

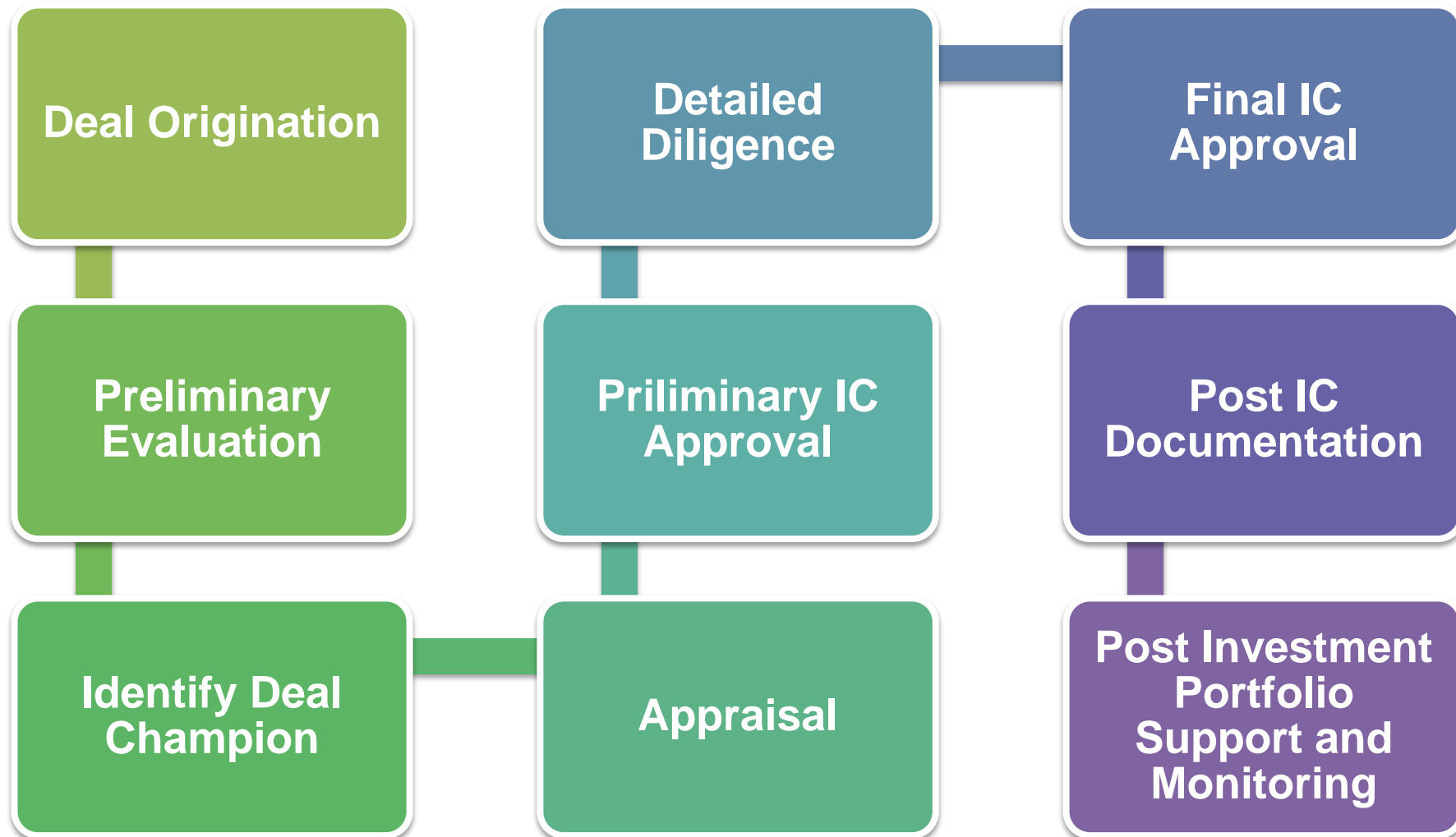
Introduction to our INVESTMENT PROCESS



clje

Building energy
businesses: knowledge
sharing workshop with
business incubators and
entrepreneurs from
Asia & Africa
23 Sept 2014
Bangalore, India

INVESTMENT PROCESS FLOW DIAGRAM



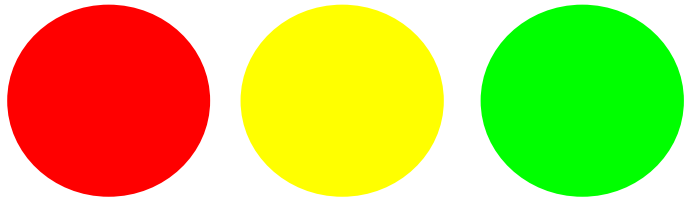
PRELIMINARY EVALUATION PARAMETERS

- Team
- Market opportunity
- Scalability of the business
- Entry Barrier/ competitions/Points of differentiations
- Traction (dependant on stage: commercial/
pilot/prototype)

