IVCA

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RIPE

Reporting on Indian **Private Equity** and Venture Capital

Inside:

- Global Venture Capital Summit 2019
- Budget Outlook

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IVCA
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Promoting Private Capital EcoSystem

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CONTENTS

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Amazon Web Services (AWS) is the world's most comprehensive and broadly adopted cloud platform, offering over 175 fully featured services from data centres globally. Millions of customers-including the fastest-growing startups, largest enterprises, and leading government agencies-are using AWS to lower costs, become more agile, and innovate faster. AWS has unmatched experience, maturity, reliability, security, and performance that our customers can depend upon for the most important applications.

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if you are a PE/VC Fund, or other startup-enabling organization and would like to become an AWS Activate provider, please scan the QR code or access the link below.

https://aws.amazon.com/activate/providers/

CHAIRMAN'S NOTE

Dear Friends,

IVCA's growth over the years is a testimony to the hard work and commitment of all its members. Throughout last year, the member community (including knowledge partners) actively collaborated and had conversations regarding various policies - tax, regulatory, and Budget-related issues. IVCA set up working groups to share industry perspectives on the standardised PPM & Performance Benchmarking regimes being proposed by SEBI.

We are thankful to the Commerce Minister and DPIIT Secretary for the industry meet with regulators and the policymakers' round table that were held during the recently concluded Global VC Summit on 7 December 2019 in Goa. Similarly, the industry appreciated the opportunity for the two rounds of discussion with the Standing Committee of Finance chaired by Shri Jayant Sinha.

As a result of these discussions, the industry has identified the key concern areas and we have shared our recommendations with the government. Private Equity & Venture Capital (PE & VC) investors have become a vital part of India's growth story investing more than $30 bn in 2019 itself. PE & VC flows have become the largest component of FDI investment into India and even larger than all other sources of FDI put together. Various independent studies have confirmed that PE & VC funded companies create significantly more employment and pay more taxes than comparable non-funded firms.

In the above context, IVCA has engaged policy-makers with the goal of achieving sustained development of the PE & VC industry in India and is hopeful that its asks will be accepted by the government. Some of the recommendations are:

a. GST rate on services provided to foreign investors in AIF: Currently, AIFs managed by India-domiciled asset managers are liable to a high GST at a rate of 18% on management fees paid to the fund manager. This creates a significant friction cost deterring onshoring of funds (through using local pooling vehicles and onshore managers) even while the contributors of capital are overseas and the fund management services are thus genuine exports. The ask to the government is to treat fund management services provided to AIFs, to the extent of foreign investor contributions as 'deemed exports' under GST law and be 'zero rated'. This would facilitate onshoring of funds and fund managers; creating high value adding jobs while also being revenue accretive for the government (from additional tax revenues linked to the hiring of consultants, bankers and due diligence experts onshore). Many countries waive or refund the GST on overseas funds pooled and managed locally, as the ultimate investors are located overseas, and the governments want to promote the development of a local PE & VC ecosystem. The Indian government should similarly exempt foreign investors in India-registered AIFs from the Goods and Services Tax, helping anchor funds locally.

b. Recommendation on the parity of taxation of capital gains from listed and unlisted shares: AIF category I & II investors are currently liable to pay a much higher tax rate (can be as high as 28.5%) on long term capital gain (LTCG) on their investments, when compared to the 12% LTCG tax paid by the investors in less risky and more liquid listed stocks. This leads to an arbitrage that makes the AIF asset class a less attractive option for investors. Most large and sophisticated economies in the world have the same rates applicable to the sale of unlisted and listed securities. Such a reform is important in India to provide a level playing field to the investors in AIF I & II with LTCG tax rates matching those in public market exits. AIF investors contribute to primary investments, create jobs, and foster innovation, and thus, deserve to be treated no worse than passive public market investors.

c. Non-resident investors in category I and II AIFs should be excused from return filing requirement: To encourage foreign investors to directly invest in the AIFs without worrying about the Indian tax compliances and the administrative overheads involved, it is important that the government exempts them from filling of returns in India in respect of any income distributed by a Category I and II AIF after deduction of tax at source (similar to the exemption granted to non-resident investors in AIFs in IFSC).

d. Treatment of management fees as the cost of investment: Currently, there is no provision to treat fees paid to the investment manager for engaging in investment management activities and to other service providers as an allowable deductible expense neither at the investor level nor at VCF/AIF level. We have recommended allowing the management fee to be treated as a cost of investment or cost of improvement, which would result in operational expenses. This would allow the fees to be set-off before reckoning taxable income from investors.

e. Pass through formal taxation framework for Category III AIFs: The SEBI registered Category III AIFs have grown and provided the much-needed market liquidity to various economies. As a result, most developed countries have a well-defined distinct tax regime for hedge funds. In India, however, lack of specific tax code for income-generated from category III AIF investments hampers these funds, and a tax pass-through regime for category III AIFs is required.

f. Standardisation of Private Placement Memorandum (PPM): SEBI under the aegis of AIPAC made focused & independent working groups to discuss the issue of standardisation of PPM. At the end of 2019, SEBI asked for the industry views and public comments on it. IVCA gathered the views and comments from its members and various stakeholders of the sector. The rules on PPM come into effect from 1 March 2020 as per the circular issued by SEBI and it applies to all AIFs except i) angel funds ii) AIFs/schemes whose investors are above Rs 70 crores or USD 10 mn or equivalent in case of commitment in non-INR currency. IVCA had requested a full waiver for non—INR currency commitment as offshore investors are accustomed to international regimes where these conditions are anyway not applicable. For domestic investors, IVCA had recommended a threshold of INR denominated investor above Rs 5 crores as these would by definition be investors with large AUMs who should have the choice to opt out of this regime for reasons of flexibility if they were to choose to do so. The sponsor/team contribution would also need to be carved out of this minimum investment threshold.

We hope that IVCA's recommendations are accepted by the government and the regulators, and fiscal year 2020-21 starts on a note of positivity.

Finally, the elections process for the new Executive Committee (EC), which will represent members from April 20 to March 22, is in progress and we look forward to your active participation.

I am grateful to all of you for the outstanding support and engagement (over my term as Chair over the last couple of years) towards our common goal of building an attractive and sustainable PE & VC ecosystem in India.

Sincerely,
Padmanabh (Paddy) Sinha
Chairman, IVCA

PRESIDENT'S NOTE

Dear Friends,

I would start by thanking you for your continued support and participation with IVCA throughout the year. IVCA is dedicated to providing the advocacy services to drive forward India's Private Equity & Venture Capital industry.

2019 has been a year of opportunities for the PE/VC industry. In this year alone, the industry invested ₹ 2.62 lakh crore in the businesses. India also became the world's 3rd largest start-up ecosystem with ₹ 4.34 lakh crore of investments giving a boost to the country's GDP as well as creating employment opportunities. India's PE/VC industry has the potential to open up new opportunities for job and wealth creation in the country. But for that, it requires capital generation. In Budget 2020, some of the industry's proposed avenues to generate capital have been heard by the government. For instance, dividends on investments made by the Sovereign Wealth Funds (SWF) in the infrastructure sector and the deferring tax liability on ESOPs will give a big boost to the industry. IVCA continues to be in conversation with the government and the regulatory body to champion some of the industry's key recommendations that can open new pathways for the PE-VC industry.

Some of the recommendations are:

a) Clarity on grandfathered investments in tax treaties: We recommend that CBDT issues a circular to re-emphasize that TRC issued by Mauritius Revenue Authorities should be respected and the benefits of India-Mauritius DTAA should be granted in all such cases with respect to capital gains arising on the alienation of shares acquired before 1 April 2017.

b) Remove tax friction on ESOPs: The Finance Minister's announcement for ESOPs in the Budget 2020-21 is laudable; we are further seeking that the department should look at taxation only on sale at normal tax rates, rather than at a maximum of five years. Also, the IMB approval is available to a small fraction of DPIIT registered start-ups currently; registration with DPIIT alone should be a sufficient condition.

c) Allowing Category I AIFs to invest into NBFCs: SEBI places a restriction on category I AIFs related to investing in NBFCs. We have requested the regulator to allow Venture Capital Funds (Category I AIFs) to invest in the equity or equity-linked securities of fintech companies that register themselves as NBFCs. It will give funds the opportunity to participate in the fintech revolution happening in India.

d) Facilitate offshore listing of Indian companies: We have requested to simplify conditions for AIFs that would help in the offshore listing of Indian companies.

e) Introduction of Performance Benchmarking (PB): SEBI under the aegis of AIPAC made focused & independent working groups to discuss the issue of introduction of PB. At the end of 2019, SEBI asked for industry views and public comments on this. IVCA gathered the views and comments from its members and various stakeholders of the sector.

Thus, on the subject of performance benchmarking, we suggested that it should be made mandatory only to AIFs raising funds for the 2nd fund or thereafter, that the benchmark needs to be built for different varieties of funds and back-testing done for over a period of one year. It was also proposed that there should be at least two benchmark agencies and recommended that one of these agencies should be a globally accepted one as most of the investors from whom funds are raised are international.

IVCA has proposed these recommendations to the government and SEBI, and we are hopeful that our recommendations will be accepted by them.

For 2020, IVCA has a jam-packed calendar with exciting new events coming up for the PE & VC industry in Delhi, Mumbai, and Bengaluru. We are hopeful that you would be a part of these events and continue to share your insights with us.

We are always eager to hear from you and are open to your suggestions. Please write to me at – **rajat.tandon@ivca.in**.

Sincerely,
Rajat Tandon
President, IVCA

FROM DEMOCRATIZING AI TO GRASSROOTS INFRASTRUCTURE SPEND – THE POWER OF *NEW INDIA*

BY **DEEPAK BAGLA**
MD & CEO, Invest India

India will be spending a mammoth more than one hundred lakh crores (around $1.4 trillion) building infrastructure in the next five years but it is also the innovator of the world's cheapest Mars mission.

New India is where daily ambition meets everyday frugality. Its democracy celebrates 900 million voters, the largest in the world, and, at the same time, ensures that voting machines travel 300 miles through jungle and mountain to reach one voter (as it does in Malogam in Arunachal Pradesh). It is to further strengthen this last mile connect that the country plans to build 10,000 kilometers of high-speed rail network, 800 express highways, 400 new airports, and more than 100 inland waterways by 2025.

This twin-approach of Prime Minister Narendra Modi has already ensured that India has had quantum jumps in the Ease of Doing Business rankings and on the Global Innovation Index.

Such innovation is transforming the fundamental task of transacting money for more than a billion Indians with the mass adoption of what is often called the JAM trinity – Jan Dhan Yojana (378 million new bank accounts), Aadhaar (1.2 billion enrolments) and Mobile telephony (1.2 billion connections). Data from the fintech firm Razorpay shows that digital payments in India grew by 338% in 2018-19 and payments via the country's United Payment Interface (UPI) surged by 885% during the same period . It is now easier, faster and cheaper and send and receive money using a mobile phone in India than almost any other part of the world.

This tech forte is seen even in India's ranking

https://assets.toolbox.com/research/age-of-intelligence-democratizing-ai-to-empower-individuals-133501

among the top 20 countries in the world in the Artificial Intelligence (AI) Readiness Index of the International Development Research Centre (IDRC) and Oxford Insights . Even in AI, India's cutting-edge innovation has gone straight to the grassroots whether it is in aiming to democratize breast cancer screening using AI and machine learning by Bengaluru-based Niramai or voice commands in Indian languages by another start-up, Niki.ai.

