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Private

Deloitte Private newsletter

Shining the spotlight on Entrepreneur Summit 2023

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Foreword

We are delighted to present to you the ninth edition of our Deloitte Private newsletter, which shines the spotlight on the India chapter of the Entrepreneur Summit 2023.

While Deloitte has been hosting the event in the US for over a decade, Deloitte Touche Tohmatsu India LLP (Deloitte India) successfully hosted the second edition of the event in Mumbai on 26-27 April. The summit offered privately held businesses, represented by their respective founders, an opportunity to engage in one-on-one meetings with investors, which included the most active private equity and venture capital firms and family offices from across India. The summit had over 25 high calibre companies engaging with investors in confidential 40-minute one-on-one meetings. It was a huge success, and we draw a lot of encouragement from what Dr. Somdutta Singh, Founder & CEO, Assiduus Global said, "I think the matchmaking was phenomenal. I just hope it does not happen only once a year, but more frequently!"

In this edition of our newsletter, we are happy to share extracts of conversations that we had with some of the founders and PE funds during the summit. Our discussions covered aspects related to market outlook, sector insights, feedback on the Entrepreneur Summit, and so on, and we are sure you will find them enriching. We would like to draw your attention to what Tarun Khanna, Partner – CX Partners said: "There was a boom, of course last year, so as compared to that the market has come off a little but in the core sectors. The dependence of the market on tech businesses has reduced a bit. So, a lot of brick-and-mortar businesses are coming back, and we are seeing growth there. We are seeing valuations temper a bit; they are not at the levels they were last year, but those were the unsustainable levels. I think the market should recover over the next six months at a sustainable level." And we echo that sentiment.

Meanwhile, the International Monetary Fund has revised India's GDP growth forecast to 6.1 percent for 2023, up from 5.9 percent projected by it earlier this year, because of stronger domestic investment.

With the public markets at an all-time high, outperforming global peers and maintaining the position as the fastest-growing major world economy, India has become a vital destination for global investors. India emerged as a leading performer in GDP growth among major world economies in 2022, driven by strong growth across sectors, despite global headwinds. India is expected to reach US$5 trillion by fiscal year ending 31 March 2026.

The current optimism in the Indian stock market is a result of the strong performance and resilience showcased by leading Indian corporates in Q1 2023. Private equity and venture capital funds investment in India, however, continued to fall in May 2023, with the overall values declining by nearly 44 percent to US$3.5 billion from US$6.2 billion in May 2022. The significant drop in PE/VC activity is in the context of record levels during 2021 and part of 2022. The impact of global macroeconomic headwinds and a shared sense of caution affected PE/VC activity and behaviour in India, and the trend has continued into 2023.

At the same time, Indian allocation of global funds is at peak levels—there is a high level of dry powder with the funds, on account of the large fund raises over the recent past. However, investors are extremely selective. There is now a shift towards prioritising value-oriented opportunities. PE/VC funds are now focusing on companies having a clear path to near-term profitability.

As the market evolves and consolidates, it shall pave the way for more sustainable and resilient business models to thrive. The unsustainable ones could either fold or seek mergers with larger, better capitalised players. The poor post-IPO performance of startups listed in 2021 and 2022 led to several companies deferring their IPO plans. As a result, holding periods for investors have extended, prompting them to seek alternative liquidity options, cashing out stakes through secondary transactions, being one of them.

Going forward, India's robust macroeconomic outlook and strong public market sentiment are expected to reduce the valuation gap between private and public markets. This should result in a bounce back in PE/VC activity in India towards the end of 2023. The PE/VC ecosystem is well-poised to ride the wave of India's march towards a US$5 trillion economy and cash in on the growth opportunities along the way.

On that note, we are confident that the future holds promise for the participants at India's Entrepreneur Summit 2023 – both the founders and investors alike.

We hope you find the newsletter informative and engaging.

Happy reading!

Andy Khanna
Partner, Deloitte India

Entrepreneur Summit, April 23

The **Entrepreneur Summit** in India was conducted by Deloitte Private on 26 – 27 April 2023 in Mumbai. While Deloitte has been hosting the event in the US and APAC region for over a decade, Deloitte India successfully curated and hosted the second edition of the event.

The summit offered privately held businesses, represented by their respective founders, the opportunity to engage in one-on-one meetings with investors. This included the most active private equity firms, venture capital firms, and family offices from across India. The summit was focused on learning and networking, as all in attendance understood that only a small number of participating companies came with a defined plan to transact in the near term. Founders who attended attempted to build their respective understanding of the private equity alternative and also receive specific feedback on their plans from professional investors for growth and liquidity options. The summit had over 25 high-calibre companies engaging with investors in confidential, 25-minute one-on-one meetings – "speed dating" of sorts through the day. The sectors in focus this year included tech (fintech, consumer tech, SaaS, etc.), consumer D2C, life sciences and healthcare, and industrials. The ballpark ticket size for fund raising was US$20 million and the nature of the potential transactions were predominantly primary deals.

