CREDENCE

A LEGACY OF PROSPERITY

Way forward - 2020

Credence Family Office - Whitepaper

Periodic Table of Investment returns – Global

Annual Returns												Monthly Returns
2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Jan 2020**
U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	U.S. Fixed Income 0.01%	Large Cap Equity 31.49%	U.S. Fixed Income 1.92%
Global ex-U.S. Fixed Income 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Global ex-U.S. Equity 24.21%	High Yield -2.08%	Small Cap Equity 25.52%	Real Estate 0.84%
High Yield -26.16%	Real Estate 37.13%	Emerging Market Equity 18.88%	Global ex-U.S. Fixed Income 4.36%	Global ex-U.S. Equity 16.41%	Global ex-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Real Estate -0.79%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	Global ex-U.S. Fixed Income -2.15%	Global ex-U.S. Equity 22.49%	Global ex-U.S. Fixed Income 0.76%
Small Cap Equity -33.79%	Global ex-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Global ex-U.S. Equity -3.04%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Large Cap Equity -4.38%	Real Estate 21.91%	High Yield 0.03%
Large Cap Equity -37.00%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Small Cap Equity -4.18%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Small Cap Equity -4.41%	Real Estate 4.06%	Global ex-U.S. Fixed Income 10.51%	Real Estate -5.63%	Emerging Market Equity 18.44%	Large Cap Equity -0.04%
Global ex-U.S. Equity -43.56%	Large Cap Equity 26.46%	Global ex-U.S. Equity 8.95%	Real Estate -6.46%	High Yield 15.81%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	Global ex-U.S. Equity 2.75%	Real Estate 10.36%	Small Cap Equity -11.01%	High Yield 14.32%	Global ex-U.S. Equity -1.94%
Real Estate -48.21%	Global ex-U.S. Fixed Income 7.53%	U.S. Fixed Income 6.54%	Global ex-U.S. Equity -12.21%	U.S. Fixed Income 4.21%	Emerging Market Equity -2.60%	Global ex-U.S. Fixed Income -3.08%	Global ex-U.S. Fixed Income -6.02%	U.S. Fixed Income 2.65%	High Yield 7.50%	Global ex-U.S. Equity -14.09%	U.S. Fixed Income 8.72%	Small Cap Equity -3.21%
Emerging Market Equity -53.33%	U.S. Fixed Income 5.93%	Global ex-U.S. Fixed Income 4.95%	Emerging Market Equity -18.42%	Global ex-U.S. Fixed Income 4.09%	Global ex-U.S. Fixed Income -3.08%	Global ex-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Global ex-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Emerging Market Equity -14.57%	Global ex-U.S. Fixed Income 5.09%	Emerging Market Equity -4.66%

Sources: ● Bloomberg Barclays Aggregate ● Bloomberg Barclays Corp High Yield ● Bloomberg Barclays Global Aggregate ex US ● FTSE EPRA Nareit Developed ● MSCI World ex USA ● MSCI Emerging Markets ● Russell 2000 ● S&P 500

Diminishing Returns of Nifty over past two decades

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We have in this slide depicted the point to point returns of Nifty Index over past three decades. The idea here is to highlight diminishing returns in Nifty over decades. We have further analyzed this data by bifurcating; performance of the Index in each year of the decade, demographic change in Index (addition of over achievers, weightage changes since past decade etc.)

Despite the listed base of companies increasing over years; the percentage of companies outperforming has reduced to lowest levels in 2018. Even if we take rolling 5 year return analysis since 2003; the average 5 year rolling returns have dropped to 10% in the last 5 years vs. ~20-22% in the same period last decade.

Time Period	Returns
1991-2000	14.76%
2001-2010	17.20%
2011-2019	7.86%

Year	5 year rolling returns (%)
2003	16%
2004	7%
2005	18%
2006	30%
2007	41%
2008	9%
2009	20%
2010	17%
2011	3%
2012	-1%
2013	16%
2014	10%
2015	5%
2016	12%
2017	12%
2018	11%

Average return of 22% during this period

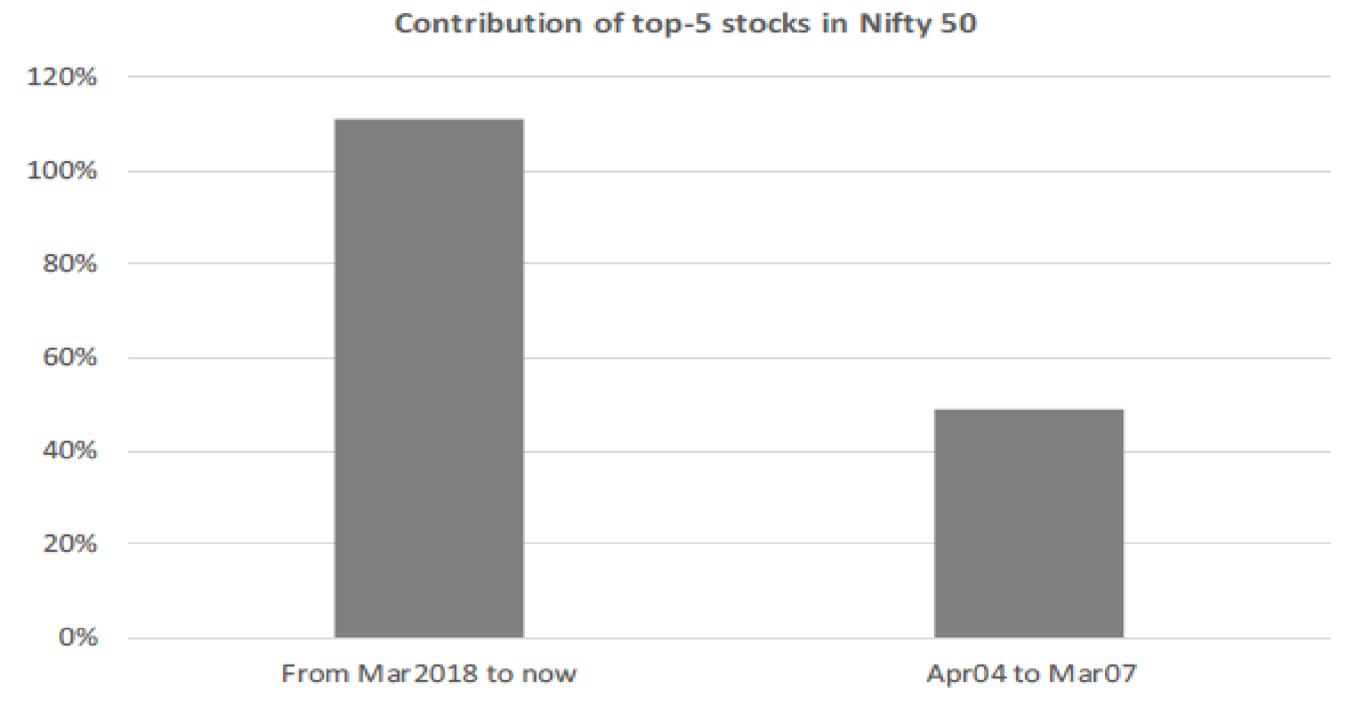
Average Return of ~10% over this tenure of NDA government

Year	No of listed securities	Nifty returns	% Companies outperforming
1992	263	36%	32%
1993	296	37%	33%
1994	326	13%	68%
1995	383	-23%	29%
1996	449	-1%	25%
1997	474	20%	22%
1998	490	-18%	63%
1999	497	67%	41%
2000	504	-15%	31%
2001	535	-16%	46%
2002	543	3%	69%
2003	559	72%	72%
2004	571	11%	68%
2005	589	36%	61%
2006	615	40%	33%
2007	651	55%	49%
2008	702	-52%	26%
2009	721	76%	75%
2010	734	18%	53%
2011	767	-25%	41%
2012	788	28%	57%
2013	803	7%	33%
2014	815	31%	72%
2015	831	-4%	61%
2016	846	3%	43%
2017	871	29%	61%
2018	899	3%	16%

While its difficult to generalise, such periods of staggered performance has been followed by a year of broad market out performance

Historically, this has been the lowest base for outperforming vs. underperforming companies

What is moving the markets?



