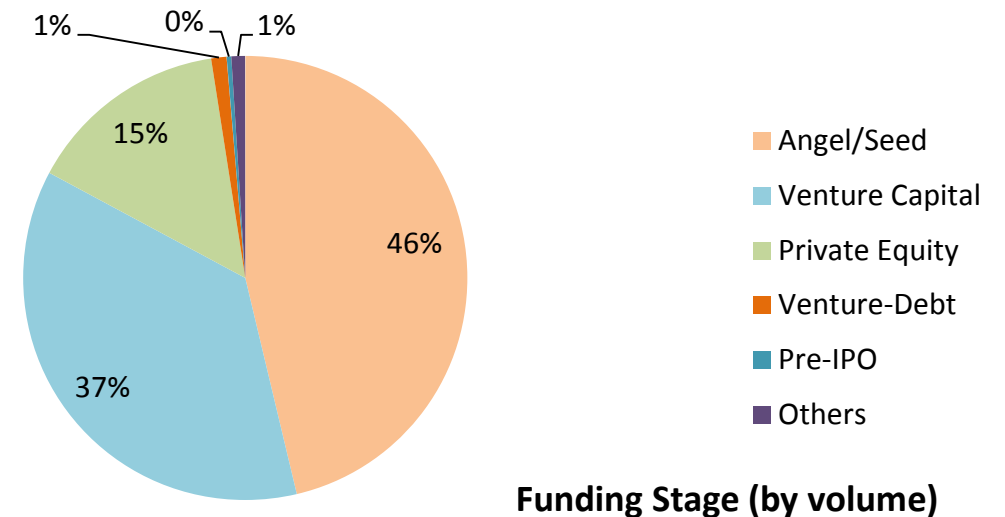
Funding by Sector (Value)

Funding Funnel: 2015 (Year to Date)

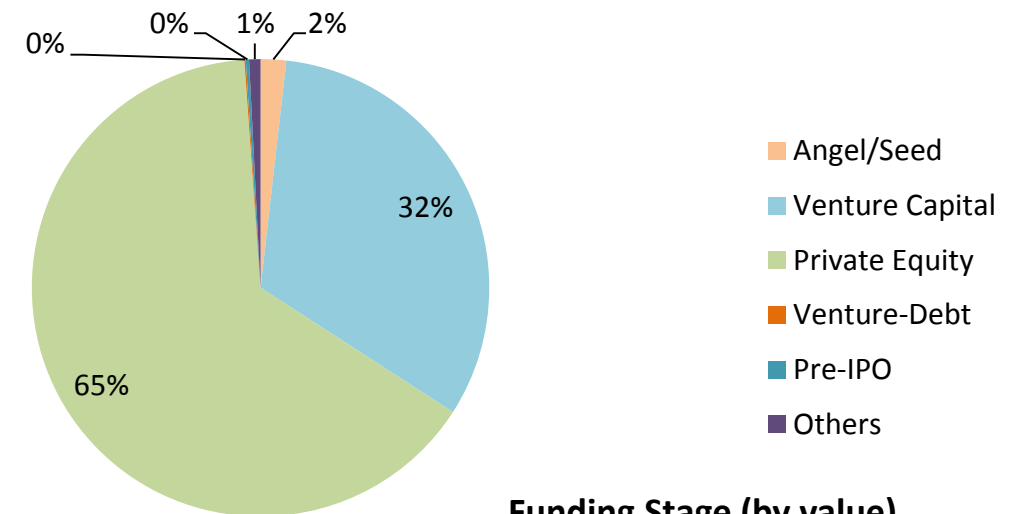
Funding Stage	Number of Deals
Angel/Seed	415
Venture Capital	328
Private Equity	132
Venture-Debt	10
Pre-IPO	3
Others	9
Total	897

Funding Stage	Amount (\$mn)
Angel/Seed	220.2
Venture Capital	3,978.3
Private Equity	7,962.2
Venture-Debt	12.7
Pre-IPO	28.3
Others	98.8
Total	12,300.5