22
Investee companies

24
Investors

40-45 minute-meeting in a **(30+10+5)** format

130+
One-on-one meetings

US$500 million+ worth of fund raise conversations

Numerous BD opportunities for investees

Interview with Dr. Somdutta Singh

Founder & CEO
Assiduus Global

It is such a pleasure and honour to be a part of this coveted summit. Deloitte has been an integral part of our journey as much as it is for other ecosystem builders or startup tech founders. Like they say that everything that goes up comes down, I think after 2020, there was a huge upsurge in both valuation and funding. To me, it looks like a market correction. I would not call it a winter; I would just call it a seasonal change to correct the market and make companies that are PAT positive and are creating value to sustain and grow. We have only seen an upside, because when something goes down, something goes up!

For Assiduus, it has been a huge boom. We have seen a lot of companies coming to us to improve their operational efficiency to reduce their per capita cost in terms of overall expenditure. Therefore, that helps us to accelerate them further. So, I think it is a good thing for companies that are looking at a hypergrowth and adding value. I would say that this correction will only help the real companies bloom, grow, and sustain.

Anmol Bhandari: What do you think of this event? Was the participation fair? Is there anything specific that Deloitte should do for the event next year?

Dr. Somdutta Singh: Deloitte has played a crucial role in Assiduus's journey, collaborating in our fund-raising process from the time when we were in the top 50 to being ranked 8 now, and our association has been phenomenal, as manifested in the Entrepreneur Summit. The beauty of the event lies in the way it is curated. What I love the most about Deloitte is their meticulousness and attention to detail. Entrepreneur Summit has been founded on Deloitte's deep understanding that entrepreneurs do not need an event with a large audience, but one that is curated suitably to meet their requirements, and I think that the matchmaking was phenomenal. I just hope it does not happen only once a year, but more frequently. We look forward to learning and growing together!

Interview with Anuj Nevatia and Natwar Agarwal

Co-founders,
Bacca Bucci

Anuj Nevatia and Natwar Agarwal: The event was amazingly curated, both for the investor and investee. Today we did seven meetings with the investors, and we realised that we did something productive. We had a productive day, indeed! Even with the meetings that did not go our way, there are many learnings that we could take away. The overall event was amazing!

Puneet Gupta: Given that your brand is present in a specific market, how do you see the deals market for brands such as yours, and what would the nature of expectations from investors?

Anuj Nevatia and Natwar Agarwal: In the last couple of years, we have seen a lot of deals happening around fashion, especially in the footwear space. Given the kind of category that we are in currently, sneakers are something that has just started contributing 5-7 percent of the category, and we look at the category that is yet to explode. In the next couple of years, any investor wanting to put money into it, is going be a great deal. And that is why, I see that they are willing, and there are so many brands who got funded in the past couple of years. Yes, the market size is also growing and there is a lot of potential and growth in this category.

Puneet Gupta: Any feedback or suggestions for this event?

Anuj Nevatia and Natwar Agarwal: Thanks a lot, Deloitte Private, for hosting such an event! The event allowed us to meet different fund-houses and understand the mindset they come with when it comes with investing.

I suggest that Deloitte Private should continue organising such events as they are really important for bootstrapped founders such as us, and we get the opportunity unexplored.

The event is an opportunity for a small brand to start with—to get traction with a lot of investors in a single day. For example, meeting seven-eight investors in a single day is itself a great thing!

Interview with Tarun Khanna

Partner, CX Partners

Andy Khanna: In CX, where are you seeing the activity this year and what is keeping you busy? What is your perspective on that?

Tarun Khanna: We are a growth-buyout focused fund squarely focused on the mid-market space in India, broadly investing in four-five sectors in India. That is what we have done over the last 15 years, in healthcare, consumer, IT services outsourcing, financial services. We recently added a tech vertical where we are specifically focusing on SAS. We have started looking at tech horizontally across all our sectors, so it is broadly focused on those sectors. In the second fund that we are just about to complete investing, we have three buyouts and six minority investments. We believe, that is where the market is heading. In the mid-market space, we see a lot of opportunities. We are focused on service-oriented businesses over businesses that have high gross margin and high return on capital, focused on growth that is really what our focus is.

This year we are planning to raise a third fund. This will be a mix of domestic as well as foreign capital. So, the strategy is to really look at the buyouts in the initial part of the fund. It is a 10-year fund, and ideally a buyout typically takes longer because you have to put the management in place; it takes time for business to mature and things like that. So, we usually do the buyouts and that is what we did in the second fund as well. We did the buyout in the initial part and then the minority investments. That is what we will focus on this year also.

Andy Khanna: Globally, M&A activities are at a 10-year low. In the India context, what is the CX outlook for the next 12 months?

