

ACMA Start-up Initiative

2nd Workshop

28th July 2021



www.pwc.in
Strictly private and confidential

Opening address ...

Working Committee Chairperson and Co-Chairperson



Satish Machani
Working Committee Chairperson



Kiran Deshmukh
Working Committee Co-Chairperson

2nd Workshop

Agenda : 28th July 2021 (2-5 PM)

SI	Session	Details	Speaker	Duration
1	Opening session	- Working committee chairperson and co-chairperson welcome members - PwC details the agenda and structure of the workshop - Recap of workshop 1	Mr. Satish Machani Mr. Kiran Deshmukh Mr. Kavan Mukhtyar	10 mins
2	Discussion round; web portal; start-up sample discussions	- PwC team: How the discussion rounds will be conducted; start-up outreach, evaluation criteria (20 mins) - ACMA: web portal walkthrough (10 mins; Presentation + Q&A) - Start-up Introduction #1: (20 mins + 10 min Q&A) - Start-up Introduction #2: (20 mins + 10 min Q&A)	PwC Team Webee Social Start-ups	90 mins
		Break		10 mins
3	Modes of start-up engagement; due diligence	Mr. Amit Nawka and team: How to conduct due-diligence, valuations (50 mins + 10 mins Q&A)	Mr. Amit Nawka Mr. Kushal Jain Ms. Chetna Gangadharan	60 mins
4	Next steps	PwC intimates next steps. Vote of thanks by Mr. Satish Machani and Mr. Kiran Deshmukh	Mr. Satish Machani Mr. Kiran Deshmukh PwC Team	10 mins

PwC team today...



Kavan Mukhtyar
Partner, Automotive Sector
Leader, PwC India



Amit Nawka
Partner, Deals; Start-up Leader
PwC India



Amit Dakshini
Director, Management Consulting
Auto & Mobility



Somnath Chatterjee
Senior Manager, Management
Consulting – Auto & Mobility



Faisal Khan
Project Team Member



Sophia Dsouza
Project Team Member

A quick recap of 1st workshop

The 1st Workshop consisted of 4 sessions covering a range of topics

1 Trends in auto & mobility; role of start-ups	2 Start-ups? Why engage?	3 How to better engage?	4 Priority areas
• Future of mobility characterized by CASE disruptions • Start-up play across themes depends on multiple factors like economies of scale etc. • On enterprise front, technology will enable multiple use cases across value chain functions • Experience sharing session	Speaker session: Mr. Murali Talasila • India has a budding start-up ecosystem with a growing share of auto & mobility start-ups • Start-up ecosystem: different stakeholders such as government, incubators, corporates • Access to disruptive solutions -top reason of collaboration (survey)	• Traditional companies and start-ups differ in their views and approach towards doing business • 11 tenets of engagement - operating approach, performance metrics etc. • Experience sharing session <i>“Creating an interface team that sensitizes the company to the needs of start-ups is important”</i> <i>“Gap in mindsets need to be bridged for better collaboration”</i>	• Members prefer early & mid-stage start-ups as target • Top themes: capabilities in the EV space (components, e-mobility value chain) and smart manufacturing (Industry 4.0 applications) • Members agree to keep an open mind, review progress and course correct, if required

Agenda

Topic

Duration

1 Discussion rounds; web portal; sample start-ups

90 mins

2 Modes of engagement; conducting due-diligence

60 mins

1

**Discussion
Rounds + Web
Portal**

2

**2 Sample
Discussions**

What we have covered till now

- **1:1 sessions** with all 16 pilot member companies
- **ACMA Survey for pilot members:** Understood **priorities areas** for the program, and views on collaborating with start-ups
- **Workshop 1:** trends in automotive & mobility, what role do start-ups play and how to effectively engage with them, experience sharing
- Knowledge series + Experience sharing sessions
- **Theme Prioritization:** Identified top themes for investment and efficiency track

Discussion Rounds: How will they be conducted

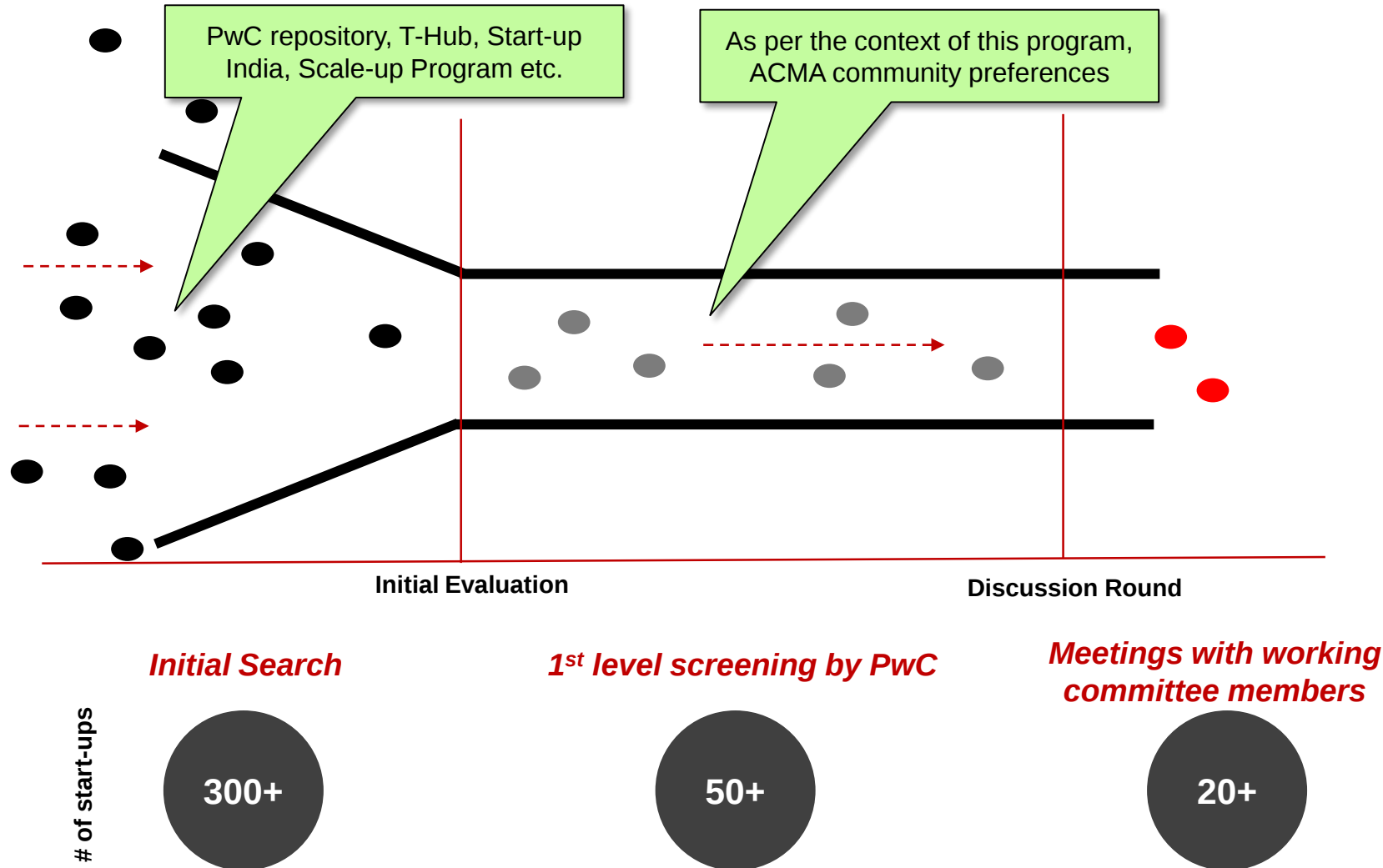
Top Themes for Wave 1

Electric Vehicles	Smart Manufacturing
- Electric Vehicle Components E-Mobility Value Chain (e.g., EV charging, battery swapping)	Industry 4.0 solutions: - Quality Management - Energy Management - Process Automation - Predictive Maintenance - Traceability etc.

