ACMA Start-up Initiative

Workshop

14th October 2022

pwc

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Opening address …

Chairperson – ACMA Pillar-4

Mrs. Anjali Singh

Working Committee Chairperson and Co-Chairperson

Mr. P Kaniappan
Working Committee Chairperson

Mr. Kiran Deshmukh
Working Committee Co-Chairperson

Workshop – Year 2 of the Start-up Initiative

Agenda : 14th October 2022 (2:00pm – 5:30pm)

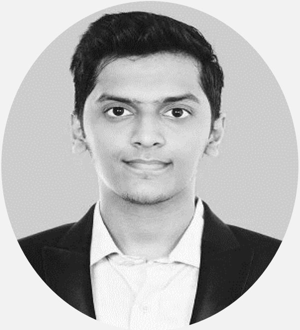
Sl	Session	Details	Speakers	Timings
1	**Opening session**	• Event participants welcomed by Ms. Anjali Singh (Chairperson, Pillar-4) • Working committee chairperson and co-chairperson welcome members • PwC details the agenda and structure of the workshop	Ms. Anjali Singh Mr. P Kaniappan Mr. Kiran Deshmukh Mr. Kavan Mukhtyar	2:00 PM – 2:10 PM
2	**Engaging with start-ups; capabilities required to win**	Panel Discussion moderated by PwC: • OEM: *Mr. Gaurav Gupta (MG Motors)* • Start-up: *Mr. Kushal Karwa (GoMechanic)* • Start-up: *Mr. Akshay Singhal (Log9 Materials)* • ACMA Companies: *NRB Bearings, UNO Minda*	Mr. Gaurav Gupta Mr. Kushal Karwa Mr. Akshay Singhal Dr. Saravanan Muthiah Mr. Kartikeya Joshi Mr. Kavan Mukhtyar	2:10 PM – 2:50 PM
3	**Break**			2:50 PM – 3:00 PM
4	**Modes of start-up engagement; due diligence**	Mr. Amit Nawka and team: Conducting due-diligence, valuations (30 mins) Panel Discussion moderated by PwC (30 mins): • ACMA Companies –*Sona Comstar, ZF Commercial Vehicle Control Systems*	Mr. P Kaniappan Mr. Kiran Deshmukh Mr. Amit Nawka Mr. Kushal Jain	3:00 PM – 4:00 PM
5	**Start-up evaluation criteria; ACMA start-up portal**	• PwC team: start-up evaluation criteria, start-up outreach, how in-person events will be conducted (10 mins) • ACMA: web-portal walkthrough (10 mins; presentation + Q&A)	ACMA PwC Team	4:00 PM – 4:20 PM
6	**Vote of thanks, High Tea**	• Vote of thanks and closing statements by chairperson and co-chairperson • PwC intimates next steps • High-tea and networking session	Mr. P Kaniappan Mr. Kiran Deshmukh ACMA Companies PwC Team	4:20 PM – 5:30 PM

PwC team today…

Kavan Mukhtyar
Partner, Automotive Sector Leader, PwC India

Amit Agarwal
Partner, Tax, PwC India

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



Kushal Jain
Manager, Deals, PwC India

Amit Dakshini
Director

Anand Jayaraman
Director

Faisal Khan
Project Manager

Kavya Mittal
Manager

A few ground rules during the workshop

- Kindly keep yourself on mute when not engaging during the sessions
- If you have any questions during the middle of a session, please raise your hands (online/offline)
- After breaks, please re-join the sessions on time
- Let’s have an interactive session and learn together!

Agenda

	Topic	Duration
1	Engaging with start-ups; capabilities required	40 mins
2	Modes of engagement; conducting due-diligence	60 mins
3	Start-up evaluation criteria; ACMA start-up portal	20 mins
4	Vote of thanks, next steps	10 mins
5	High tea and networking	60 mins

Panel Discussion: Engaging with start-ups; capabilities required to win (40 mins)

