FAMILY OFFICE INSIGHTS
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Peer Insights
REPORT

Q&A with Sameer Nath

Managing Partner of Iron Pillar.

Principle Series:

Please join Family Office Insights for this luncheon on Thursday, February 22nd at 12PM. If you care to join us, please email admin@familyofficeinsights.com.

Family Office Insights sits down with Sameer Nath, Managing Partner of Iron Pillar, to discuss his venture growth fund filling the "mid stage" gap for technology investments in India, targeting 30% IRR, 4.0x money multiple (USD). With a purpose-built team of 6 founding partners with 105 years of combined experience in venture investing, technology M&A/exits and operations, Iron Pillar is the only team in India with strong capabilities in Mumbai and Bangalore plus a presence in Silicon Valley and China.

Family Office Insights is a voluntary, "opt-in" collaborative peer-to-peer community of single family offices, qualified investors and institutional investors. If you care to learn more, and perhaps join the community, you are welcome to visit us here at FamilyOfficeInsights.com.

Q: Tell us about your (and your team's) background and how you got into the India venture market.

A: Our Fund formally launched in January 2016 when the 6 of us founding partners came together to form Iron Pillar. However, the story begins in early 2015 when Anand Prasanna and myself, the 2 managing partners, began discussing the investment thesis. Anand used to work at Sequoia Capital and had 10 years of experience as a direct and fund investor in India and Asia. My personal background is in technology and M&A investment banking. I worked at Citigroup for 15 years (in New York, Mumbai and Singapore), and was Citi's Head of M&A in India from 2008 to 2013. Anand and I agreed that India had ample capital for early stage venture and Series A rounds, but there was a white space in the growth stage (i.e. Series B, C and D investments) where we believed we could play a part in helping build these companies and creating value.

Iron Pillar is named after the actual Iron Pillar of Delhi. It has been around for 16 centuries now and there is no rust or corrosion on the structure, which we believe represents something that is long lasting and enduring. It is also a symbol of technological prowess that existed in India way back then. We are not chasing short-term trends or fads at Iron Pillar, but companies and entrepreneurs that think about the long-term game.

In order to assemble the right team to do justice to the India venture growth opportunity, Anand and I identified the core skill sets required. We believed we needed partners with: a track record in technology and venture investing; experience in executing successful exits and M&As; and a background in scaling a business from the ground up. Over the course of 2015, we assembled a purpose-built 6-member team including Mohanjit Jolly, who brought 15 years of venture investing experience in India and the US along with business development and technology expertise; Harish Hulyalkar, who brought a market-leading track record in technology M&A in India; Ashok Ananthakrishnan, a two-time entrepreneur with deep operating experience; and Ashish Shah, our CFO, who brought 18 years of private equity and VC fund management experience.

Altogether the founding team had 18 years of average experience with a deep understanding of the Indian market. As a first time fund embarking on a highly differentiated strategy, we knew it was critical to demonstrate to investors that we knew what we were doing. Hence we spent the first several months evaluating tech companies and doing deals instead of raising money. We looked at 100 tech companies and honed in on 2 successful deals. This proved to the market, the investors, and ourselves that we knew what we were doing—from deal sourcing to valuation to due diligence and closing.

Our first deal was a $5M Series B investment in the #1 software provider to small businesses in India called NowFloats. There are 51M small businesses in India and Google Data indicates that having an online presence can increase sales by 50%, which is a massive opportunity. NowFloats was founded by ex-Microsoft executives who built a powerful automated platform that helps these small businesses create an online storefront through a website with built-in SEO algorithms to promote the business, as well as the ability to handle online customer engagement and updates in real time to all associated selling platforms like Amazon and FlipKart. NowFloats works on a subscription-based model with 30K active and fully paid users. The company is capital efficient with 85% gross margins. The revenue run rate since our investment has increased from roughly $2M to $7M. We've seen a mark up of 2x in the company's valuation since we've come in. We're excited about NowFloats' growth prospects in India and believe this business is portable to other emerging markets e.g. South East Asia.