Tarun Khanna: Although we are focused on growth, our preference is to work with entrepreneurs. We are okay taking the minority or majority positions, but, even in a buyout, our preference is to retain the entrepreneur where we can keep the entrepreneur for the insights on the business. No matter how good a professional management is, they cannot replace the entrepreneur in terms of the insights, procurement skills, understanding the brand, growing the business, and so on, hence we like to retain the entrepreneur. Even in a buyout, we do not prefer 100 percent buyouts. I think the M&A activity, especially in India, in those sectors, has recovered. There was a boom, of course last year, so as compared to that the market has come off a little but in the core sectors, we see a lot of brick-and-mortar businesses coming back. The dependence of the market on tech businesses has reduced a bit. So, the brick-and-mortar businesses are coming back, and we are seeing growth there. We are seeing valuations temper a bit; they are not at the levels they were last year, but those were the unsustainable levels. I think market should recover over the next six months at a sustainable level.

Andy Khanna: What's your impression of the Entrepreneur Summit this year? What you think we can do to make it better next year?

Tarun Khanna: I was not able to attend this last year and that was my loss. It is a great event, and you have got a great venue. You have done up really well. It gives the opportunity to meet young, upcoming entrepreneurs, or businesses and in a very informal setting, where we can interact. We call this "speed dating" in 45 minutes in the fundraising world. But you know it is very clear, the person knows what he has to say. He has done it a few times; he has prioritised it in his mind. We know what we have to ask. So, yes, I think the process is very efficient! We should do this more often, at least once in six months.

Interview with Ali Hussein

CEO, EROS Now

Vivek Jhunjhunwala: Insights of what investors are looking at from company commercials

Ali Hussein: I appreciate the Deloitte team's hospitality in terms of the event, the location, the hosting, and the overall ecosystem. Just meeting the investors and getting feedback was not an important facet for us; what matters is that we were able to interact with some of the Deloitte colleagues as well. We could get a look at different facets, also not from just within India but also from different geographies, getting an understanding of what is important for them and for the market, because we are a company not only from India, but we are also looking to develop a global product. Getting dipstick feedback in terms of the quality of development and the product and its relevance to businesses and consumers outside the country was also good.

The investors were fantastic. They came in with the right culture giving us an orientation of what they are looking for and what are the businesses that excite them. Specifically, because we deal in the businesses of Web3, virtual world, and more high experiences immersive content. There was not enough of a deep understanding in this space but the capability to learn and understand and the interest to participate was definitely there. It was a great start to discussions, and this is a good starting point

Vivek Jhunjhunwala: What are your top takeaways on where the industry is headed, market insights, and competition?

Ali Hussein: The business of entertainment (gaming is also form of entertainment right) is evolving with the increase in the adoption of technology. For example, when you look at immersive experiences (I am talking about 3 years 5 years out), how do you develop entertainment? When gaming of X-Box of play-station quality is available in mobiles, how do you develop content for that? How is deep tech is going to play a role in businesses such as immersive entertainment? The fascinating part is that the way we describe it is more in terms of knowledge-based internet to discovery-based internet to immersive internet. This is evolution, and this is a starting point of the business. So, brands such as us, like to be hopefully amongst the first few that is able to get started with industries and businesses such as these, and we have a long journey ahead of us where we will make plenty of mistakes. Hope we will learn and course correct and move on, and we feel that along with investors, along with colleagues such as you, along with organisations such as Deloitte, become a an integral part of the journey of people such as us and companies like ours because you also give us a wider, global understanding to course-correct and improve our metrics along the way. Intrinsically, the collaborative process is as exciting as the business itself.

Vivek Jhunjhunwala: Immersive ecosystem, what are your views

Ali Hussein: So as a culture, what we do is high-quality experiential entertainment for mass market. So, when we deal with businesses, the culture is again to deal with businesses at the lowest common denominator at the mass market approach. For us, a 100-million user target is a benchmark at a minimum in terms of where we would like to get to and where we feel that there is mass adoption for our product. The two areas where we are trying to ensure that what we achieve through the process is, one, not necessarily made an Indian-only product; it is going to be more of a global product in term of the kind of quality, the experience, and the technology that we create. The second is to be able to provide that depth of engagement, so you are able to spend three-four hours a day. There will be challenges around whether you are over-indexing spend on time on this versus academia versus real world sports, but for us creating this immersive experience allows us to create that fandom and drive value back to the fans. That is the spirit of what we are trying to do.

Vivek Jhunjhunwala: Do you think education can also be on Metaverse?

Ali Hussein: The answer is not a straight yes or no. I think education can also be in the Metaverse, but the experience of a physical teacher trying to understand different students and their different capabilities of adoption of different forms of education. There are certain components of education that cannot be replicated what a classroom can do and then there are certain components of education or more infotainment that can be driven by the Metaverse. So, I think we are also on that journey to figure out specifically in a sensitive topic such as education, because it becomes a core fundamental to our children and their future. How do you define what can be within the Metaverse versus we might to choose to provide other services also, but that is best served in the class rather than outside the classroom. I think, this is going to be complimentary with the kids' education. It is not going to replace it in totality, but a large part of what we will do is to figure out what that balances as we go along. If you ask me the question right now, whether I know if the balance is there, the answer is no, but for us to be able to arrive with that balance is going to be a process of exploration.