Gaurav Gupta
Chief Commercial Officer
MG Motors India

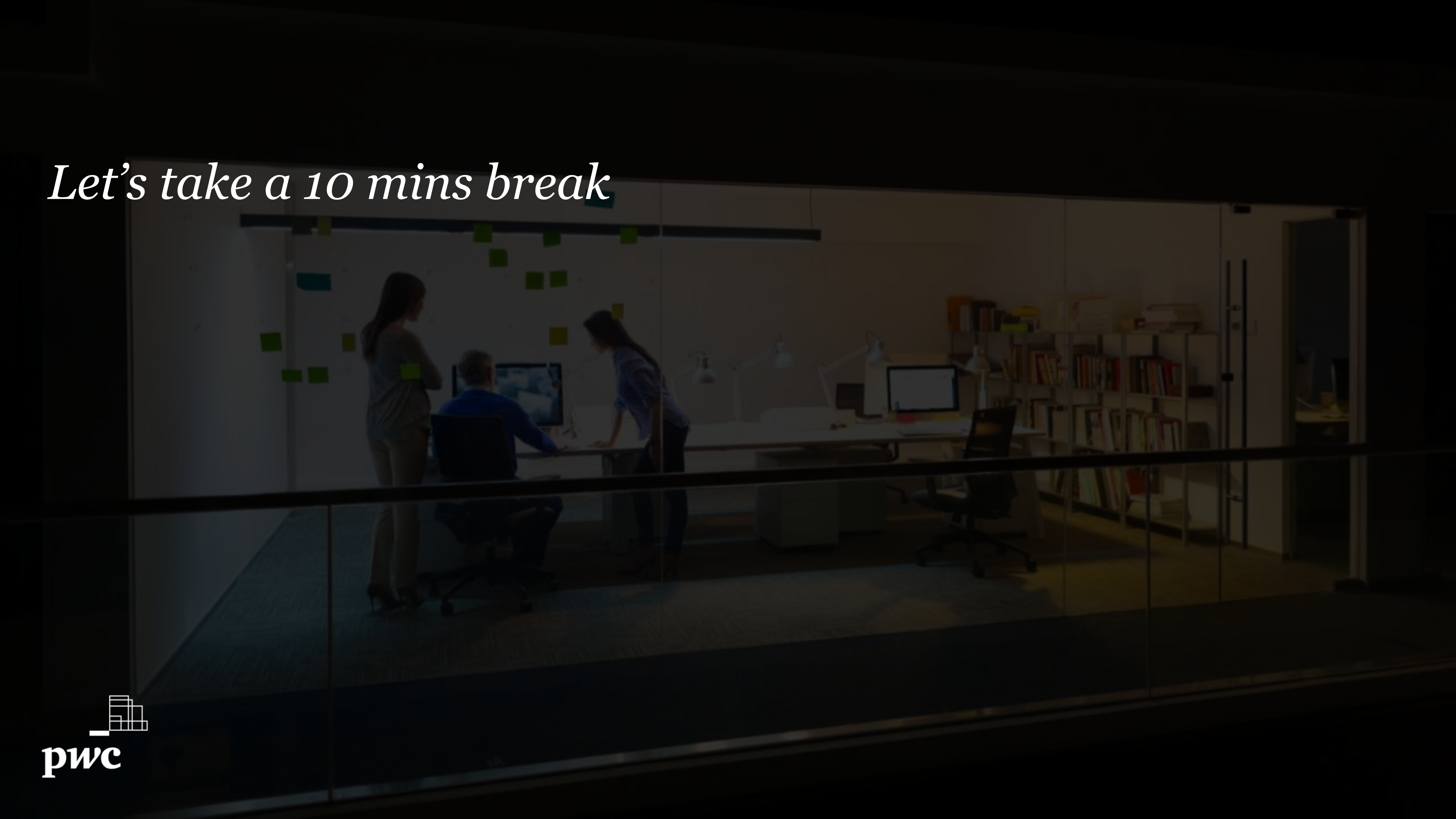
Kushal Karwa
Co-Founder
GoMechanic

Akshay Singhal
Founder and CEO
Log9 Materials

Saravanan Muthiah
Chief Technology Officer
NRB Bearings

Kartikeya Joshi
VP & Group Head –
Product Strategy and Technical Sales
UNO Minda

Let's take a 10 mins break



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Session: Doing deals with start-ups (30 mins)

Amit Nawka
Partner, Deals
Start-up Leader
PwC India

- Deals professional leading engagements in the digital space. He has worked on ~450 deals in various stages – from early to late/ buyout in diverse industries such as Auto-tech/ Mobility, Logistics, eCommerce, FinTech, SAAS etc
- He has ~20 years of professional experience, focusing on deals related work.

Utsav Baidya
Associate Director, Deals
PwC India

- Utsav has been part of the Deals practice for over 8 years now and actively involved in the Startup Ecosystem. Over his tenure, he has been involved in advising and assisting companies in their transaction needs across the deals value chain.
- Utsav is a fellow member of the Institute of Chartered Accountants of India.

Kushal Jain
Manager, Deals
PwC India

- Kushal has worked on >70 deals in the start-up space.
- Kushal is a Chartered Accountant and holds a Bachelors degree in Commerce from Loyola college in Chennai.

~USD 4 billion invested in auto-tech start-ups over the last ~4 years across 130 deals

Total funding (USD million)

USD m	CY19	CY20	CY21	YTD22	Total
Marketplace	253	247	1,532	2	2,034
Electric vehicles	375	73	315	544	1,306
Rentals	78	172	104		354
Components	12	2	34	63	111
Servicing	22	8	52	24	106
Charge stations	0	0	11	61	73
Ride sharing	15				15
Self drive	10		0	2	12
Total	**766**	**502**	**2,048**	**695**	**4,011**

Total deals (number)

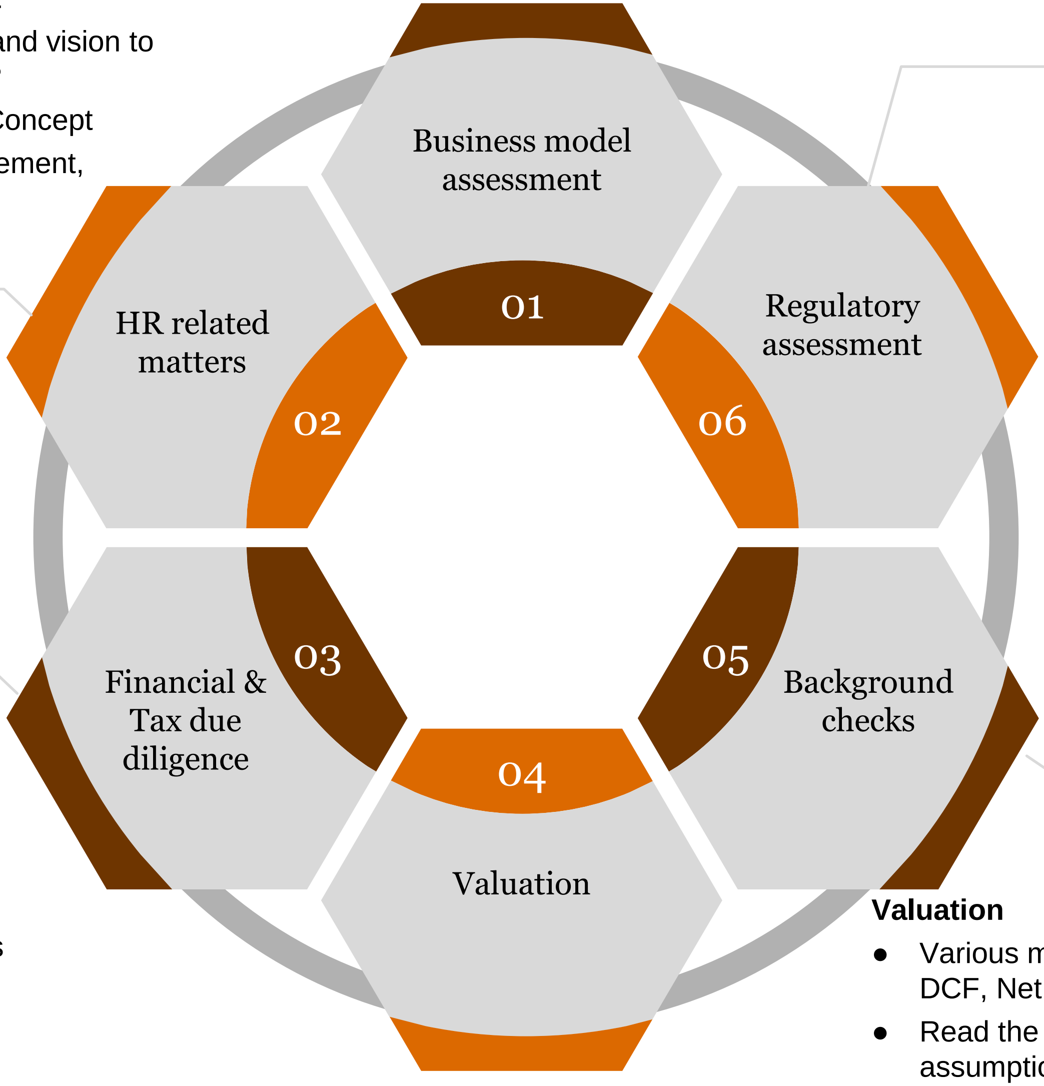
No. of deals	CY19	CY20	CY21	YTD22	Total
Marketplace	10	4	10	2	26
Electric vehicles	15	9	10	12	46
Rentals	3	4	2		9
Components	4	2	8	3	17
Servicing	6	3	5	4	18
Charge stations	1	1	3	4	9
Ride sharing	2				2
Self drive	1		1	1	3
Total	**42**	**23**	**39**	**26**	**130**