Validating this tech prowess is India's role as one of the world's great Research and Development (R&D) hubs with more than 1,100 R&D centres of global companies in the country and a 31% rise in R&D spend by US companies in India between 2013-16. Samsung's largest R&D centre outside South Korea is in India and Intel's biggest R&D hub outside the US is here too.

INNOVATION IS NOT LIMITED TO GLOBAL FIRMS. GRASSROOTS INNOVATION IS POURING OUT FROM EVERY PART OF INDIA AND ITS START-UP CULTURE IS NOT CONFINED TO GIANT METROPOLISES OR MAJOR INDUSTRIAL STATES

Innovation is not limited to global firms. Grassroots innovation is pouring out from every part of India – in fact, contrary to popular belief – India's start-up culture, the second-largest such ecosystem in the world, is not confined to giant metropolises or major industrial states (like Maharashtra, Karnataka and Delhi, which host 47% of Indian start-ups). Startup India data shows that the fastest growing states which are throwing up startups are Bihar, Haryana, Kerala and Madhya Pradesh.

One of the biggest diary start-up successes in India in recent times is the Bhubaneshwar-based Milk Mantra, while Araku Coffee, from the pristine mountains of the Eastern Ghats, has made a splash with its terroir-marked coffee even in Paris! Innovation has also come in the range of grassroots activities that Indian start-ups are involved with – whether it is ensuring that flowers in temples are recycled effectively in incense materials (Kanpur-based Phool.co) to the online sale and purchase of farm animals (Bengaluru-based Pashushala.com).

The spread and wealth of India's innovative start-up ecosystem that is driving change has an increasingly vital role for women. In the first half of 2019, funding for start-ups led by women rose by 78% from $274 million to $487 million.

India is consistently, and rapidly, increasing the number of its women-led start-ups – from 190 in 2017 to 535 in 2018 and 584 during 2019. The field is ripe for the next stage of growth – pushing up numbers of start-ups which are driven completely by women founders (at 5% and growing). Today around 43 per cent of the recognized start-ups have at least one female director.

Startup India data shows that the fastest growing areas are defence, aeronautics and aerospace, human resources, dating and matrimony, and artificial intelligence, with exponential rise in interest in emerging technologies like artificial intelligence. And if start-up founders like Niramai's Geetha Manjunath have their way, women will continue to play a leading role not only in India's start-up revolution, but indeed in New India. ■

GLOBAL VENTURE CAPITAL SUMMIT 2019

Department of Industrial Policy & Promotion (DPIIT) along with Government of Goa organized 'The Startup India Global Venture Capital Summit' on December 6 and 7, 2019 in Panjim, Goa. The second edition of this annual event was ably supported by Indian Private Equity and Venture Capital Association (IVCA). It was a unique gathering of Global Fund Managers, Limited Partners, policymakers from the Government of India, and path-breaking startups. The event provided an ideal platform for discussion, brainstorming, problem-solving, and networking.

[Day 1]

There is a need to showcase the diversity and scale of the Indian market opportunity.

- **Dr. Guruprasad Mohapatra**
Secretary, DPIIT

Goa is a key business destination with the vision to become the new IT hub of India.

- **Jennifer Monserrate**
IT minister, Goa

[Day 2]

My best wishes to Startup India Global Venture Capital Summit being held in Goa It is a great opportunity for all investors to have a constructive dialogue with regulators & policymakers regarding support needed to make India a global hub of ideas, innovation & entrepreneurship.

- **Piyush Goyal**
Union Minister of Railways, Commerce and Industry

This government wants to engage with you...The vision of the government is to promote startups.

- **Piyush Goyal**
Union Minister of Railways, Commerce and Industry

The Summit provides an unparalleled opportunity to showcase VC opportunities in India, and gives a unique chance to startups to present their ideas and products before one of the biggest stages in the world.

- **Dr Pramod Sawant**
Chief Minister, Goa

Goa is committed to create a vibrant ecosystem for startups, and intends to become a permanent location for the Global VC Summit every year.

- **Dr Pramod Sawant**
Chief Minister, Goa

The VC Ecosystem Report 2019 by IVCA-Bain & Company was released. 2019 witnessed highest ever quantum of funding at $9 bn with an increase of 30% in deal volume

Global VC Summit aims to showcase diversity and scale of Indian market opportunity.

- **Guruprasad Mohapatra**
Secretary, DPIIT

[Day 2]

ENABLING REGULATIONS AND MONETIZING NEW INDIA OPPORTUNITY

PADMANABH SINHA - Chairperson, IVCA and Managing Partner, Tata Opportunities Fund
CATE AMBROSE - CEO and Board Member, EMPEA
DEEPAK BAGLA - MD & CEO Invest India
TV MOHANDAS PAI - Chairperson, Aarin Capital and Manipal Global Education
S.V. MURALIDHAR RAO - Executive Director, SEBI
HARSHADA SAWANT - Senior Editor, CNBC-TV18
GANESH KUMAR - Executive Director, Reserve Bank of India
SANDEEP VARMA - General Manager, SIDBI
RAJESH KUMAR - CEO, SIDBI Venture Capital Limited

The engine of growth of India moving away from Tier 1 to Tier 2 and 3 cities, however VCs are largely Tier 1 centric, so we must look at a new model of funding.

- **Deepak Bagla**
MD & CEO Invest India

In how many places will you have the regulator being so open to market views?

- **Deepak Bagla**
MD & CEO Invest India

The most exciting part about the Indian Startup Ecosystem is that the solution we come up with is readily applicable to 6.4 billion population of the world; thus, India is seeing more and more unicorns.

- **Deepak Bagla**
MD & CEO Invest India

Government programs should not be heavy handed and should work towards creating an environment where incumbents are not able block tech disruption through anti-competitive policies.

- **Cate Ambrose**
CEO and Board Member, EMPEA

The 18% GST on fund managers could be removed to make India a global investment hub.

- **Padmanabh Sinha**
Chairperson, IVCA and Managing Partner, Tata Opportunities Fund

Nobody minds paying taxes as long as they are stable, predictable.

- **Padmanabh Sinha**
Chairperson, IVCA and Managing Partner, Tata Opportunities Fund

We have increased overseas investment limit from USD 500M to USD 750M.

- **S V Murlidhar Rao**
Executive Director, SEBI India

SIDBI is focusing on small and medium enterprises, and have funded over 125 startups and created two unicorns.

- **Rajesh Kumar**
CEO, SIDBI Venture Capital Limited

Foreign pension funds are able to capitalize heavily on our market, yet the EPFO cannot invest in the PE market. This should be changed and pension funds could be encouraged to back startups in India.

- **TV Mohandas Pai**
Chairperson, Aarin Capital and Manipal Global Education

A decade ago, we thought about the technology and its inclusion in FinTech.

- **Ganesh Kumar**
Executive Director, Reserve Bank of India

Government should create compatible environment.

- **Cate Ambrose**
CEO and Board Member, EMPEA

By 2021, we would exhaust about Rs 7,000 cr out of the Rs 10,000 cr SIDBI Fund of Fund.

- **Sandeep Varma**
General Manager, SIDBI

[Day 2]

SMART AND SECURE AUTOMATION: FRONTIER TECHNOLOGIES

GOPALAKRISHNAN S. - Additional Secretary, Ministry of Electronics and Information Technology (MeitY)
TUHIN BHOWMICK - Co-Founder, Pandorum Technologies
RANJITH MUKUNDAN - Co-founder, Stellapps
CHARLES OWEN - Partner, Emergent Ventures
SATEESH ANDRA - Managing Partner, Endiya Partners
NITIN SHARMA - Founder, Incrypt Blockchain

There's a dire need to reduce the cost of technology in India to increase the number of deep tech startups.

- **Charles Owen** Partner, Emergent Ventures

Funding opportunities and regulatory awareness need to be framed for tech startups in India.

- **Tuhin Bhowmick** Co-Founder, Pandorum Technologies

Difficult to fund depreciating assets such as EVs; govt support is crucial.

- **Charles Owen** Partner, Emergent Ventures

Regulatory awareness is important.

- **Tuhin Bhowmick** Co-Founder, Pandorum Technologies

Figuring out the right business model for your technology product is the key to succeed in the Indian market.

- **Ranjith Mukundan**
Co-founder, Stellapps

MeitY deals with 100+ incubators in deep tech.

- **Gopalakrishnan S**
Additional Secretary, MeitY

Blockchain in India is still growing and only 0.4% goes in the funding for Indian startups.

- **Nitin Sharma**
Founder, Incrypt Blockchain

[Day 2]

HEALTHCARE FOR ALL

DR. AMIT JOTWANI - Co-Founder & Chief of Medical Affairs, Onco.com
BRIJ BHASIN - General Partner, Rebright Partners
MIHIR SHAH - Founder & CEO, UE Lifesciences Inc.
KUMAAR BAGRODIA - Founder & CEO, Neuroleap
NAO ITO - Operating Partner, Beenext PTE Ltd
ANUP JAIN - Managing Partner, Orios Venture Partners
PRAVEEN GEDAM - Deputy CEO, Ayushman Bharat
RAHUL AGARWAL - Director, Quadria Capital
DR V G SOMANI - Drugs Controller General of India

There is resistance by the medical community towards adoption of technology and it's difficult for a VC to validate the product. The government needs to come up with a solution to involve medical community.

- **Brij Bhasin**
General Partner, Rebright Partners

Through Ayushman Bharat Yojana, we are treating 9-10 people every minute.

- **Praveen Gedam**
Deputy CEO, Ayushman Bharat

The change has to come. There has to be a collaborative attitude instead of prescriptive attitude.

- **Dr. Amit Jotwani**
Co-Founder & Chief of Medical Affairs, Onco.com

POWERING THE NEXT-GEN ENTERPRISES

SANJAY NATH - Co-Founder & Managing Partner, Blume Venture Advisors
ANKIT RATAN - Co – Founder, Signzy
RAVI TRIVEDI - Founder & CEO, PushEngage
SANDEEP SINGHAL - Co-founder, Nexus Venture Partners
PRASHANTH PRAKASH - Managing Partner, Accel India
GOPALAKRISHNAN S. - Additional Secretary, MeitY

The biggest challenge right now in the ecosystem is "No mindset to go global". Startups need to have the global outlook for enterprise sales.

- **Sandeep Singhal**
Co-founder, Nexus Venture Partners

B2B segment is hot in India as the supply chain is still broken and there are sweet spots still left to be filled.

- **Sanjay Nath**
Co-Founder & Managing Partner, Blume Venture Advisors

Today, for a startup, it is easy to talk to the customer; earlier, it was not possibl,e and enterprises are now giving opportunities to startups.

- **Ankit Ratan**
Co-Founder, Signzy

Technological advancement in AI and ML infused with data security is the edge a startup should adopt in cut-throat tech competition.

- **Ravi Trivedi**
Founder & CEO, PushEngage

[Day 2]

THE NEW DIMENSIONS: AR/VR AND FACIAL RECOGNITION

CHARU NOHERIA - Co-Founder & Chief Business Officer, 3RDFlix Visual Effects
ANANT VIDUR PURI - Investor, Bessemer Venture Partners India
VIVEK GOYAL - Co-Founder, PlayShifu
RANA DAGGUBATI - Actor, Producer, Entrepreneur
VERED MIVTZARI - Strategic Countries Director, India Start-Up Nation Central
KARTHIK PRABHAKAR - Executive Director (Partner) & Global Head - Fundraising, Chiratae Ventures

There is no production house that is generating VR content...I'm looking for the answer to 'how does it go mainstream?'

- **Rana Daggubati**
Actor, Producer, Entrepreneur

Facial recognition has been part of our production pipeline.