Flow of the Discussion Rounds

- 1st level screening – PwC** - High-potential **start-ups** active in the shortlisted themes **identified**
- PwC has already **initiated start-up outreach**, reaching out to start-ups on PwC's platform as well as those recommended by our network and peers
- Start-ups will submit corporate decks, investment memorandums** and other artifacts
- Start-ups that **clear the 1st level** of screening **presented to working committee**, which will evaluate start-ups; PwC will provide guidance (evaluation criteria etc.)
- Recurring fortnightly meetings** with working committee with 3-4 start-ups
- Simultaneously, WeBee Social will create **ACMA Web Portal** which will our repository for the start-up initiative

For outreach, we have identified high potential start-ups on our platform and through our network



1st level screening

- Initial evaluation criteria based on PwC's broad experience working with start-ups
- Criteria also takes into consideration parameters that working committee members consider important
- **Key Parameters included:**
 - Disruptiveness of solution
 - Stage of product maturity
 - Auto-specific use cases
 - Founder(s) credentials
 - Stage of funding
 - Existing customers

We have evaluated start-ups across a broad range of themes for both the investment and efficiency track (1/2)

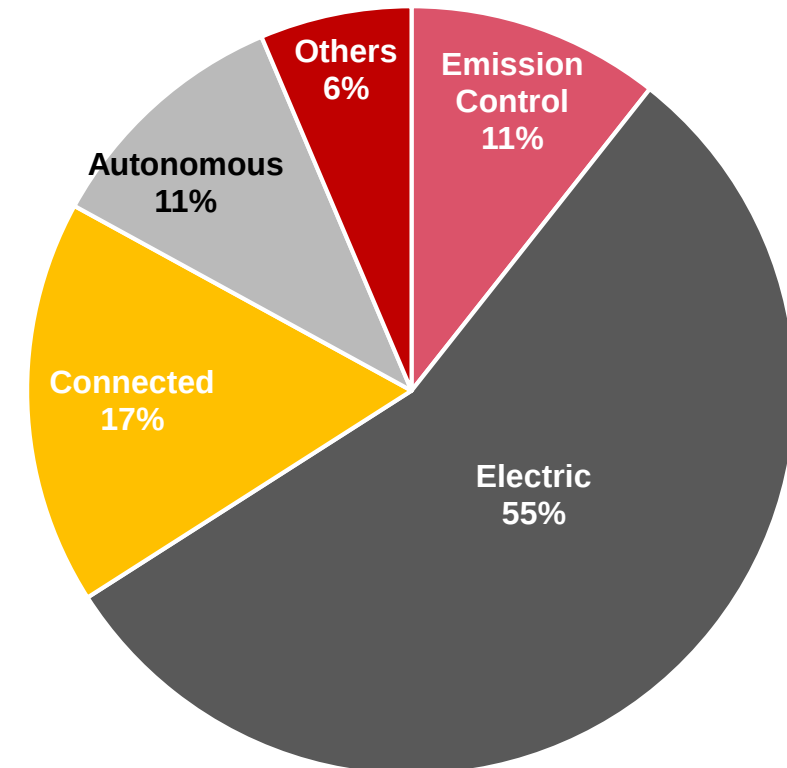
Investment Track

- **Electric Vehicle:** components & services
- **Autonomous Vehicles:** technology & components
- **Connected Vehicle:** components & services
- **Emission Control**

Number of start-ups* (1st level of screening): 30+

*going in view based on stage of funding, whether tightly-coupled with other companies etc.

Theme-wise Breakup



*others: smart parking, online retail platform

We have evaluated start-ups across a broad range of themes for both the investment and efficiency track (2/2)

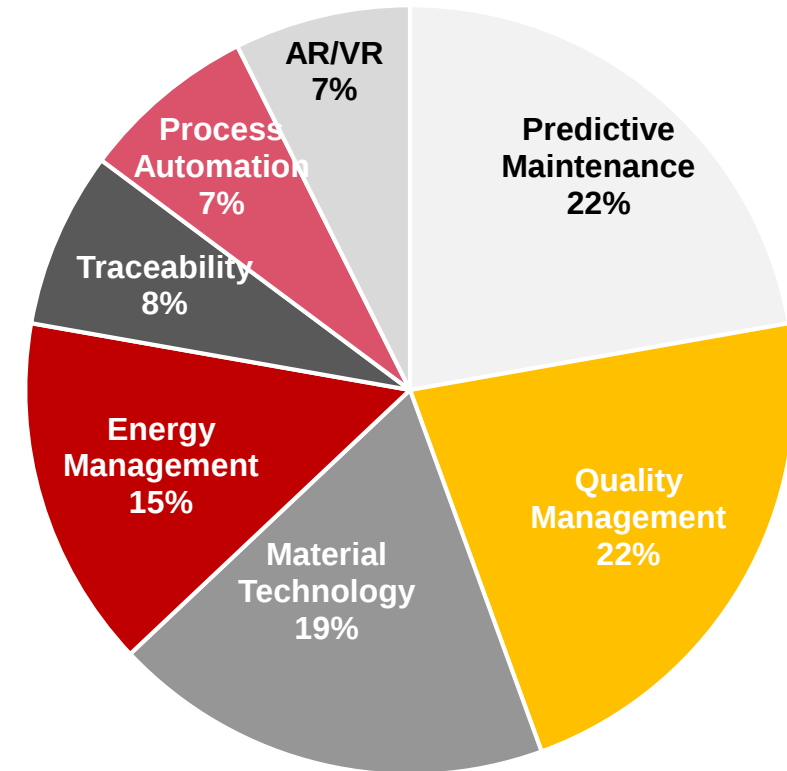
Efficiency Track

- **Industry 4.0 solutions:** Quality Management, Energy Management, Process Automation, Predictive Maintenance, Traceability, AR/VR etc.
- **Material Technology**

Number of start-ups* (1st level of screening): 20+

*going in view based on stage of funding, whether tightly-coupled with other companies etc.

Theme-wise Breakup



Let us understand how the evaluation process will flow in different scenarios

In fortnightly meetings starting from 13th August, PwC will invite 3-4 start-ups (from the identified themes) to present to working committee members

After each start-up presentation, members will vote and **declare their interest** on further evaluation and communicating with that start-up. There will also be an evaluation criteria provided for scoring.

If ≥ 3 votes: group engagement

If < 3 votes: individual engagement

Scenario #1

Individual Engagement (Eff. & Investment Track)

- Start-up presents, and < 3 members vote as “Yes”
- Interested members will promptly and openly declare their interest to further engage with start-up
- If NO members are interested, start-up does not go to next round for discussions
- If < 3 members interested (i.e., 1 or 2), PwC will facilitate 1st round of discussion between member companies and start-up (a more elaborate one). Each member company is free to decide on how to take interactions forward.

Let us understand through different scenarios

Scenario #2

Group Engagement (Investment Track)

- Start-up presents, and ≥ 3 members vote “yes”.
- **Say 5 member companies** are interested in investing in the start-up , they will form a group
- Agree and collectively appoint a **lead coordinator** (from within the group, generally someone with past experience)
- PwC will facilitate the initial one-to-many meeting ; after which Lead–coordinator of the group will lead the discussions
- **Once discussions with start-ups reach at valuation stage** (post individual company’s due-diligence) - the group will collectively discuss and agree on “one valuation” of the start-up and % stake interested in. (Note: individual companies within the group will not form individual valuation which will lead to start-ups bidding against each other)
- Say, the group values the start-up at **INR 100 Crores at 20% stake** in the start-up. Therefore, the group has agreed to invest INR 20 Crores (Of course, this will have to be agreed on with the start-up)
- This INR 20 Crores will be first **offered equally between the 5 member companies**, i.e., every member company will have a right to invest INR 4 Crores each
- **2 sub-cases** are possible

Let us understand through different scenarios

Sub-Case #1

Each member **okay with investing INR 4 Crores**

- **Lead coordinator will act as the point of contact** between the group and the start-up during future interactions
- However, the **contract between the start-up and the investors will be at individual level** (i.e. the investments are not pooled together) – as all are separate legal entities.

Sub-Case #2

Some members unwilling to **invest INR 4 Crores**

- Example - if 1 member company out of the 5 in the group declares that it can invest only INR 2 Crores, then:
- The remaining INR 18 Crores, will again get divided equally between the remaining 4 members, i.e., now each of the 4 members have right to invest INR 4.5 Crores instead of the previous INR 4 Crores
- The process will go on till we reach Rs 20 Cr, if not the valuation and investment decisions will be revised accordingly.