Top stocks now	Top stocks then
Reliance Industries Ltd	State Bank of India
HDFC Bank Ltd	NTPC Ltd
ICICI Bank Ltd	Larsen & Toubro Ltd
Tata Consultancy Services Ltd	Bharti Airtel Ltd
Kotak Mahindra Bank Ltd	Suzlon Energy Ltd

Where is the incremental investing happening these days?

INR mn; BSE500 analysis	One year before 2014 elections	Three years before now	Last one year
	Jun13-Jun14	Jun16-Jun17	Jun18-Jun19
Mutual Fund, Insurance and FI investments	**5,526,932**	**11,962,284**	**18,451,251**
Incremental investment during the year	**1,390,945**	**2,202,188**	**1,778,169**
Fresh investment directed towards:			
Top 50 companies	16%	36%	77%
51st - 100th companies	15%	14%	7%
101st- 200th compnies	32%	21%	12%
201st - 300th company	13%	13%	3%
301st - 400th company	8%	6%	1%
401st - 500th company	16%	9%	-1%
FII + FPI investments	**11,196,351**	**20,604,892**	**28,466,113**
Top 50 companies	25%	35%	63%
51st - 100th companies	23%	13%	25%
101st- 200th compnies	29%	30%	8%
201st - 300th company	7%	9%	3%
301st - 400th company	5%	4%	2%
401st - 500th company	11%	9%	-1%

Sectorial Changes in Nifty in the past decade

Table below highlights the polarization Nifty has been through; since the past decade.

- Private banks have replaced PSU banks and increased their overall weights in Index.
- Oil Exploration companies have dropped out considerably (Assuming Reliance is now more of a diversified conglomerate rather than a pure play oil company).
- Nifty now houses more sophisticated/out performing companies. Ideally a true to label benchmark should have participation from all sectors/industries with fixed minimum/maximum weightage of such sector.

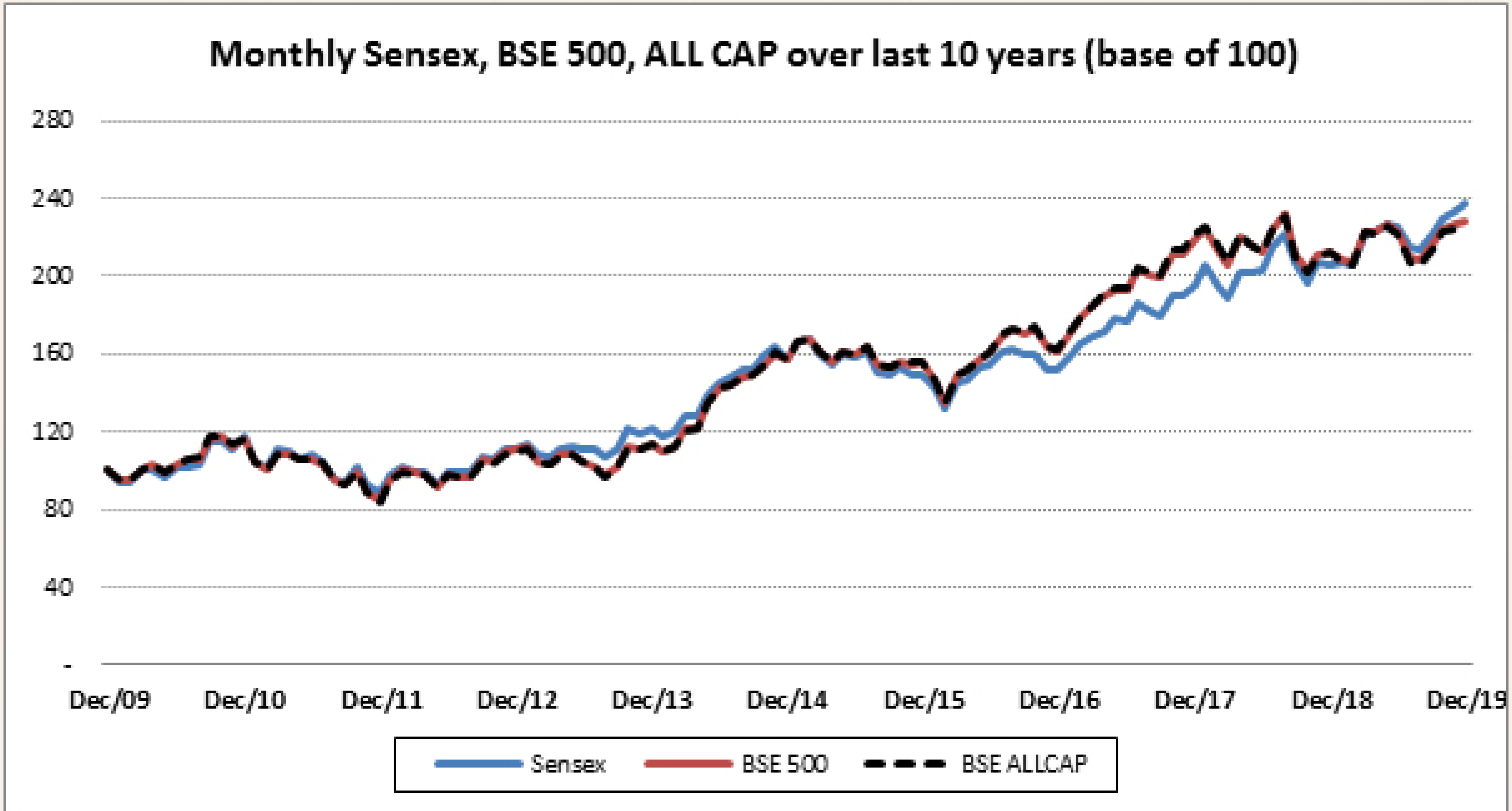
Sector	June'2009	Jan'2020
Banks	17%	29%
Finance	6%	2%
Computers - Software	10%	14%
Automobiles	4%	6%
Cigarettes	4%	4%
Cement And Cement Products	3%	
Construction	2%	5%
Electrical Equipment	5%	
Engineering	8%	1%
Oil Exploration/Production	17%	13%
Metals	1%	2%
Power	5%	
Gas	1%	
Steel And Steel Products	4%	
Aluminium	1%	
Chemicals		2%
Pharmaceuticals	2%	2%
Telecommunication - Services	7%	2%
Textiles, Apparel & Luxury Goo		1%
Thrifts & Mortgage Finance		8%
Transportation Infrastructure		1%
Insurance		1%
Diversified	2%	6%
Nifty Sector Constituents	**100%**	**100%**