Auto-tech start-ups which have raised >USD 50 million during CY19 – YTD22

CARS24
OLA ELECTRIC
Spinny
CarDekho
ATHER
droom
BOUNCE
Zoomcar
yulu
CarTrade.com
GoMechanic
BLU SMART MOBILITY
VOGO

Source: Venture Intelligence

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



Business model assessment
- What is the business idea and vision to address market problems ?
- Detailed study of Proof of Concept
- Degree of customer engagement, relationships with OEMs

HR related matters
- How does the Company compensates its employees?
- Instances of ESOPs / SARs/ Phantom stocks issued
- What is the employee retention plan?

Financial & tax due diligence
- How have financial/ unit and profitability /contribution metrics evolved?
- Establish linkages between financial numbers and business operational metrices
- How is the tax compliance status/ any major open tax litigations?

Regulatory assessment
- Does the company's current and planned operations/ business model comply with local regulations?
- If not, what are the options available within the regulatory framework?

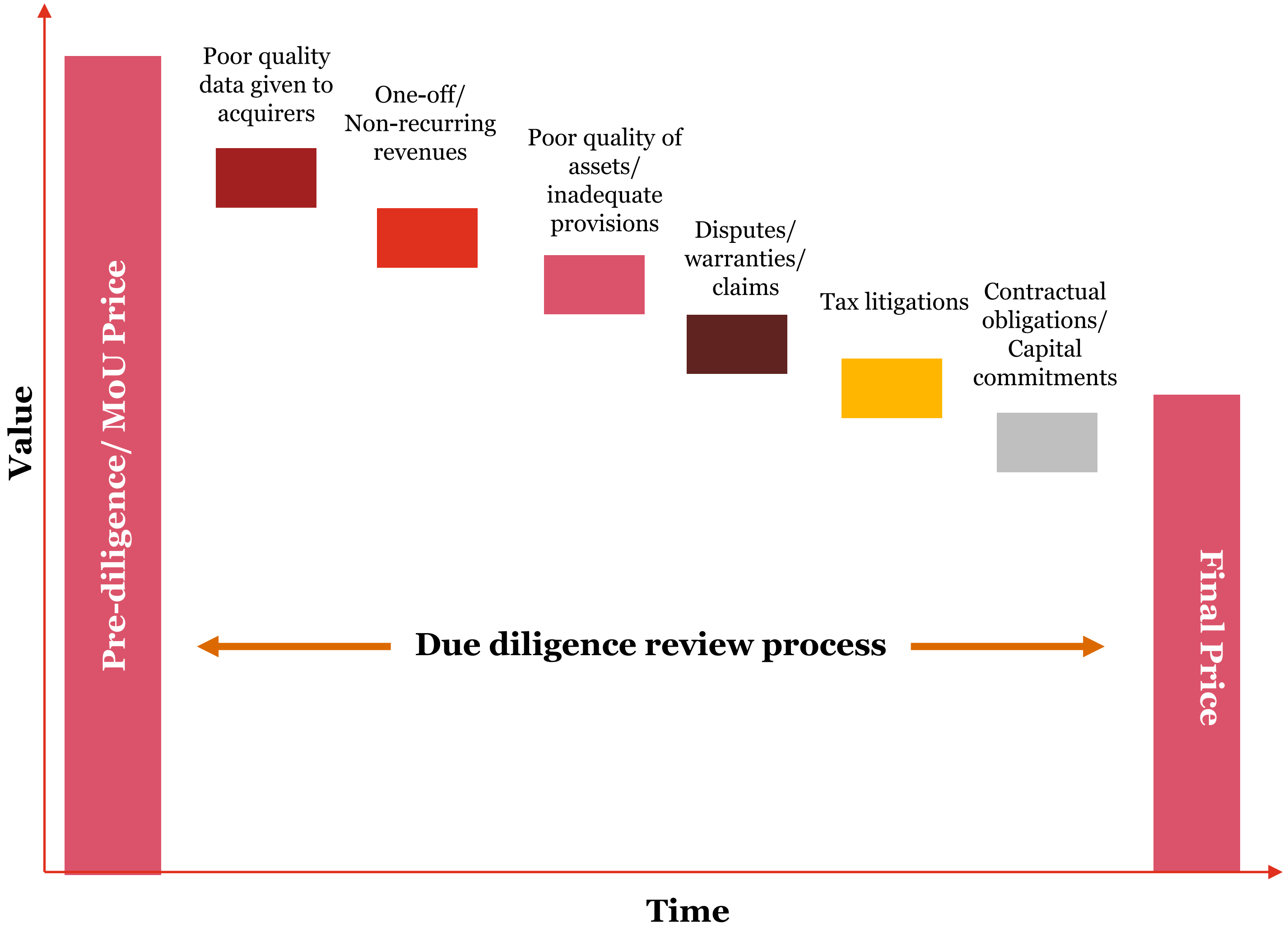
Background checks
- What is the reputation/ market perception of founders and company.
- Use agencies to carry out verification checks
- What's the working style of key management personnel.