Average Deal Size: \$13.71 million



Funding Stage (by volume)

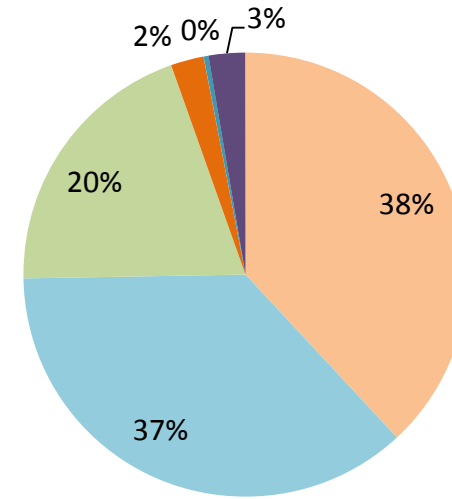


Funding Stage (by value)

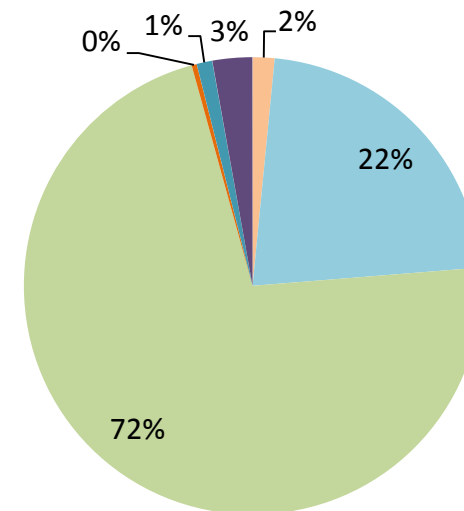
Funding Stage	Number of Deals
Angel/Seed	315
Venture Capital	303
Private Equity	164
Venture-Debt	20
Pre-IPO	3
Others	22
Total	827

Funding Stage	Amount (\$mn)
Angel/Seed	165.8
Venture Capital	2,377.7
Private Equity	7,718.9
Venture-Debt	38.4
Pre-IPO	118.5
Others	303.2
Total	10,722.4

Average Deal Size: \$12.96 million



- Angel/Seed
- Venture Capital
- Private Equity
- Venture-Debt
- Pre-IPO
- Others

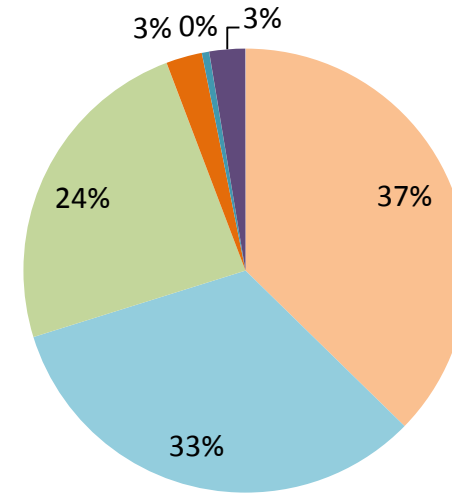


- Angel/Seed
- Venture Capital
- Private Equity
- Venture-Debt
- Pre-IPO
- Others

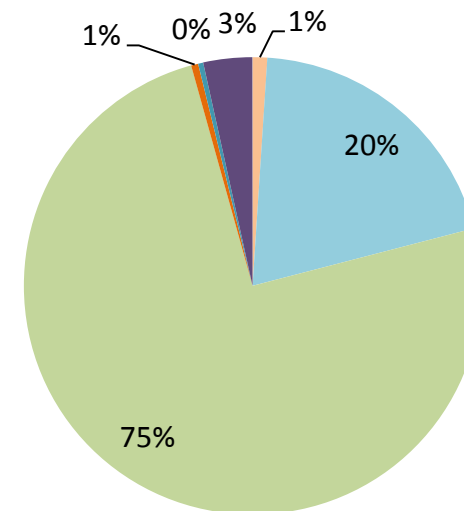
Funding Stage	Number of Deals
Angel/Seed	284
Venture Capital	250
Private Equity	183
Venture-Debt	20
Pre-IPO	4
Others	20
Total	761