IDENTIFY DEAL CHAMPION

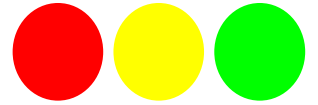
- Availability
- Expertise
- Interest

WRITE DEAL APPRAISAL



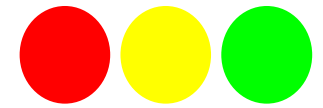
APPRAISAL – COLOUR NOTES

- **Red Signal:** If the Deal Champion thinks that there are some major issues or dangers with any of the factors, then he/she gives a red signal for the parameter.
- **Yellow Signal:** If the Deal Champion thinks that there are some issues that need to be discussed and sorted before the deal can be taken forward, then he / she gives a yellow signal.
- **Green Signal:** If the Deal Champion feels satisfied with the information received from the company and thinks there are no existing problems, then he / she gives a green signal.



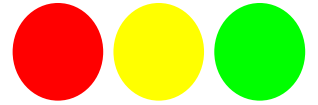
APPRAISAL - MANAGEMENT TEAM

- How did they start this? What was the inspiration?
- Team bonding/how did the team come together?
- Promoters' background (education, past experience, entrepreneurship experience in the past)
- Promoters' skin-in-the-game/commitment: part-time/full-time? Investment made or resources brought to the Company/time invested so far
- Management team expertise: domain and functional expertise
- Quality of other key personnel / middle management (fit with role)
- Are the major skillsets needed by the Company available with them?
- Advisors/mentors - details



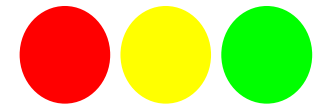
APPRAISAL - PRODUCT OR SERVICE

- What are the Company's offerings? (Products/Services) What is the stage of development for your product?
- Target customer segment and clear customer profile(s)?
- What are the value proposition of the offering(s)? Customer value add? What benefit do they provide the customer with? Is there a pain point it is solving? Clear customer ROI.
- How differentiated is your product or service from its competitors (direct or indirect)?
- Do you have any regulatory hurdles you must cross to enter the market?



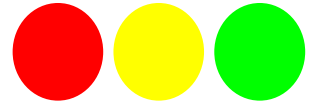
APPRAISAL - BUSINESS MODEL

- Describe the business of the Company and their business model
- Clear revenue strategy?
- Does the venture have a clear business model?
- Do you have a niche/beachhead strategy for entering the market?
- What are the sales/distribution channels? How strong?
- Who are the key vendors? (Fit with requirement)
- Is the marketing strategy in place? Has it been effective?
- If product development, any R&D partnerships?
- Any competitive advantage that comes in from the partnerships above?



APPRAISAL - INDUSTRY AND MARKET

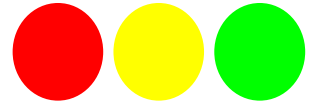
- What is your total addressable market?
- What is your potential for capturing market share?
- Are there secondary market opportunities for your product or service?
- What are geographies you are currently in & will be expanding to in future.
- Key industry trends that support your business (domestic and international)
- Key risks the industry is facing that could affect your business (political, economic, socio-cultural, technology)



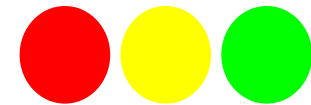
APPRAISAL - COMPETITIVE LANDSCAPE

- Are there recognized major, incumbent players in the market? (Startups as well as larger companies)? How are they different from you in terms of offering, business model etc.?
- Is the market consolidated or fragmented?
- How fast are your competitors growing? (domestic and internationally)
- How strong and sustainable are your competitive advantages?(domestic and internationally)
- Are you the first mover and is that critical?

APPRAISAL - INTELLECTUAL PROPERTY

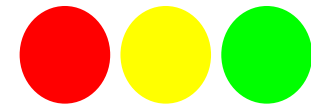


- Does the venture have any patents?
- Does the venture have any trademarks?
- Does the venture have any trade secrets?
- How formidable are the barriers-to-entry with regard to the company's IP?
- Does the company have appropriate IP agreements with all key employees and nondisclosure agreements with all employees?