Interview with Devaj & Siddhant

Co-Founders, Food Darzee

Meghna Biju: What your feedback or experience with the format of the event?

Devaj & Siddhant: The format was great. It was a great opportunity to meet investors one-on-one and not in a group-setting and actually have a proper discussion. It was unique, and we have not done it before.

That worked out well.

Meghna Biju: How is the industry shaping up and what trends do you see?

Devaj & Siddhant: We definitely think that it is going to grow now; for example, if you just see the West, like in India, probably, food delivery as such is not an everyday thing, but more of a weekend or impulse thing. But we believe that will continue moving towards the West, where people do not want a kitchen in their house, and they order more frequently. And there is health focus for sure, especially after COVID-19; people are more health-focused and fine eating healthier food than normal food.

Meghna Biju: What's your feedback on the event?

Devaj & Siddhant: Everything was great, the food was great, meetings were on time, everything turned out to be great!

Interview with Imran Jaffar

MD, Gaja Capital

Dilip Dusija: What is it that you're looking at differently? I know you guys are looking at a lot of technology-enabled investments and that is where you had a couple of meetings over here, but it will be good to hear from you if the theme, which used to be earlier, has changed, and I think it has changed and ticket sizes have increased. Earlier, you guys did a lot of investments in financial services and education. Tell us what you are up to these days.

Imran Jaffar: It is wonderful to be here at the Deloitte Knowledge Center. Since 2018, Gaja Capital has been investing in tech and tech-enabled businesses. Since it has been five years in this journey, it got accelerated during COVID-19. So, the last three deals we have done are, Xpressbees—an e-commerce fulfillment company, Leadsquared—a leading CRM company focused on sales efficiency, and Signzy—a digital banking enabler. All the three are tech or tech-enabler companies. So, typically from Fund4 (which is US$400 million fund), we invested US$25-US$40 million. We come in Series C stage typically in some select cases Series B, and we like to think of us as scale-up specialists as opposed to startup specialists, which is in the Venture Ecosystem. What has remained constant for the last 18 years is that we invest in traditional banking and so on, but roughly speaking, we invest in companies that are US$10 million in size and we focus on the US$10 million to US$100 million journey, as opposed to 0-US$1 million and US$1 million-US$10 million, that is what Startup Capital Ventures do.

Dilip Dusija: You spoke about tech and your shift towards technology-related investments, so do you think this is the right time because valuations are more reasonable, and you are anyways looking at a slightly more scaled-up business; you are not after startups, where a lot of froth is already gone. But is it coming on the kind of investments which you are looking at, is it that you can see more opportunities have more reasonable discussions, is that thesis working for you?

Imran Jaffar: All boards without exception are asking their companies to grow up to either turn EBITA profitable or to have a path to clear profitability. We have been saying this for a long time, for 18 years, that profitability ultimately is the asset test of a scaler. In many ways you know, the market is rotating back into our playfield, valuations are little better but for good assets, not a whole lot. So, while, this appears like a buyers' market for good assets there is always going to be appetite. I have met a few in your conferences well and I think they will get funded, and they are doing well. So, I think, from our perspective, we are as aggressive to deploy. We are looking at companies in core software but also technology-enabled businesses, and even automation companies that are serving traditional businesses. We are seeing some very interesting deal flows, a lot of it from the VC ecosystem, and I suppose what has changed between, let's say from 2021 and in 2023, is that everyone is willing to engage. That is what has changed. Otherwise for valuation, you have to pay up for a good asset.

Dilip Dusija: What's your feedback on the event and inputs on improvement for the next years? Any changes that you recommend?

Imran Jaffar: No, I love this format and I have been to a few of these. So, I have been to speed-dating where you have a large hall, and you get five minutes to a nice mindful conversation like today. We have 30 minutes and at the corridor conversations are interesting, so do not change it. I love your venue, and I like the format where you have fewer meetings but more in-depth mindful meetings. Very well organised; the registration and all of that was great. So yeah, I loved it, it was nice and look forward to the next one.

Interview with Srikanth Iyer

Co-Founder & CEO, Homelane

P. N. Sudarshan: How are things in your business today, after COVID-19? What are the developments and trends—in terms of how much of technology is getting embedded into what you do, given that what you do is very niche

Srikanth Iyer: Thanks for having me here; it's great to be here. Nice event!

As far as my business is concerned, we are into end-to-end home interiors for the urban Indian middle class, so that is what we do in Homelane. One of the things that we have noticed as you probably know, COVID-19 was actually a big boost for the real-estate sector; real estate has actually turned around. The number of units that people have bought has grown up exponentially. It has never risen so much before. The reason is simple: for about two-three years, people spent less on discretionary spending. They could not go on vacations; they could not go to a restaurant to eat. So, all that money has to be spent somewhere and they decided that they want to spend it on real estate! That is one of the reasons why our sector is closely related to the real estate sector and as real estate has boomed, our sector also is growing. This is one good part of this after COVID-19. On the technology question that you asked, we have always been technology first in our business. We have always made used of AR and VR to make the journey more comfortable for the customer. Currently, we have a platform called 'spacecreaft', which is used by 500 of our designers to quote to our customers. The platform is actually a design collaboration platform virtually. Just to give you an example—during COVID-19, we could meet 100 of customers virtually and design their homes without meeting them physically, which was extremely useful, which helped us to avoid a degrowth year even during

COVID-19! We did not degrow at all in any year. Thus, we have used technology that well.