Funding Stage	Amount (\$mn)
Angel/Seed	79.3
Venture Capital	1,525.3
Private Equity	5,726.0
Venture-Debt	38.2
Pre-IPO	27.5
Others	265.6
Total	7,661.9

Average Deal Size: \$10.07 million



- Angel/Seed
- Venture Capital
- Private Equity
- Venture-Debt
- Pre-IPO
- Others



- Angel/Seed
- Venture Capital
- Private Equity
- Venture-Debt
- Pre-IPO
- Others

Hedge Funds have been prolific investors recently

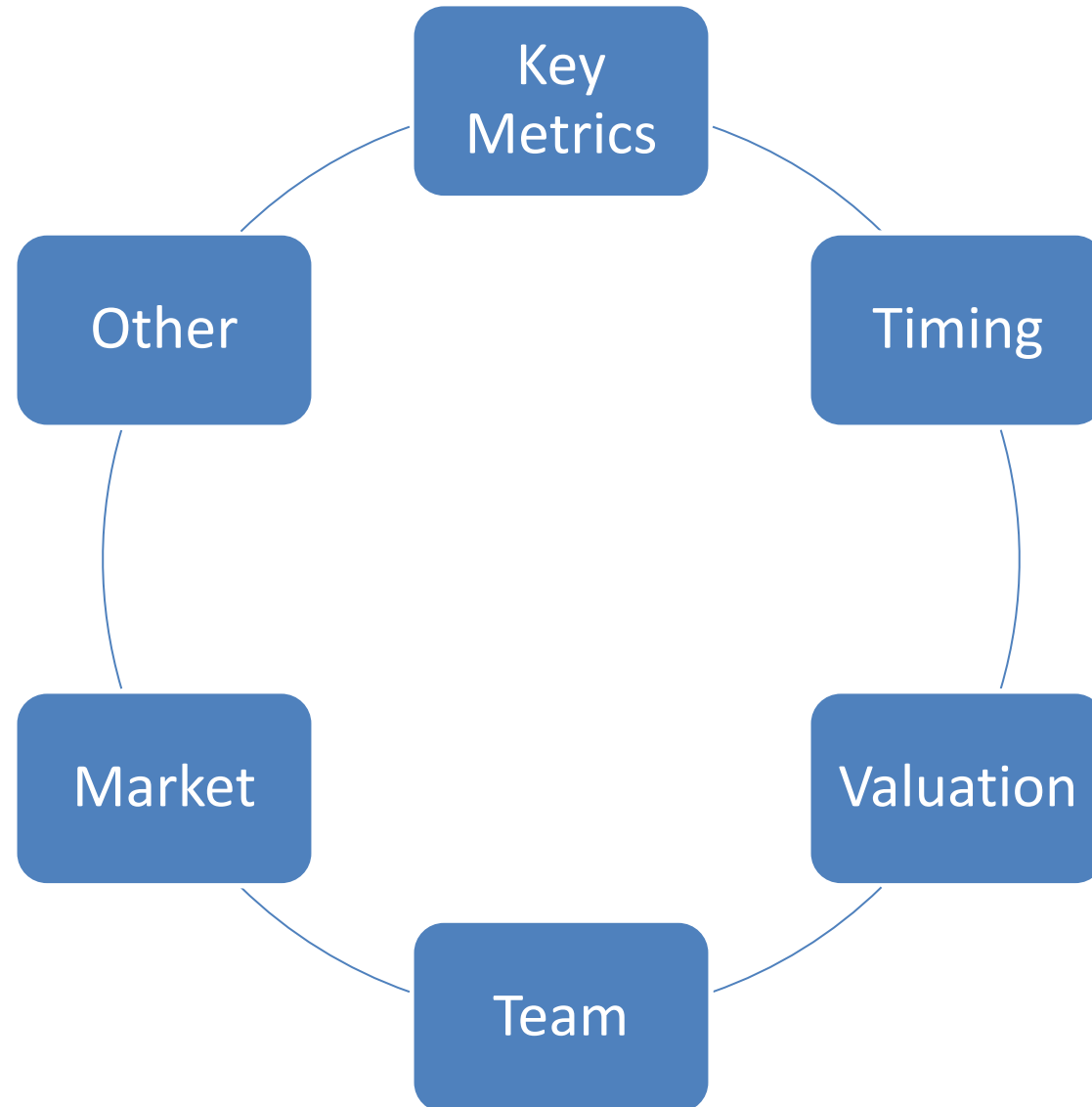
Hedge Fund	Investment	Participating VC Firm	Other Investors in the Company	Total Amount Raised (\$mn)	Investment Date
Falcon Edge Capital	Ola Cabs		Tiger Global, Softbank, Steadview, ABG Capital, JS Capital, Parkwood Bespın, Daniel E. Neary	225	2015 September
	Mswipe	Matrix Partners, DSG Consumer Partners	Meru Capital, Ola Cabs, Axis Bank	25	2015 July
	Housing.com		SoftBank, Helion, Nexus, Qualcomm Ventures	90	2014 December
	NewsHunt	Matrix Partners, Sequoia, Omidyar Network		40.5	2015 February
Meru Capital	Mswipe (1st Indian Inv.)	Matrix Partners India, DSG Consumer Partners	Falcon Edge Capital, Ola Cabs, Axis Bank	25	2015 July