APPRAISAL - COMPANY FINANCIALS

- Current financials (last year's and YTD revenue and EBIT)? Have they been audited?
- Current monthly burn rate and monthly sales run rate
- Any major debts, liabilities? Any major receivables under risk?
- Has the Company ever faced a compliance issue - tax, accounting, legal?
- Do the financial projections look realistic on first glance? How big is the topline expected to be in 3-5years?
- Unit economics- revenue per user/customer vs cost per user/customer
- Describe your commercial traction



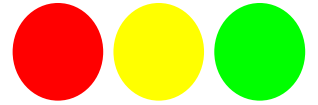
APPRAISAL - THE DEAL

- Current cap table
- Investment amount and its utilization plan?
- Are there co-investors in the deal? Are the Promoters also investing?
- Has the Company raised investment before this? Details (Investors, Valuation, Amount, Key terms we should be aware of)
- Valuation - Any idea of what the Company might expect? Do we believe this will be an expensive deal?
- What's your runway before the fundraise?

APPRAISAL - EXIT STRATEGY

- What are the potential exit options? Company buy-back, Strategic?

APPRAISAL - RECOGNITION & REFERENCES



- Have we got some references for the team and the Company from within our network? Can we do a quick sanity check?
- Recognitions received by the Company and the Promoters?

FORMATION OF THE INVESTMENT COMMITTEE

ROLE AND RESPONSIBILITY OF IC

DETAILED DUE-DILIGENCE

- Business DD
- Technical DD
- Legal and Accounting DD
- Social and Environmental (ESDD)

TERM SHEET COMPONENTS

ECONOMICS

- Valuation
- Instrument
- Dividend
- Liquidation preference
- Option pool
- Anti dilution etc

CONTROL

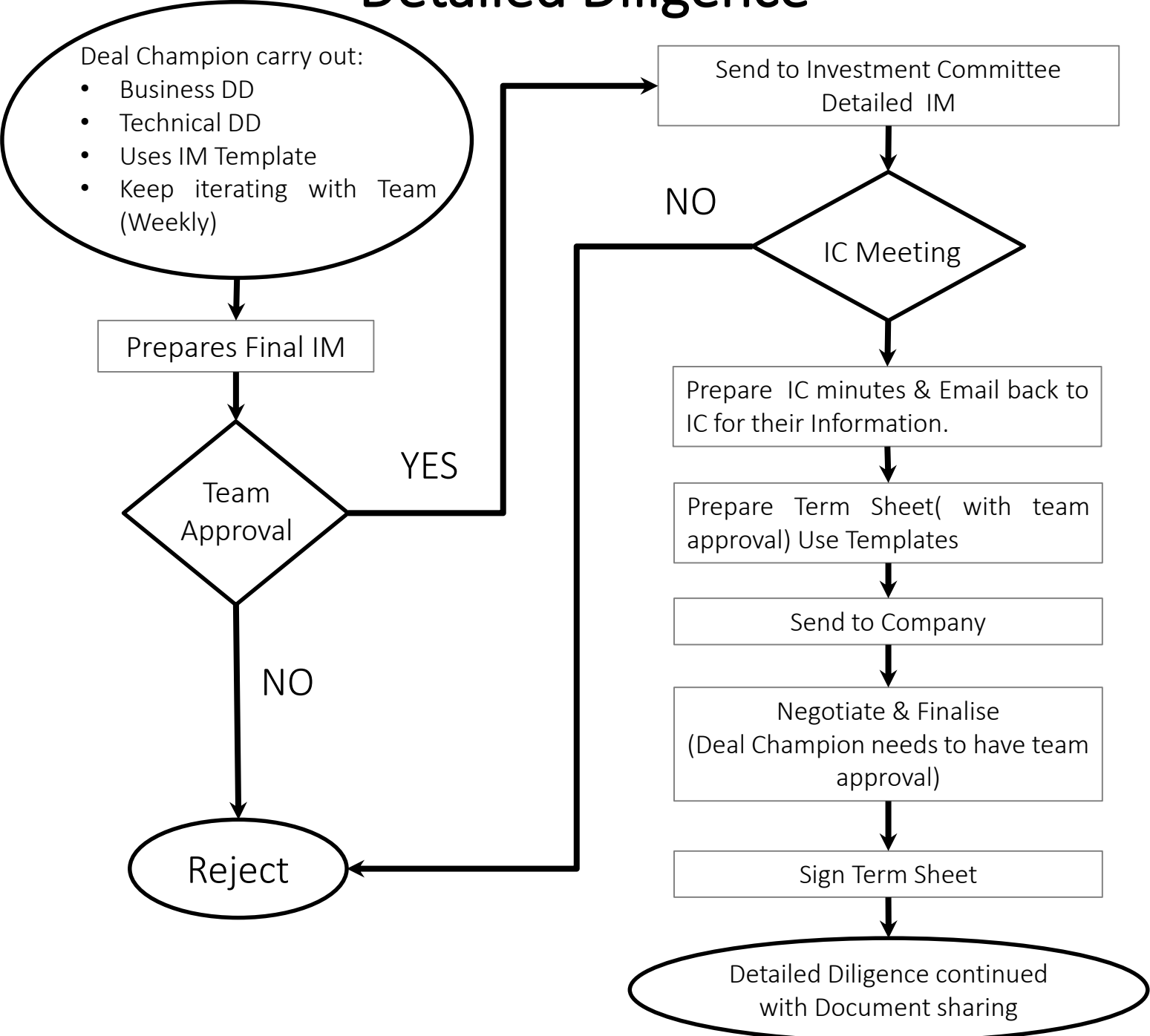
- Participation rights
- Tag along
- ROFR
- Drag along
- Voting rights
- Board representation
- Information rights etc