Valuation
- Various methods of valuation adopted such as DCF, Net assets, EBITDA multiple
- Read the business projections and underlying assumptions
- How different is start-up valuation when compared to valuation of a fully set up entity

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 expnses 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?

MARKET APPROACH

Estimates the fair value based on market multiples or transactions involving sale of comparable assets.

Methods:

a. Market Price Method
b. Comparable Multiples Method
c. Comparable Transactions method

COST APPROACH

Fair value is based on summation of net assets in the balance sheet/replacement cost – adjusted for amortization/ obsolescence.

Methods :

a. Reproduction cost method
b. Replacement cost

How to value?

Expected cash flows/ income the business/equity holders are expected to generate and is considered most appropriate in case of a 'going concern'.

Method : Discounted cash flow method

INCOME APPROACH

Valuation Methods and Challenges in Traditional Approaches

Income

- Small revenues
- No historical trend
- Going concern issues
- Discount rate
- Terminal year value

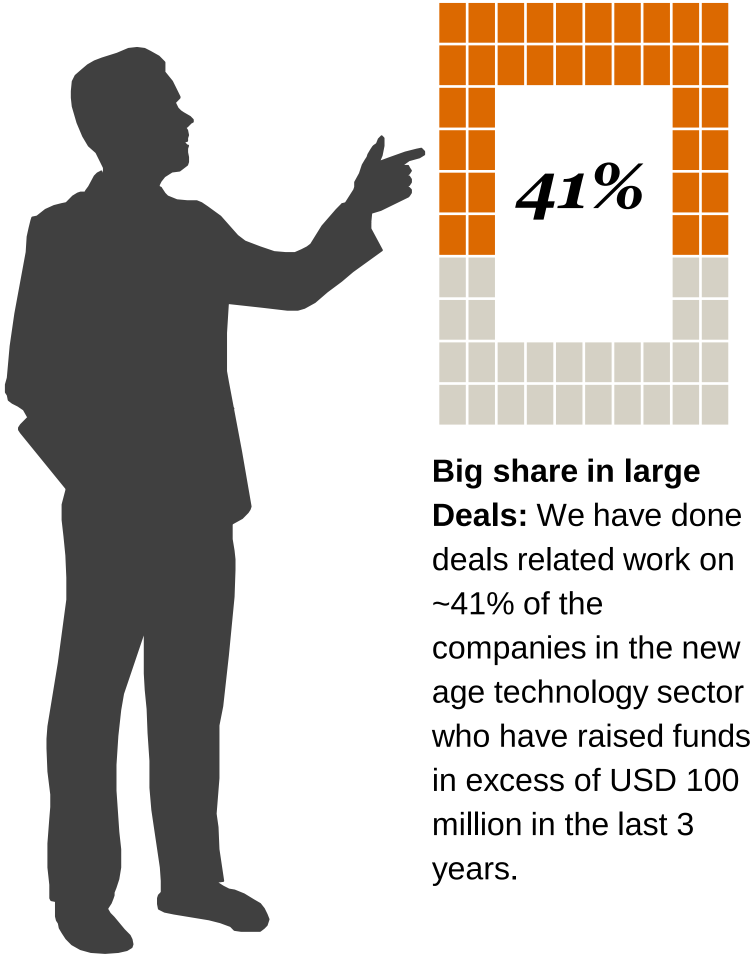
Market

- Niche businesses
- Lack of multiples
- Size and growth
- Illiquidity

Cost

- Lack of growth assets
- Accumulated losses
- Major equity funded

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 ~41% of the companies in the new age technology sector who have raised funds in excess of USD 100 million in the last 3 years.

54%
New age tech companies

412 new age technology companies raised more than USD 20 million each over the last 3 years and we have provided deals related services to ~30% of such companies.

These 412 companies have raised ~USD 64 billion in the last 3 years; out of which we have provided deals related services to companies that attracted 54% of total investments.

51%
Unicorn companies

We have provided deals related services to 51% of Unicorn companies.

63%
B2C and B2B Commerce

216 companies raised more than USD 20 million each in the last 3 years in this segment and we have provided deals related services to 35% of such companies.

These 216 companies have raised ~USD 42 billion in the last 3 years; out of which we have provided deals related services to companies which have attracted ~63% of total investments in this segment.

58%
Fintech companies

91 companies raised more than USD 20 million each in the last 3 years in this segment and we have provided deals related services to 44% of such companies.

These 91 companies have raised ~USD 12 billion in the last 3 years; out of which we have provided deals related services to companies which have attracted ~58% of investments in this segment.

Panel Discussion: Modes of start-up engagement; due-diligence (30 mins)

P Kaniappan
Managing Director
ZF Commercial Vehicle Control Systems

Kiran Deshmukh
Chief Technology Officer
Sona Comstar

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How do we define a start-up in this program's context

As per the Ministry of Commerce & Industry, GoI:

- Entity working towards **innovation**, development or **improvement of products or processes or services**
- Not formed by splitting up or reconstruction of an existing business
- **Period of existence** and operation should **not be exceeding 10 years**
- **Turnover has not exceeded INR 100 Cr** for any of the financial year since incorporation