Our second deal was a $8M Series D investment in the #1 online jewelry brand in India called BlueStone. With the middle class (particularly financially independent and working women) growing and online consumption in India rising, we found that India lacks homegrown brands to consume, so supporting the next generation brands, many of whom begin online, was important to us. BlueStone had established itself as the leader in online jewelry. This was a full stack-operating model where everything from design to manufacturing to operations was done in-house. To many people's surprise, the online jewelry market in India is actually larger than the US and is poised to overtake China. BlueStone sells fine gold and diamond jewelry online with a try-at-home service for comfort and ease. The revenue run rate from direct jewelry orders since our investment has increased by more than 2x accompanied by better marketing efficiency and higher margins. We've seen a mark up of 1.2x in the company's valuation since we've come in. We're excited about BlueStone's growth prospects and the market leadership opportunity clearly at hand.

Importantly, incoming investors into our Fund will be getting both these deals at cost, whereas the actual valuations are considerably higher.

Q: What type of companies do you like to invest in?

A: The way we think about tech investments in India is in 2 broad buckets:

1) India for India: Indian businesses that are built for the large and fast growing domestic market. There are 1.25B people in India with 50M active online consumers, 300M+ "middle class" consumers and 400M+ smartphone users. Technology—particularly consumer internet—will drive opportunity creation for these aspirational Indians.

2) India for the World: enterprise technology with roots in India that is disrupting traditional industries as well as leapfrogging old technologies. Many of these Indian entrepreneurs have been trained in the US and are building software and products that can compete not just in emerging markets like India but also in developed markets like the US and Europe.

More broadly, analysts have described India technology as one of the most exciting investment opportunities available in the world today. Iron Pillar's investment focus is on Indian technology businesses, which have: a proven business model, sustainable unit economics (along with market leadership) and a visible path to an exit in a 4/5-year timeframe. Our team has maintained an active deal pipeline and is tracking innovative market leaders in areas such as Health Tech and SaaS.

Q: What are some of the challenges you face in this market?

A: A general challenge for the venture market in India is that it is not as mature or liquid as the US or China, but there is an ongoing evolution. For us specifically, a challenge as a first time fund has been finding the right set of investors. It has taken some time but we are thankful that we have built an investor base that is global, diversified and sophisticated. Another challenge in India is valuations. Since we are filling the "mid stage" gap for technology investments in India, the supply and demand equation has been in our favor and, thus far, we have managed to stay disciplined on our entry valuations.

Q: How are you different from your key competitors?

A: We think that we are executing our strategy in a unique way. We have a team with skillsets that are directly relevant to succeeding in this space. While other investors in this space also invest in other stages e.g. Series A or later growth, we are solely dedicated to venture growth, which positions Iron Pillar without a direct competitor today. No doubt that this will change as new entrants come in to the market but we currently have the first mover advantage. More important, we believe the supply of quality Series B, C and D opportunities is enough to sustain additional competition. One reason why we've been successful on the deal flow front is because entrepreneurs and VCs in India have understood that we are adding capacity to the venture market by bridging the late and early stages. This is also a feature that has been recognized by US LPs.

Q: How are you changing the landscape of your industry?

A: Prior to 2013, the market in India was not mature to the point where you could make a compelling case for the need for dedicated funds to play in this space; but after the increase in the number and size of VC funds during the 2013-2015 period, the Series A funnel became larger and the venture growth capital crunch more acute. Those actively playing in venture growth were hedge funds (who were not natural investors in the space) or a range of opportunistic investors (who were "dabbling" in India tech). Many of those investors have not been active in the market since end-2015. So when we entered the market in January 2016 the venture growth leadership opportunity was wide open for us.

Q: How much are you looking to raise and who is your ideal investor?