Let us understand through different scenarios

Scenario #3

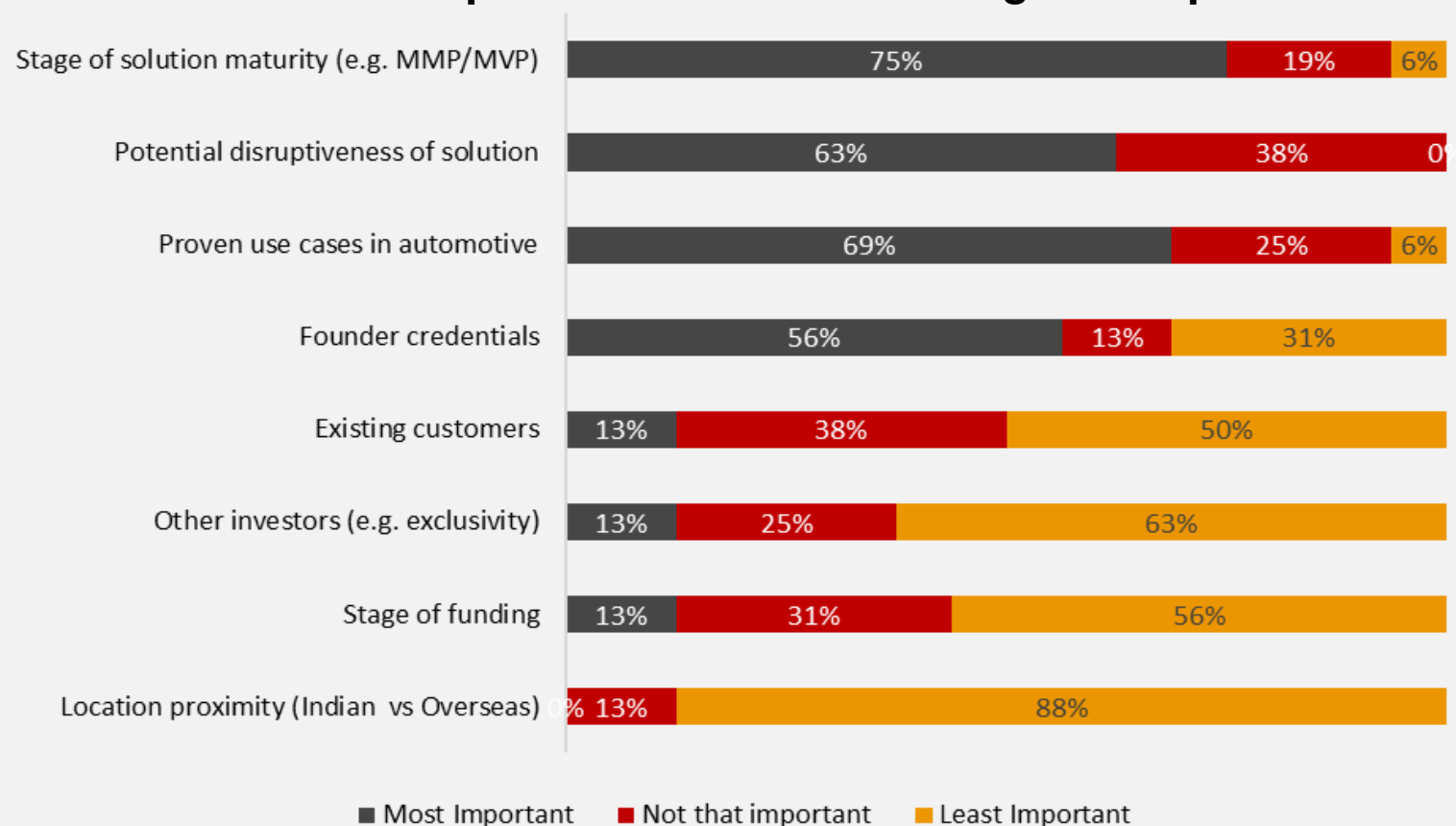
Group Engagement (Efficiency Track)

- Start-up presents, and ≥ 3 members vote YES.
- Interested in **partnering with the start-up through PoCs/pilots**; will form a group and interact with the start-up as one group of potential partners
- Lead coordinator, single point of contact
- After 1st round, group decides the best course of action how to further engage (e.g. through service contracts).

- **For all cases, Follow-on communications** will be done in an **open and transparent manner**
- There will be a **tracking sheet with Start-up committee** and ACMA will keep track of all these future incremental interactions

Top Criteria Preference : Start-ups with **disruptive & proven automotive use cases ; founder credentials**

Criteria importance when evaluating start-ups



Preferred evaluation criteria

- Pilot members are **willing to work in a group with 10 out of the 16 members** considering **exclusivity** to not be a very important criteria, **ranking it in their bottom 3**
- Pilot members are indifferent between Indian and foreign start-ups, rather **preferring start-ups with ready-to-use solutions**

For detail discussions | Start-up evaluation guidelines – *Investment Track*

Parameters	Things to Consider	Weight (%)	Scores (1-5) (1: Worst, 5: Best)
Stage of Evolution of Start-up	- Stage of product maturity (MVP/MMP etc) - Stage of funding maturity (early stage/mid-stage/advanced) - What has been the average revenue growth in the past 2-3 years? How will investment be used? (to run operations or to expand) - Is it tightly coupled to existing company/PE/VC?	30%	
Uniqueness and Impact of Idea	- How innovative is the solution? (truly pathbreaking in line with transformations?) - How differentiated is the solution? (easily imitable or truly differentiated) - How intense is the competition? (blue ocean or red-ocean) - How scalable is the idea? (can it cater to differing customers, use cases)	25%	
Solution-Market Fit	- Does the solution address transformations in automotive & mobility? - Do customers and partners trust them? (number of paying clients, number of PoCs/pilots done) - What do customers think about their work? (strong customer references?)	15%	
Founder & Team	- Founder's credentials, previous experience in automotive & mobility - Avg. years of experience of the team Vision & Values Awards & recognitions received	15%	
Organizational Readiness	Ability to pivot (is the business model restrictive or are multiple use cases possible?) - What are the future hiring expectations of the founders?	15%	

For detail discussions | Start-up evaluation guidelines – *Investment Track*

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Open house for Q&A ...

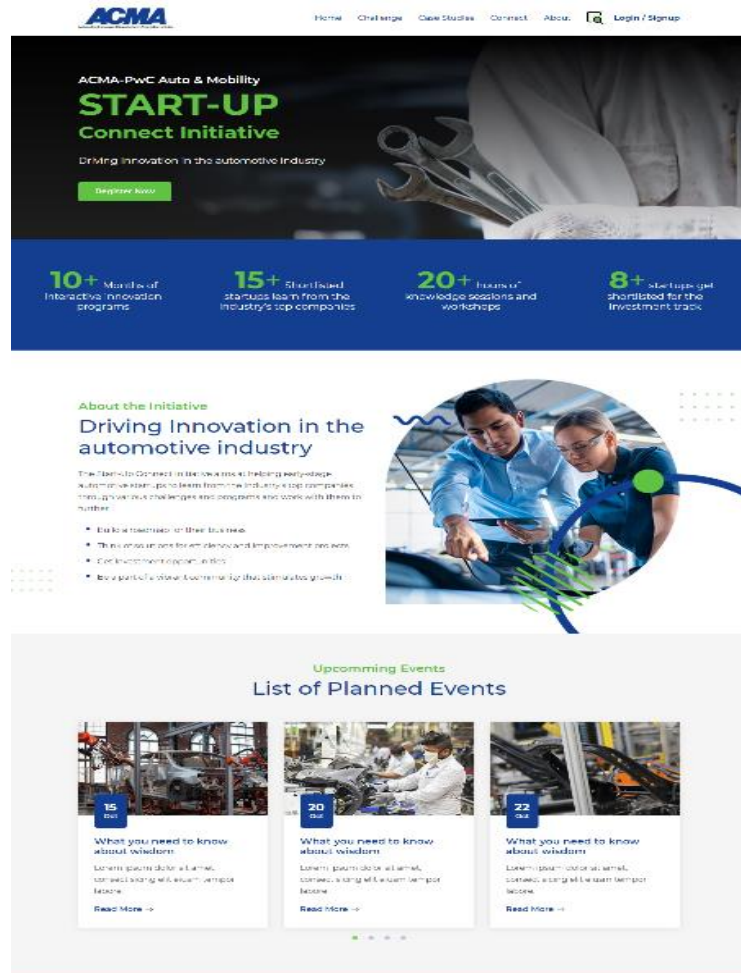


WeBee Social

Web Portal Walkthrough (10 mins)

ACMA *Web Portal* – A one-stop shop for the ACMA Start-up Initiative

ACMA Web Portal*



* For representation purpose only

What will the Web Portal be used for?

- **Maintaining start-up repository** – Initial list of start-ups evaluated by PwC; shortlisted start-ups
- **Start-up connect** start-ups can sign up on the portal and upload/ input information such as IM, company details
- **Misc.:** Event Calendars, contact information, support and helpline, relevant thought leaderships, photo gallery etc.
- **Past successes & Case studies** (Wave-2 onwards)

Benefits for Pilot Members:

