



- **Two decades of above 7-8% GDP growth in China with India now showing a similar trend**
- **Huge consumer middle class in both countries**
- **Tech savvy young population who are growing up with computers and cell phones, state focus on math and science is paying off!**
- **The opening up of markets and sectors to foreign investment has created numerous business opportunities to invest and build in goods and services**
- **Costs and labor inputs are still relatively cheap creating an export oriented economic bias**
- **Cultural changes such as fear of failure being replaced by the urge to succeed.**



- **The celebrities are the successful business leaders, not the politicians. Youth is also a factor in success as never before**
- **Hereditary management being replaced by professionals. Barriers of unequal access to opportunity is less the case**
- **China and India have the fastest growing cell phone and internet user markets anywhere in the world**
- **10% of intel's revenue comes from China! 10% of China's exports are going to Walmart**
- **There are as many people working in software in India as there are working in silicon valley – and moving up the food and value chain**
- **Voracious appetite for oil, steel, cement and various infrastructure inputs in China and India are driving up prices for the rest of the world**



- **If you're Asian your home country may present a golden opportunity to return and start or join a business**
- **The gold rush to Asia is causing a reverse migration**
- **Cost of living is lower, and quality of life is getting better**
- **The welcome mat for US trained youth is also being laid by the venture industry who are keenly aware of the potential for stellar returns on new businesses**
- **Big institutional investors like mutual funds, pension funds, wealthy private equity investors have also joined the party**
- **The old regulated industries like banking, telecom, insurance and the like are transforming themselves**
- **The service sector like hotels, airlines, financial services are also growing rapidly**



- **Fundamental opportunity due to the Internet (you guys are the internet generation – make the best of it!)**
- **Greed drove the frenzy**
- **Irrational Exuberance: IPO as a goal?**
- **Escalating expectations fed on unbridled optimism**
- **Fear of being left out of the party**
- **Dysfunctional business plans – built to flip, not to last!**
- **Now a flight to quality, defensibility, economic contributions of the venture**



- **Understand the sector you are getting into – market size, prospects for growth, need for THE solution, quality of team, size of investment required**
- **Once you gather the data, speak to a few others in the sector**
- **Do you and your team have the knowledge and expertise to be in this market space?**
- **How many others have committed money to this, are they knowledgeable, what do customer prospects think?**
- **How deep is the technology, and what are the barriers to entry. Is your team capable, and committed for the long haul**
- **Start-ups are not for the faint of heart or those who lack courage, commitment and conviction. Does the team have these qualities?**
- **Why do you believe you will be successful?**

Valuation of the business – Art, Science or guesswork:

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Sherpalo Ventures



- **Value is a function of expected return on that investment adjusted for the expected risk factors**
- **If VCs have valued it more than you believe it is worth, then count your blessings!**
- **If the value appears too low then work the street. Get some competitive bids to discover the real price**
- **Keep the “Cap table” simple. Be fair about distribution of equity among the current owners and investors.**
- **Understand if there are any liens, liabilities or other gotchas either in the terms or any strings attached**
- **how much money the company plans to raise and how will it be used?**
- **Be frugal in your use of cash resources. Cash = equity when your business is not making money**



- **The term sheet lays out many details but some are more important than others**
- **Anti-dilution, liquidation preference, participating preferred, board composition, any special conditions for recap, auto conversion to common, carve-outs etc**
- **Note if the funding is coming in tranches esp from venture investors; if yes, then understand the milestones governing such investment. Ratchets are not good for the owners**
- **Is there an expected close date of the transaction? When will you get the funding so you can set up shop**
- **Keep copies of important documents and communication**
- **Make sure that all important facts about the company and its founding team are disclosed to the investors. You are partners!**



- **Most valuations in the early stage are now occur in the single digit millions of pre-money**
- **Price is also determined by how much interest there is in the deal, and how much money is being raised**
- **Raising too little, can only dilute your equity in a subsequent round; raising too much at low valuations can leave the founding team without a real incentive**
- **It is not just about the money, it is also about the quality of the investors, and the depth of their pockets. Investors that understand the market space can help the company in innumerable ways**
- **If you are getting more than one investor select people that work well together and have a level of shared trust and chemistry**



- **Start with a well defined plan of what you want to build and why people will want to buy it**
- **Be flexible, keep an open mind, listen intently, and act decisively as you navigate thru the ups and downs**
- **Stay the course, and remember building a business is not a short sprint and takes sustained commitment**
- **Be passionate about your idea or vision, but also be dispassionate about your judgement of what is right for your business to succeed**
- **Maintain a global perspective from the start so you can leverage your multi-cultural, multi language/ethnic skill to grow the business**
- **Stay focused on doing one or two things really well. Get deep before getting broad in your focus**



- **You've hired really well and the early team hits the ground running**
- **You've focused on your market space/solution but have also been nimble and flexible to make course corrections**
- **You've obsessed about the customer and the early customers/users are happy and satisfied**
- **You've been using capital wisely in areas that most need it and have listened well to avoid the usual pitfalls**
- **You are now able to get customers and great employees through word of mouth**
- **You have met all of your early milestones in product, hiring, customer wins etc. The best way to secure the future is to take care of today!**
- **A good vision without good execution is worthless**



- **Building something you are proud of.....that is widely used**
- **Freedom and control of one's destiny and future**
- **Personal test of ability to perform and succeed**
- **Having fun at work and enjoying every bit of it**
- **Working with bright, smart teams from a standing start**
- **Leadership, communications skills, strategy (think Chess) and using brain cycles are what it is all about**
- **Financial rewards**
- **Success breeds more success!**



- **Be bold, dynamic and passionate about your pursuits. To be a winner you must want to be one**
- **Be open, communicate well and create a meritocracy around you**
- **Never neglect the details – execution is as important as innovation**
- **Great business leaders have a controlled ego. Manage thru inspiration, not fear**
- **Focus on doing a few things really well**
- **Choice not chance determines destiny**
- **DNA of the founders = company DNA**