A: We are looking to raise $100M and have visibility into $70M of capital commitments. Our focus now is to finish raising the balance $30M, and we strongly believe that the US will be the origin for the bulk of that capital; a significant chunk will be from Family Offices, some of which we're already engaged with. In addition to Family Offices, our ideal investors are interested in India and technology with investment experience in or an understanding of emerging markets.

To elaborate, the Fund has closed almost $45M of capital from leading institutions and family offices in India, Europe, China, and UAE. We expect an incremental $25M to get into subscription documentation later this month, including OPIC (Overseas Private Investment Corporation, part of the US government). The GP commitment from the 6 Iron Pillar partners is up to $3M of which $2.2M has already been committed. The minimum investment we are seeking is half a million with flexibility on a case-by-case basis, and no maximum investment. We are open to over-subscribing but we have a hard cap at $150M for this Fund.

Q: What's your mission?

A: Our mission is to be the go-to growth venture fund in India. With all humility, I think we are already on our way. Iron Pillar has only been around for 2 years, but we have been shepherding our portfolio companies towards strong growth trajectories and showing leadership alongside much larger funds. Our third deal is something that we hope to announce in the coming weeks to continue this momentum. It's nice to be able to say that, as a first time fund out of India, we have been able to raise capital from a global and diversified investor base. This further solidifies our hope that our mission is attainable.

Q: What's next for you?

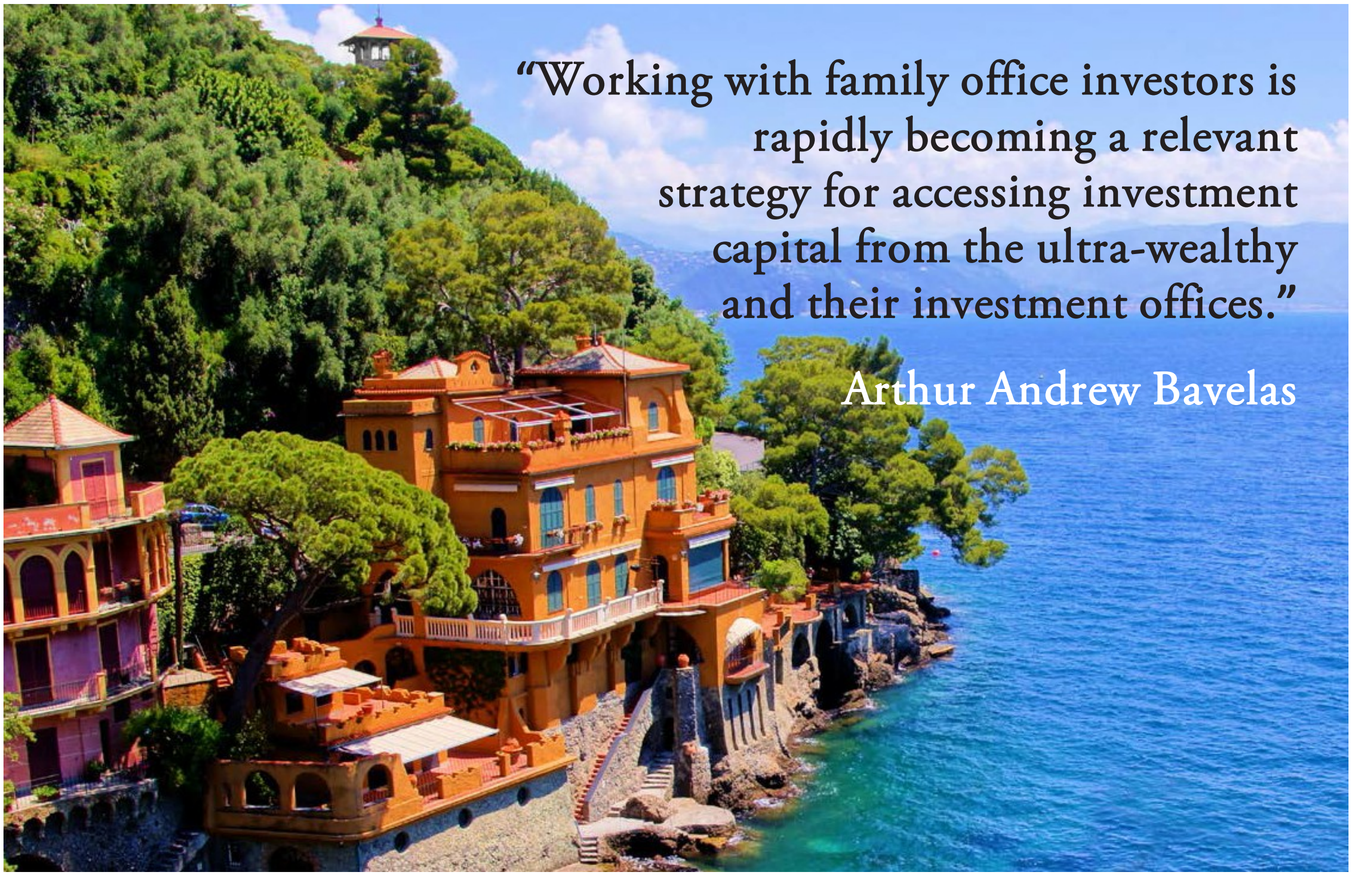
A: Our senior 6-member team has learned to divide and conquer efficiently. Our most pressing next step is to close this Fund by April 2018, as well as close on our third deal in that same timeframe. Concurrently, we hope to have a full office and team up and running. As we speak, we have begun to interview analysts, back-office support and other junior professionals so that we can hit the ground running when we close the Fund. We hope to do a deal every quarter thereafter and are excited to deploy more capital behind our high quality pipeline.