Over the last four years, our CAGR has been 56 percent, despite COVID-19. The four years include all the COVID-19 years.

So, yes, technology has been a big boost for us.

P. N. Sudarshan: What are the Financial Industry sentiments towards such businesses, such as yours, which are closely related to Real Estate Growth and how deceptive they have been entering into this?

Srikanth Iyer: Because we are in the interior space, our ticket sizes are quite high. A customer spends about US$ 9k-10 K for home decor. Our average ticket size is about that much. Investors like that. Because it is large, you also do not repeat. You can actually make money from the first transaction itself. Obviously, the sentiment has been clearly, not only in India but also globally, weaker than the previous years, but I think that is also coming to an end. And I can definitely see the interest going up. The worst is not yet gone but will go soon enough.

P. N. Sudarshan: What are your views on the event, and your suggestions?

Srikanth Iyer: It is a great event; I really liked the format. I think it's like telling somebody that with speed-dating, within 30 minutes, you decide whether you want to move forward or not. The Deloitte team has done a great job of going into the details and looking at every kind of convenience for both the investor and the investee. I also saw that there is a lot of work done, even before they meet us; they already know us, they have gone through the deck, they ask very relevant questions! Even though it is only a 30-45minute meeting, it was really high on quality!

Interview with Deepak Mittal

Investment Director, Nuvama Capital

Puneet Gupta: What's your take on the format? Did it meet your objectives for which you came here?

Deepak Mittal: Thanks for having me here. I think it is a really good format with high efficiency. It is very difficult to meet a number of private companies in a limited time frame, and I think what you have been able to achieve is to invite a good number of relevant companies. There are not that many days where you get to meet four or five private companies of relevance on the same day! So, I would say, if possible, please do more of such events and activities, and we would love to participate in the ways we can.

Puneet Gupta: What are the sectors that you are focused on? Where do you see the eminence market moving on from what it was in the last two-three years versus the next two-three years' vision?

Deepak Mittal: We continue to be a sector-agnostic firm. We do not really think of a certain sector versus the others. But the way we think about building our investment thesis from a long-term perspective needs us to focus on a new couple of things. So, first, we want to participate in the part of the economy where we believe there will be long-term secular growth rate. The sectors seem to be growing faster than the overall GDP. This is the first important criteria that we have in terms of an arithmetic bias. Within those niche industries, we always look for companies that are already looking to become market leaders within those spaces, where we believe there is a disproportionate share of revenues and an even higher share of profits that get captured by the top two or three players in any given industry. The companies will continue to gain more and more market share, win, and create an advantage over a period of time, and those are the kind of companies we look to participate in. That is what we have done; we have invested in about 24-25 odd companies in the last five years, and each one of our investee companies is among the top two or three players within the industries that they operate, and that is the way we think about building our portfolio.

To your next question on what I think of the last two years versus the next two years, I would say that we have been extremely thoughtful and careful with deploying capital in the last two years. We are one of the few funds that has been extremely inactive in terms of deploying capital. In the last 16 months, for example, we have not done any transaction. The last transaction that we had done was in October 2021. The reason why that is important is not because of lack of work; the amount of deal flow we saw in the last 15-18 months is the highest-ever I have seen personally in the last 13 years. On a micro basis, when you are trying to build what this company will be in the next few years; we can look at it on a long-term basis; at least we were not able to form conviction and have an extremely micro-level or our company level—this is where we have to say “no” to all of these proposals in that sense.

Many people categorised the current period or what is going on right now as Funding Winter. I think that if you categorised something as that label, I think people believe it is something that will go away, this is a transitory phase and again we get to a zone which will be what it was like in 2021-2022. In my view, which is probably the biggest mistake that somebody can make. I think, what we saw in 2021-2022 was a transitory phase. And, again in my own words, I call it as “attack of white walkers”. A bunch of people came, gave crazy valuations, crazy amounts of money to a large number of companies, and while some promotors like to believe that is the phase that will again come sometime near future, if that is how you are preparing your business, it may happen that you do not know the future, but then you are putting a very high risk for survival. I think you have to believe what we are serving right now, what we are having right now, which is an extremely deliberate process in terms of diligence and conversations and in terms of meeting of minds, and then eventually, cutting out cheque is the right way of doing business. In the last 13-14 years, which is always the way business happened, so this is not a unique scenario. This is the way business should be done. I would see the withdrawal symptoms. There is a lot of free money available now. I think this is the time we will eventually find out which companies are built in a way that they will survive and do well, and which are the ones that will go out of the market. So, in my view this is the norm, this is the way the business needs to be done and, in my view, this is not transitory phase and hence this is what I am going to say. At least, that is the way I think about it, and I hope the people who are looking to build business think about it in that fashion.