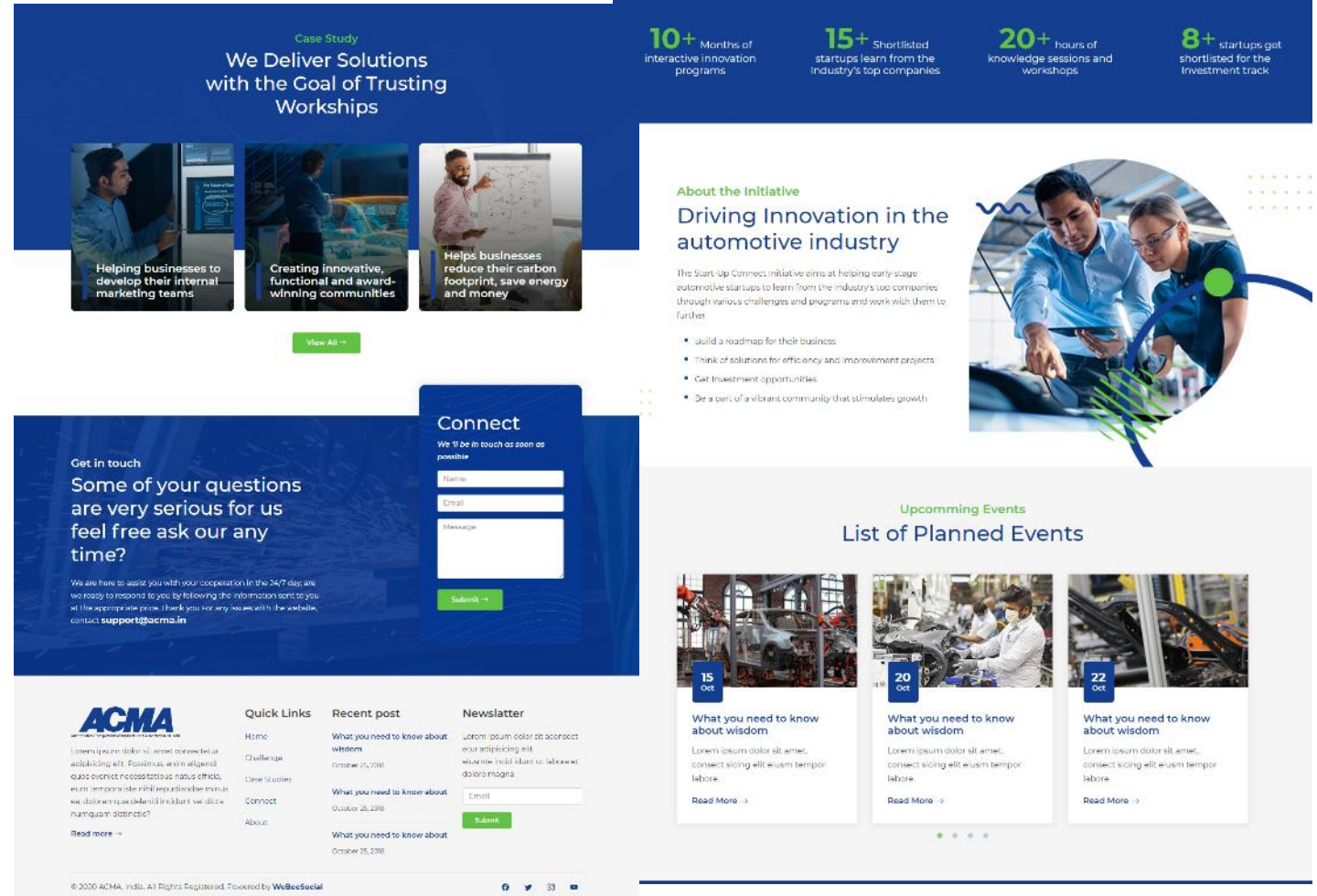
A one-stop shop where pilot members can:

- Access a validated database of relevant start-ups
- Enhance Capability: access thought leaderships, case studies

ACMA *Web Portal* – Homepage

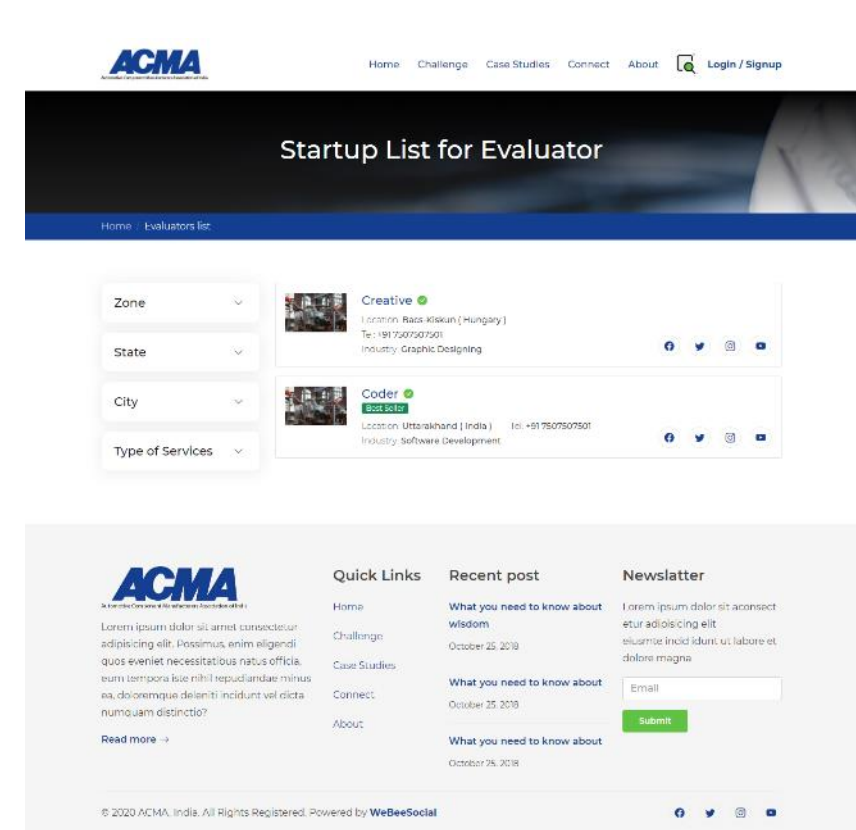
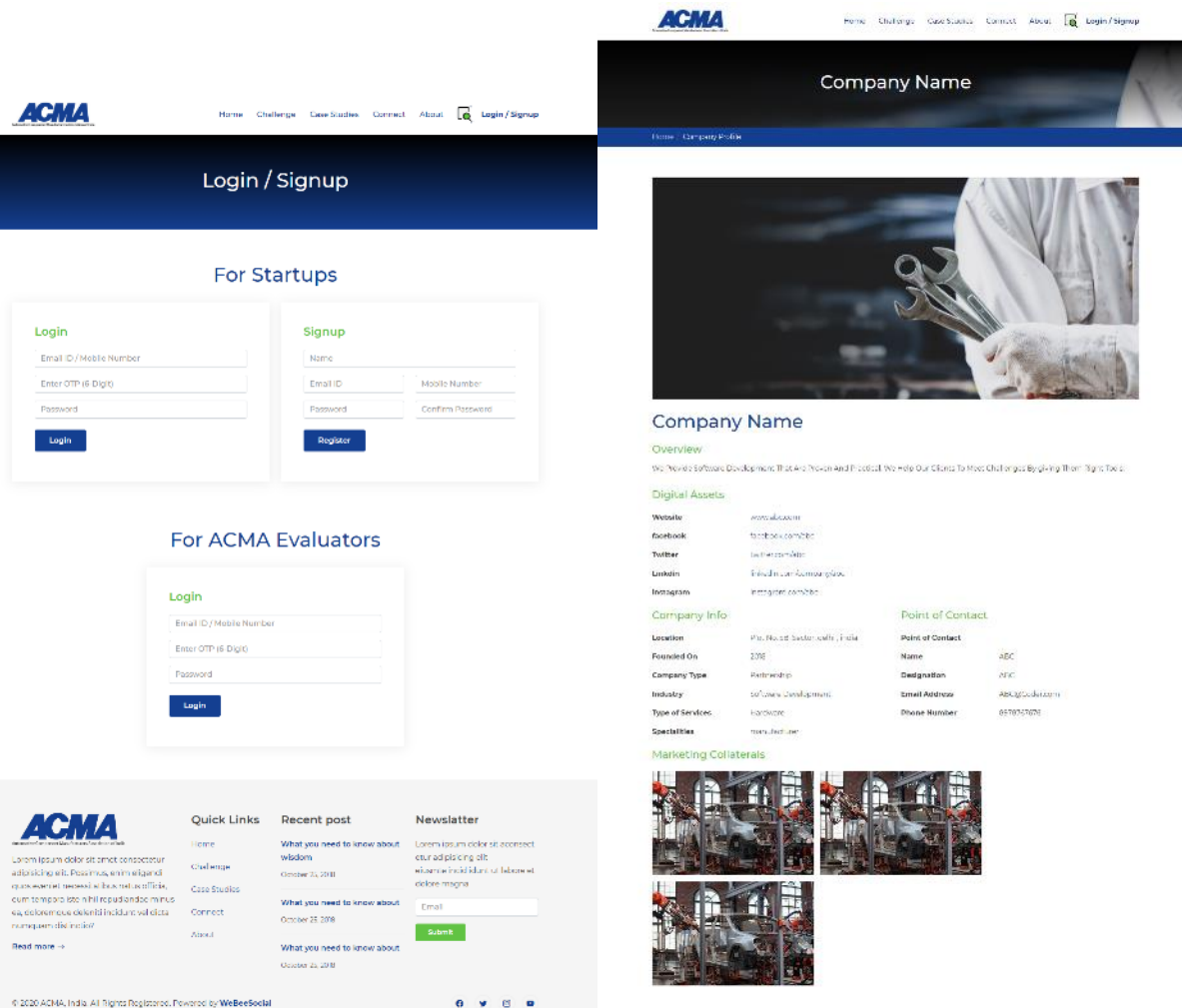
Features