- **Rana Daggubati**
Actor, Producer, Entrepreneur

The struggle is to find good talent to create immersive content.

- **Vivek Goyal**
Co-Founder, PlayShifu

In Israel, VCs are a major player for funding in Israel.

- **Vered Mivtzari**
Strategic Countries Director, India Start-Up Nation Central

Technology is the answer to taking VR mainstream.

- **Charu Noheria**
Co-Founder & Chief Business Officer, 3RDFlix Visual Effects

FIRESIDE CHAT

RANA DAGGUBATI

ACTOR, PRODUCER, ENTREPRENEUR AND PRASAD VANGA, FOUNDER AND CEO, ANTHILL VENTURES

"DO THE RIGHT THINGS AT THE RIGHT TIME"

My most passionate investment would be comic book company, Amar Chitra Katha.

We have a huge syndication problem…Blockchain came as a quick solution to smart contracting.

We have a sense of community even in this millennial world…Affiliation with a product is the first step in marketing.

After Baahubali, we borrowed heavily from VR and gaming.

"Do the right things at the right time"; I learnt that (from a failed investment).

[Day 2]

GOING CASHLESS AND BEYOND: FUTURE OF FINTECH

YASHISH DAHIYA - CEO & Co-Founder, Policy Bazaar
LE ZHANG - Managing Director, CDH Investments
GANESH KUMAR - Executive Director, Reserve Bank of India
PEIFU HSIEH - Co-Founder & CPO, Karboncard
ASHISH SHARMA - MD & CEO, InnoVen Capital
VIKRAM GUPTA - Founder & Managing Partner, IvyCap Ventures
RAJAT GANDHI - Co-Founder, Faircent

DRIVING TOWARDS A GREENER FUTURE: E-MOBILITY

ASHWARYA SINGH - Co-Founder & CEO, Drivezy
AMIT SINGH - Co-Founder, Shuttl
RAJAT VERMA - Director, Lohum
NILESH KOTHARI - Co-Founder & Managing Partner, Trifecta Capita
PRAVIN AGRAWAL - Joint Secretary, Department of Heavy Industries and Public Enterprise
RITESH BANGLANI - Co-Founder, Stellaris Venture Partners

[Day 2]

PRECISION MEDICARE: GENOMICS & LIFE SCIENCES

ANU ACHARYA - CEO, Mapmygenome
DR. OOMMEN JOHN - Senior Research Fellow, The George Institute Healthtech Accelerator
DR. PANKAJ GUPTA - Head of Department, Digital Health, Access Health International
DR. MANISH DIWAN - BIRAC, Department of Biotechnology
DR. SHANKAR SIKRI - Vice President – Corporate Development, MedGenome

AND IT'S A WRAP!

I am sure that institutional arrangements resulting from deliberations here would facilitate continuous engagements with stakeholders for proactive measures to boost the startup ecosystem in the country

- **Anil Agarwal**
Joint Secretary, DPIIT

UNION BUDGET 2020: IMPACT ON PRIVATE EQUITY ('PE') AND VENTURE CAPITAL ('VC') FUNDS INDUSTRY

BY **PwC**

PE-VC OUTLOOK AND BUDGET BACKDROP

The Finance Minister, Ms. Nirmala Sitharaman, has tabled the Union Budget 2020 on 1 February 2020 in Lok Sabha. In her Budget Speech, she stated that India is now the fifth largest economy of the world and its foreign direct investment got elevated to the level of USD 284 billion during 2014-19 from USD 190 billion that came in during 2009-2014.

In the year 2019, buyout deals hit an all-time high. Value creation and value protection have become key priorities for investors in the current market scenario. As per the PwC India Family Business Survey 2019, 56% of family-owned businesses plan to expand or grow their operations by bringing in PE backing, which in turn will continue to drive buyouts.

Further, with a number of global players entering the start-up ecosystem, as well as the launch of a number of domestic funds, the capital available to start-ups is no longer limited to venture capital and has extended to larger PE players as well. Simultaneously, large corporations are also placing sizeable bets on these companies.

There have been a quite a few noteworthy Budget proposals that are impacting the PE-VC Funds industry and the start-up ecosystem. Some of the key Budget proposals are listed below:

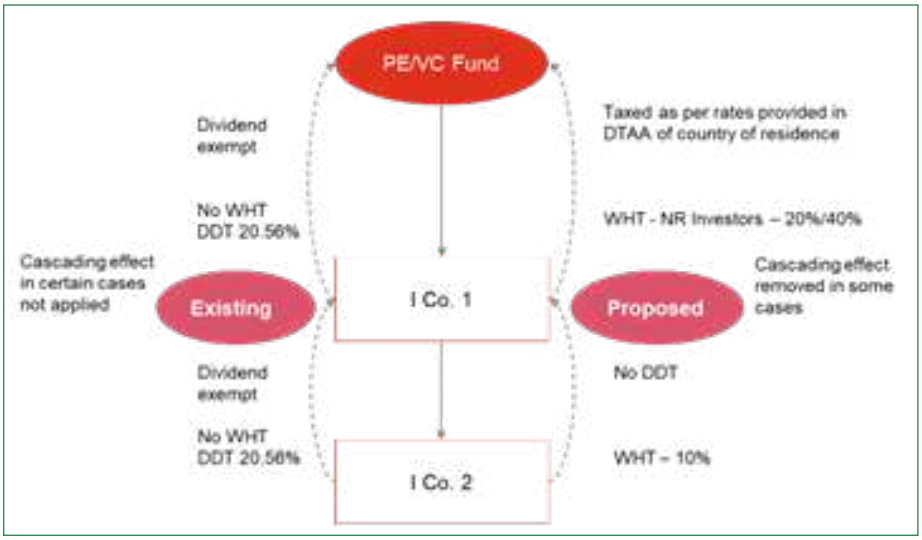
1. DIVIDEND INCOME NOW TO BE TAXED IN THE HANDS OF THE INVESTORS

Currently, the Indian companies pay a Dividend Distribution Tax ('DDT') at 20.56% on dividends paid to the Investors.

It has been proposed to abolish the DDT in the hands of Indian companies declaring dividend and adopt the classical system of taxing such income in the hands of the Investors at applicable rate.

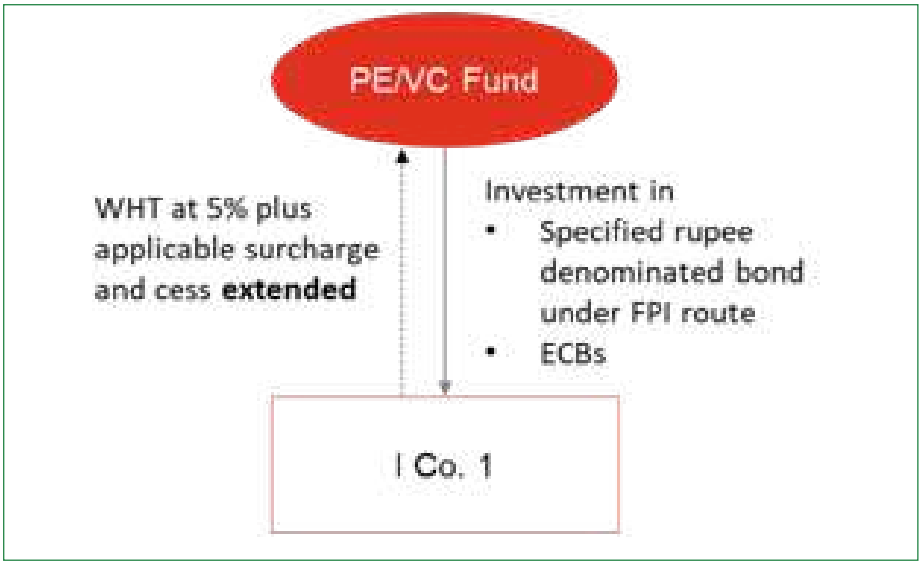
Accordingly, following proposals were announced:

- **Dividends are now proposed to be taxed directly in the hands of the shareholder at the following rates:**
  - For residents - Based on applicable tax rates
  - For non-residents - 20% (subject to treaty provisions, if applicable)
- **Indian company declaring dividend is required to withhold taxes at the following rates:**
  - For residents - 10% (where dividend exceeds INR 5,000)
  - For non-residents - 20%/ 40% (subject to treaty provisions, if applicable)
- **No deduction for expenses allowed against dividend income, other than interest expenditure which is capped at 20% of such dividend income**
- **Cascading effect proposed to be removed where dividend received by a domestic company from another domestic company is distributed before the specified due date (i.e. one month prior to the date of filing the tax return)**
  - Dividends received from foreign company subject to cascading effect
- **Dividends on ADR/ GDR proposed to be taxed at a reduced rate of 10%**



2. EXTENSION OF CONCESSIONAL WITHHOLDING TAX ('WHT') RATE OF 5% ON ECBS/ FPI INVESTMENTS IN RUPEE DENOMINATED BONDS

- **Currently, the concessional WHT rate of 5% plus applicable surcharge and cess for interest on eligible ECB is available for ECB raised before 1 July 2020. The time limit has been proposed to be extended for ECB raised before 1 July 2023**
- **Similarly, the concessional WHT rate of 5% plus applicable surcharge and cess on interest payable to FPIs on specified rupee denominated bonds is currently available for interest payable before 1 July 2020. The time limit has been proposed to be extended to interest payable before 1 July 2023**



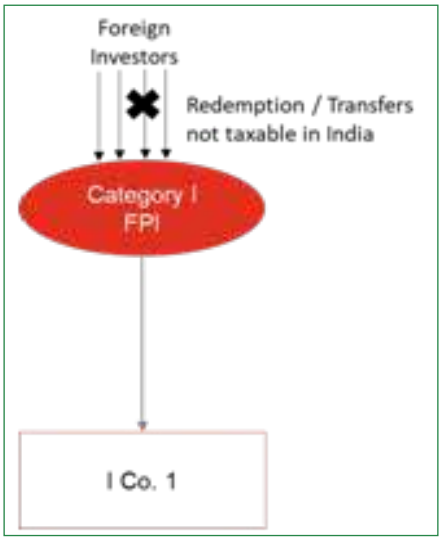
3. TAX EXEMPTION FOR SOVEREIGN WEALTH FUNDS ('SWFS')

Tax exemption proposed for notified SWFs (including wholly owned subsidiary of ADIA) fulfilling certain conditions, for dividends, interest and long-term capital gains arising from a debt or equity investment made in India, if such investment is:

- **Made on or before 31 March 2024;**
- **Held for at least three years; and**
- **In a company which is engaged in specified infrastructure business or such other business as may be prescribed**

4. OVERSEAS TRANSFER EXEMPTION FOR CATEGORY-I FPIS

- **Currently, overseas transfer provisions do not apply to transfer of investments in a category I or category II FPI under the 2014 SEBI FPI Regulations**
- **In view of the new FPI regulations announced in 2019 in supersession of erstwhile FPI regulations, it is now proposed to amend the overseas transfer provisions to restrict the exemption to transfer of investments in a category I FPI under 2019 SEBI FPI Regulations**
- **Investment in category I and category II FPI under 2014 SEBI FPI Regulations are proposed to be grandfathered, provided such investments were made before 23 September 2019**



https://newsd.in/union-budget-2020-21-know-how-indian-budget-changed-in-last-few-years/

