

houses opted to adopt the mark down route.

Given these developments, the market regulator swiftly brought about side pocketing, a feature which can be opted by fund houses to protect the interest of the existing investors. Through side pocketing, the affected debt fund is split into two. The newly formed fund will have all of the affected papers thereby leaving the existing fund cleaner. Thus far very few fund houses have opted for this provision in their affected portfolio. As of November 2019, Nippon India Mutual Fund, Aditya Birla Sun Life Mutual Fund, Tata Mutual Fund and UTI Mutual Fund had to undertake side pocketing.

Some gained

"The turn of events over the past one year has brought credit due diligence and risk management practices sharply into focus," says Pankaj Mathpal, MD and CEO, Optima Money Managers, a financial advisory firm. There have been fund houses which have had to write off their entire holdings leading to a crash in its NAV to the tune of over 40 per cent. On the other hand, there have been fund houses which have managed to register gains in the meantime.

ICICI Prudential Mutual Fund is a case in point. As one of the leading fund houses in the country, ICICI Pru MF has managed to successfully stay away from the debt market crisis. According to the financial planner what has worked well for the fund houses is the presence of an in-house independent risk management team entrusted with overseeing credit evaluation and approval processes.

Several MF industry mavens believe that the biggest outcome of the developments over the past one year has been increased focus on risk management and portfolio diversification in debt funds. It has also brought to the investor's focus that debt funds too can be volatile. Also, when investing in credit risk funds investors should realise that rating upgrades and downgrades is part and parcel of credit investments. The other major learning has been that chasing higher YTM could lead to ruin in certain cases.

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VENTURE CAPITAL

One more in the offing

Unicorn India Ventures announces its second equity fund



Majumdar and Joshi: identifying top quality start-ups

The Mumbai-based Unicorn India Ventures (UIV) aims to invest in early stage start-ups and it has announced the launch of its second equity fund, ₹400 crore in size, which is expected to first close at ₹100 crore by January 2020. Fund II will look to invest in Pre Series A and Series A in sectors like B2B, SaaS, fintech, health tech, robotics, gaming and digital content. "The ticket size will be to the tune of ₹3-5 crore," informs Anil Joshi, managing partner, Unicorn India Ventures, which launched its first fund in 2015 and has invested in a variety of start-ups since then – its fields of activity ranging from consumer internet to on demand to media tech.

"In late 2017, we had actively started scouting for investment opportunities in tech-heavy sectors like AI, robotics, IoT, 3D cyber security and fintech," adds Joshi who, along with Bhaskar Majumdar, started UIV in 2015. Since then, the fund house has also launched a UK-India cross-border fund for funding UK start-ups seeking to enter India. It has invested in six UK start-ups so far. UIV's first fund has invested in 18 companies like VLCC VanityCube, Inc42, Sequaretek,

Pharmarack, GrabonRent, Inntot, Genrobotic, SectorQube, Perfit, NeuroEquilibrium, SmartCoin, Open Bank, Boxx.ai, Clootrack and Openapp, to name a few.

"Our investment philosophy has been to enter at an early stage with an average investment size of ₹3-5 crore and follow up to Series A and B by backing high potential start-ups," explains Majumdar, a seasoned media and technology executive and an entrepreneur. "The investment size has the potential to go up to ₹10-30 crore during the follow-on rounds". In the past decade, he has been an early stage investor and advisor, especially in the UK and India, having held senior corporate positions with The Times of India, Zee Telefilms and Altavista UK.

In 2000, Majumdar started his first entrepreneurial venture, Recreate Solutions, a digital media company backed by Insight Partners. After scaling the business, he sold it to a US systems integrator. He has since then been an investor in a number of technology and media early stage business through his proprietary fund,

Heath Ventures, and has invested his proprietary funds in more than half a dozen start-ups in the UK and India, across media technologies, PaaS and social segments. He has exited businesses as an entrepreneur and investor and brings a sense of positioning businesses for exit.

Joshi, on the other hand, is an early entrant into early stage start-up ecosystem in India and got a chance to see the evolution of Indian start-ups while heading Mumbai Angels. Having realised that there were just a handful of VCs which invested in early stage and a large opportunity existed in the area to tap in, Majumdar and Joshi came together to launch UIV in 2015, aiming to further strengthen the early stage investment ecosystem. “Our know-how of the start-ups and complementary skill sets has helped us identify top quality start-ups and entrepreneurs, who are looking to disrupt the market with high impact innovations,” says Joshi. “Our investment philosophy is supported by axioms such as ‘no invest in solo founder ventures’, ‘no investing in just an idea’, ‘good traction and revenues needed in the businesses of entrepreneurs who seek funding’, ‘see a clear path to profitability’, ‘preference to entrepreneurs investing their personal wealth in the start-up, with the entrepreneur’s skin seen in the game’ and ‘say no to high-cash-burn businesses’, etc”.