- To develop a portal to facilitate and handhold the start-up companies in the automotive industry
- Provides a glimpse of the portal, and the initiative, highlighting some key statistics along with sneak peaks into the upcoming events start-ups can register for during the calendar year and case studies for users to review
- Clean and minimal designed webpage layout, with clear call to action button for easy website navigation and understanding



* For representation purpose only

ACMA *Web Portal* – Startup Repository



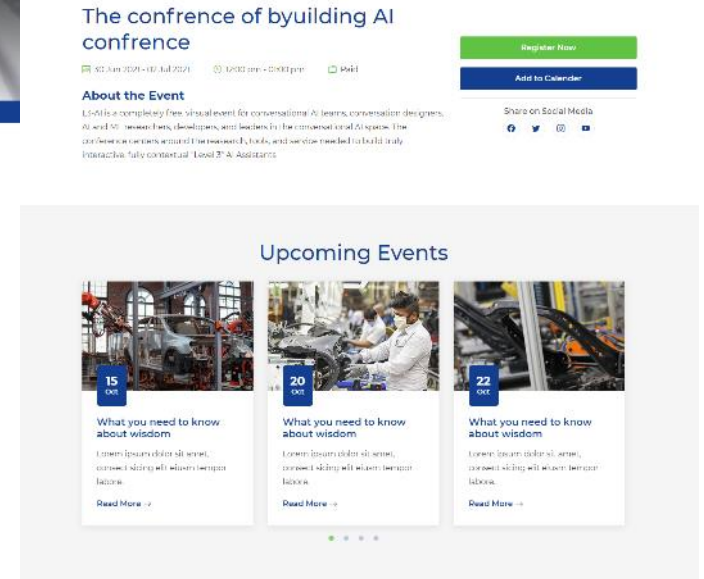
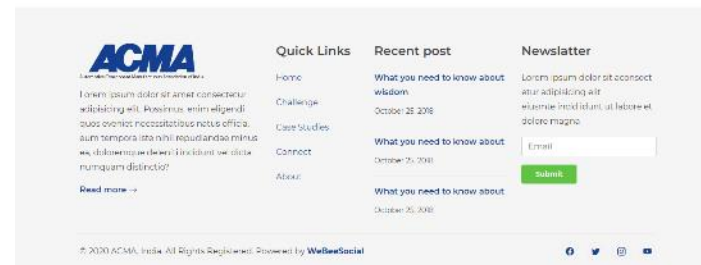
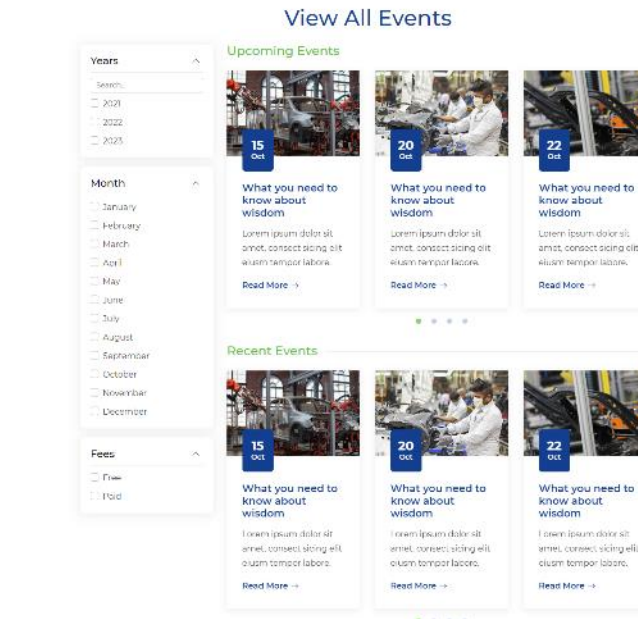
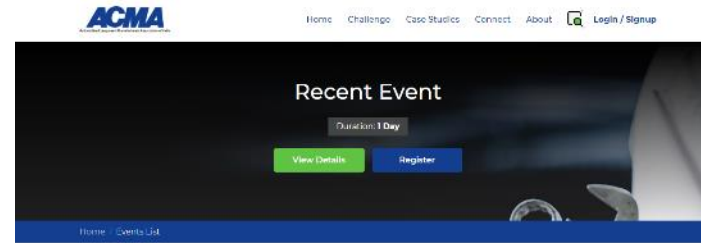
Features

- Portal signups for Start-ups/ Evaluators/ Pilot Members along with provision to create profiles where start-ups can enter details and upload/input information such as IM, company details.
- Creating & maintaining start-up repository
The data entered by start-ups to be qualified and verified by project committee/evaluators.

ACMA *Web Portal* – Events

Features

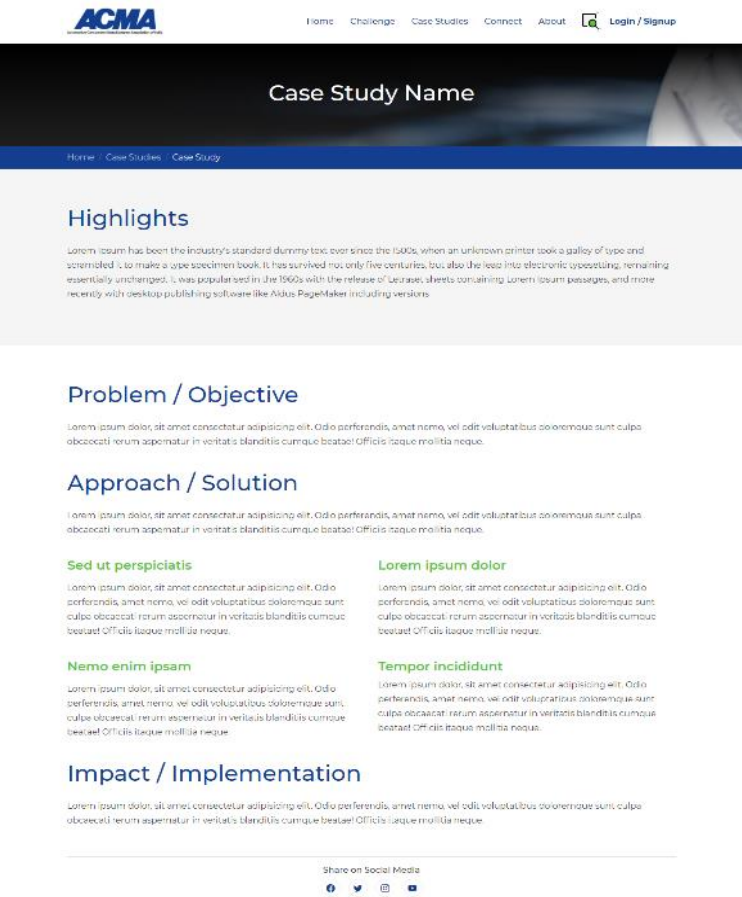
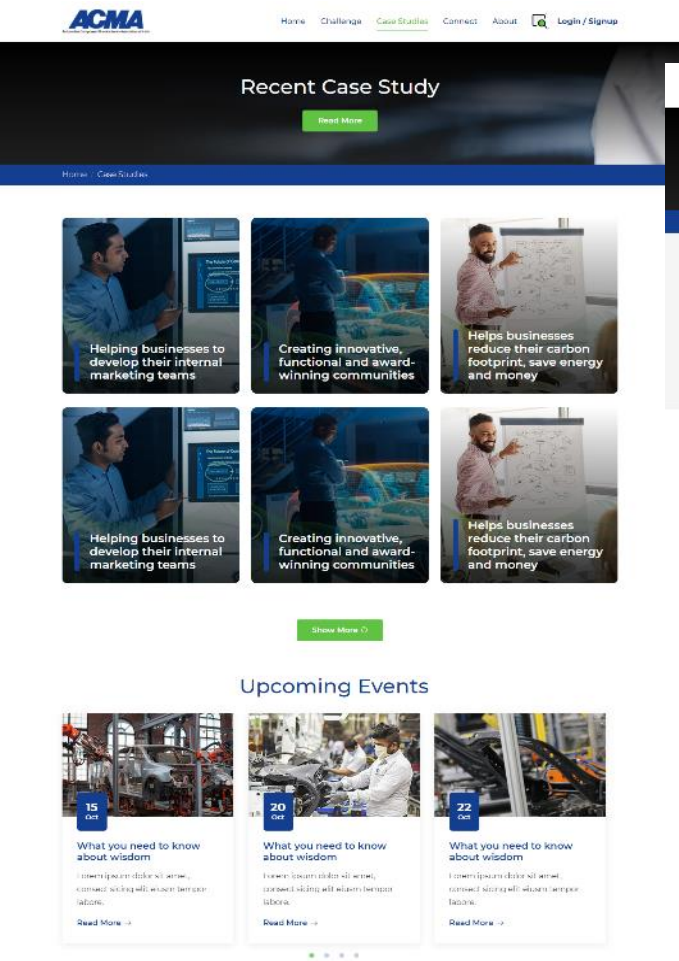
- Workshops/Live sessions etc. will be conducted at regular intervals which will all fall under events
- Provision to add/update/delete events and filter events by year/ month/ type /category
- Start-ups have the option to check the event details and register for the same, add the event to their calendar (Google Calendar integration) or share the same on their social media



ACMA *Web Portal* – Case Studies

Features

- **Pilot Members/Start-ups** can access relevant thought leadership content, case studies, photo gallery etc. with integration of social sharing as well
- This section will eventually be content rich with time as more and more case studies are prepared and uploaded



Open house for Q&A ...