5. START-UPS

- **Relaxation to the tax holiday regime:**
  - Period for eligible start-ups to claim tax holiday proposed to be increased to ten years from seven years
  - Cap on turnover to qualify as an eligible start-up proposed to be increased to INR 100 crores from INR 25 crores
- **Deferment of taxes on exercise of ESOPs**
  - Payment of perquisite tax on allotment or transfer of specified securities to an employee of an eligible start-up proposed to be deferred to the earlier of:
  - (a) expiry of 60 months from the end of the relevant financial year;
  - (b) sale of the specified security; or
  - (c) cessation of employment
  - Tax to be paid basis the rates applicable for the FY in which the specified security is allotted or transferred to the employee

6. CONCESSIONAL RATE OF TAX FOR SPECIFIED DEBT INVESTMENT IN IFSC

Interest payable by an Indian company or a business trust on monies borrowed by it from a source outside India by issue of long-term bonds or rupee-denominated bonds listed only on a recognised stock exchange in IFSC proposed to be subject to WHT at the rate of 4%, subject to the following conditions:

- **Such bond is issued between 1 April 2020 and 30 June 2023; and**
- **The interest does not exceed the interest rate prescribed by the Central Government**

7. EASE OF TAX ADMINISTRATION:

In order to bring greater efficiency, transparency and accountability to provide maximum governance various proposals are made by the government including but not limited to the following:

- **Tax return filing exemption for a non-resident (i) if the total income consists of only dividend/ interest/ royalty / fees for technical services; and (ii) taxes has been deducted at a rate not lower than the rate prescribed under the Income-tax Act, 1961.**
- **E-appeal scheme whereby the interface between Commissioner (Appeals) & the taxpayer is proposed to be eliminated**
- **Taxpayer's charter to ensure transparency and accountability in tax administration**
- **Vivad Se Vishwas Bill - eligible for settlement of cases pending before any appellate level. Waiver of fees, interest and penalties have been provided to an extent depending upon the period by which payment is made and the type of disputed matter.**

Overall, the plethora of policy proposals, regulatory announcements and tax amendments impacting the entire gamut of the financial services sector demonstrate the Government's intent to build, boost and bolster this sector, which is critical to the Indian growth story. ■

INDIA CHINA INVESTMENT FORUM

29 April, Delhi

Partner: Khaitan & Co

With an increased interest towards investing in India by Chinese Asset Management Companies and VC companies, the "India China Economic and Cultural Council" hosted a delegation from China on April 29, 2019. The delegation comprised of companies from Fund Management, Real Estate, Financial Research, Asset Management, and Technology, among others. The India China Investment Forum was organised by IVCA and powered by Khaitan & Co. Speakers for the event included Alok Goyal, Partner, Stellaris Venture Partners, Saurabh Chatterjee, Vice President, ChrysCapital Advisors, and Bharat Anand, Partner, Khaitan & Co.

MASTERCLASS ON STRUCTURING ASPECTS & RECENT UPDATES

30 May, Bengaluru

Partner: PwC

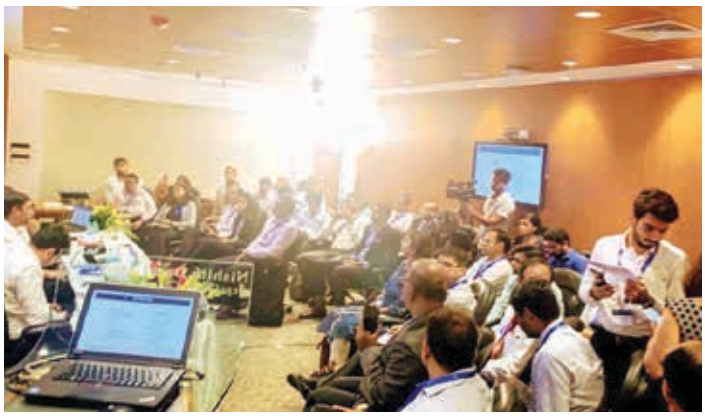
IVCA and PwC's Knowledge Session was organised to discuss Tax and FEMA valuation aspects, recent experience on Mauritius aspects, certain issues related to unified AIF structures, opportunities related to GIFT City, and Section 9A. Speakers at the event were Tushar Sachade, Co-Head, PwC and Himanshu Mandavia, Partner, Financial Services, PwC.

MASTERCLASS ON KEY FUND TERMS AND LEGAL CONSIDERATIONS

13 June, Mumbai

Partner: Nishith Desai Associates

The Masterclass session organised by IVCA and Nishith Desai Associates guided the attendees through the fund structures, strategies, and tax and regulatory issues for open-ended and closed-ended funds. The session was followed by a Q&A for the participating delegates to clarify on any of the aspects touched upon. The speakers included Richie Sancheti, Leader, Investment Funds Practice, Nandini Pathak, Senior Member, Investment Funds, and Srikanth Vasudevan, Senior Member, Investment Funds Practice from from Nishith Desai Associates.



INTERACTIVE SESSION ON NAVIGATING THROUGH THE END OF A FUND

27 June, Bengaluru

Partner: Khaitan & Co

The session highlighted the regulatory issues one may face and strategies that one may adopt while dealing with residual assets and the winding up of an AIF/VCF post-completion of its term. The session was followed by a few case studies and a Q&A session for the participating delegates. The speakers were Siddharth Shah and Vivek Mimani, Partners, Investment Funds Practice from Khaitan & Co.

MIDAS ALTERNATE ASSETS FOR FAMILY OFFICES, FAMILY OFFICE ROUNDTABLE

18 September, Mumbai

Partners: Chiratae Ventures, CII

A seminar showcasing how the Indian Venture Capital ecosystem has evolved over the last decade and how this presents an opportunity for family offices to be a part of this asset class. Speakers included Padmanabh Sinha, Chairperson, IVCA and Managing Partner, Tata Opportunities Fund, Sudhir Sethi, Founder and Chairperson, Chiratae Ventures, Ankit Nagori, Co-founder, CureFit, and Manish Choksi, Advisory Board Member, Chiratae Ventures, Soumya Rajan, Founder and CEO, Waterfield Advisors

3RD IVCA LP SUMMIT

5 July, Mumbai

Partners: Gaja Capital, AZB & Partners, PwC

The alternative investments in India are at a stage where there is excitement as well as eagerness to have more data, information and in person interaction with fund managers and the associated ecosystem. All the patient investors have now started acknowledging the pace of exits that India has started witnessing. This summit is an attempt to bring together LPs and fund managers to discuss the fundraising headwinds, fund mechanics, investment strategies and other issues and network to build industry contacts and lasting relationships.

IVCA DELHI CIRCLES

24 July, Delhi

Partner: Ernst & Young

IVCA Circles is a platform to offer networking opportunities to PE-VC industry professionals and IVCA's member firms to interact among themselves and also to meet the industry leaders. The IVCA Delhi Circles event had Sanjeev Sanyal, Principal Economic Adviser, Ministry of Finance as Keynote Speaker with Gopal Srinivasan, Chairman & MD, TVS Capital Funds, Rupen Jhaveri, Managing Director (PE), KKR India, and Parth Gandhi, Senior Partner & MD, AION Capital also addressing the delegates.


VCA DELHI CIRC
24th July, 2019 | The Oberoi, New De
Knowledge Partner

MASTERCLASS ON INVESTING IN THE E-COMMERCE SECTOR

8 August, Bengaluru

Partner: Shardul Amarchand Mangaldas

The Masterclass was delivered by Maheshwari Sundaresh, Partner, Cyril Amarchand Mangaldas, and the session discussed regulations, structuring, and other concerns that arise while investing in the e-commerce sector.

PRIVATE EQUITY FORUM

9 August, Mumbai

Partner: Khaitan & Co

This event was a Private Equity Forum on the roadmap for the next 2 years' of investments in India.


Panel Discussion:
Opportunities and Challenges for Emerging GPs


KHAITAN &CO


KHAITAN &CO

IVCA UNWIND

30 August, Bengaluru

Partners: Sequoia Capital, Felix Advisory, AWS, Marix Partners, Sattviko, Vahdam Teas, Soulfull, Unibic, Sleepy Owl, ASAP Granola Bars

A "No Agenda & No Pitches" meet-up that focussed on networking of LPs, GPs, and Family Offices over drinks, music and great food. IVCA Unwind was held in Bengaluru, Mumbai, and New Delhi to great success and witnessed an enthusiastic attendance.

13 September, Mumbai

Partners: Felix Advisory, AWS, Marix Partners, Sattviko, Vahdam Teas, Soulfull, Unibic, Sleepy Owl, ASAP Granola Bars

27 September, Delhi

Partners: Felix Advisory, AWS, Marix Partners, Sattviko, Vahdam Teas, Soulfull, Unibic, Sleepy Owl, ASAP Granola Bars

MASTERCLASS - UNLOCKING THE FUTURE OF INDIA'S DATA ECONOMY

26 September, Bengaluru

Partner: Omidyar Network

This IVCA-Omidyar Network Masterclass discussed the opportunities in the data economy and future business models, risks in the data economy, and how investors can work with portfolio companies to mitigate such risks. Speakers at the event included Siddharth Nautiyal, Partner and Govind Shivkumar, Principal (Investments), at Omidyar Network India, Manish Khetarpal, Managing Partner, WaterBridge Ventures, and Vishal Gupta, Managing Director, Bessemer Venture Partners.

IMPACT & SUSTAINABLE INVESTMENT CONFERENCE

10 October, Delhi

Partner: Nishith Desai Associates

In recent times, Impact Investments have gained prominence among the mainstream funds with the government also taking a special note of it. The core discussions at this event revolved around the challenges and opportunities for impact investments, total past investments, sustainable development goals, gender parity, and impact measurement. The conference hosted subject matter experts, including around 50 fund managers and Limited Partners along with policymakers and regulators.

IVCA UNBOUND

31 October, Mumbai

Partners: IC Universal Legal, Innov8, Knowledge Capital

IVCA Unbound was organised in Mumbai, New Delhi and Bengaluru as a unique opportunity for the mid to senior PE/VC investment teams and startups to share a single platform and learn from industry veterans. The Bengaluru event had Ganesh Rengaswamy, Co-founding Partner, Quona Capital, Kshitij Shah, Principal, 3one4 Capital, and Maheshwari Sundaresh, Partner, Cyril Amarchand Mangaldas as speakers.

7 November, Delhi

Partners: Khaitan & Co, Innov8, Knowledge Capital

15 November, Bengaluru

Partners: Accel Launchpad, Cyril Amarchand Mangaldas

VC ROUNDTABLE & INVESTOR CONNECT
SESSION AT NASSCOM PRODUCT CONCLAVE

5-6 November, Bengaluru

Partner: Nasscom event in partnership with IVCA

50+ promising Product Startups were carefully curated for this interaction. The startups, all in the early stage, were seeking for Pre-Series A and Series A funding.

HEALTHCARE ROUNDTABLE

19 November, Bengaluru

Partners: National Health Authority, Nexus Venture Partners

The objective of this roundtable was to facilitate a discussion between IVCA's VC members and the National Health Authority (NHA) on how innovative technologies by startups can be adopted across the Indian healthcare ecosystem.

3RD ANNUAL ALTERNATIVE INVESTMENTS CONFERENCE

27 November, Bengaluru

Partner: Duff & Phelps

The conference featured insights from industry experts on the alternative fund sector and new regulations impacting valuation. The event was attended by senior management delegates from PE-VC funds and Limted Partners. Attendees included investment managers and finance teams responsible for executing and communicating valuation marks to their investors.

EMPEA MASTERCLASS

2 December, Mumbai

Partner: EMPEA event in partnership with IVCA

The emerging markets being a dynamic environment, throws a lot of opportunities and challenges which the fund managers must be very well versed with t

IVCA - PRIVATE NETWORKING DRINKS AND HORS D'OEUVRE

4 December, Mumbai

A private networking session with delicious drinks and hors d'oeuvres were organised for the PE-VC General Partners and Limited Partners.