Puneet Gupta: Any suggestions or feedback for this event?

Deepak Mittal: I don't know if it is a suggestion or complaint: I would say there were a few companies that I would have loved to meet, and they were here today, and I did not get an opportunity. So, maybe, I do not know, if you can extend this event to two days, make sure there are enough opportunities to meet all of these companies.

As an investor I can always demand a little bit more. I would say, having a greater number of companies is better than having a small number of companies. So, if you can have a greater number of companies participating in these events, I think that will be super useful!

Interview with Ankit Poddar

Associate VP, Oaks Asset Management

Puneet Gupta: How did you like the format? Did it meet your objectives with what you came here?

Ankit Poddar: Thanks for inviting us. It's definitely an interesting format. I attended Deloitte's Summit the first time, but this is just the second edition, so I have not missed out on too many!

We got to know most of the companies that were showcasing today, and a lot of them fit in our mandate. We are a classic consumer fund, looking to back simple and traditional scalable businesses in India and hence, out of the initial set of companies that you shared, we initially shortlisted about 8-10 of those and broadly got done with most of them. In fact, it was kind of the team to squeeze in another last-minute request. I'm pleasantly surprised actually with some of these companies and how the entire landscape is changing. Most of them are concentrating on profitability, good quality of founders, just kind of ticket size happen to be in our sweet spot. Looking forward to engaging with most of them, barring two-three. Also, looking to engage meaningfully with most of those who fit in our mandate, over the next few days.

Puneet Gupta: Have you observed any changes with what companies' expectations were two years earlier, and now, how do you see these types of companies going from here?

Ankit Poddar: That is fairly a simple one for us; we do not do many deals in a year. We look to do two-three deals in a year, and we lay a lot of focus on the quality of founders, besides the spreadsheets and the potential of the business. So, most of the companies are pretty much pragmatic, interaction with the founders. Everybody wanted to collaborate with a nice kind of strategic fund, and it is a two-way street. It is the same thing we would also like to do, collaborate with quality businesses and quality founders. Most of the businesses that I interacted with are operating in monstrous market, nothing too niche, nothing too disruptive, so, pretty much playing in the sweet spot. The Indian Consumption story is exploding and only going to increase multi-fold from here.

Hence, I think we are sitting on a fair bit of dry powder and that is what I understand speaking to peers and the industry. Good businesses get funded all the time is what we believe, irrespective of the stage and timeline in their journey. So, that is about the journey, and we had interesting interactions today.

Puneet Gupta: Any feedback or suggestions for Deloitte Private on any such future event?

Ankit Poddar: Broadly, the only one I thought, at OAKS particularly, we were not interacting with Deloitte very often. While we reach out to all the classic third-party service providers, for diligences and advisory, I found out we are also not into the picture. We were a media-shy kind of firm, until our last few transactions. But now that industry we touch base interacted with your diligence team, we have one ongoing transaction with the diligence team. My only suggestion is that you continue doing these types of events. This was really a productive day; I got to meet 10 really good quality businesses!

Interview with Pushkar Jauhari

Director, Oman India Joint Investment Fund

Puneet Gupta: Did the event meet your objectives which you may have planned for the day?

Pushkar Jauhari: Yeah, I loved the event. It met all my objectives and more. I met lots of very interesting businesses, met some great entrepreneurs, met some of your colleagues, who have been running these mandates or working with these companies in different roles. It was great to meet up with everyone, and it gives me a lot of food for thought in terms of what to do over the next 12-18 months!

Puneet Gupta: What are the sectors we can focus upon?

Pushkar Jauhari: OIJIF is a sector-agnostic fund. We do real-estate, infra, and commodities businesses. Having said that, our investment selection is border-mark based on proven themes that have worked for private equity over the years. The second fund out of which we have been investing recently, 80 percent of our money has gone into few sectors which includes consumer and consumption themes. A lot of our money has gone into financial services or BFSI. We have put some money into niche industrials and few new age businesses as well. So, for a combination of these four sectors, I think we have put in up 17-18 percent of our capitals. We have believed that these themes continue to create a lot of value for our investors.

I think that there are a lot of interesting opportunities in the mid-market space. For these sectors. I believe, over the next three-five years as well from the way we are looking at the number of deals we receive, I think there are some very exciting businesses which are coming up, some great entrepreneurs are setting up businesses, some returning entrepreneurs are setting up new businesses. In terms of your pointer on valuation, we believe there is a fundamentally driven valuation and then there is market sentiment driven, either premium or discount market sentiment, changes up and down and that can create valuation dislocation on both sides, it can create either premium or discount. There is a fun rouse, who is been around there for a decade, we generally tend to fundamental driven valuation. We take into componence the state of economics and then accordingly decide. Over a long time, you can create value for investors by giving into businesses at fair valuation, which is fair to both investor and to the company.

Puneet Gupta: Any suggestions for Deloitte as we continue with such events and invite clients such as you?