HDFC Bank - 10.67%
ICICI Bank - 7%

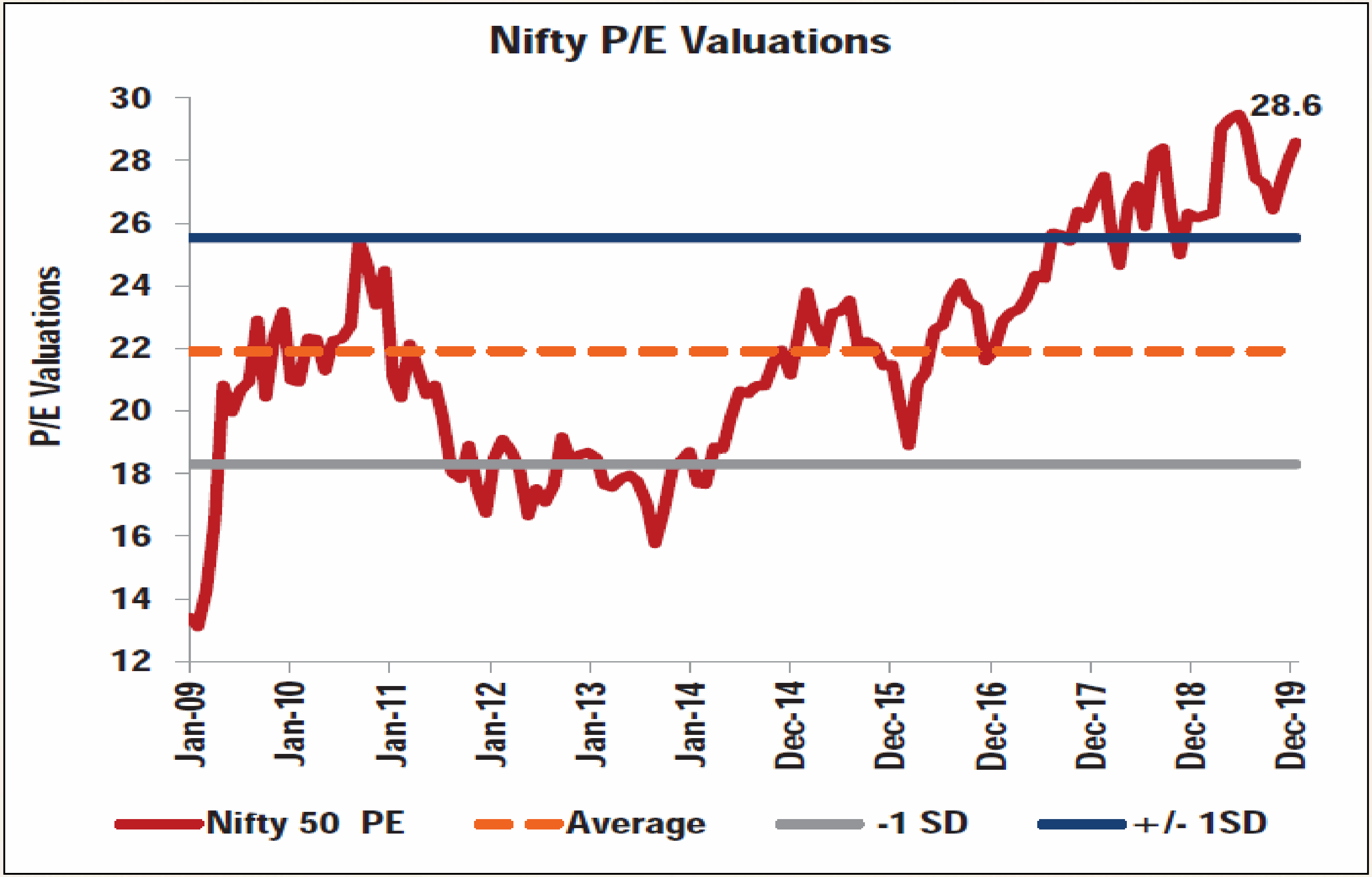
Includes Reliance Indutries which houses JIO as well; hence this is not a fully complete comparison

Index performance

Particulars	BSE Sensex	BSE 500	BSE ALLCAPS
10 year returns	137.4%	128.86%	126.16%
CAGR Returns	9.05%	8.63%	8.52%



High PE Valuations for Nifty



Are Fund Managers able to beat the benchmark?

Table below highlights in numerical terms; the number of fund managers who have over past 1 -5 years been able to beat the benchmark.

According to S&P Indices Versus Active (SPIVA) India scorecard, 92% of the large-cap equity funds underperformed their respective indices over the one-year period ending December 2018. 45% of total 228 actively managed equity MFs underperformed the benchmark in the 5 year period. SEBI re-categorization of Mutual Fund schemes + high cost structure associated with Mutual Funds will make alpha generation via active management of funds a challenge.

While the 1 year figures in the table below might not act as a true comparison barometer; over a period of 3-5 years we have seen outperformance across MFs come down substantially.

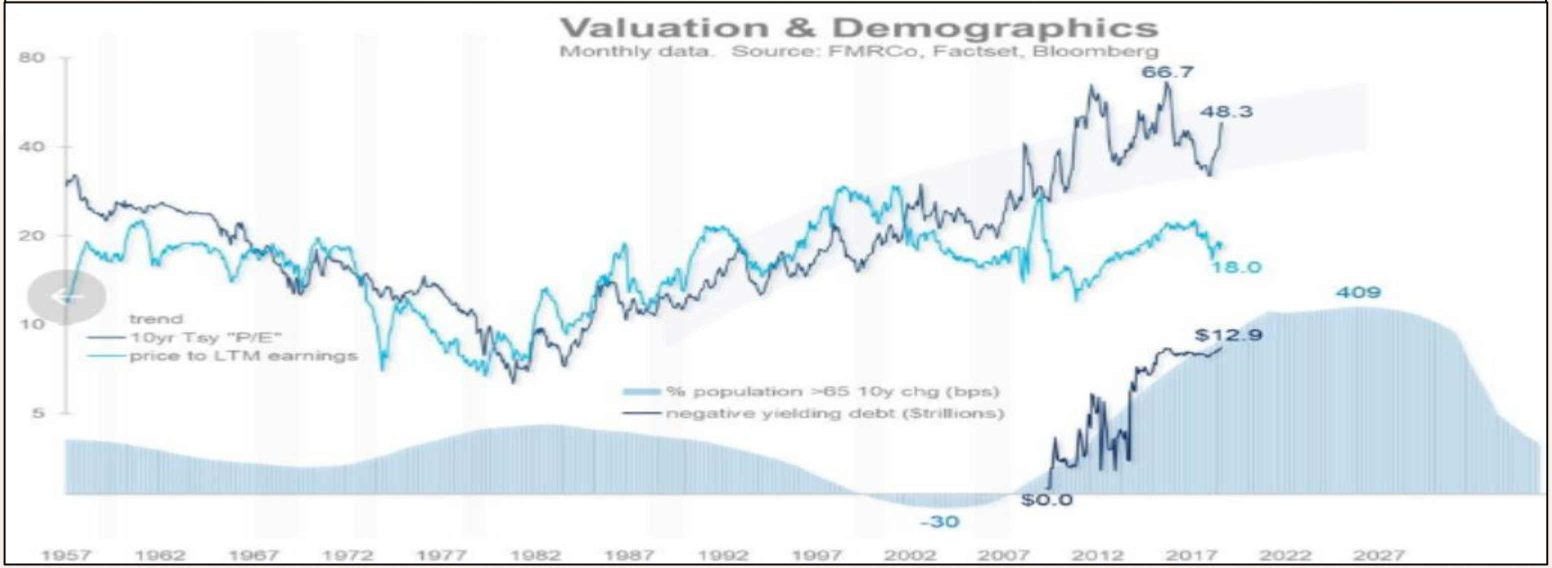
Category	1 year			3 year			5 year		
	Total Schemes	Schemes outperforming benchmark	%	Total Schemes	Schemes outperforming benchmark	%	Total Schemes	Schemes outperforming benchmark	%
Large Cap	31	16	52%	29	2	7%	29	8	28%
Large & Mid Cap	27	18	67%	22	8	36%	18	8	44%
Mid Cap	31	26	84%	28	17	61%	27	7	26%
Small Cap	18	11	61%	14	8	57%	14	8	57%

Law of diminishing returns from Equity (As an Asset class)

- Theoretically, ***Equity returns = Risk free rate + Equity Risk premium***. Risk free rates in turn are a derivative of expected ***Inflation rates*** and ***Real interest rates*** of the economy.

- We have analysed each of this factor in detail in continuing slides; which helps us summarise that absolute returns might go down in Equity markets. Having said that, we continue to believe that Equity would continue to remain a preferred asset class given that the other asset class would see sharper drop in returns profile.

Factor 1: Risk of reduction in Real Interest rates – Negative yields and recession fears are well documented and spoken about. There are various theories being ascribed to diminishing real rates; but, something that seems logical is that as the world is aging, people are saving more and since this is their retirement corpus a higher sum is getting invested into assets which are risk free (Risk free is again theory, as even the Government bond carries some amount of risk).



Law of diminishing returns from Equity (As an Asset class)

Factor 2: Subdued Inflation –

The world inflation has been trending down. On a decadal basis, 2010 - 2020 was the lowest inflation decade, if we consider data since 1980. Again a lower inflation would lead to lower interest rates.

- The last decade was the one with relatively easier monetary policy and quantitative easing. If inflation on a global level has failed to increase during this term (even when rates are going negative), it would be a stretch to believe that when quantitative tightening happens, inflation would tend to be higher over longer periods.
- One of the reasons for subdued inflation is also the ageing world-wide population, which limits the ability to inflate assets.
- Given the inequality of incomes, Inflation control is an important item on the manifesto of most Governments.