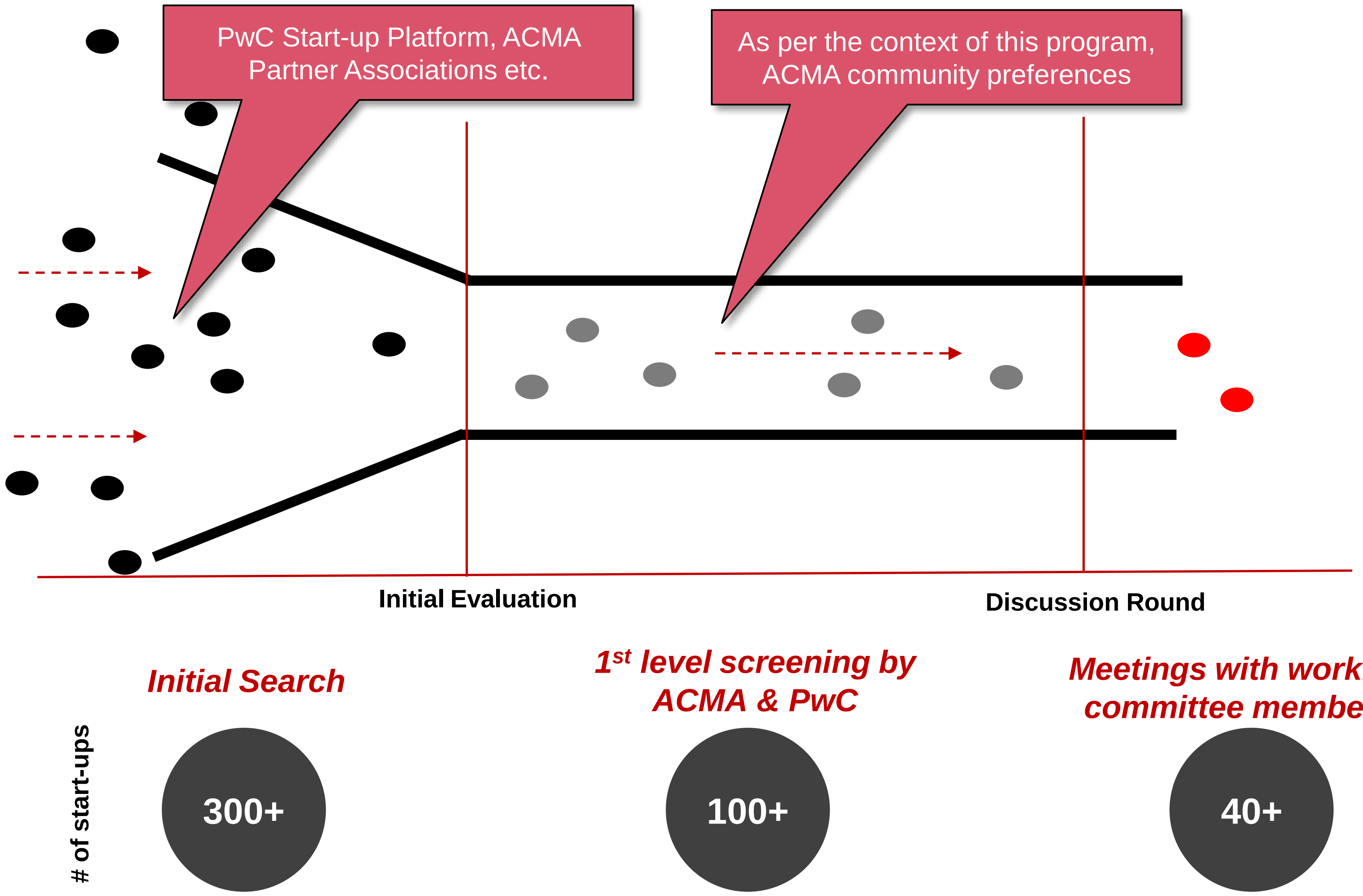
We take the government's definition as base and contextualize for the ACMA Start-up Initiative

- Entity has a **unique and disruptive solution** (For e.g., new type of EV motor design rather than a slightly modified electronic power control (EPC) unit)
- Has achieved at least minimum marketable product (**MMP)**/ minimum viable product (**MVP) level maturity**
- **Period of existence** not exceeding **10 years**, some exceptions will be made if great fit for program

Other considerations

- Has auto-specific use cases and clients *(+ve)*
- Is a subsidiary/partner/tightly-coupled to established companies *(-ve)*

For outreach, we are identifying high potential start-ups



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*

How will start-up interactions take place going forward

1 In-Person Start-up Connect

- 3 in-person start-up connect events
- Participating start-ups provided designated space to showcase products/solutions
- ACMA member companies walk the floor and interact with the start-ups

Upcoming Events

- Mid-November 2022 (Bangalore) - TBC
- Mid-January 2023 (Delhi) - TBC
- Mid-March 2023 (Pune) - TBC

2 Online Start-up Connect

- For start-ups (primarily foreign) that are not able to attend in-person event
- 60 mins discussion with each start-up (20 mins presentation + 40 mins Q&A)

Upcoming Events

- **19th October 2022 (11:30 AM to 4:30 PM)**
- Mid-December 2022 (TBC)
- Mid-February 2023 (TBC)