JS Capital	Ola Cabs		Tiger Global, Softbank, Steadview, ABG Capital, Falcon Edge, Parkwood Bespın, Daniel E. Neary	225	2015 September
Tiger Global Management	Shopclues	Helion VP, Nexus VP	Beenos	100	2015 January
	Flipkart	Accel Partners	GIC, DST G., ICONIQ, Morgan Stanley and Sofina	1200	2014 July
	Delhivery	Nexus Venture Partners	Multiples AAM, Times Internet	85	2015 May
	GreyOrange Robotics	Blume Ventures		30	2015 August
DST Global	Flipkart				
	Ola Cabs	Accel Partners	GIC, Falcon Edge Capital, SoftBank Group, Tiger Global Management, Steadview Capital	400	2015 April
Valiant Capital Partners	FirstCry	IDG Ventures, SAIF Partners	Vertex (Temasek)	26	2015 February
Steadview Capital Management	Ola Cabs		Tiger G., Softbank, Falcon Edge, ABG Capital, JS Capital, Parkwood Bespın, Daniel E. Neary	225	2015 September
	Flipkart		Tiger Global	700	2015 July
	Quikr		Kinnevik, Tiger G., Matrix, Nokia Growth Partners, Norwest, Omidyar, Warburg P., eBay	150	2015 April
Hillhouse Capital; Tybourne	CarDekho.com		HDFC, Sequoia Capital, Ratan Tata	50	2015 January