Factor 3: Slowing Global growth –

Global growth has started decelerating. Equity returns i.e. share price growth is a function of earnings growth. While it is difficult to get earnings growth data for all the corporates of the world, a proxy could be the GDP data. Since mid 1990's the global growth was accelerating, a trend which seems to have started to reverse. The growth has come down to 3% in CY2019. As future growth assumptions get downgraded, the growth premium built into equity prices should keep coming down acting as a cap on equity returns.

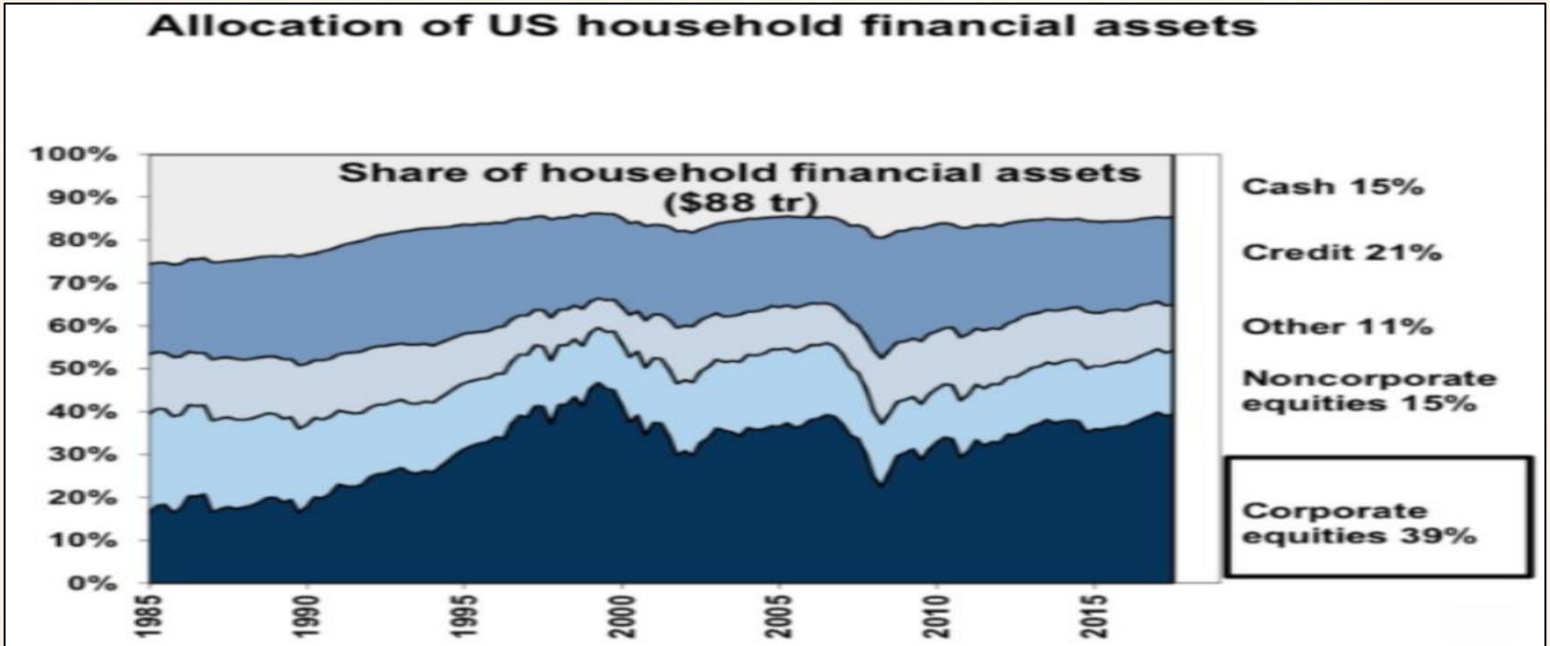
Factor 4: Increasing Buy-Backs -

Globally, buybacks have increased materially over the last 4 years. A buyback acts as a floor to the stock price because of 2 reasons, the first reason being that there is a buyer (the company itself) of the stock and once the stock is bought it is extinguished, i.e. the same stock will immediately not come into the market. In terms of the investors mind-set a buy on decline strategy for large buy back companies makes sense, helping reduce volatility in the stock which would result in reduced risk premium.

Law of diminishing returns from Equity (As an Asset class)

Reduction in Equity Risk premium – This chart is for US as that is the largest market with longest data.

- Equity as a percentage of total household financials assets was much smaller portion in 1980s; which now is almost at 50%+. Over the years as people have got more comfortable with equity as an asset class, higher investments have gone into equity. As more people chase one asset class, the risk premium levels tends to compress.
- India experience may be a little different given the presence of large-scale physical assets; but, if risk premiums are reducing globally (US and to some extent similar experience in Europe), then it would be fair to say that similar situation will exist in India over the longer-term as well.
- The whole "Mutual Fund Sahi Hai" campaign along with factors affecting Real Estate has led to large scale retail investor monies getting invested in Equity.



Fixed Income Markets

Where are the Debt returns leading us to?

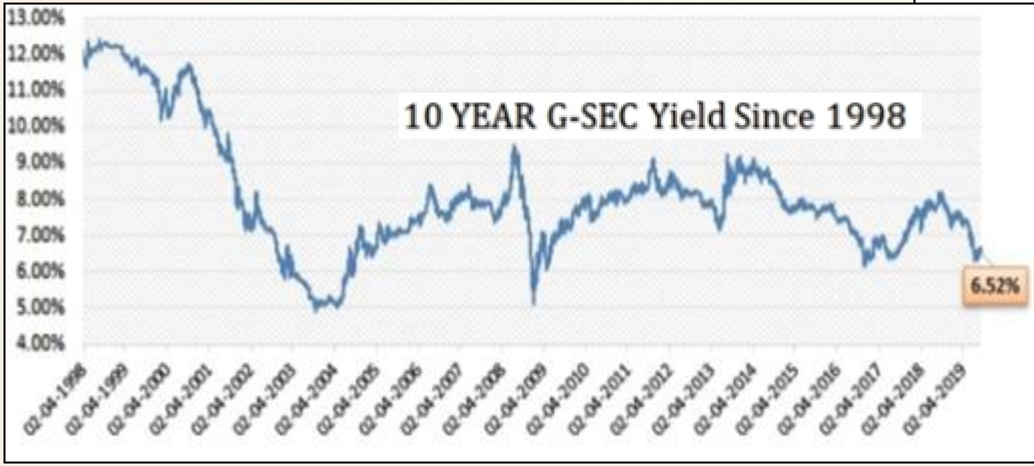
Decreasing trends in Fixed Income/Debt Category

There are three factors guiding the fixed income environment in any economy;

- Lending rate by the lead banker (SBI in India's case)
- Movement in 10 year G-Sec. This basically influences the government borrowing rate and is a lead indicator for debt markets
- Periodic movement in Repo rates (For the sake of convenience we have analyzed this by tracking movement in liquid fund MFs)

The yields on G-Sec have been tapering off as the RBI is going for rate cuts owing to low inflation. We are trying to co-relate this with the previous slides to interpret that; Equity returns are a subset Fixed income returns and both while perceived to have negative correlation; actually move in tandem, over multiple time periods.