Start-up profiles: Online start-up interaction on 19th October 2022

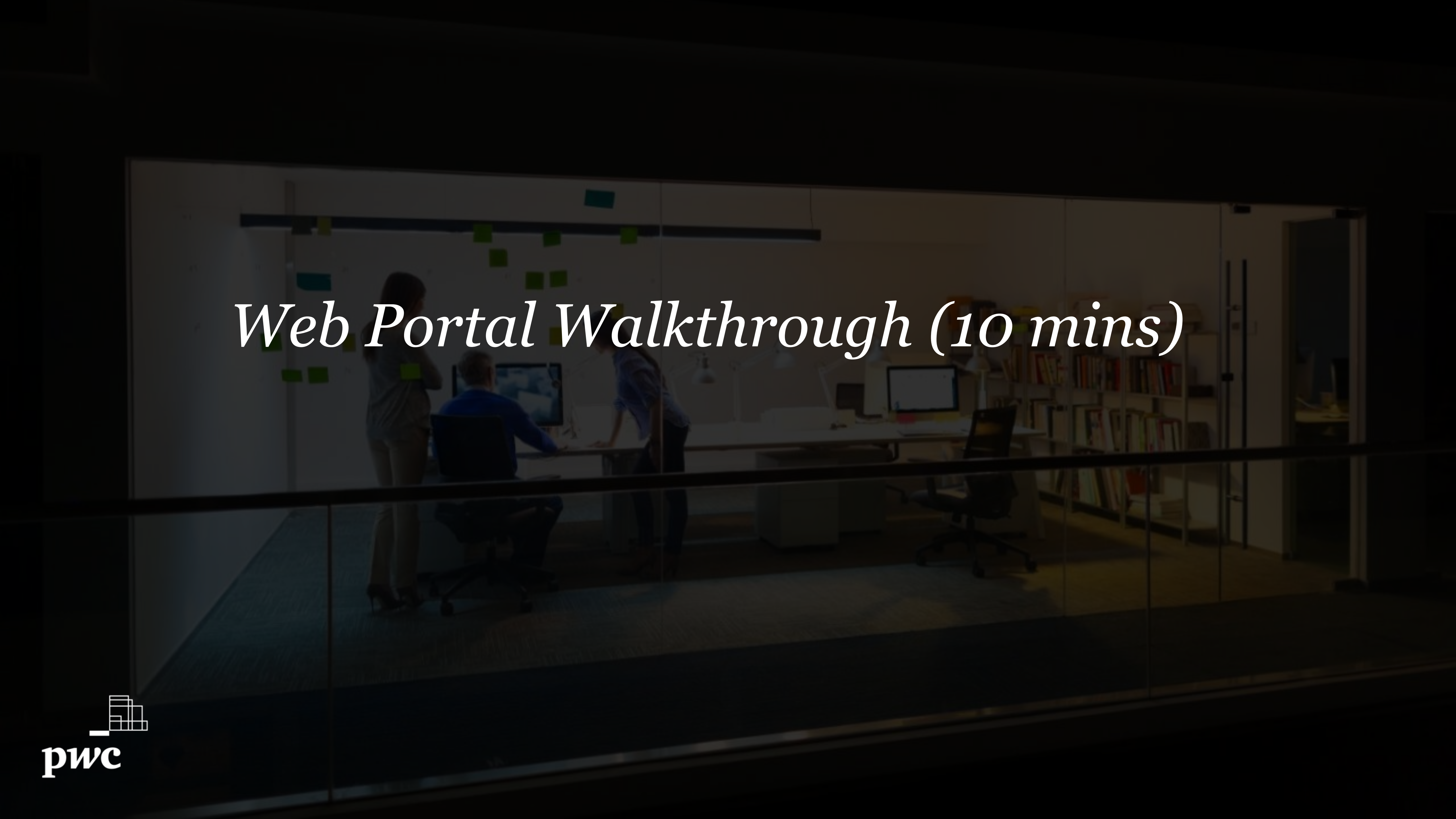
SI	Start-up Name (Country)	Brief Description	Presentation Time
1	**Epowerlabs** (Spain)	EPowerlabs designs and manufactures power electronics and controls components to electrify vehicles. EPowerlabs has a portfolio of state-of-the-art electric motor controllers, DC/DC converters and BMS (battery management system).	11:30 AM – 12:30 PM
2	**Linkker** (Finland)	Linkker Intelligent eMobility platform accelerates transition to emission free mobility by licensing local industry the technology and know-how for complete localization of value chain and production of high-performance emission free buses, powertrains for LCVs, trucks and buses and diesel to electric conversion systems.	12:30 PM – 1:30 PM
	Break		1:30 PM – 2:30 PM
3	**Turing Drive** (Taiwan)	Turing Drive have developed the critical perception, localization, navigation, vehicle control, and cloud services technologies from autonomous vehicle testing, deployment, and operation.	2:30 PM – 3:30 PM
4	**Mindtronic AI** (Taiwan)	Mindtronic AI is a vision AI company focusing on automotive industry, offering edge learning Software Development Kits in Human Machine Interface and ADAS domain for global carmakers to quickly prototype and scaling in an economical way.	3:30 PM – 4:30 PM

Start-up profiles will be made available on the ACMA Start-up portal shortly

For detail discussions | Start-up evaluation guidelines

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** over the past 2-3 years?	25%	
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)	20%	
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**?)	25%	
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? • Start-up **tightly coupled** with other companies/PE/VCs?	15%	

Web Portal Walkthrough (10 mins)



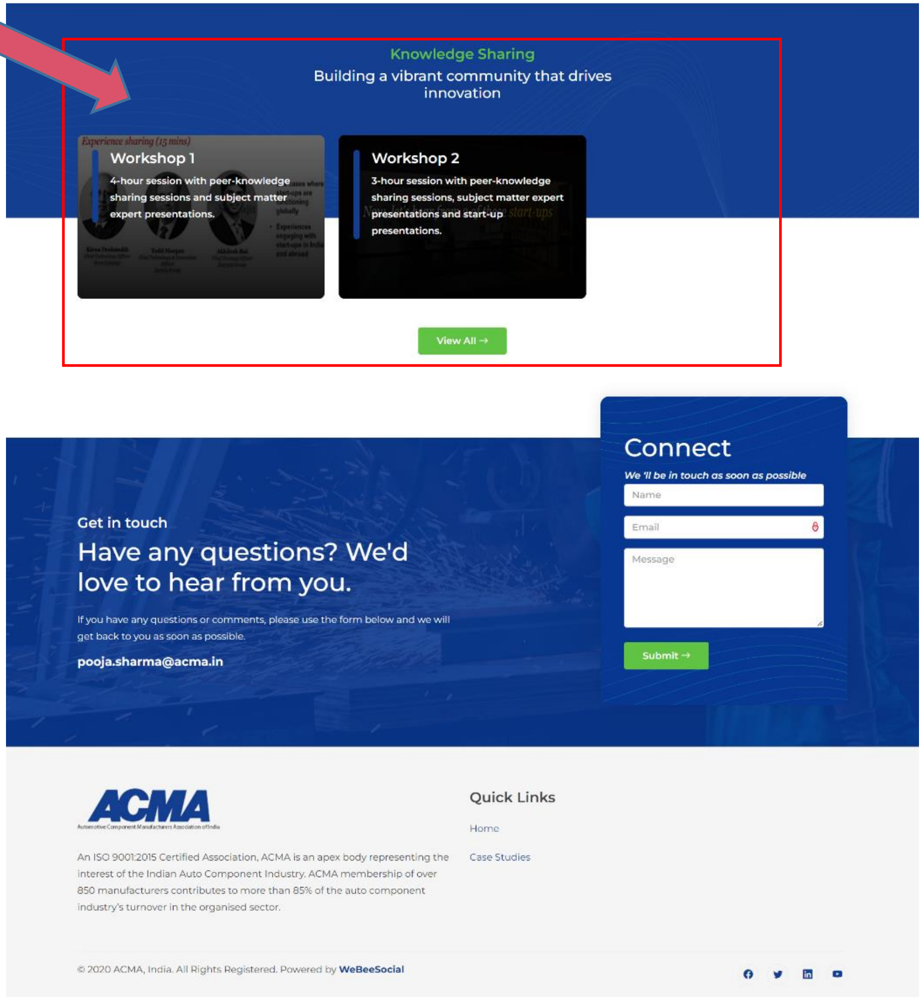
ACMA *Web Portal* – A one-stop shop for the ACMA Start-up Initiative

ACMA Start-up Portal Homepage –

1. **Case Studies** from Year 1, which highlight the collaborations finalized or in process of being finalized.
2. **Knowledge Sharing:** Decks from Workshop 1 and 2 conducted in Year 1

1.