Average deal size has grown steadily from \$10.0 million in 2013 to \$13.7 million in 2015

Total investments have grown from \$7.6 billion in 2013 to \$10.7 billion in 2014. Investors have pumped \$12.3 billion so far in 2015 reflecting the upbeat confidence about India, the maturing startup ecosystem of India and the shift towards entrepreneurship

Angel/Seed rounds have been on rise, increasing from 284 in 2013 to 315 in 2014 and 415 in 2015 which shows the investor appetite for new ideas and growing number of startups

I. Equity Funding Options	03
II. Key Trends & Statistics	08 – 20
III. Fundraising Fundamentals	21 – 26
IV. Role of Investment Banker	27 – 30
V. About Merisis	31 – 35



Key Metrics

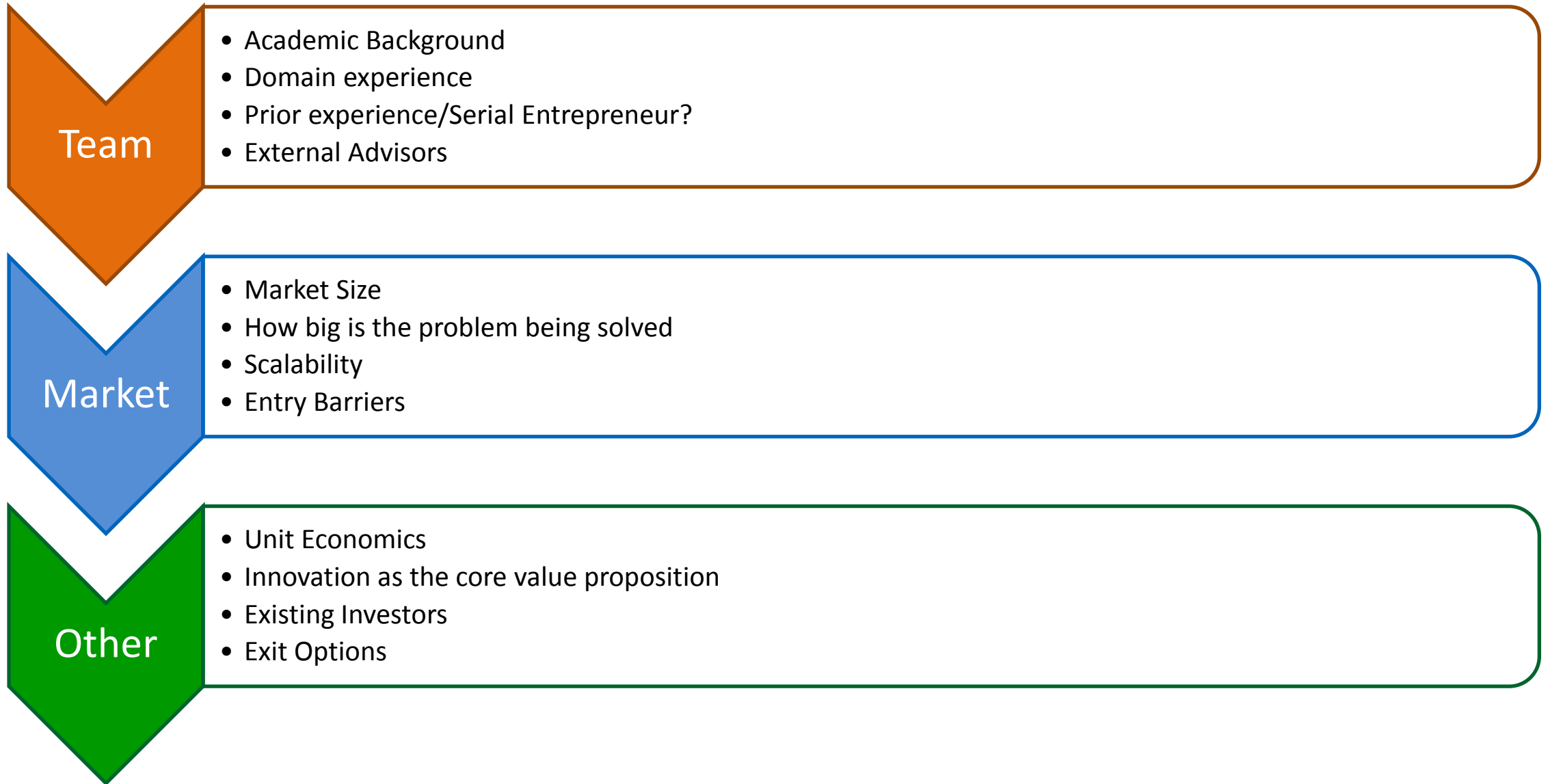
- **Consumer Internet:** Conversions (active users & passive users), average order value, number of transactions, GMV, app downloads, average time spent
- **Consumer (non-tech):** Sales/sq.ft. (retail), footfalls, per store sales (retail), average order size
- **Industrials:** Capacity utilization, Average revenue/customer
- **Enterprise:** Services: Average revenue/employee; Products: LTV, subscription vs. license revenue