Equity Returns = Fixed Income returns + Risk Premium



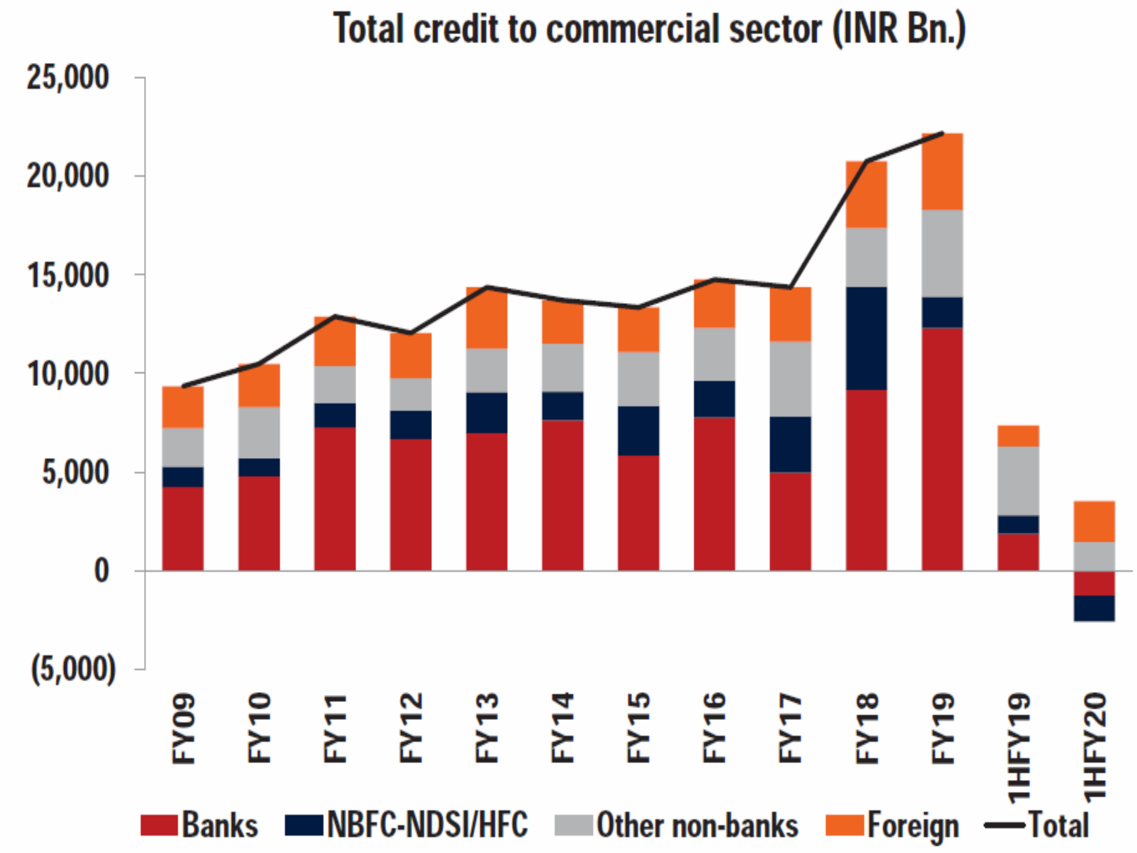
Year	Liquid Fund Return	SBI Fixed Deposit rate*
2011	8.94	9.25
2012	9.61	9.25
2013	9.31	8.75
2014	9.13	8.75
2015	8.44	8.5
2016	7.74	7
2017	6.72	6.5
2018	7.42	6.5
2019	6.6	6.75

* 3 years Fixed deposit rate on SBI bank

Sharp fall in lending

Post the credit crisis in 2018-19 there has been a squeeze in the flow of resources to the commercial sector.

Incremental credit from Banks and NBFCs have declined in FY2020 owing to risk aversion.



Source: Kotak Research, 31-Sep-2019. NBFC-NDSI – Non Banking Financial Company Non Deposit Taking Systematically Important, HFC – Housing Finance Company

How Reliable are the Credit Ratings?

- A spate of credit events hitting top rated issuers has put investors in a fix. Credit rating agencies have missed impending defaults in several companies including IL&FS, DHFL and Zee group, leading to sharp downgrades in ratings of instruments that were of supposedly high credit quality.
- There is a growing perception in India that credit rating agencies have been too charitable in rewarding ratings. For instance, the number of companies that enjoy AAA status in India is very high compared to other nations. So, even Reliance Industries, which enjoys AAA status for domestic ratings, falls to Baa2 on the international scale. Also, rating for a company borrowing abroad is capped by the sovereign rating of that country.
- While India has 70-odd companies that are rated highest quality, only two companies in the US enjoy this distinction. No company in Germany and UK enjoys AAA rating. Among emerging countries, China has only 14 AAA-rated entities. This implies a gulf between credit standards in India and elsewhere. The rating standards observed in other countries are missing among domestic agencies.
- Adding to this, Indian rating agencies have been caught on the wrong foot too often. The sharp divergence between the credit rating and the actual financial position is worrying.
- The consensus is that the conflict of interest in the business model of rating agencies has diluted the credibility of the rating mechanism. Since rating agencies are compensated by the issuers who raise debt, it has led to instances of company promoters shopping around for a favorable rating.

Bulk of bond issuers in India are rated high quality

Investors should look beyond the ratings

Credit rating	Number of companies	Rating description
AAA	63	Highest safety
AA	198	High safety
A	56	Adequate safety
Below A*	21	Moderate/inadequate safety or high risk of default

Our sense basis learnings from past events is – Credit/Risk rating mechanism is India is still at a nascent stage; hence, credit allocation basket needs to be well thought through.

Ideally, Debt play should be basis well research risk metrics covering a borrower/covenant rather than just basing the investment decision on a rating metric.

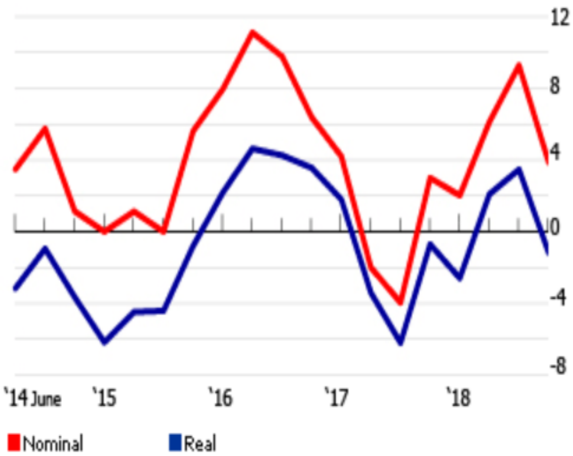
What happened to most Favoured Asset Class over the last Decade

Real Estate

State of Real Estate (Residential) in India

- India's housing market remains weak with homes sales & residential construction activity continuing to fall. Government crackdown on banking-sector malpractice, combined with growing credit risk among developers has seen banks pull the plug on real estate lending.
- If the Indian real estate market was correctly priced, the rental yield should tend to be somewhere close to the cost of borrowing. Instead, Mumbai (e.g.) has a rental yield of ~2% - 3%, while the lending rate is around 8.5% to 10%. Property appreciation on real terms basis (without considering inflation) has been on an downtrend. Past trends reveal that between 2013 to 2018, residential property price appreciation in India bottomed out to a mere 12% – effectively a little over 2% on a yearly basis, even for properties in prime locations.
- Domestic real estate funds pumped in ~ $10 bn into the sector between 2015 & 2019 of which ~70% was in residential segment. But 10 years from then, most real estate funds are either staring at negative returns for investors, have exited their investments at a loss or continue to extend the exit deadline hoping to close at a better valuation.
- The behavioral change of millennials who don't consider not owning a house a taboo is important to note

House Prices, Annual Change (%)



Source: National Housing Bank, Global Property Guide

AVERAGE RENTAL YIELDS (%)

City	Average Rental Yields (%)
Delhi	2.47%
Mumbai	2.55%
Bangalore	3.80%
Pune	2.67%
Chennai	2.81%
Kolkata	3.73%
Hyderabad	3.84%