2.



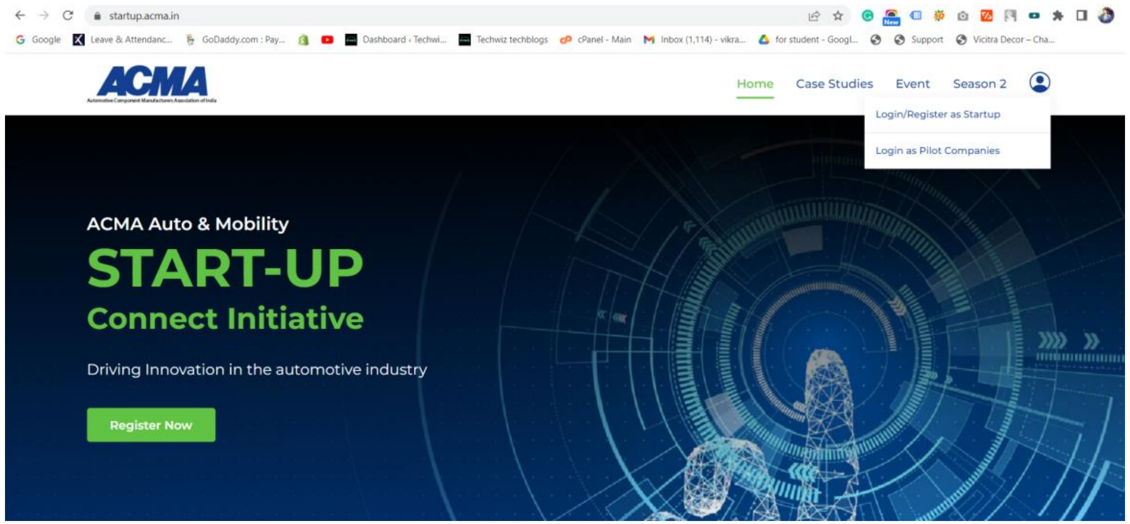
ACMA *Web Portal* – Logging in to your accounts

On top-right when in homepage –

1. Click on the “icon” -> Click on “Login as Pilot Companies”

2. Fill in the log-in credentials shared by ACMA

1.



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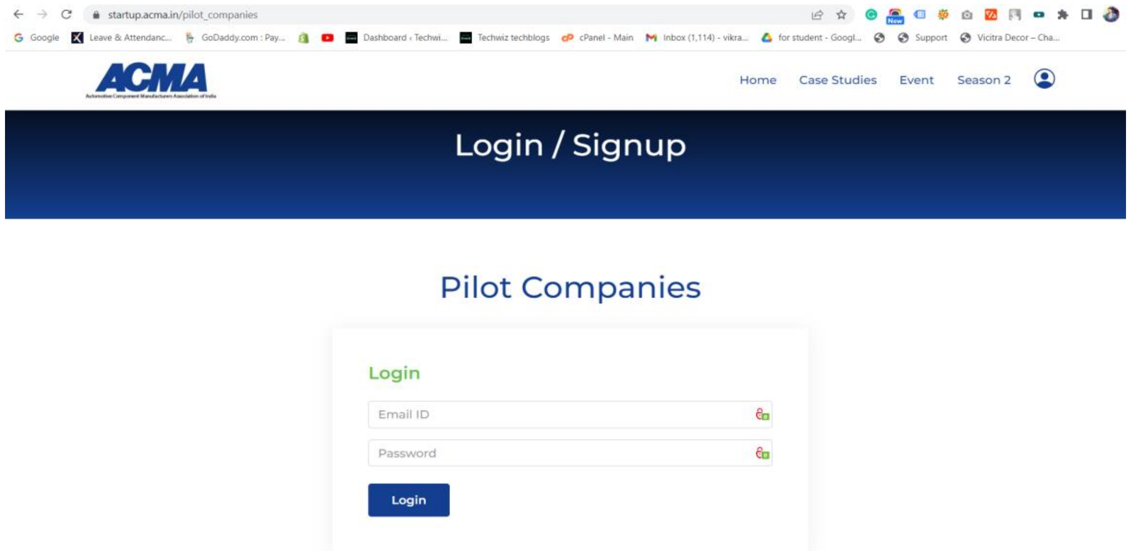
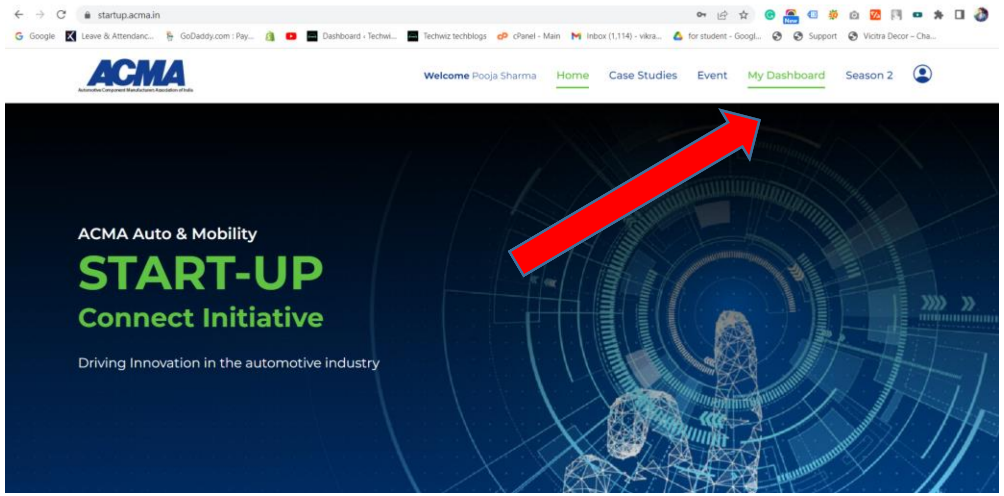