Prior to co-founding Iron Pillar in January 2016, Sameer was an investment banker for 15 years, all with Citigroup. Sameer's investment banking experience spans a wide spectrum of transactions across M&A, Equity/Debt Capital Markets and Private Equity Advisory in the U.S., India and South East Asia. He was a Managing Director since 2010 and helped build market-leading franchises in M&A in India and Technology in India and globally. Sameer's most recent role at Citi was Head of ASEAN Alternative Assets and Diversified Industrials Investment Banking. Sameer was responsible for leading Citi's investment banking coverage for Private Equity clients (including select sovereign wealth funds) and Industrials clients (including select conglomerates and multinational corporates) throughout Southeast Asia.

Prior to relocating to Singapore in January 2014, Sameer was Head of Mergers & Acquisitions for Citi in India, based in Mumbai. In that role, Sameer provided M&A leadership and management for Citi's banking franchise in India. He was involved in the origination and execution of advisory transactions across all sectors, with a focus on large, cross-border deals. Sameer led many landmark deals in his 5.5 years in Mumbai, during which Citi was a consistent leader in the Indian M&A market. He also led Citi's Technology investment banking coverage in India during the latter half of this period.

Previously, Sameer spent 6 years in Technology investment banking in New York, advising U.S., Indian and Asian clients in the IT services, software and other technology sectors. He visited India regularly and worked on several market-shaping M&A deals, IPOs and Leveraged Buyouts in the U.S.-India Tech corridor. During this period, Citi became the dominant Technology investment banking franchise in India as well as a leading franchise globally. Sameer was also selected to spend a year working with the Co-Heads and COO of Citi Global Investment Banking in New York on a range of management and strategic initiatives. Sameer joined Salomon Smith Barney in New York in 2001. His prior experience from 1996 to 1999 was in management consulting at Deloitte Touche Tohmatsu, based in Washington, DC with strategy consulting projects in the U.S., India and Indonesia. Sameer has a MBA from the University of Chicago Booth School of Business and a BA from Middlebury College (Phi Beta Kappa, Magna Cum Laude, Honors in Political Science).

If you have any questions, please contact Sameer at sameer@ironpillarfund.com.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Arthur Andrew Bavelas