Pushkar Jauhari: The sector selection is great. It broadly represents the themes and sectors the private equity investors are looking to participate in. If you add a few more companies across new age side, that would be great.

Add one or two expert talks, may be from a serial entrepreneur who has built business, which can be interesting food for thought for existing entrepreneurs who come and participate as well as investors, in terms of their career journey, what they have seen work, what they have seen fail.

Interview with Irfan Menon

Director, Olivia Cosmetics

Ruchi Sarna: How was your feedback and what do you think of the concept?

Irfan Menon: It is a very nice concept, it is exciting! This is the first time I am attending something like that and it's nice to meet investors and understand their psychology, what they are looking from a brand, their perspective. It is indeed very interesting.

But we need to have a little more extra time for each meeting. Also, it can be extended to 2 days, if that is possible, if time permits to people, we can try that out.

If you have more investors and investees next time, that will also be great.

Ruchi Serna: Please share your industry insights and the changes that you are looking at.

Irfan Menon: From what they say, the next decade belongs to India. There are challenges in certain segments, but the overall outlook is always positive. Even industries who are going through recession or a bad patch are very positive for the long-term. So, our long-term story is intact. In India, the way things are moving, the way everything is changing, it is very positive. Good times for Deloitte!

Everything has come back to normal; after COVID-19, people needed some time for adjustments. They have done their adjustments, everybody is settled down now, and things are back to normal, and growth is also back to normal, and we will have normal growth rates across all sectors.

Interview with GV Subrahmanyam

Founder & MD, Panacea Medical Technologies

Vikrant Doshi: Please share your experience of the event.

GV Subrahmanyam: The environment is very good. The way the meeting has been organised is also very good.

You organised the meetings in a very structured way, so that is something that I really appreciate. May be a bit more time for each of the meetings can help; instead of 30 minutes, if you can have something like 50 minutes, it will be a good way to interact but overall, the way that has been organised is very good. And I have to thank you for inviting people like us to come here.

Vikrant Doshi: Please share your insights on your interaction with investors and how you see the industry going forward.

GV Subrahmanyam: We are in the medical device industry, and I understood that Deloitte has taken the trouble of apprising the investors and providing them some briefs, so the meetings have been very meaningful. Instead of them trying to come the first time to understand the industry background and all that has been previously solved, so that is also helpful, so though you are brought in only 30 minutes all the questions have been very relevant. People have been able to make the best use of their time because of the previous groundwork that has been done by the Deloitte Team.

Vikrant Doshi: Please share your feedback. How should we improve and differentiate this going forward?

GV Subrahmanyam: One thing that struck me is, instead of a one-day event, if it is probably possible to make it a two-day event and you give more time for interaction, the kind of ideas that each investor and the companies will form about interacting with them and the future work that they want to do can be streamlined because you will have slightly longer time for each of the companies. This is all the suggestion that I have, otherwise you have done a fantastic job. I am really impressed by the way the meetings have been worked out, and the amount of effort that each meeting has seen is fantastic.

Interview with Ketki Paranjpe

Partner, Sixth Sense Ventures

Anmol Bhandari: Hi Ketki, welcome to the Entrepreneur Summit 2023. Please share your thoughts on funding winter. Do you see any uptick in the activities now?

Ketki Paranjpe: We have been hearing and preparing for the funding winter for a while. As investors who are focused on backing companies and entrepreneurs looking to create long-term value, this move towards rationalities is actually very good news for us. We have always believed in backing companies and founders who are building responsibly, building in categories that are structurally advantaged, and will endure across business cycles. So, on that count we have not really seen significant impact. Obviously, both founders as well as investors are being thoughtful, selective, rational in terms of what they are seeking to do in a partnership and that is a welcome change. So, I am really excited about the kind of companies that will survive and thrive in this environment and also excited to back some high-quality companies.

Anmol Bhandari: Your thoughts on this event, and the way it has been organised? Any thoughts for us on how to improve?

Ketki Paranjpe: The event was excellent, so thank you to Anmol and thank you to the Deloitte team for always developing really good quality in every endeavour that they do. It was great connecting with colleagues in the ecosystem as well as meeting some really high-quality passionate founders and having engaging discussions. I thoroughly enjoyed today and look forward to some more of this in the future.

Interview with Puneet Jain

COO, Synoriq

Pooja Bharwani: Can you talk about your products?

Puneet Jain: It has been a nice experience here so far. So, what Synoriq does is, we are building a bouquet of SAS products for the banking and financial industry. We are trying to build technological backbone for banking, financial services, and hopefully, the insurance industry later. Starting with the lending system: It is the core of an NBFC or any lender including a bank, and in the loan management system space, there is a lack of good options. There is a lot of legacy systems which are very difficult to implement, very difficult to change, and very expensive to support. We are trying to change the whole paradigm of implementation and support, the whole paradigm of customer support by making a SAS product which is highly configurable, which means that it should be implementable very fast, and it should be very quick to change, and it should be very easy to support. The advantage is that the customer gets very good service, and we get less cost to support. So, it is a win-win for both. In addition, the product because it is highly configurable, it can cater to multiple loan products, so you do not have to buy a new system for launching a new loan product. For example, when a microfinance company wants to launch a loan against property for affordable housing, they don't have to buy a new system. Right now, if a software product is doing microfinance, it can do only microfinance. If the microfinance company has to take loan against property, they have to buy a new software. Our product is not like that. For us, a new loan product is an additional configuration in the system. So, microfinance companies can run microfinance and loan again property can be configured in the same platform.