IVCA - TESTIMONIALS

"IVCA has been playing an instrumental role in bringing the PE/VC industry to a common platform and more importantly presenting one voice from the industry before the government. IVCA events are an excellent opportunity to network and learn about the ecosystem. Highlight of this year was curated events for middle and junior industry professionals that IVCA team organized. I feel these will play a long way in nurturing solid talent for PE/VC industry in the country."

Harsh Singhal
Senior Director, CDPQ India

"IVCA has been doing a great job in being the torch bearer for the PE/VC industry in India. IVCA events serve as a great platform for both funds and entrepreneurs to interact with each other and develop the ecosystem while at the same time facilitate discussions on pertinent topics. EY's collaboration with IVCA as a knowledge partner over the past few years has been very enriching and we look forward to enhancing it further."

Vivek Soni
Partner & Leader - Transaction Advisory and Private Equity Advisory, EY

IVCA UNWIND (EVENT) TESTIMONIALS

"It was indeed a well-organized event. Look forward to being in touch."

Shaleen Baweja
Portfolio Analyst, Quona Capital

"It was a pleasure. I thought it was very well-organised and look forward to attending more events in the future."

Tanmay Amar
Director, Legal Affairs, Omidyar Network

"Many thanks for hosting and conducting the event. It was very nice to interact with my peers in other foreign funds and brainstorm solutions to the various issues we face in investing in India. Please continue to conduct such engagements so our ecosystem gets stronger!"

Lakshmikant PB
Financial Controller, SRI Capital

"Thank you for organizing these wonderful events. It is always great to be part of these. Looking forward to attend more such events."

Amit Jhunjhunwala
Head of Finance, Accel

“Well-organised event, look forward to many more.”

Anil Joshi
Founder & Managing Partner,
Unicorn India Ventures

“Thanks for having us over; the event was better than many that I have attended. Look forward to attend the ones that interest us in future.”

Ashok Kinha
General Partner & Managing Director, Athamus

“Thank you, for having us there. Both my colleague and I found it good and time well-spent.”

Pankit Desai
Co-Founder & CEO, Sequretek

“Look forward to being involved in more such events.”

Anant Vidur Puri
Investor, Bessemer Venture Partners

“Enjoyed attending the event, specifically the format.”

Manoj Kumar Agarwal
Managing Partner, Sea Fund

“Was really an unwind. Enjoyed the setup and camaraderie among the invitees.”

Rahul Singh
Founder & CEO, The Beer Café

“Very good format. Relevant people in the room. The curation of the group will be critical in making this a must attend for folks in the industry on an on-going basis.”

Nandini Mansinghka
Co-Promoter & CEO, Mumbai Angels Network

CAUTION IN TIMES OF EXUBERANCE IS MOTHER OF GREAT FORTUNE

https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/private-equity-and-indias-economic-development

BY **SWETABH PAREEK**
Partner - Felix Advisory Investors Relations and Investment Banking

The Private Equity (PE) industry has exhibited nothing short of a spectacular global performance in recent years with high volumes of capital raised, invested and distributed to investors. Investors are increasing allocation to this asset class for its low volatility due to its long-term nature and its tendency to deliver returns through market downswings. The global PE grew more than 7x between 2002 and 2017 as compared to nearly 3.5x growth of public market capitalization[1]. Private equity also provides illiquidity premiums by outperforming public equities across market cycles. On an average, Indian private equity outperformed Sensex by 7%.

RETURNS ON INVESTMENT

With a steadily growing economy, India's private equity industry is stronger than that of most emerging markets and expected to expand even further.

Vintage	Holding Period	PE Return[1,2]	Sensex Return[3]
2003-05	4.6 yrs	24%	19%
2006-08	6.4	8%	9%
2009-11	5.1	16%	9%
2012-14	3.5	22%	10%
2015-17	NM[4]	51%	13%

Investments exclude venture capital and real estate investments. Exits updated through 2017. 2 - Weighted average of gross-dollar IRR by investment year estimated for a sample of ~654 exits with private-equity investment made between 2003 and 2017 where both investment and exit values were disclosed. 3 - CAGR for the corresponding holding periods of the representative years, averaged as per the group of vintages. 4 - Not meaningful.

https://www.thetimesbusiness.com/india-s-gdp-rise-looks-powerful-economic-growth-analysis/

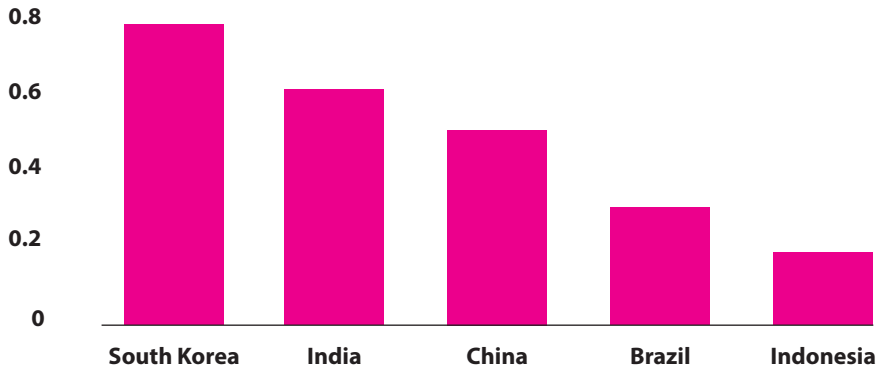
THE PRIVATE EQUITY FOCUS IN INDIA

The Indian private equity assets are composed of growth and venture capital with recorded $12bn and $13bn fund raise opportunities respectively. In January 2019, 125 India based PE & VC funds were reported to be in the market, aiming to raise over $18bn. On the said 125 funds, 64% are VC funds seeking $7.1bn, whereas the dry powder in India is estimated at $9bn5. This indicates that the funds in the market are riding on a high, and dearth of capital for good-quality deals is unlikely.

RETURNS ON PRIVATE EQUITY

As aforementioned, private equity has given high returns. However, the returns on different investments can drastically vary depending on the strategy and deal size. For instance, buyout funds from vintage 2006-17 generated the highest returns of

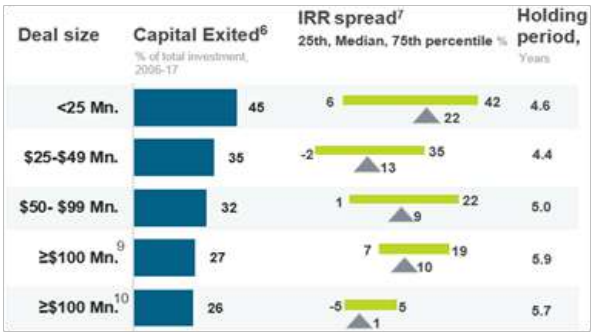
PRIVATE-MARKET INVESTMENT INTENSITY (% OF GDP)[1]



Investments Includes private-equity, venture capital, and real estate investments. PE - buyouts, PIPE, expansion, turnaround, mezzanine/pre-IPO, and bridge loans. VC - seed/R&D, start-up/early-stage, and small and medium enterprises. Data points - Ratio of average annual private-market investment over the past five years and the most recent year's GDP.

EXHIBIT 1: RETURNS BY STRATEGY[1]

EXHIBIT 2: RETURNS BY DEAL SIZE[1]



6 - Excludes venture capital and real estate investments. Exits updated through 2017. 7 - Based on a sample of ~534 exits with private-equity investment made in 2006–17 where both exit and investment values were disclosed. 8 - Includes turnaround and mezzanine/pre-IPO. 9 - Excludes infrastructure and telecom. 10 -Infrastructure and telecom.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https://realtynxt.com/2017/04/28/domestic-private-equity-investment-rising-india/

21% median, with 42% dispersion between the highest and lowest quartile. Whereas on the other hand, deals less than $25mn from the same vintage earned the highest returns of 22% median, with 36% dispersion between the highest and lowest quartile. The dispersion of returns in private equity is extremely wide and outperforms the median by a high range. One needs to follow discretion in choosing the right fund manager.

Choosing the right fund manager is not easy but very important. With the growing Limited Partners (LPs) interest in industry, the number of fund managers is also increasing, creating a tough competition. Thus, LPs that pick the top managers usually outperform the median with a high margin, but that is not always the case.

PRIVATE EQUITY HAS GIVEN HIGH RETURNS. HOWEVER, THE RETURNS ON DIFFERENT INVESTMENTS CAN DRASTICALLY VARY DEPENDING ON THE STRATEGY AND DEAL SIZE

IMPORTANCE OF FUND DILIGENCE

Fund diligence (Fund DD) is a global practice; however, it is not largely followed in India especially due to lower domestic LP commitment size. However, with hyper growth in the industry, Fund DD is a highly recommended practice to get a thorough and objective evaluation. A fund diligence exercise enables investors in making informed decisions on investment opportunities as well as enables the Fund managers to implement best practices. A thorough Fund DD exercise follows a holistic approach and includes key areas such as investment Strategy, Investment Process, Team & Management, Alignment of Interest, Fund Terms, Market Environment, Risk & Compliance, and Legal & Administration (see box below). ■

Investment Strategy
Investment thesis, sector focus, types of transactions etc.

Investment Process
Sourcing process to identify investment opportunities

Team & Management
Capabilities across the deal life cycle

Alignment of Interest
GP's sync with LP's for Fund's best interest

Fund Terms
Compensation structure & specific provisions

Market Environment
Market dynamics, Fund competitors

Risk & Compliance
Compliance manual, Code of ethics, risk monitoring etc.

Legal & Administration
Fund Administration, Human Resource, Legal framework

CORPORATE GOVERNANCE - IMPORTANT OR NOT?

BY **SHILPA MAHESHWARI**
Executive Advisor,
Matrix Partners

"Corporate Governance" – this term at times elicits a sense of fear in the Founders and business teams. I believe it is more a fear of unknown than anything else. It is fear of taking away their limited time for unproductive work which will not help their company or its growth in any manner. This piece is written to essentially make a point on how important and relevant corporate governance can prove in making or breaking an institution and could be that one difference between success and failure. A company is not all about just profits, market valuations, P/E multiples and turnovers, there is a lot that goes into building it. Corporate Governance is one such hidden force. After numerous scandals, maligned reputations and economic downturns, corporations have now realized that how better governance could have saved years of their hard work.

So, what is corporate governance? It is nothing but system of rules, practices and processes by which an institution is directed and controlled. The three pillars of corporate governance are: transparency, accountability, and security. All three are critical in successfully running an institution and forming solid professional relationships among its stakeholders which include board of directors, managers, employees, and most importantly, shareholders.

Corporate governance should be of paramount importance to a company, almost as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud and civil and criminal liability of the company. It also enhances a company's reputation as a responsible company and worthy of shareholder and debt capital. Corporate governance keeps a company honest and if this breaks down, then corners will be cut, products will be defective, and management will grow complacent and corrupt. The result is a fall that will occur when gravity

https://www.guerbet.com/investors/corporate-governance/

- in the form of audited financial reports, criminal investigations and probes - finally catches up, it would bankrupt the company overnight.

WHY IS CORPORATE GOVERNANCE SO IMPORTANT?

●Risk Mitigation and compliance
- There is a direct relationship between good governance and risk mitigation. A company with good corporate governance will work more efficiently and ensure compliance across the several law of land. Being on track with the policies and law ensures that the company is prepared for future uncertainties and thus has risk mitigation mechanisms in place. A company with good corporate governance is better placed to face any risk or disruption arising out of political, technological and economic events

●Protects shareholder value
- The goal of good governance is to maximise the interest of all stakeholders. The value accumulated by the company over the years can be wiped away by a single unlawful incident. Thus, having high governance standards help the company protect and enhance its value.