Timing

- Typical time between fund raise
- Cash requirement / Cash burn rate
- Not to follow competitors' timeline

Valuation

- Performance based
- Linked to key metrics
- Can be linked to cash requirements



4 + Weeks	6 + Weeks	4 + Weeks	4 + Weeks	2+ Weeks
Planning phase	Marketing phase	Deal Negotiation	Due diligence	Deal Closure
<ul style="list-style-type: none"> • Consensus on Valuation • Fund size to be raised • Fine tune Investment thesis <p>Work to be done</p> <ul style="list-style-type: none"> • Financial Model with reasonable accuracy for next 12 months • Pitch Document, Teaser • Get comfortable with Market data 	<ul style="list-style-type: none"> • Connect with International VCs • Get feedback and fine tune Investment thesis • Send teasers for preliminary screening • Help answer key investor queries / concerns • Facilitate Management meetings 	<ul style="list-style-type: none"> • Help answer key investor queries / concerns • Discuss / Negotiate Valuation • Deal Structure • Facilitate pre due diligence check 	<ul style="list-style-type: none"> • Keep an eye on information flowing through • Help company defend due diligence findings • Free Promoter Bandwidth – Helps promoter concentrate on his business and achieve investor targets 	<ul style="list-style-type: none"> • Last minute negotiations with existing investors • Provide an ecosystem of professionals to help close out the deal

Investment Banker's Role

<ul style="list-style-type: none"> • To get deal perspective from 6-7 Funds • Create robust business plan and positioning • Quick launch 	<ul style="list-style-type: none"> • Create a bid process to achieve target valuation • Create potential backups if lead investor backs out during due diligence 	<ul style="list-style-type: none"> • Create defense for investor queries • Propose different transaction structures 	<ul style="list-style-type: none"> • Co-ordinate with due diligence agencies and facilitate smooth progress • Respond to commercial queries 	<ul style="list-style-type: none"> • Coordinate with lawyers and help negotiate on terms • Coordination with Existing Investors
---	--	---	---	---

Things to keep in mind while going for fundraising or where entrepreneurs can go wrong:

1. *Is the pool deep enough for fishing!*
 - Market sizing: Wrong market size estimation
2. *After all its business!*
 - Unviable business model (unsustainable unit economics)
3. *Keep it real!*
 - Numbers mismatch: If you are projecting some numbers but not able to meet them, it can become a major problem
4. Failure to decode revenue model
5. *Too much of anything is bad!*
 - Raising too much money too soon
6. *Sustainability in longer term:*
 - FCF may be negative in initial years because of investments (customer acquisition, capex) but relying on CFF perpetually for running business in the longer term can be dangerous
7. *Be original!*
 - Trying to imitate competitions' fundraise timeline as well as key business metrics

I. Equity Funding Options	3
II. Key Trends & Statistics	08 – 20
III. Fundraising Fundamentals	21 – 26
IV. Role of Investment Banker	27 – 30
V. About Merisis	31 – 35

- An investment banker brings cross-functional expertise and experience of working with numerous companies on their problems & strategies to the entire process of fund-raising and M&A
- Banker takes up the role of project management office (PMO) ensuring the process is executed within a reasonable time frame
- This is crucial given the pace at which they are expected to execute and the limited cash runway they have to deal with in parallel
- A banker takes up two primary roles when he signs up with an entrepreneur/startup - as an **Expert** & as a **Program Manager**

Banker as an Expert

Launch Stage – What the VCs Look For

Making fundraising a planned activity

- ❑ Upfront analysis prior to connecting with investors
- ❑ Positioning needs to be in sync with investor expectations
- ❑ Qualitative pitch should be in line with financials plans
- ❑ Process rigor necessitates requirement of a banker
- ❑ Eliminates the risk of under-preparedness