Source: Magic Bricks

HOME LOAN INTEREST RATES FOR SELECTED BANKS, MAY 2019

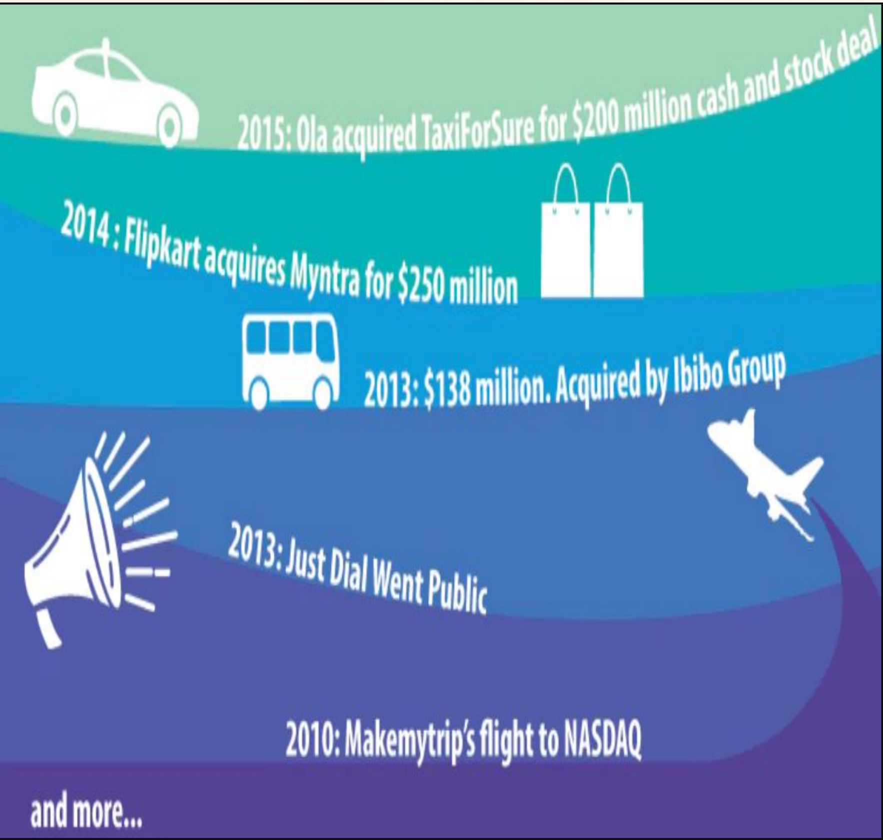
Banks	Interest rates (%)	MCLR (%)	Processing fee
Andhra Bank	8.80 - 9.95	8.75	0.50% (max INR10,000)
Bank of Baroda	9.70 - 10.20	8.70	0.25% to 0.50% (INR7,500 – INR20,000)
Bank of India	8.80 - 8.85	8.70	0.25% (INR1,000 - INR20,000)
Central Bank of India	8.55	8.55	0.50% (max INR20,000)
Punjab National Bank	9.05 - 12.50	8.45	Up to 0.50% (min INR10,000)
State Bank of India	8.50 - 9.70	8.45	INR2,000 - INR10,000
Axis Bank	8.90 - 10.60	8.80	Up to 1% (min INR10,000)
HDFC Bank	8.55 - 8.90	8.70	Up to 0.50% (max INR11,800)
ICICI Bank	8.80 - 9.25	8.75	0.50% - 1% (min INR1,500)
Karnataka Bank	8.9% - 10.45%	9.40	INR12,000

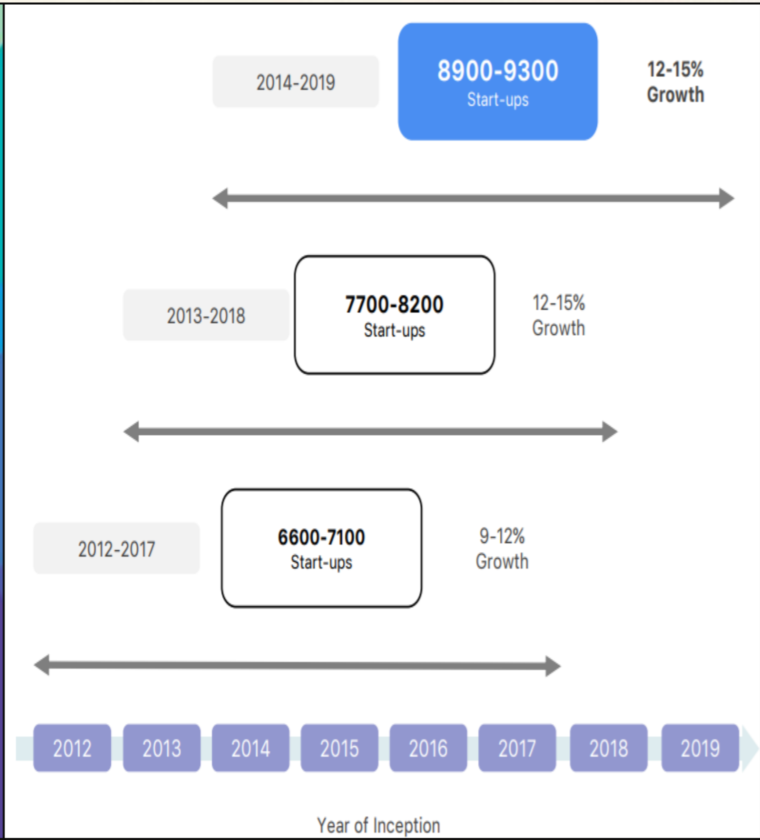
Sources: RBI, bankbazaar.com

Factors that Killed the Real Estate Markets

- **Unattractive/Negative ROI** - The returns on investments in residential real estate have dropped from two or even three-digit values to low single-digit or, in many locations, even negative returns over the last few years.
- **The Economic Slowdown** - This has a direct correlation to employment creation and job security in India. Cash-conservation is the order of the day in a country; where, citizens are unsure of getting jobs or job continuity.
- **Lack of Faith in Under-construction Properties** - Under-construction homes were previously Indian homebuyers' default choice due to the more competitive prices.
- **Anticipation of a Significant Price Correction** - The sales currently being registered are largely to end-users who got good deals and were tired of waiting. However, the bulk of buyers who could tip the scales in favor of a convincing housing revival prefer to wait and watch in a market where renting homes is cheap.
- **Unfavorable Loan-to-value Ratio** - In recent times, the loan-to-value (LTV) ratio - the amount of loan that can be given for a property of a certain market value – is now restricted to 70%, whereas it previously ranged between 80% and even 90% of the property value. In short, buyers availing home loans now have to pay 30% of the property cost upfront.
- **High Taxation on Under-construction Homes** - GST has replaced the multiple levels of taxation previously applicable on a home purchase, but the increased simplicity has not resulted in better cost-efficiency. Under-construction homes attract 5% GST for premium (mid-range) properties & 1% for affordable homes. However, this does not include input credit benefits, which would have reduced the overall purchase cost. Over and above, 5-7% stamp duty & registration charges apply to both under-construction and ready-to-move homes
- **Millennials' 'No-guilt' Towards Renting** - The status perception of homeownership has faded - especially with on-the-move millennials who prefer to rent homes in convenient locations in whatever city they happen to be.
- **DeMo + RERA + GST implementation in quick succession**
- **Growing Awareness of Other Investment Options** - With real estate's fading allure, investors began exploring other options and found them to quite rewarding. For instance, they can invest in a start-up with sums as 'low' as INR 10 lakhs. Many entrepreneurially-inclined Indians find the potential ROI (as high as 15% in many instances) more attractive.

Emerging Investment Asset Class
The Start up Space





2019 – Remarkable year for growth of Unicorns – Tech takes the lead!!

Overall		In 2019
24	Unicorns	07
44%	% share of B2B	71%
07	Cities	05
44%	% of start-ups with overseas market	28%

icertis

Location: Pune
Total Funding: $330 Mn
Cloud-based contract management platform

OLA ELECTRIC

Location: Bangalore
Total Funding: $306 Mn
Developer electric mobility services & charging infrastructure

DELHIVERY Small World

Location: Delhi
Total Funding: $781 Mn
Logistics services for Indian e-commerce companies

RIVIGO

Location: Gurgaon
Total Funding: $238 Mn
Tech-enabled logistics with a truck fleet of its own

druva

Location: Pune
Total Funding: $211 Mn
Backup & data loss prevention solution for enterprises