●Improved organisational efficiency
- Corporate Governance is an important determinant of industrial competitiveness. Better governance ensures enhanced corporate performance and better economic results. Corporate Governance lays the foundation for behaviour of the company, the utilization of resources, product/service innovation and overall corporate strategies.

●Crucial during mergers & acquisitions
- Corporate Governance plays a critical role during restructuring events such as mergers and acquisitions. Not only does corporate governance of a company helps to differentiate between good deals from bad ones, but M&A activity by a company with good corporate governance is better received by stakeholders in the market.

The approach towards good corporate governance must be a perfect balance between excessive stringency and too much flexibility. The framework must be holistic and take the interests of all the stakeholders into account. It must tackle four fundamental issues: (i) fairness to all shareholders, the "owners," whose rights must be upheld; (ii) clear accountability by the board of directors and management; (iii) transparency, or accurate financial and nonfinancial reporting; and (iv) responsibility for all stakeholders.

The guidelines provided by the Companies Act and SEBI, which though not applicable to early stage companies could serve as a guiding light to start with and build upon as it grows. Further, corporate governance cannot be built in a day, as it takes time to inculcate good and let go of not so good habits. So, start building at the very start, little by little daily.

A company without sound corporate governance would be akin to a body without conscience and no one would want that, right? ■

WEALTH CREATION THROUGH SYMBIOTIC PUBLIC AND PRIVATE PARTNERSHIP

BY **ATIT DANAK**
Engagement Manager & Head – CoNXT, Zinnov

Across the globe, countries, including in the developing world, recognize the role of technology, innovation, and entrepreneurship in driving economic growth.

For years, also it has been known that innovation-led growth is driven by a network of institutions in the public and private sectors which interact in the production, dissemination, and use of new and economically useful knowledge. The success of innovation-led growth requires a symbiotic relationship between the State and the private sector. More importantly, it requires the policymakers to think of themselves as "wealth creators," think outside the box, and be entrepreneurial.

However, we also live in an age where the state's role is expected to be limited to establishing and enforcing the rules of the game: level the playing field; fund the public goods such as infrastructure and basic research; and devise mechanisms to mitigate negative externalities such as pollution. This has contributed to policymakers feeling like back-seat players; hence, they have become too risk-averse, fearing that a failed project might become front-page news. Public value cannot simply be about rectifying problems around public goods by redistributing existing wealth. Public value can and must become about co-creating value in different spaces with new forms of collaboration focused on problem-solving.

In the Indian context, the State's focus on considering entrepreneurship as a key strategy to fuel productivity and wealth creation for national economic growth is a positive example of the symbiotic relationship between public and private sectors. The State, especially with the introduction and successful implementation of the Start-up Policy 2016, has made considerable efforts in building an innovation ecosystem through dedicated policy think tanks, tinkering labs, technology business incubators, improved public procurement norms with increased governmental spends,

https://www.leadfactory.com/online-marketing-fuer-unternehmen-herausforderungen-fuer-den-b2b-bereich/

and a fund of funds. This has, in turn, enabled strong participation from alternative investment funds – venture capital and private equity, and now venture debt.

An analysis by IVCA and Zinnov, of the Indian start-ups incepted in 2005 or later, provides interesting insights into the value that private and public sectors can co-create:

a) Indian start-ups have raised a cumulative $62bn since 2005, with a strong 34% CAGR since 2014;

b) With cumulative unrealized valuation at an estimated $120bn-135bn, start-ups have been wealth creators for all stakeholders involved;

c) It is estimated that approximately 60% of the wealth created by start-ups will be realized by investors (individual and institutional investors), while 40% will be shared between founders, advisors, and employees in the start-ups;

d) This is of special significance as the wealth of individuals (founders, advisors, and employees) from the start-ups they helped build has grown at an estimated 27% CAGR since 2009;

e) Start-ups have not just created sizeable gains on equities but also been key drivers of jobs with an estimated 4 lakh direct jobs and 15 lakh indirect jobs being created till date, thereby expanding the taxable base in the country;

f) The 24 unicorns by themselves, have created direct jobs at 40% CAGR in just the last two years; while top-funded start-ups have created direct jobs at 50% CAGR in the past two years;

https://www.ibm.com/blogs/blockchain/2018/09/symbiotic-collaboration-a-key-to-succeed-with-blockchain-in-financial-services/

g) It is estimated that on an average, 40-47% of fundraising amount was distributed as salaries or incentives to direct and indirect employees.

The beauty of a strong public-private partnership focused on wealth creation lies in the fact that it also drives a virtuous cycle of redeployment. Flipkart is a case in point. It raised $7.1bn in funding and was acquired for $15bn, created 50,000 direct and 6.5 lakh indirect jobs. And today, it counts 2 new unicorns, 25+ angel investors, and 200+ start-ups in its alumni.

The policymaking process is by nature, messy. In order to create and shape technologies, sectors and markets, the government must be armed with the intelligence necessary to envision and enact bold policies. And the onus will be on the private sector to play a constructive role in making the government more competent and smarter by providing policymakers continuous access to credible data and real technology-specific and sector-specific expertise. ■

https://www.financialexpress.com/opinion/how-will-pe-vc-investments-fare/1610574/

2019 INDIA PE AND VC FUNDING OVERVIEW

BY **SAMYUKKTHA T**
Principal, Bain & company

We saw record-high levels of investment in India in 2019 –~$35bn of capital was deployed by PE/ VC firms in India in 2019, comfortably surpassing the 2017 record of ~ $27bn and marking a ~30% growth from 2018. 2019 saw a significant increase in deal volume as well, with over 1,000 deals, compared to ~800 in 2018.

BFSI attracted the highest amount of investment (~$7bn, compared to $5B form 2018), followed by B2B Tech & services ($6bn, a 4x increase over 2018). Both these sectors overtook Consumer Technology which we saw dominate India investments historically (Consumer tech investments were ~$4bn in '19, lower than the $6bn+ in 2018). Other sectors that continued to have strong inflow were Energy (~$4bn), Engineering and construction (~$3bn), and Consumer retail (~$3bn)

Top 15 deals this year contributed to 30% of all PE/VC investment, similar to previous years. The three largest deals were Brookfield Asset Management's $1.8bn investment in Pipeline Infrastructure Pvt Ltd., the $1.2bn investment in GMR Airports led by Tata Sons, GIC and SSG Capital, and the $1bn invested in One 97 (Paytm) led by Alibaba and Softbank.

Overall, the Indian PE/VC ecosystem sees participation from 6 types of funds broadly – Global PE funds, Global VC/Growth funds, Asia-focused funds, Domestic funds, Govt. affiliated funds (including Sovereign Wealth Funds) and Corporate VCs. In 2019, Global VC/ growth funds contributed the highest to deal value (36% of total capital deployed). We saw competition intensify in 2019, with an increase in activity across all fund types vs. 2018. There continues to be strong competition for both early stage and late stage deals, while the growth stage appears relatively less crowded.

The underlying start-up ecosystem in India remains robust and is rapidly maturing. Between 2012 and 2019, the number of start-ups in India has grown by 17% each

https://www.business-standard.com/article/finance/pe-vc-investments-in-october-touch-3-3-billion-continue-2018-trend-119111100606_1.html

https://www.sentinelassam.com/news/private-equity-funds-invest-26-3-billion-in-india-during-2018/

year while funded start-ups have grown faster at 19% CAGR in the same period. Of almost 80,000 start-ups in India, only ~8% are currently funded, indicating significant depth in the market today. India's unicorn tribe also continues to grow with several firms in e-commerce, SaaS, and Fintech currently leading the way.

Meanwhile the Indian government has put in place several regulatory programs to support the Indian start-up ecosystem. Flagship programs like StartupIndia, Digital India, the AIPAC Committee continue to improve the environment for start-ups and investors. India has also improved significantly on WorldBank's Ease of Doing Business rankings (from rank 130 in 2016 to rank 63 in 2019), improving investor confidence in the regulatory ecosystem and intent.

Despite substantial deployment of capital in 2019, dry powder available for PE/VC investing in India is at an all-time high of ~$10bn at the end of 2019, indicating likely continued investing appetite going into 2020, despite some caution driven by global economic uncertainty. Most investors are taking a longer-term view of growth potential in India and continue to be optimistic about the market. ■


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Apple Cider Vinegar
Activated
Charcoal
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your day
with a
shot
Wheatgrass
Lemon
Honey
Cinnamon
Amla
Aloe
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Loved by over 2,50,000 customers globally
Over 2 million Akiva health shots sold
Sustainably sourced & manufactured
100% Made-in-India, for the World
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IVCA IN NEWS

Business Standard

Alternative funds seek angel tax breather

Other demands include pass-through for losses, tax cut on management fee

T E NARASIMHAN
Chennai, 26 June

Private equity (PE) and venture capital (VC) entities want alternative investment funds (AIFs), used to invest in starts-up, to be exempted from Section 56(2)(vii-b) of the Income-Tax Act — popularly known as "angel tax" — in the Union Budget.

At present, only VCUs (venture capital undertakings), a sub-category of the Securities and Exchange Board of India (Sebi)-registered Category-I AIF, are exempted.

Other items on the wish list of PE and VC entities are pass-through for I-T to address end-of-life losses, tax parity of unlisted shares with listed ones, and reduction in the goods and services tax (GST) from 18 per cent to 5 per cent on management fees for services provided to AIFs by fund managers.

Rajat Tandon, president, Indian Private Equity and Venture Capital Association (IVCA), said many start-ups receive funding from Sebi-registered Category-II AIFs. "Sebi has also recommended this (exemption for Category-I & Category-II AIFs)," he said, adding that this would boost the flow of capital to early- and growth-stage start-ups.

He also said a pass-through tax regime should not distinguish between gains and losses. A pass-through entity is a business structure that reduces double taxation; such entities do not pay taxes at the corporate level, but corporate income is allotted to owners, and taxed at the individual level.

Such a formula has already been approved for the net income of start-ups by the Central Board of Direct Taxes and Sebi, on the recommendations of the IVCA.

The PE/VC industry is now recommending that net losses incurred by unlisted AIFs, under any head, should also be allowed to be passed on to the original investors. This would make India an attractive destination for foreign fund managers and capital pool allocators.

At present, investors in AIFs are not allowed to offset the expenses incurred by them in terms of management and other fees. This leads to investors paying taxes on an amount higher than their real gains from AIF investments.

The industry has recommended that management fees be allowed to be set-off before reckoning taxable income from investors on a proportionate basis to the extent of such expenses incurred.

Correcting this anomaly would align the Indian tax system with the tax regimes of global markets, thus making it more attractive for funds to set up operations in India, claimed the PE industry.

Sources said current laws taxing capital gains of investors in unlisted company, many of which were start-ups, was a deterrent in fostering growth of the start-up ecosystem.

The disparity has been on account of a period of holding and consequential rate of capital gains tax. Parity will give a boost to the start-up ecosystem, thereby channelling incremental funds toward primary capital and sequentially help attain balance in the Indian capital markets.

AIFs managed by India-domiciled asset managers are liable to the GST at a rate of 18 per cent. This is a significant friction cost and deters on-shoring of funds. The lower rate of 5 per cent would help in alleviating the tax cost borne by foreign investors to onshore AIFs.

This will result in on-shoring the foreign pools of capital in India and expanding domestic capital pools.