Discovery Phase - Meeting Funds

Banker helps in

- ❑ Connecting with investors beyond the usual suspects
- ❑ Introducing domain specific well recognizable angels to add greater comfort to funds
- ❑ Bringing onboard strategic investors who can add value
- ❑ Creating a consortium of investors to mitigate rejection risk

Closure Phase – Getting the Best Deal

Banker as a consigliere to entrepreneur

- ❑ Curating the funds
- ❑ Bringing the interested ones on board
- ❑ Negotiating the commercial terms that are fair for that deal
- ❑ Creating sufficient interest to get competitive terms
- ❑ To make sure the client gets the best deal (may not necessarily mean the best valuation)

Banker as a Program Manager

Takes the entire function of the fund raising and ensures that it is moved along with speed

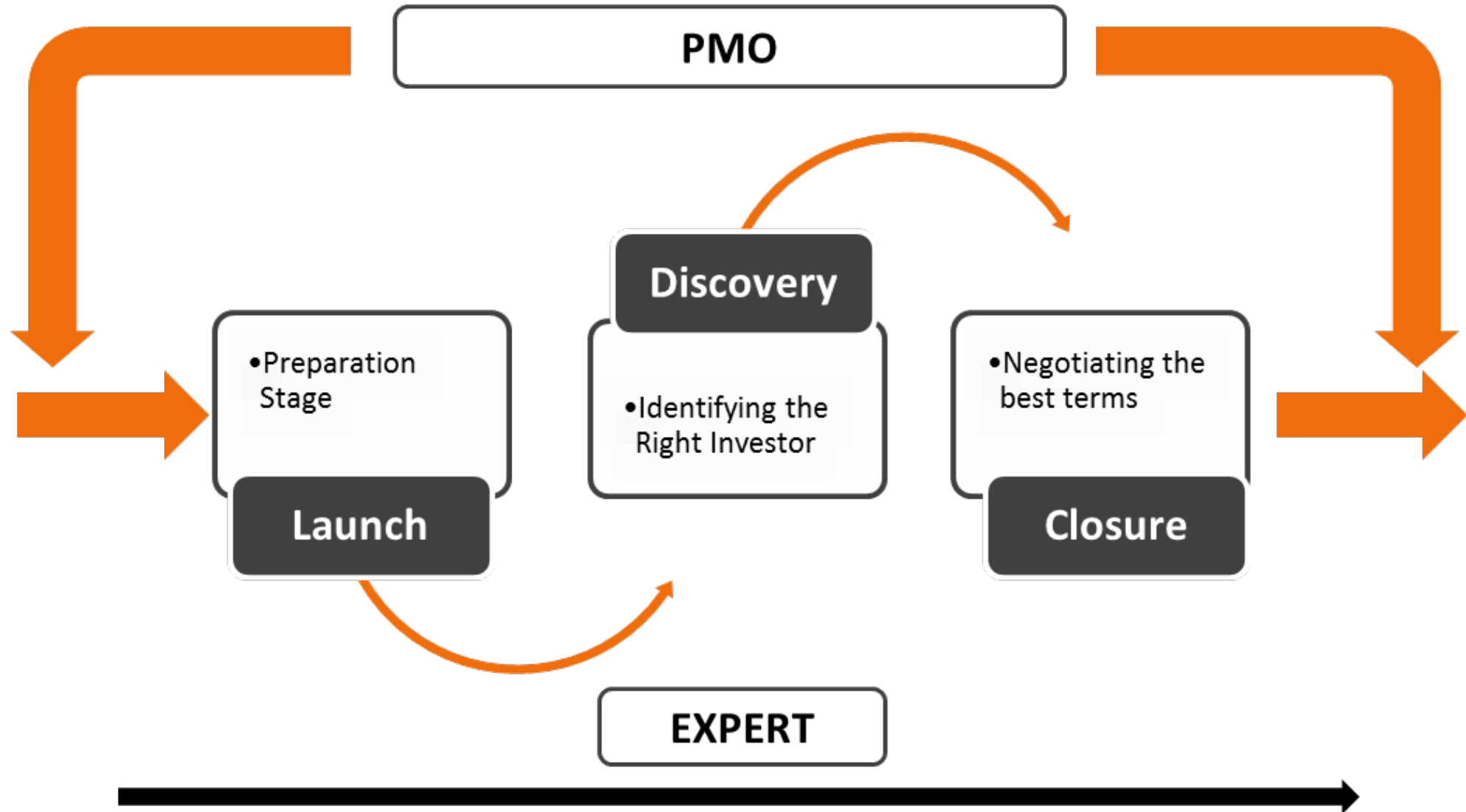


Identifies up ahead potential speed breakers and addresses them well in time



Lets the entrepreneur manage his business and focus on achieving the numbers that he has committed in his plan

Fund raising is a very tricky period for the entrepreneur as he has put in the numbers assuming that he is executing with no distractions, not realizing that fund raising would take up half his time. This sometimes leads to a situation of the numbers being under achieved, convincing the funds that are sitting on the fence, that is a less attractive opportunity. Banker is instrumental in mitigating these risks



I. Equity Funding Options	3
II. Key Trends & Statistics	08 – 20
III. Fundraising Fundamentals	21 – 26
IV. Role of Investment Banker	27 – 30
V. About Merisis	31 – 35



- **Merisis Advisors** is a leading independent investment banking advisory firm serving the growth and middle market companies and their owners
- Founded by two investment professionals, **Sumir Verma** and **Fazal Ahad**, each with over 20 years of corporate finance experience with complementary skills and domain knowledge
- Ability to cater to a wide range of domains, client requirements and customer segments
- Services Offered: Advisory services on
 - **Capital Raising:** Venture Capital funding (\$2-5 million) to PE Funding(\$5-\$25 million)