TERM SHEET IS NOT A LEGAL
PROMISE TO INVEST

it is an intent to invest subject to
fulfillment of conditions and due
diligence

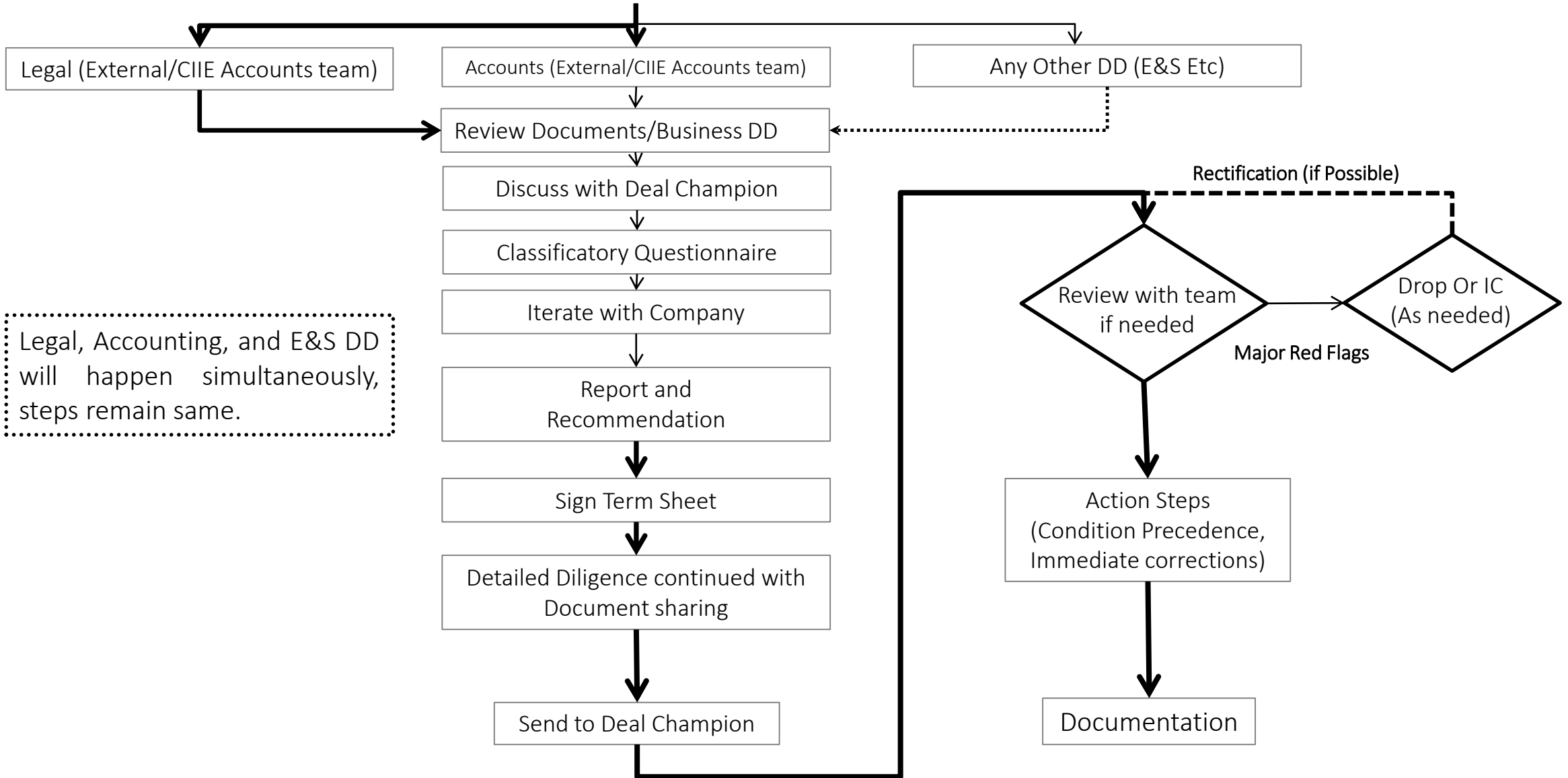
Thank You

Detailed Diligence



Detailed Diligence (Continued)

Send Document checklist for Legal & Accounting DD
[Check All existing does shared]



Documentation