Global VC/PE funds are now earmarking a sizeable share of their capital pie for India, but there is a lingering concern that over 85 per cent of funds earmarked for India are still pooled in overseas jurisdiction. Thus, it would be a big enabler for on-shoring the offshore pool of capital and the exponential growth of AIFs, Sunil Goyal, managing director and fund manager, YourNest, said the government should take more initiatives to enable increased investment in the start-up sector.

"Allowing charitable trusts to commit a small portion of their corpus to venture capital will go a long way towards catalysing increased investment opportunities," he said. "This will also result in large-scale job creation."

BUDGET WISH LIST

- Exemption for AIFs from Section 56(2)(viib) of the Income-tax Act to boost the flow of capital to start-ups
- Allow complete pass-through regime for income tax will make India an attractive destination for fund managers
- Reduce GST rate from 18% to 5% on management fee on the services provided to AIFs by fund managers
- Consider mandating some part of EPFO corpus to be invested in venture capital

Business Standard

Start-ups laud Finance Bill amendments

KARAN CHOUDHURY & NEHA ALAWADHI
Bengaluru/New Delhi, 19 July

Start-ups and experts welcomed the Centre's move to encourage only genuine start-ups by introducing an amendment to the Finance Bill, passed by Lok Sabha on Thursday. This includes a penalty of 200 per cent for not complying with the conditions laid down for availing angel tax exemption.

"The finance minister has assured start-ups that they would be protected from the hassles of angel tax. Earlier, only registered start-ups were given exemption from angel tax. But

The penalty pertaining to under-reporting of income — introduced through an amendment to the Finance Bill — is aimed at deterring the misuse of angel tax exemption, allowed in the Budget for FY20

Finance Bill passed by the Lok Sabha on Thursday – is aimed at deterring

Salman Waris, managing partner at TechLegis Advocates & Solicitors,

In case of non-compliance, the Budget has proposed imposition of angel tax on an amount exceeding the face value of shares during the year of non-compliance, with stipulated conditions.

Now, fair market value will be accounted for. The alternative investment fund (AIF) community also welcomed changes that all subcategories of Category I AIF get an exemption from Section 56.

"This is a great relief for the AIF ecosystem. The exemption applicable for category I (all subcategories) and category II AIFs (only venture capital undertakings or VCUs) from

BusinessLine

AIFs bat for parity in tax treatment with public market investors

K R SRIVATS
New Delhi, August 12

Alternative Investment Funds (AIFs) should have the same tax rates as public market investors — irrespective of whether their exits are through listed markets or through private sale.

This is one of the demands that Indian private equity and venture capital industry represented by IVCA has made to the government.

Currently, the Indian income tax code adopts a complex and differentiated approach on tax treatment of listed and unlisted shares at the hands of AIFs. There is no parity on the tax treatment

those done through public markets on aspects such as what would constitute long-term or short-term and the rate that would be applied.

When their exits are private, AIFs can end up paying higher taxes than public market investors would for the same gains and period of holding.

This issue is understood to have been raised at the level of Finance Minister Nirmala Sitharaman during her recent consultations with representatives of Indian private equity industry last week, as part of the broad based engagement with key financial sector players.

they were active managers of funds and there has been steady annual flow of more than $25 billion into the Indian economy, most of which was primary capital for investment-led growth.

It was pointed out that private capital has played just an important role in economic development as public markets, if not more, given the active engagement of PE and VC funds in their portfolio companies and there was no reason to have different tax treatments.

"There is no logic for having a differentiation. This government wants to simplify and improve ease of investing

lay the capital with active value addition in their portfolio companies. Also, in most markets of the world, taxes are not differentiated on the basis of public versus private sale. The tax treatment should be simple and consistent," Padmanabh Sinha, Chairman, Indian Private Equity and Venture Capital Association (IVCA), told *BusinessLine*.

'Govt responsive'

Sinha, who manages a private equity business within the Tata Capital fold, was present at the Finance Minister convened meeting, and felt the government seemed engaged constructive and re-

wards the $5-trillion goal.

IVCA has also been making a case for allowing tax deductibility of expenses including fund management fees during the computation of capital gains made by funds. Given the long-term nature of investor commitments into AIFs, nearly 15 per cent of the capital drawn down could go towards fees and expenses but these are not currently deductible for computing tax when the investor realises gains.

Taking the public market parallel again, in mutual funds, the capital gains is computed for investors on a NAV basis post deduction of

Business Standard

Private market investors bat for tax parity

GIRISH BABU
Chennai, 28 August

Private market investors are miffed on not being considered for a waiver on surcharge on capital gains as was extended to foreign portfolio investors (FPIs) last week.

Last Friday, the Union finance minister had cancelled the enhanced surcharge levied on long-term and short-term capital gain for FPIs, and for domestic portfolio investors.

This move has widened the tax gap between listed and unlisted shares. The tax rate on long-term capital gain (LTCG) from the stock market is 11.9 per cent, while gains from start-up investment is taxed at 28.5 per cent, says Ritesh Banglani of Stellaris Venture Partners. "This differential tax treatment will have the effect of choking the flow of domestic capital to start-

of the Venture Capital Council at Indian Private Equity and Venture Capital Association, says entrepreneurs struggle for years. A few earn handsomely if rewarded on the sale of their shareholding, which happens once or twice in a lifetime. A higher capital gains tax discourages talent, innovation and entrepreneurship.

With investors raising such concerns, the Central Board of Direct Taxes clarified on Wednesday that "the differential regime between domestic investors (including AIF category III) and FPIs existed even prior to the 2019 Budget and was, therefore, not the creation of the Finance (No 2) Act, 2019 or the announcement made by the finance minister last Friday".

While agreeing that the differential regime existed earlier, Goyal said investors were raising a different issue. The private mar-

WHY PE INVESTORS ARE UNHAPPY WITH SURCHARGE

- On August 23, FM withdrew surcharge on capital gains for FPIs, local investors
- Investors claim this roll-back excluded domestic investors who had invested in the domestic private market
- Investors and start-ups are unhappy as this would mean higher taxation for capital gains
- They feel foreign capital has been given a "preferential" treatment over desi money
- Demand tax parity as differential tax treatment will choke the flow of domestic capital to start-ups
- Gains from start-up investments to be taxed 2.4x higher than LTCG from stock market investments
- CBDT clarifies that there is no differential taxation and difference existed even before 2019 Budget

the public market and FPIs. This is despite the private market creating more employment for the investment made. "We need parity and must have it fast," he says.

The LTCG tax is 20 per cent for domestic investors and start-ups. The enhanced super rich

centage points. Critics say LTCG in most developed markets is not more than 15 per cent. With the enhanced surcharge, this would make entrepreneurs opting to incorporate a company from abroad, rather than in India.

Besides, in this situation, if

shares, the tax rate would come down from 20 per cent to 10 per cent even in the earlier situation. Now, even including the super rich surcharge, the income tax would be only around 14 per cent, half the combined 28.5 per cent tax.

entirely foreign owned. It will also lead to the companies themselves moving base to foreign countries, as many infotech start-ups have already done. Both these effects will be severely detrimental to India in the long run, says Banglani.

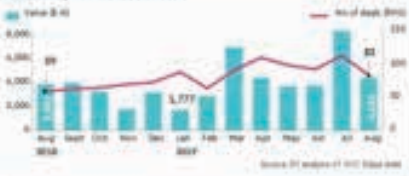
Gopal Srinivasan, chairman, TVS Capital Funds, has tweeted that Alternative Investment Funds (AIFs) are still neglected. "Foreign capital has been given preferential treatment over 'desi' money. Indian AIF-3 funds which invest in derivatives required to pay full surcharge; similar FPIs specifically exempted."

Aparna Ramachandran, governing council member and treasurer, TIE Chennai, said there would be some impact on pre-Series-A investments in start-ups due to this. However, this could be a first step to support the market and could be later extended to

FINANCIAL EXPRESS

‘PE/VC investments in India at all-time high’

Total PE/VC investments



PE BUREAU
Mumbai, September 10

August 2019 recorded 11 exits worth $691 million, 60% lower compared to the value of exits recorded in August 2018 ($1.6 billion) and 9% higher compared to exits recorded in July 2019 ($633 million)

PRIVATE EQUITY/VENTURE Capital (PE/VC) investments in India stands at an all-time high of $36.70 billion in 2019 having surpassed the previous high of $36.5 billion recorded in 2018, said the IVCA-EY report.

August 2019 recorded investments worth $4.4 billion across 82 deals, on the back of 16 large deals of value greater than $100 million and strong investment activity in infrastructure and real estate asset classes.

Exits recorded $691 million across 11 deals on account of large secondary exits.

From a sector point of view, infrastructure ($809 million), real estate ($764 million) and financial services ($734 million) were the top three sectors in terms of PE/VC investments in August 2019.

Investments in infrastructure and real estate sectors accounted for 39% of the total PE/VC investments in August 2019 compared to 29% in August 2018.

GIC’s $6.75 million investment in DB India’s road platform was the largest deal in August 2019 followed by Blackstone’s buyout of Coffee Day’s Global Village Tech Park for $400 million.

August 2019 recorded 11 exits worth $691 million, 60% lower compared to the value of exits recorded in August 2018 ($1.6 billion) and 9% higher compared to exits recorded in July 2019 ($633 million).

In terms of fund raise, August recorded total fund raises of $1.3 billion compared to $2 billion raised in August 2018.

In August 2019, Kotak Special Situations Fund raised the largest fund worth $1 billion to target non-performing asset (NPA) opportunities, the report pointed out.

Vivek Soni, partner and national leader, private equity services, EY said that given the deal momentum in various sectors, by the end of 2019, the total Indian PE/VC investment could potentially be in the range of $48 billion to $50 billion.

FINANCIAL EXPRESS Vol. 11 September 2019

Devdiscourse

PE/VC investments deal tally touches $36.7 bn in Jan-Aug

With transactions of over USD 4.4 billion, August 2019 witnessed a 39 per cent jump in venture investing over the year-ago, but there was a 47 per cent slide as compared to July 2019, a report said on Tuesday. Investments in January-August 2019 period have also reached a new high of USD 36.7 billion, surpassing the USD

livemint

Business Standard

NBFC sector moves to get over IL&FS crisis, PE/VC investments up 42%

FORTUNE INDIA

Swiggy, Danzo spice up hyperlocal space

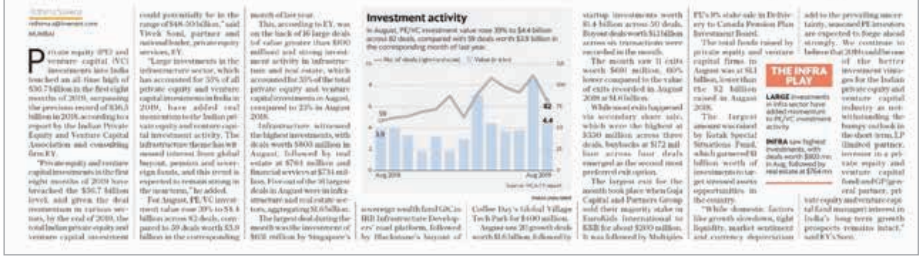
After seeing several shutdowns a few years ago, the hyperlocal space is abuzz with activity once again with players such as Swiggy and Dunzo expanding their roster of services as funding pours in.