 - **Mergers & Acquisitions:** Domestic & Cross-border
- **Experience set :**
 - Ability to deal with early stage entrepreneurs as well as CXOs of large corporations
 - Be an advisor to our clients in matters of corporate strategy and institution building
 - Ability to evolve Structured financing
- **What sets us apart :**
 - **Partner-lead** transactions – each transaction is driven by a partner – high commitment to a transaction
 - **Success** is key - Merisis only takes up transactions if it is sure it can deliver
 - Proven **Speed** : Proven ability to move quickly and not bound to standard processes.

Merisis has successfully closed 9 deals across Technology, Industrials and Consumer sectors so far in the year 2015



Technology, Consumer & Industrial

- **Focus** on select sectors
- **Good Understanding** of the industrials sector



Hands on Approach

- **Senior Partners** drive the transaction
- Ensure **high quality** of deliverables
- **Fast turnaround** time



Experience in understanding and framing strategies

- A **key valuation driver** for companies raising capital for Go to Market investment
- **Justify valuations** that are in line with Promoter & Investors expectations



Established Relationships with Funds & MNCs

- Built in course of handling previous transactions
- Being **based out of Mumbai**, in regular touch with large MNCs



- Merisis is a member of AICA (www.aoica.com), an integrated global network of middle-market advisory & finance firms and has access to 37 firms across 25 countries.
- The synergy with AICA is its **Middle-Market Focus** – its member firms are committed to middle market companies with enterprise value between US \$5MM-\$200MM.
- Merisis is able to offer its clients a **Global Reach** - AICA is active across the Americas, Europe and Asia, in developed economies as well as high growth markets such as China, Brazil and eastern Europe.

Thank You



Fazal Ahad

Director

Email: fazal@merisis.in

Mobile: +91 98201 49574

504 Shashmira Centre,
176 Vidyanagari, CST Road ,
Santa Cruz (East)
Mumbai 400 098

www.merisisadvisors.com

Phone: +91 22 40340200