“From the first fund, some of the clear winners have already emerged, such as Open Bank, SmartCoin, Sequaretek, Pharmarack and Neuro-Equilibrium,” adds Majumdar. “At the same time, the fund has also backed a few business ideas in their nascent stages, like Genrobotics, a robotic machine to eliminate manual scavenging and Openapp, an AI-based smart locking solutions company”.

Different philosophy

UIV invested in Sequaretek in two tranches – the first one, of ₹1.7 crore, in May 2017; and another, of ₹6 crore, in September 2018. “Unlike most financially driven investors (read funds), UIV has always maintained a different philosophy, where it has been a mentor and guide, offering connects and functioning as a sounding

OTHER INVESTMENTS

Openapp: An AI-powered, smart-locking solutions start-up, Openapp was started in 2015 by Gotama, Rajshekhar and Siddhesh. UIV found the business idea unique, as the company was attempting to automate lock and key mechanism for enterprises and replace it with IoT-enabled digital locks with bluetooth and GSM capabilities, making it more secure for companies to protect their physical assets and bring down their goods damages costs. As Openapp’s image as a hardware company, instead of being a tech solutions maker, was a deterrent in signing in new businesses, UIV worked closely with Openapp to redefine its positioning, changing the business model to generate revenues faster for each lock sold. This was achieved by making an important suggestion – monetising the access points of the locks. Mentoring by UIV also resulted in Openapp’s business pivoting, with the result that the company soon plans to announce its B2C foray.

Open Bank: Started by serial entrepreneurs, Open Bank pioneered the concept of neo-banking in India at a time when fintech start-ups were active only in digital lending space like P2P lending, loans to SMEs, advance salary, etc. When Open Bank’s turn came, UIV decided to back it, as it saw the trend catching up in India soon. Open Bank has proved to be the biggest performer from the entire portfolio, with the company securing \$30 million funding from Tiger Global recently.

board,” says Pankit Desai, co-founder & CEO, Sequaretek. “And the best part is that all these are offered without ever being overbearing or condescending. We have heard several not-too-pleasant stories of companies going haywire because the investors’ objectives were at variance with what the company/founders had set out to attain. And, our experience with UIV suggests that every interaction is accretive in nature and whether to accept a suggestion or not is completely at the company’s discretion”. Desai and UIV had come together through the investment banker, JR Laddha Financial Services.

Pharmarack, a health-tech company, brings pharmacies, distributors and drug manufacturers on to a digital

platform and automates the healthcare value chain starting from order processing and inventory management to final delivery to pharmacies. UIV has invested about ₹5 crore in the company and is also on its board. “UIV has helped shape the company to move away from being a SaaS product company to be a more holistic ecosystem player for the supply chain in healthcare industry,” affirms Amit Backliwal, co-founder & CEO, Pharmarack.

Adds Pradyumn Singh, co-founder & MD, Pharmarack: “We have had great help from both Joshi and Majumdar. When Unicorn came on board our idea was validated and execution was on point. But, with time, we realised that we are not going after a bigger market, which is an open field. However, we felt that we lacked the strategic vision for the company, while execution remained our strength. UIV guided us through this phase and suggested that we bring on board an experienced pharma professional. That’s how Backliwal came onboard to steer Pharmarack to the next level, where we expanded our market and pivoted the business model, to emerge as one of the largest SCM players in the healthcare sector in India”.

Genrobotics, which was incubated at the Kerala Start-up Mission in 2017, got connected with UIV through the idea day pitching programme conducted by Kerala Start-up Mission, where Joshi was present at the pitching and was impressed by the team and idea of cleaning manholes using robotics. UIV put in ₹72 lakh in the company in January 2018. “UIV is supporting Genrobotics to connect with mentors and potential customers for marketing the products,” says Vimal Govind, CEO, GenRobotics. “It is giving advice and strategic direction to uplift the company”. Besides, Rajan Anandan (former MD and vice-president, Google) and Lalit Jain (founder-director, Planetcast Media Services) have also invested in GenRobotics through UIV as an angel investor.

“While UIV is looking at returning to investors in December 2019, the NAV of the fund has already grown by 3-4 times,” concludes Majumdar.

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