1

**Discussion
Rounds + Web
Portal**

2

**2 Sample
Discussions**

A dimly lit office interior, viewed through a glass partition. Several people are working at desks with computers. A whiteboard with sticky notes is visible in the background. The scene is dark, with light coming from the office lights and computer screens.

*Now, let's hear from 2 of these **start-ups***

Start-up Introduction #1: *Redbot Innovations Pvt Ltd (30 mins)*

Investment Track

Efficiency Track ✓

Theme: Quality Management



Redbot develops quality inspection solutions for industries like automotive, pharmaceutical, electronics manufacturing, battery, ceramics etc. and has served more than 25 B2B customers all over India.

Redbot provides an AI, camera-based quality and process inspection. Products are Industry 4.0 integrated and can fit in seamlessly into the manufacturing production lines, thereby providing real time visibility.

Speaker

Mr. Sharan H

Key Clients: Maruti Suzuki, Kia Motors, Bajaj Auto, Brakes India, Wheels India

Awards & Recognition:

- Elevate award: Karnataka Govt. "Idea@POC program"
- MAIL award: Maruti Suzuki Mobility and Automobile Innovation Lab
- MG motors: Developer Program & Grant 2.0

Start-up Introduction #1: *Redbot Innovations Pvt Ltd (30 mins)*



About: Mr. Sharan H (CEO & Co-Founder)

- In his role as the CEO Sharan looks after the overall strategy planning and new product development at Redbot.
- He is also responsible for the Business Development, Marketing and Sales verticals.
- Sharan has 10+ years of experience, with expertise in areas ranging from product development to business development

Open house for Q&A ...

Let's take a 10 mins breather

Start-up Introduction #2: *EV Motors India Pvt Ltd (30 mins)*

Investment Track

Efficiency Track



Speaker

Mr. Vinit Bansal

Theme: EV Components & Charging

EV Motors India provides vertically integrated e-mobility solution for 2w & 3w application including:

- Charging infrastructure
- Lithium-Ion Battery
- Last Mile Delivery for e-commerce industry.

Key Clients: Zoomcar, Urban Lithium, Hero Electric

Awards & Recognition:

- Frost & Sullivan EV Charging Network Entrepreneurial Company of 2019

Start-up Introduction #2: *EV Motors India Pvt Ltd (30 mins)*



About: Mr. Vinit Bansal (Founder & MD)

- 30 years experience in automotive and management consulting business
- Strong Global Operational experience and was Country Manager for Delphi Saginaw India
- Managed a \$250 million manufacturing operations in South America for Ford Motor Company
- Successfully raised \$40M in the US for investment in automotive component industry in India, China and the ASEAN region
- Experience with OEM, Component Supplier, Private Equity and Management Consulting in the Automotive Industry
- MBA-University of Michigan, MS-Michigan Technology University, BS-Birla Institute of Technology

Open house for Q&A ...

Agenda

Topic

Duration

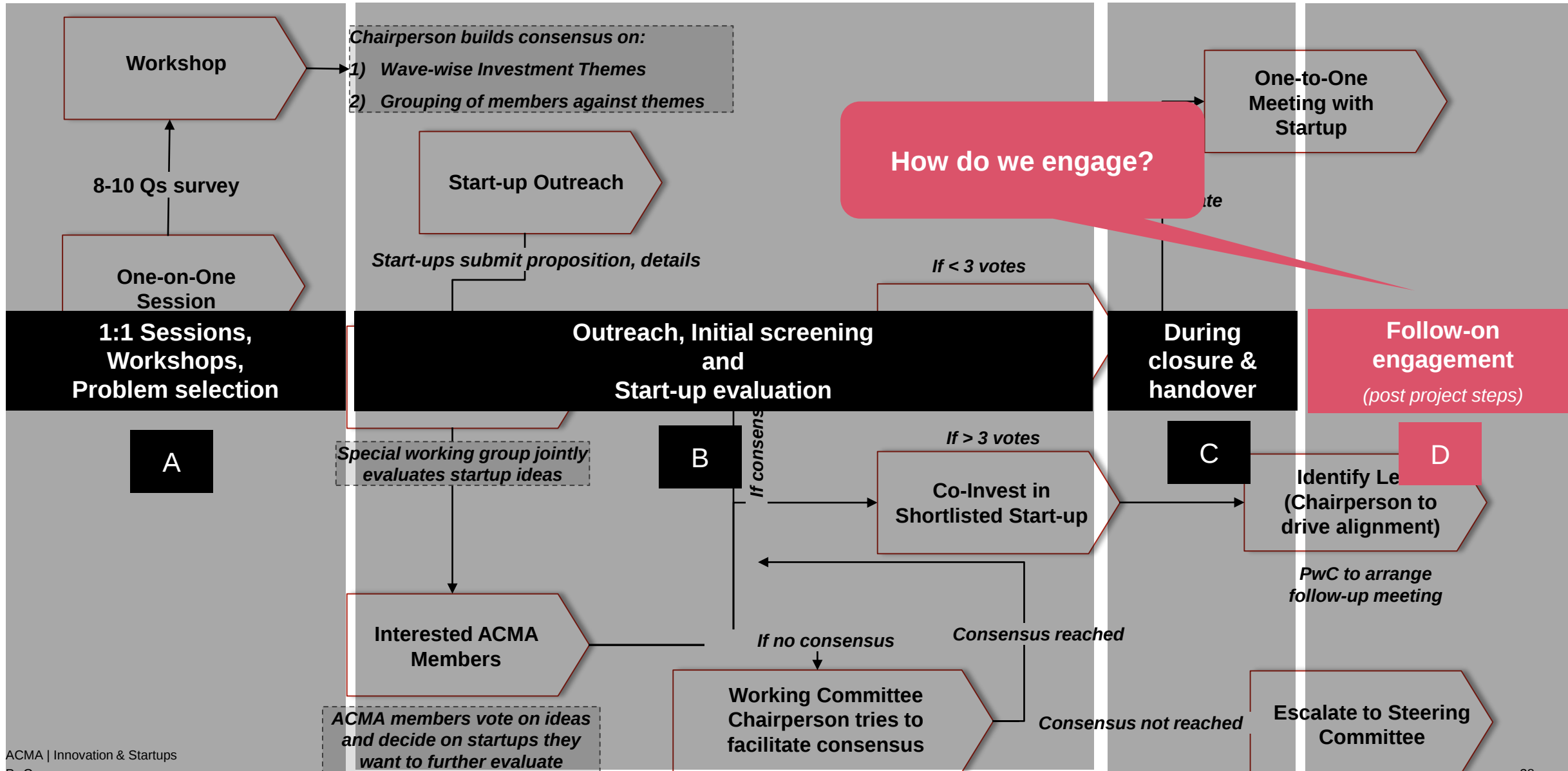
1 Discussion rounds; web portal; sample start-ups

90 mins

2 Modes of engagement; conducting due-diligence

60 mins

How will we engage with start-ups



Session: Doing deals with start-ups (60 mins)



Amit Nawka

Partner, Deals; Start-up Leader, PwC India

- Amit leads our firm's due diligences services in IT and new age tech space. He has worked on deals in various stages – from early to late/ buyout in diverse industries such as eCommerce (both B2C and B2B), FoodTech, FinTech, Logistics and mobility, Retail etc.
- He has ~20 years of professional experience, focusing on transactions related work. He has led more than 450 Deals both on buy-side and sell-side.



Kushal Jain

*Manager, Deals- Due-Diligence
PwC India*

- Kushal has worked on >40 deals in the start-up space.
- Kushal is a Chartered Accountant and holds a Bachelors degree in Commerce from Loyola college in Chennai.