DREAM11

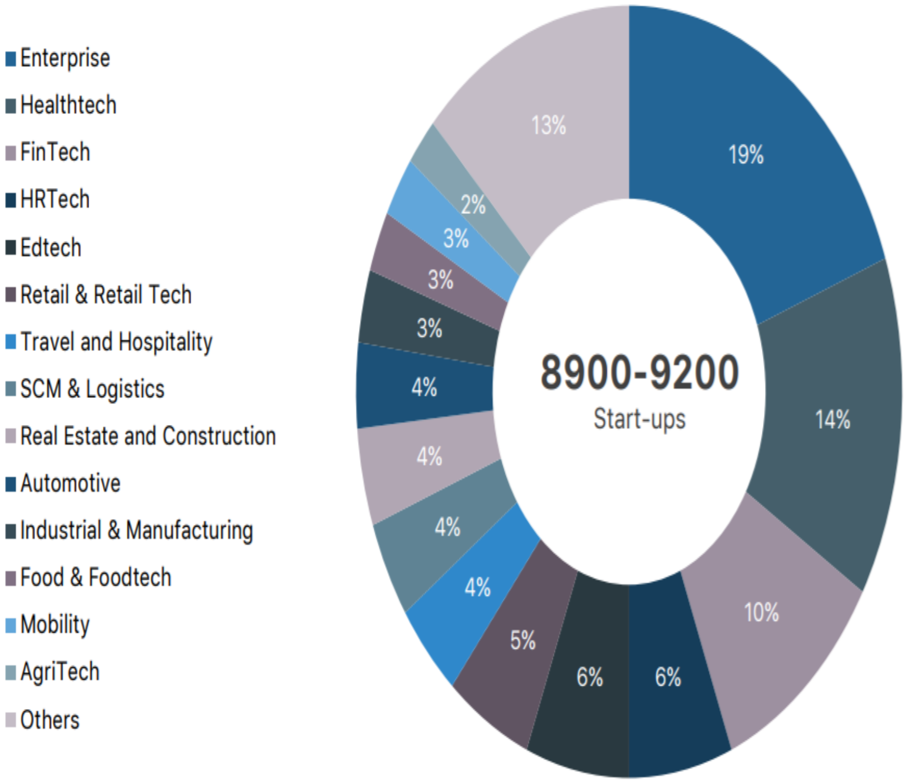
Location: Mumbai
Total Funding: $100 Mn
Online platform for playing real time fantasy cricket and football

bigbasket

Location: Bangalore
Total Funding: $885 Mn
Online retailer of grocery products

Tech start ups continue to gather sweet spot

sector-wise split of start-ups



High Growth (CAGR >50%, since 2014)

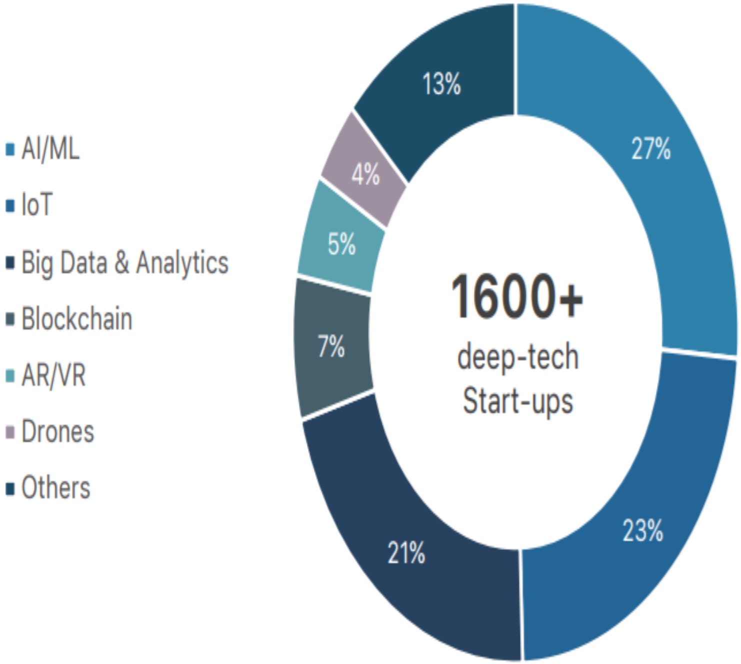
- EdTech
- Fintech
- Mobility
- Automotive
- Healthtech

Medium Growth (CAGR >35%, since 2014)

- Human Resources
- SCM & Logistics
- Real Estate & Construction
- Food & Foodtech
- Retail & Retail tech
- Enterprise
- Industrial & Manufacturing
- Travel & Hospitality

18% of all start ups are now leveraging Deep-Tech

% share of start-ups by technology



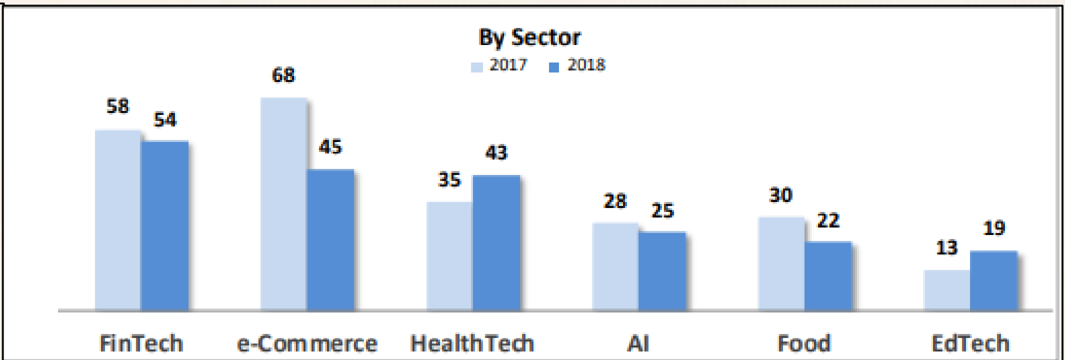
Note: total will not be equal to 100

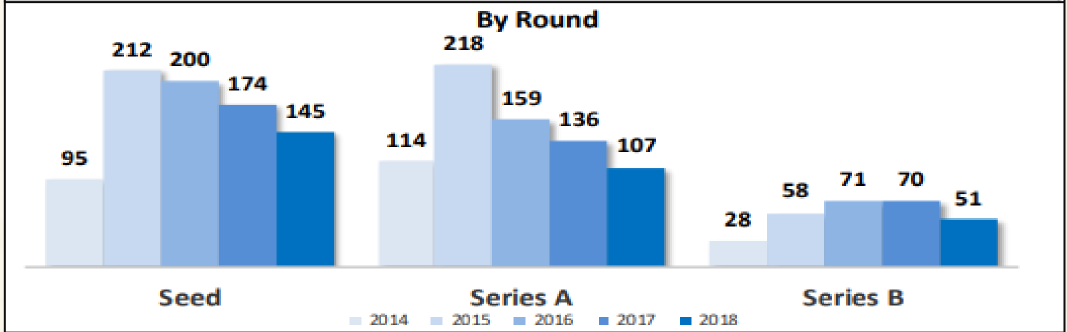
	5 year CAGR (Number of Start-ups)	Key Application Areas
Artificial Intelligence	65 – 67%	Enterprise, FinTech, HealthTech
Internet of Things	45 – 46%	Industrial, Real Estate, HealthTech
Big Data & Analytics	38 – 40%	Enterprise, FinTech, Retail & Retail Tech
Blockchain	88 – 90%	FinTech, Enterprise, Agritech
AR/VR	55 – 60%	EdTech, Retail & Retail Tech, Real Estate

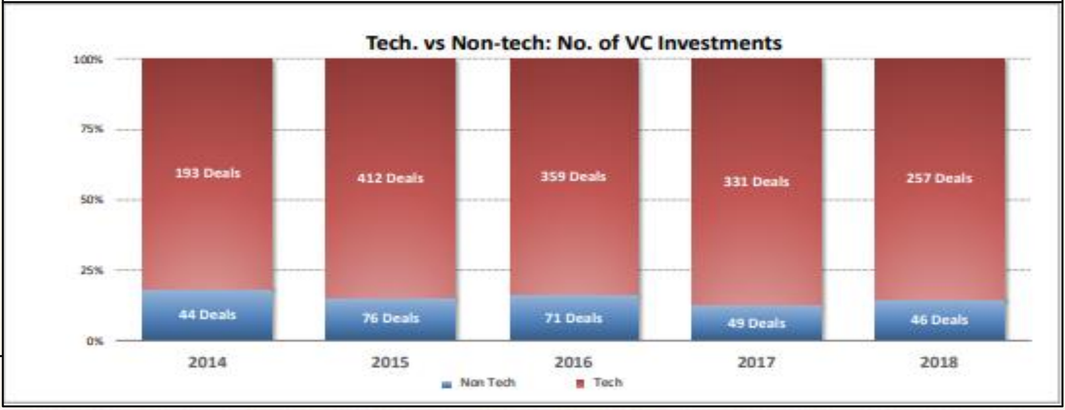
- Deep-tech start-up pool has grown at 40% CAGR since 2014
- Pool has expanded from 16% of the total start-up base in 2018; and is up from 8% in the year 2014
- Blockchain, 3D printing, robotics, and drone start-ups continue to expand rapidly- albeit on a smaller base