By ARNIKA THAKUR AND DEBOJYOTI GHOSH, Oct 10, 2019 | 6 min read

Image: Anirban Ghosh

mint

PE/VC investments climb to an all-time high of $36.7 bn in January-August



Investment activity

Rise Newsfloor

PEs, VCs want pension fund money in startup funds

‘Champions breed champions’ – 50 quotes from Indian startup journeys

Business Today

WIN A STUDY TOUR TO A WORLD-RANKED UNIVERSITY

September quarter records highest ever PE, VC investments at $16.4 billion: EY

DAILY NEWSLETTER

Pre-Budget Meet: Fintech Firms Seek Steps To Push Digital Payments In Rural Areas

THE ECONOMIC TIMES

INVESTOR BODY SUGGESTS CREATION OF MULTIPLE GOVT-BACKED FUND-OF-FUNDS

PEs, VCs Want PF Money in Startup Funds

Ask pension funds to allocate 1% of assets to alternative investment funds

A New Start

Mega pension funds such as CalPERS and CalSTRS have allocated about $28 B and $23 B, respectively, to PE asset class

Indian pension funds have largely invested in MF’s, or have been allowed to invest in infra funds so far

The PE & VC industry is hoping for positive govt action in the upcoming budget

Biswarup Gooptu
wtmegroup.com

New Delhi: India’s private equity and venture capital industry is asking that domestic pension funds allocate 1% of their overall assets to alternative investment funds and is proposing the creation of multiple startup focused fund-of-funds, backed by the government, to channel such investments. The idea, mooted by the Indian Venture Capital Association (IVCA), the nodal body representing the sector, is also seeking tax breaks as incentives to create such pools of domestic capital.

The proposal, still in its infancy, was discussed behind two closed-door sessions at the recently concluded 2019 Global Venture Capital Summit, organised by Department of Industrial Policy & Promotion, along with the Goa government. Multiple stakeholders, including regulatory authorities, government representatives, IVCA and venture capital fund managers participated in the deliberations.

“Pension funds, for insurance, are the biggest repositories of capital. Most of the capital raised by venture capital funds in India currently comes from US sources,” said Rajat Tandon, president of IVCA.

NBFCs Seek Refinance Window, On-Tap Bonds

Cash-starved non-bank lenders have requested the RBI to allow a refinance window to be developed exclusively for para banks and permit on-tap issuance of bonds to raise funds, reports Saloni Shukla ▸▸ 10

‘Govt considering suggestion’ ▸▸ 8

THE ECONOMIC TIMES

'Govt Considering Suggestion'

▸▸ From Page 1

"There have been certain reservations till now, but we are hoping to change the status quo," he said.

The IVCA-led proposal is aimed at channelising this through focused fund-of-funds as well as development finance institutions.

"The conversations have started, and the government has been taking this into consideration, and hopefully some positive moves will come through soon enough," said Siddarth Pai, managing partner, 3one4 Capital, who attended the meetings in Goa.

The Modi government, in 2016, set up a Rs 10,000 crore fund-of-funds that is being operated by the Small Industries Development Bank of India (Sidbi) and is monitored by the Department for Promotion of Industry and Internal Trade (DPIIT).

In June, Times of India, citing Sidbi data, reported that the Startup India fund, which had a disbursal target of Rs 3,300-3,500 crore at the end of fiscal 2019, had allocated Rs 2,265 crore to VC funds over the same period.

"The (government) is looking at various fund-of-funds models globally and getting feedback from the industry on best practices. This is a bottoms-up approach," Pai said.

Historically, pension funds, such as CalPERS, CalSTRS, Canada Pension Plan Investment Board (CPPIB), Ontario Teachers' Pension Plan (OTPP), have been amongst the largest backers of venture capital and private equity funds globally. In the US, private equity constitutes 10% of the asset allocation for pension funds.

CPPIB and OTPP have also made direct investments in a number of leading Indian startups, such as Delhivery and Snapdeal.

In contrast, India's EPFO, which has a corpus in excess of Rs 10 lakh crore, is allowed to invest in government debt, corporate debt and public sector undertakings, but is barred from making equity investments. Similarly, the National Pension Scheme can only invest in listed equities.

"If international pension funds are allocating around 10% of their assets to PE&VC, we should make a start with even 1% allocation to local managers. This would have a multiplier or crowding in effect on the ecosystem as International investors would get more confidence from the presence of sophisticated local institutional investors into AIFs, believing that local institutions know the local landscape best," said Padmanabh Sinha, chairman, IVCA.

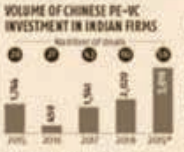
GLOBAL PRACTICE

Business Standard

Cross-border love for Indian start-ups

Not just from the likes of Alibaba and Didi Chuxing, Indian start-ups saw a surge in Chinese funding from financial investors this year

Ping An invested $75 million in Jaipur-based CarDekho earlier this month. This is its first investment in India



TOP CHINESE PE-VC INVESTMENT IN INDIAN COMPANIES IN 2019

Company	Investors	Amount ($Mn)
Lift & parkmobility India	SG Capital, GIC, Others	1,143
Flipkart	Alibaba, Milliam Lodge, Others	1,000
Oyo Rooms	Sunghua	880
Ola Technologies	Sunghua	672
Ola	GIC Capital, Milliam Lodge, Tencent, Milliam Capital, DST Global, Lightspeed Venture, Others.	500

TAKE TWO

IVCA
INDIAN PRIVATE EQUITY
& VENTURE CAPITAL ASSOCIATION

Promoting Private Capital EcoSystem

IVCA's Representations filed to various Government Authorities from June 2018 to Jan 2020		
Month	**Department**	**Recommendations**
April	DPIIT Ministry of Finance	Recommendation on Capitalization of Management Fees and other expenses in fund taxation regime.
May	CBDT	Witholding Tax - Lower tax rate for non-residents investing in an infrastructure focused Alternative Investment Fund.
	CBDT DPIIT	Tax parity for sale of unlisted shares with listed to boost Startup India
June	DEA CBDT	Offering safe harbour to India based fund managers of India-focussed offshore funds.
	RBI	Suggestions for consideration to ease investment in NPA's by Alternative Investment Funds.
	RBI	Recommendation on Foreign Investment in India Reporting (FCGPR related).
	CBDT	Recommendation on Investments by Venture Capital Funds in liquid mutual funds (MF's).
	DEA CBIC GST Council	Lower GST rate (5%) on services provided to AIF subject to the condition of non-availment of input tax credit
	CBDT	Pre-budget Submissions on Alternative Investments – (A) Exemption for AIFs from Section 56(2)(viib) of the Income-tax Act- **WIN : After a series of discussion and representations at MOF, DPIIT, CBDT and various pre budget government meetings, exemption to CAT I & CAT II (restricted to investment in venture capital undertakings- VCU) funds has been granted from the preview of Section 56(2)(viib). This should be a big relief for the AIF Industry.** (B) Pass through status for losses of CAT I and II AIFs in the hands of the investors **WIN : Just like profit, allowed CAT I & CAT II to pass-through their losses to limited partner(LPs) or investors via Finance Bill 2019.** (C) Allow set off of management fees from returns. (D) Fair & consistent tax regime for AIF III (E)Encourage AIFs in the International Financial Services (IFSC) **WIN : Exemption to CAT III AIFs set up in IFSC from capital gain tax. This would encourage a lot of local fund managers to IFSC.** **Fund managers in IFSC will get a 100% tax exemption in any 10- year block within a 15 year period.** **The IFSCs will also be exempt from dividend distribution tax from current and accumulated income to companies and mutual funds.**

July	Smt Nirmala Sitharaman Hon'ble Minister of Finance, Government of India, DEA, SEBI & CBDT	Exclusion for SEBI registered investment vehicles such as Category III Alternative Investment Fund ('AIF') from the ambit of the increase in surcharge proposed in the Union Budget 2019-20
	SEBI	Proposed changes with respect to investment by category III AIFs into units of other category III AIFs (fund-of-funds structure for category III AIFs)
	CBDT	**Notification issued on 26th July, 2019 by CBDT, Ministry of Finance exempting a nonresident and foreign company earning income from Investment Fund(CAT I & CAT II) in IFSC from filing Income tax return prescribed to conditions as mentioned.**
	MCA	Impact of restriction of number of Partners in Limited Liability Partnership Act, 2008 ('LLP Act') on Alternative Investment Funds
	SEBI	Recommendation in relation to Segmented approach for templatisation of PPM in light of self-sufficiency of such investors
	SEBI	Proposed changes with respect to investment by category III AIFs into units of other category III AIFs
August	Finance Minister, CBDT, DEA	Recommendation to withdraw the higher surcharge for FPI and Category III AIFs as well
	SIDBI	Utilization of funds under FFS scheme for secondary investments
	CBDT	Representation for streamlining the assessment procedure of VCFs – furtherance to our representation on Investments by Venture Capital Funds in liquid mutual funds (MF's).
	Finance Minister	Taxation Code for AIFs
September	DEA	Tax code for taxation for Alternative Investment Funds
	CBDT	Alternative Investment Funds tax code recommendation
October	DPIIT	To Consider funding for follow-on funds investing in Startups
	RBI	Clarification that AIFs set up as trusts be regarded as a 'qualified buyer' under SARFAESI Act 2002 and amendment to the conditions prescribed in RBI Notification DNBR (PD-ARC) No. 07/ ED(SS) /ED(SS) - 2018 dated 16 May 2018 ("RBI Notification")
	RBI	Proposal in the foreign investment regime under Foreign Exchange Management Regulations, 2017 ("TISPRO Regulations") to enable FPI invest in CAT I & CAT II AIFs
	Ministry of Housing and Urban Affairs	Real Estate Private Equity Funds Related Issues
	CBDT	Modification in tax regime for AIFs investing in distressed asset
	CBDT	Recommendation for Pass through taxation regime to Cat III AIFs
	SEBI	Taxability of income arising to Category III Alternative Investment Fund ('Category III AIF')
November	DEA	IVCA representation for streamlining the assessment procedure of VCFs
	Finance Minister, SEBI, DEA, CBDT & PEA	IVCA Pre-Budget Recommendations for Alternative Investment F.Y. 2020- 2021
December	MCA	Facilitate listing of Indian Unlisted in overseas jurisdiction
	Joint Secretary to PM & Finance Minister	Pre-Budget Recommendation – "Onshoring the offshore funds & building domestic capital pools for Indian start-ups to remain Indian"
January	SEBI	Consultation Paper on Introduction of Performance Benchmarking and Standardization of Private Placement Memorandum for AIFs
	SEBI	Allowing CAT I AIfs to invest into NBFC
	CBDT	Taking VC/ PE investments from ₹ 2 lakh crore to than ₹ 10 lakh crore to reach the US$ 5 trillion GDP

IVCA MEMBERSHIP BENEFITS

EVENTS PARTICIPATION

- Speaking opportunity at events
- Access to Ministers attending IVCA Meetings and Government Roundtables

- Government agencies regularly approach IVCA seeking suggestions on reforms.

- Masterclass / Knowledge sessions arranged on request in partnership with Knowledge partners

- Invite to Sector/ Council events and Circle/ Networking events
- Special members discount to IVCA Conclave and Masterclass

- IVCA members discount to partnered events and international events

IVCA MEMBERSHIP BENEFITS

Research – Publications – Social Media - Others

- Access to representations submitted by IVCA to Ministries and Govt. Departments
- Preferential access to IVCA PE/VC Industry Directory
- Access to Sectoral reports and Industry Data Monitor
- Member fund outreach via IVCA Social Media channels. (Updates, Interviews, Twitter & FB Live)
- Arrange articles and interviews in leading business newspapers and magazines, TV channels & Youtube
- Nomination and voting for IVCA Executive Committee Elections
- Receive copy of RIPE Magazine
- Promote your Fund and Deals Info/ Articles via Daily Newswire
- Daily industry and quarterly regulatory updates in your inbox.

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