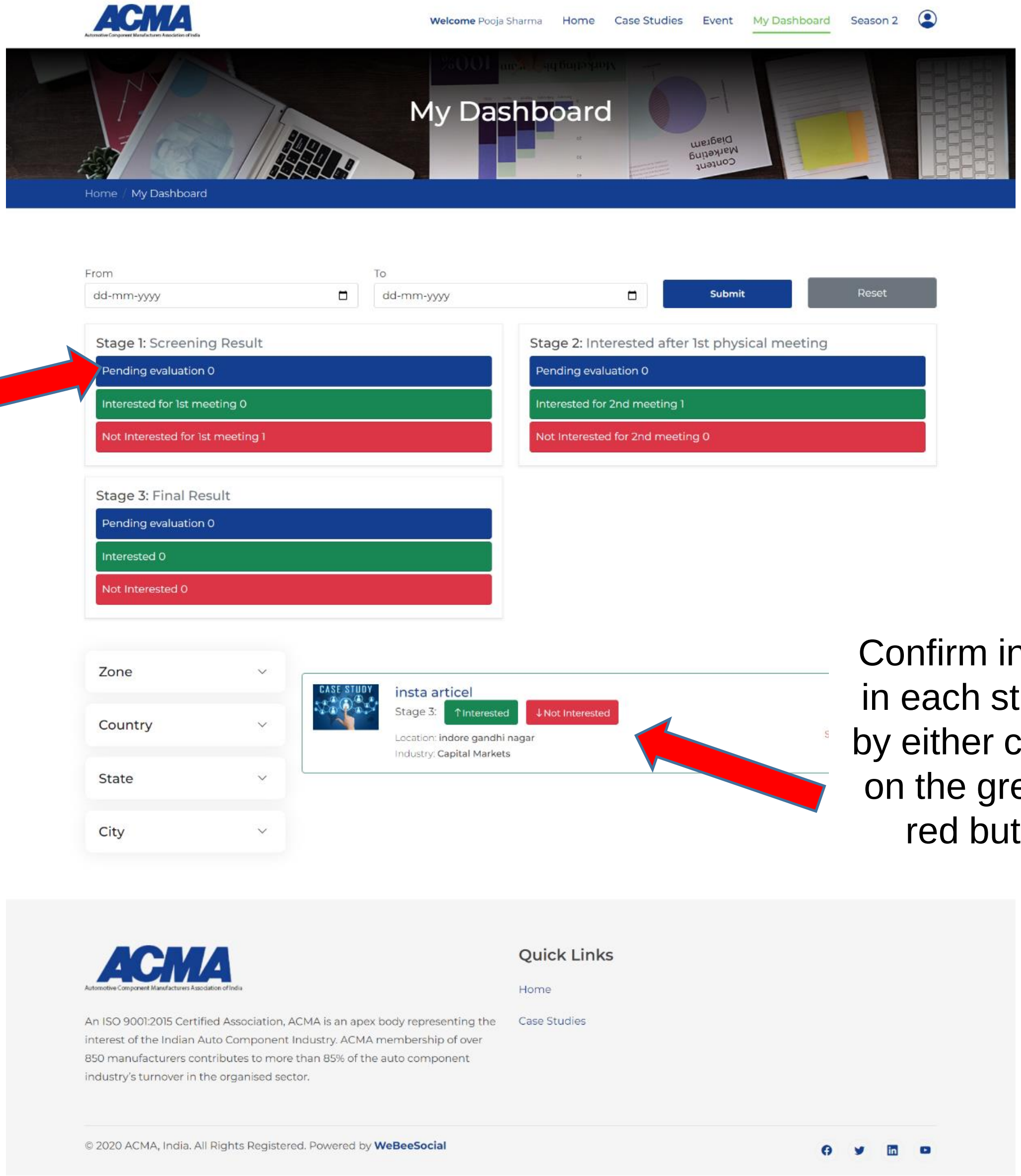
ACMA *Web Portal* – Dashboard and expressing interest



After clicking "My Dashboard", you will be transported to the page on the right.

Here 3 stages are defined:

1. **Screening –** Start-ups once registered on the portal will show in this stage.
2. **Interest after 1st meeting:** If interested, then will be connected with start-up on 1:1 basis
3. **Final Result –** If collaboration is finalized after 1:1 discussions



Confirm interest in each start-up by either clicking on the green or red button

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Program Schedule

Activity	Tentative Date	Time	Agenda Outline
1-on-1 discussions	27 Jul'22 – 08 Sept'22		• Understand expectations; Identify priority areas/themes
Working Committee Meet	30 Sep'22 (Online)	2:30 PM – 4 PM	• Member introductions; Finalization of areas/themes
Workshop	14 Oct'22 **Venue:** Delhi/Hybrid	2:00 PM – 5:30 PM	• Expert and knowledge sharing sessions
Start-up Presentations (foreign start-ups)	19th October 2022 (Online)	11:30 AM – 4:30 PM	• Foreign start-ups that cannot present in-person invited for online presentation
In-person Start-up Event #1	Mid-November 2022 **Venue:** Bangalore	TBC	• In-person start-up presentations and networking event
Start-up Presentations (foreign start-ups)	Mid- December 2022 (Online)	TBC	• Foreign start-ups that cannot present in-person invited for online presentation
In-person Start-up Event #2	Mid-January 2023 **Venue:** Delhi	TBC	• In-person start-up presentations and networking event
Start-up Presentations (foreign start-ups)	Mid-February 2023 (Online)	TBC	• Foreign start-ups that cannot present in-person invited for online presentation
In-person Start-up Event #3	Mid-March 2023 **Venue:** Pune	TBC	• In-person start-up presentations and networking event
Plenary Event	Mid-April 2023 **Venue:** Delhi	TBC	• Learnings and outcome of Year 2

Next

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Thank you