Early Stage Investment - India

- Venture Capital firms made 303 early-stage investments (worth US$ 914 mn) during the calendar year ended December 2018. The investment activity was down by 20% compared to the same period last year (380 deals worth US$ 987 mn).
- Tech companies attracted 257 early-stage investments (85% of the pie) worth over US$ 757 mn during 2018. FinTech took the top spot with 54 deals worth US$ 182 mn, followed by e-Commerce with 45 deals worth US$ 139 mn. Both FinTech and e-Commerce witnessed a decrease in deal activity compared to 2017 (7% and 37% respectively). Investments in HealthTech increased by 23% compared to 2017 which registered 35 investments in this sector







Proactive actions from State government are driving growth of new start-up hubs

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Kerala

Ecosystem Enablers:

- India's first space tech park to be set-up in Thiruvananthapuram
- BRINC – Country's first international accelerator for hardware start-ups, Kochi
- Maker Village - India's largest hardware incubator & ESDM facility, Kochi
- Fab lab – Fabrication Laboratory, Thiruvananthapuram

Ahmedabad

Ecosystem Enablers:

- Centre for Innovation Incubation and Entrepreneurship (CIIE) - Start-up Incubator
- iCreate Entrepreneurial Litmus Test (iELT) – Start-up Accelerator
- Centre for Advancing and Launching Enterprise – Technology Business Incubator
- Venture Studio – Start-up incubator set-up by Ahmedabad University in collaboration with Stanford University

Jaipur

Ecosystem Enablers:

- Amity Innovation Incubator - Jaipur's academic not-for-profit incubator
- Bhamashah Technohub – India's largest business incubator
- Assocham Launchpad - Elevator Pitch Series
- Start-up Oasis – Jaipur based Incubation Centre

Chandigarh

Ecosystem Enablers:

- TIE Chandigarh – Supports start-ups through mentoring, networking, funding and incubation
- BIGShift Chandigarh – Platform for start-up showcase
- Chitkara Innovation Incubator – Academic Start-up Incubation centre
- Chandigarh Angels Network – Angel Network providing mentorship and funding

Across the Web

HEALTHCARE

Exclusive: PremjiInvest ups stake in pharmacy chain eyeing IPO

By Joseph Rai and Ranjani Raghavan | 17 January, 2020

OYO to raise $1.5 billion in latest round of funding

1 min read . Updated: 07 Oct 2019, 02:05 PM IST

Deepti Chaudhary

- RA Hospitality Holdings' will infuse nearly $700 million as primary capital in the company
- Prior to this, OYO had raised over $1 billion in its last financing round in September 2018

Byju's triples FY19 revenue to Rs 1,430 Cr; targets Rs 3,000 Cr this year

Bengaluru-based edtech company Byju's said that it has crossed Rs 200 crore in monthly revenue, and is estimating revenue of over Rs 3,000 crore this year.

HEALTHCARE

Exclusive: ChrysCapital set to reinvest in another pharmaceutical portfolio firm

By Joseph Rai and Ranjani Raghavan | 22 January, 2020

Heading For Exit

SOME BIG COS SEEING SECONDARY SALES

Oyo, Byju's, PolicyBazaar, BookMyShow, Freshworks, Lenskart, Delhivery and Swiggy

INVESTORS EXITING PARTIALLY

Accel Partners, Chiratae Ventures, SAIF Partners, Tiger Global, Lightspeed Venture Partners and Nexus Venture Partners

THE BUYERS

Tencent, General Atlantic, SoftBank, Temasek, Hillhouse, NewQuest Capital, Epiq Capital, TR Capital and Ritesh Agarwal (for Oyo)

$50 m to $200 m
Value of deals

WHY SECONDARY SALE?

Helps de-risk portfolio for venture funds, allows good entry point for late-stage investors

Facets of equity investing

The Most Expensive painting in the world –

- Pablo Picasso's 1955 painting Les femmes d'Alger fetched a staggering $179.4mn in a Christie's auction in New York, the highest price ever paid for an artwork at auction at the time.
- Must have been a brilliant investment, no?
- But let's stop to consider the facts for a moment:
  - ✓ The painting was last sold in 1997 for $31.9 mn—appreciating by $147.5 mn by 2015.
  - ✓ The previous owner (Mr. Seller) was identified as a "distinguished private European collector."
  - ✓ Though it might not reveal the identity it tells us that this person must have been armed with the knowledge and expertise to "fairly" value and purchase the painting in 1997.
  - ✓ Let us consider the Return on Investment: This investment for Mr. Seller yielded a CAGR of about 10% over 18 years. Wait! Well that can't be right? Or can it?
  - ✓ Mr. Seller (although he owned a Picasso which sold for a record price) made a poor return if benchmarked against average Indian equity index returns.
- Historically Equity returns outperform other asset classes over long periods of time.

Exponential Growth

Each time you fold a piece of paper, you double the thickness. So a paper folded 50 times will be how thick?

Karina and Priyanka are successful businesswomen and friends, both are 30 years old. Karina invests Rs 1 lakh every month for 30 years till retirement. She manages an annual return of 12% on her investments and succeeds in amassing a sizeable corpus of ~Rs35 crores at the end of 30 years.

Priyanka does nothing for 20 years but she suddenly wakes up 10 years before retirement and starts investing Rs12 lakhs/month for the next 10 years. She also manages to make an annual return of 12% on her investment.

However, at the end of the exercise, Priyanka managed to create only around Rs27 crores for her retirement while Karina managed to amass ~Rs35 crores. How is it possible? Still Confused?

Karina was investing just Rs1lakh/month (Rs 12 lakhs a year for 30 years) whereas Priyanka was investing Rs12 lakhs/month (RS 1.44cr a year for 10 years).

Cost of investments a 'critical' factor

20 crores invested at 12% PA return with a cost of 3 % will grow to ~ 47 crore after 10 years.

Same money with identical gross return and time frame minus the 3% cost will grow to ~ 63 crore– **A staggering difference of ~ 16 crore.**

Summary of all earlier slides

- Moderation in **return expectations** from Equity as an Asset class.
- Debt returns will be **volatile** given desperate attempts by Central Banks worldwide to maintain liquidity in the economy and keep markets afloat. Season of Ultra Low rates to return soon.
- Hence, having the right return expectation will ensure **better asset allocation and help avoid increase beta,** make portfolio less volatile. Out performance by mutual funds will be lower/more difficult.
- Credit rating agencies have failed in their attempt to assign true and fair ratings to the Debt given past credit crisis arising from AAA rated securities. In this scenario, it makes sense to look at overall risk worthiness of the borrower rather than merely basing the investment decision on a rating metric.
- **Costs associated** with an Investment will play a very important role in determining overall returns. Investment managers with skin in the game and costs attached to performance with very low fixed fee should be preferred. Choosing the right advisor with alignment of interest is imperative.
- **Real Estate** as an Asset class will continue to face different challenges over the next few years. Post RERA/GST/Demo this sector has lost its shine. The pool of inventory that each city is holding + amount/number of under completed projects stands large. While there could be pockets like warehousing, commercial real estate, which could do well, the overall sector returns will be in check.
- **Emergence of Start up**/Private Equity/Venture Capital investing. Tech driven companies with focus on AI/IOT/Enterprise solutions/deep tech are driving the next leg of growth. Lot of them will never go public for a variety of reasons. Secondary transactions a good opportunity too
- On a Dollar adjusted return basis, emerging markets have underperformed developed markets. Given that India is just ~3% of Global GDP, it makes sense to diversify across asset/geographic locations**. Use LRS limits wisely**.

Our Research Team

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Thank You

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