Pooja Bharwani: Please share a brief insight on some of your clients.

Puneet Jain: As a company, we have lots of banks and lots of NBFCs as our customers, but let me focus on the products, the SAS product, which we are building. For our lending system, some of the prominent customers are FINNOVA Capital, for whom we have built the entire technological backbone for their entire offering. Then we have CHOICE, which is a Jaipur headquartered company, which is a very fast growing NBFC. They have launched vehicle loan; they have launched a flexi-overdraft loan and they have also launched personal loans and now they are going to launch loan against property. Then we have SAI Point Finance, which we have converted from a leading industry legacy player from their loan management system to our loan management system. Then we have CSL finance.

Pooja Bharwani: Any last words on the event? How did you like the conference?

Puneet Jain: It was a great event. We got to meet around 7 investors; we had very good discussions with all of them. We learnt a lot from their questions, and we hope to take forward some of these discussions to the next meeting. We have to ponder over some of the questions they asked and improve ourselves. Overall, a very good event, and we would like to thank you for inviting us and organising this.

India economic outlook

Runaway inflation, geopolitical uncertainties, high commodity prices, and swift policy rate increases by major Central Banks were all expected to push some significant economies into recession in 2023 as the year got underway. Even though uncertainties persist, the likelihood of a recession this year has decreased. While the largest economy, the United States, is experiencing a comeback in consumer confidence and expenditure. Following the recent banking crisis in the US, risk spreads are decreasing on both sides of the Atlantic.

India is experiencing a strong rebound as its economic activity picks up speed. The GDP figure from the most recent quarter was pleasantly surprising but not entirely unexpected. Due to the GDP growth in the fourth quarter, the annual GDP growth for FY2022-23 is now projected to be 7.2 percent, 200 basis points (bps) higher than the first forecast. The latest Annual Economic Review published in May 2023 noted that consumption and investment quarterly trajectories have surpassed pre-pandemic levels.

Analysts and economists appear to be optimistic about the Indian economy. This is because urban demand conditions have remained resilient for several indicators such as mid-to high-end auto segments, the volume of UPI transactions, and domestic air passenger traffic data. Lately, there are signals that rural demand is also picking up.

We anticipate India's growth to range between 6.0 percent and 6.3 percent in FY 2023–24. Once global worries subside, anticipate growth to exceed 7 percent over the next two years, assuming global worries subside.

That said, inflation could be a worry for Indian policymakers as demand picks up faster than supply. Ambiguities surrounding the decisions made by the central banks of major nations and the oil price changes will be the key concerns.

Central banks to keep the monetary policy tight

Global central banks have responded very quickly to control inflation over the past 18 months. The policy rates of the three major central banks—the US Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BoE)—have aggressively increased policy rates by a total of 1390 basis points (bps), and yet they have not been able to control inflation. On the other hand, such an aggressive move has unsettled investors and caused capital outflows from emerging countries China is the only significant nation that has gone against the worldwide trend of hiking or pausing policy rates. China reduced its primary policy rate, an eagerly anticipated move, in reaction to low inflation (again, an anomaly) and a weakening economy. Additionally, it bolstered market liquidity by introducing CNY 2 billion through short-term bonds.

The US and the EU may hold the status quo in policy rates since the inflation rate is much higher than the target level of 2 percent. Additionally, core inflation is strong even after accounting for food and fuel prices, indicating that there isn't enough concrete evidence of inflation stabilising or dropping. Besides, the US banking industry is vulnerable given the number of defaults the country has seen in the first half of the year. Demand for housing has also moderated in the US. For an economy where housing (investment and services) accounts for 15 percent to 18 percent of GDP, which is not encouraging. The recent resolution of the debt-ceiling will increase bond yields and cause banks to run out of cash, forcing them to boost deposit rates.

Positive news for India is the US's decision to stop rate increases after a wave of increases since February 2022. It lessens the pressure on the RBI to keep the interest rate differential required for currency carry trading (leveraging interest rate arbitrage) and to draw foreign investment (which has decreased because of tighter global liquidity conditions).

Oil prices are on a decline

Global crude oil prices have declined due to rising US production and weaker demand as global economic activity remains modest. Crude oil prices remain range-bound within 75-80 dollars per barrel, thus easing pressure on global inflation. While cuts in production by OPEC nations will keep the prices volatile, they are expected to be much lower than anticipated earlier this year. Since India is a heavy importer of oil and oil products, the lower oil prices will reduce import bills and aid in reducing input costs for products that depend on crude oil or its derivatives, thereby reducing inflationary pressures.

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