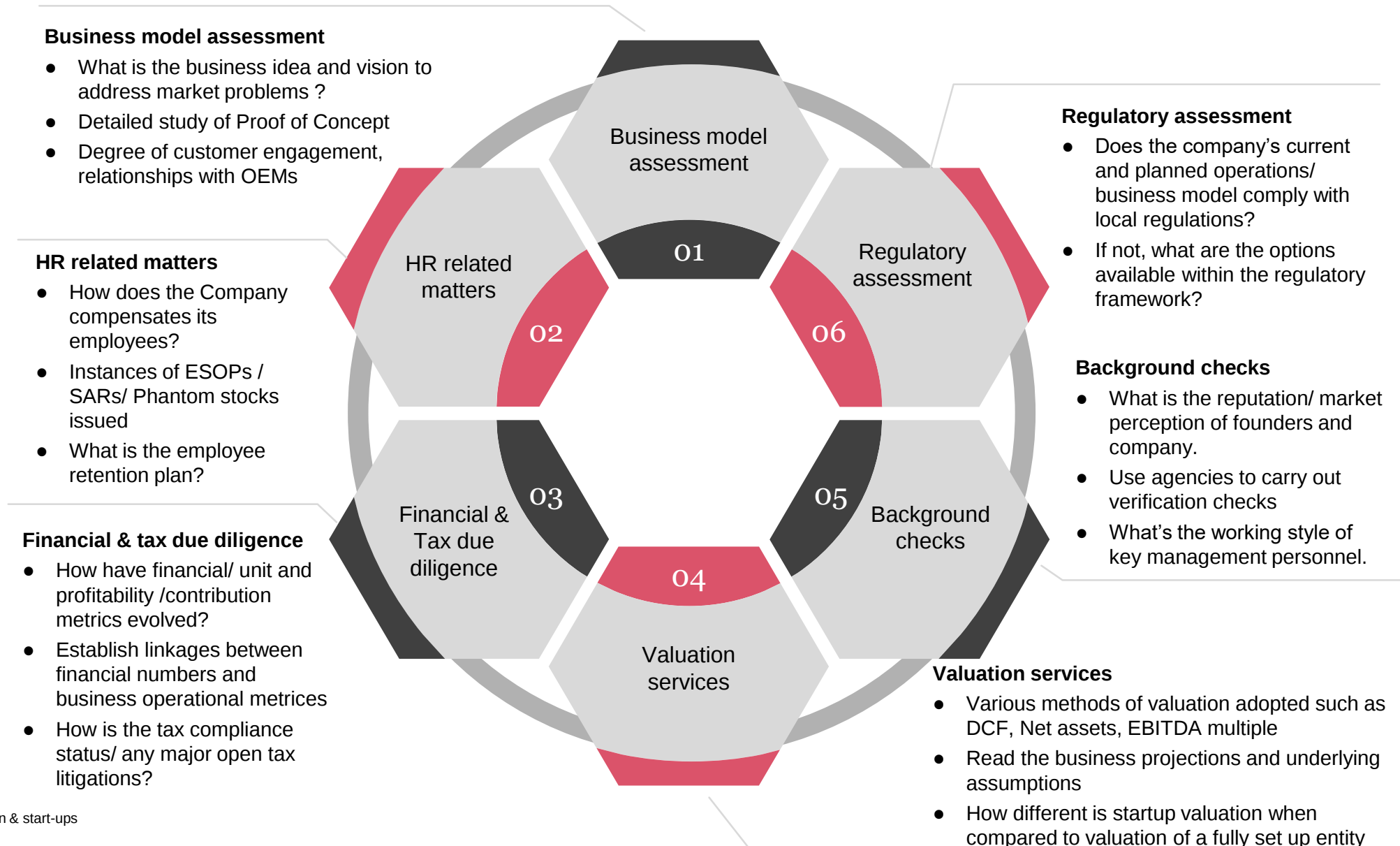


Chetna Gangadharan

*Manager, Deals – Valuations
PwC India*

- Involved in various mergers and acquisitions transactions and expert in , purchase price allocations, portfolio valuations, financial reporting and tax planning.
- Chetna is a chartered accountant by qualification, holds a Bachelors degree in commerce.

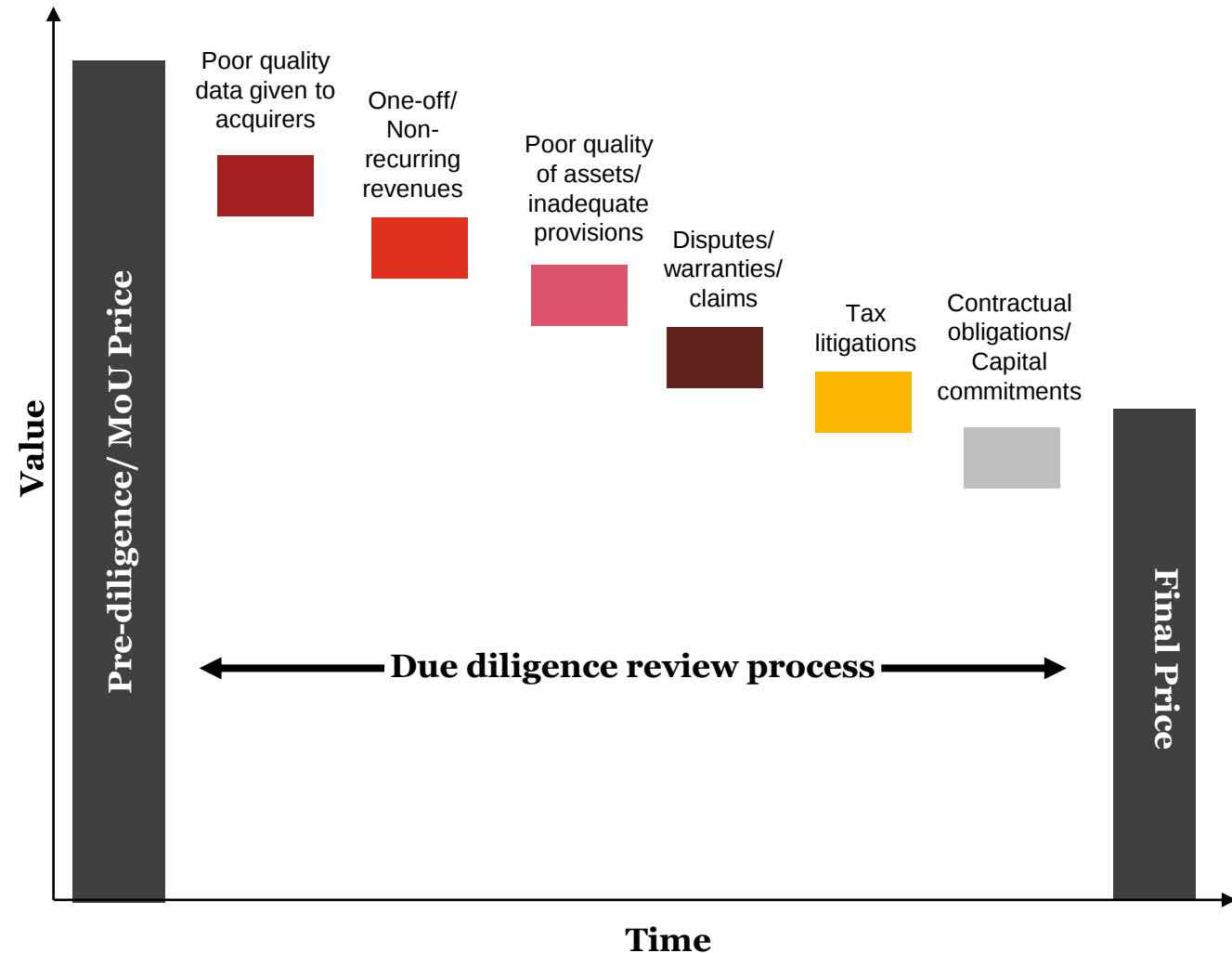
Typical aspects to consider while doing deals in the start-up space



Impact of financial due diligence findings

The due diligence findings will generate key negotiation points on:

- Quality of earnings
- Balance sheet exposures
- Net debt & working capital adjustments
- Contingent liabilities
- Representations, indemnities and warranties
- Transaction structuring



Financial due diligence – key outputs

1. Quality of Earnings (QoE)

INR in million	FYXX
Reported operating EBT	xxx
Net sales	xxx
Operating EBT as a % of net sales	xx%
Proposed due diligence adjustments to operating EBT	
1 Margins from non core business which is non recurring	
2 Margins from discontinued products	
3 Potential impact consequent to withdrawal of the extant	
4 Expenditure (currently capitalised) pertaining to patent	
5 Revenue expenditure capitalised as CWIP to be written	
6 Inventory valuation of WIP not as per Indian GAAP	
7 Short provision for certain expenses	
8 Pre-operative expenses incorrectly capitalised	
9 Exchange loss on creditors/ debtors (net)	
Sub total	xxx
Adjusted operating EBT	xxx
Adjusted operating EBT as a % of net sales	xx%

2. Net Asset Adjustments (NAA)

INR in million	31 Mar XX
Reported net worth	xxx
Proposed due diligence adjustments to net worth	
1 Provision for redemption of premium on FCCB	
2 Forex gain / loss on forex assets	
3 Inventory valuation of WIP not as per Indian GAAP	
4 Short provision for expenses	
6 Provision for slow moving inventory	
7 Revenue R&D expenses incorrectly capitalised	
8 Incorrect capitalisation of interest cost	
10 Provision for debts doubtful of recovery	
11 Diminution in the value of investments in subsidiaries	
12 Tax exposure - dividend received from group co	
13 Tax exposure - Failure to fulfil export obligation	
Total adjustments	
Adjusted net worth as at 31 Mar XX	xxx

Possible
adjustments to
proposed
valuation

+

Negotiating
points with the
seller

+

Go forward
issues

+

Inputs to
validate
assumptions
in business
model /
projections

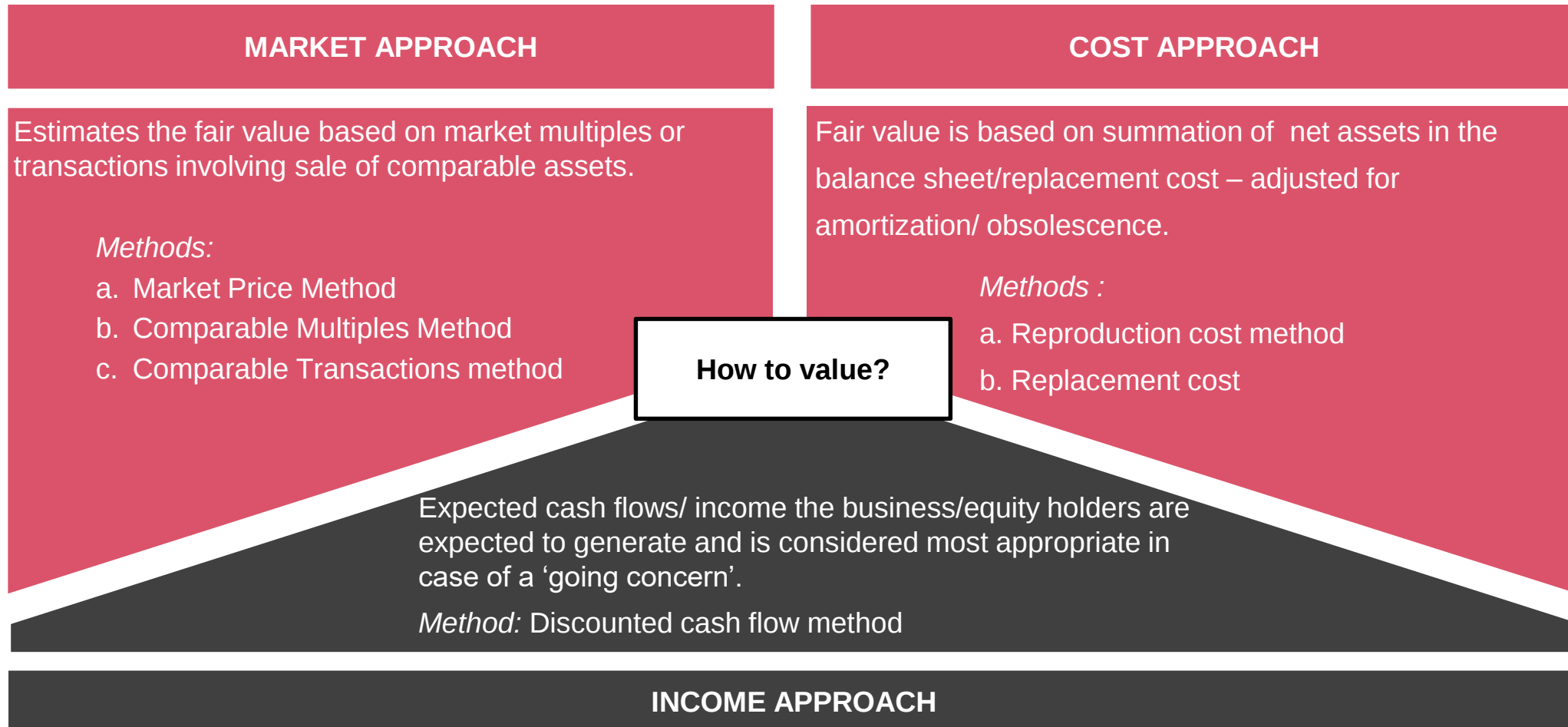
3. Debt/ Debt like adjustments

INR in million	31 Mar XX
Additional matters for consideration	
Adjusted net debt	xxx
Bills discounted	
Buyer's credit	
Capital commitments	
Capital creditors	
Creditors against letters of credit ('LC')	
Creditors beyond 180 days	
Debt like adjustments	
FD margin money	
Less: Cash and bank balances	
Provision for employee benefits / unfunded	
Provision for redemption premium on FCCBs	
Reported debt	
Reported net debt	xxx
Seasonal pattern of working capital	
Total debt like adjustments	xxx

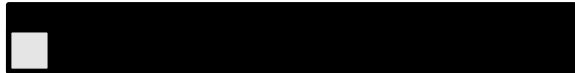
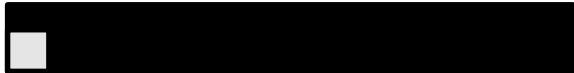
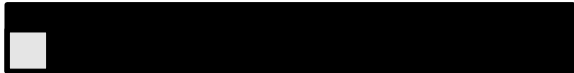
4. Working capital

INR in million	31 MarXX
Inventory	
Debtors	
Loans and advances	
Current assets	xxx
Sundry creditors and provisions	
Reported working capital	xxx
Adjustments	
Insurance claim receivable included in debtors	-
Provision for proposed dividend	-
Net of capital creditors/ (capital advances)	-
Provision for redemption premium on FCCBs	-
MTM loss on forward cover	-
Adjusted working capital	xxx

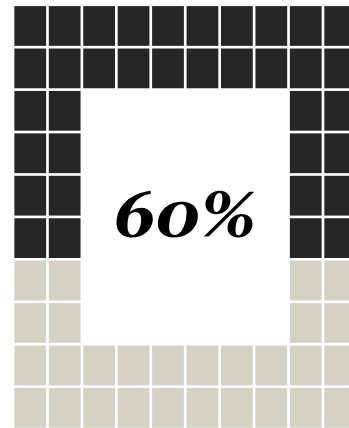
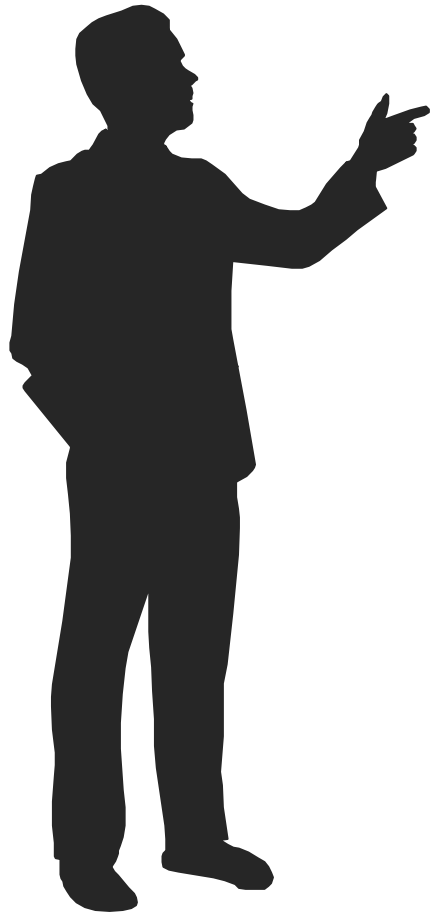
How to value?



Valuation methods and challenges in traditional approaches

Income	Market	Cost
		
☐ Small revenues	☐ Niche businesses	☐ Lack of growth assets
☐ No historical trend	☐ Lack of multiples	☐ Accumulated losses
☐ Going concern issues	☐ Size and growth	☐ Major equity funded
☐ Discount rate	☐ Illiquidity	
☐ Terminal year value		

We are the go-to firm for deals related services when investing in the new age technology space



Big share in large Deals: We have done deals related work on ~60% of the companies in the new age technology sector who have raised funds in excess of USD 100 million in the last 3 years.

64% New age tech companies



190 new age technology companies raised more than USD 20 million each over the last 3 years and we have provided deals related services to ~43% of such companies.

These 190 companies have raised ~USD 26 billion in the last 3 years; out of which we have provided deals related services to companies that attracted 64% of total investments.

50% Unicorn companies



We have provided deals related services to 50% of Unicorn companies.

70% B2C and B2B Commerce



117 companies raised more than USD 20 million each in the last 3 years in this segment and we have provided deals related services to 46% of such companies.

These 117 companies have raised ~USD 19 billion in the last 3 years; out of which we have provided deals related services to companies which have attracted ~70% of total investments in this segment.

66% Fintech companies



50 companies raised more than USD 20 million each in the last 3 years in this segment and we have provided deals related services to 52% of such companies.

These 50 companies have raised ~USD 5 billion in the last 3 years; out of which we have provided deals related services to companies which have attracted ~66% of investments in this segment.

Open house for Q&A ...

Thank you

In case of any queries, please contact:



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