



Delamore partners India VC firm for \$100 mn fund to boost ‘breakthrough’ startups

By Joseph Rai

Delamore & Owl Group of Companies, led by India-born Sanjeev Kumar, has floated a fund in partnership with an Indian venture capital firm to invest in “breakthrough” startups.

Canada-based tech- and media-focused holding company DTM Global Holdings Ltd, which is promoted by Delamore and partners, is one of the Limited Partners (LPs) in the BreakThrough Fund, said Kumar, director and group chief executive, Delamore.

He, however, did not reveal the name of the VC firm, citing confidentiality issues for the time being.

The fund has a target corpus of \$100 million and has raised \$25 million so far, said Kumar. The fund is structured to get listed on the stock exchanges in Canada as it will get access to deeper liquidity there. The listing is expected by November.

“We don’t want to open a VC shop in India and start buying into early-stage companies,” said Kumar, explaining the thesis behind the fund. “That is why we are calling the fund a ‘breakthrough’ as we will be investing in companies already nurtured by micro VCs and VCs. The idea is not to duplicate their effort but add value to their capital,” he added.

Besides, the fund wants to give exits to the VC firms. For this, DTM Holdings is partnering a major stock exchange in India to launch a trading platform for startups — VentureXchange.

“We are calling this a FinteGration strategy of investing in breakthrough companies as well as paving way for exits to VCs,” said Kumar, without disclosing the name of its stock exchange partner.

BreakThrough Fund investment strategy

The fund’s first close is expected by the end of the year but the fund will be conservative in raising the entire \$100 million as it wants to take time selecting companies it wants to invest in.

“In principle, we can do more than \$100 million but we don’t want to be in a hurry to deploy,” said Kumar. “We have created a ceiling for ourselves and we haven’t seen many high quality startups here. We will be conservative in deploying capital and want to see who we are getting married to,” he added.

The fund is sector-agnostic and will typically invest \$2 million or more in a company at the Series A or post-Series A stage. It has already looked at investing in 12 companies in India, said Kumar.

Four of the deals are expected to be closed this year while the remaining eight deals are expected to be closed by March next year.

The fund will also help its portfolio firms to enter new markets by tapping into the expertise of Delamore's subsidiaries spread across more than 30 countries, said Kumar.

Founded in 1956, Delamore has 58 subsidiaries engaged in various sectors such as aviation, agriculture and agro commodities, commodity trading, consultancy, construction, information & communications technology, infrastructure, environment & energy, healthcare, financial services and mining.

VentureXchange

Delamore is currently awaiting the clearance of its stock exchange partner to launch the trading platform for startups in the country.

"We want the blessings of a stock exchange as we don't want to carry the heavy regulatory burden with VentureXchange," said Kumar.

In a way, VentureXchange is an upgraded version of most crowdfunding and peer-to-peer platforms, said Kumar, explaining the functioning of the platform. "It is a sophisticated private market for entrepreneurs and qualified investors (local and overseas) looking to deploy capital in a more efficient manner, with a secondary market support for liquidity," he added.

Ahead of the listing on VentureXchange, the shares of the startups will be open for subscription to family offices, wealth managers, rich people and VCs, but not for retail investors, hence this will be a private market. The listing will happen only if 75-90% of the companies' shares are subscribed, said Kumar.

VentureXchange is designed to be different from the current SME (small and medium enterprise) exchanges under BSE and National Stock Exchange. While the SME exchanges allow for listing of some startups, liquidity is an issue, trading volume is almost non-existent and most of the trading is done by promoters, said Kumar. But VentureXchange is designed to ensure liquidity and thereby pave way for VC exits in the market, he added.

He also said that not all the companies that BreakThrough Fund will invest in will end up getting listed on VentureXchange, although the fund will be an active investor and sponsor like any other sponsor or investor on the VentureXchange.

The plan is to house the VentureXchange in fin-tech city Visakhapatnam, but operate under the umbrella of the national-level stock exchange, he added.

Acquisition of listed NBFC

Delamore is also buying into a listed NBFC (non-banking financial company) in India, said Kumar. It has already bought 22% in the NBFC and has signed a stock-purchase agreement to acquire almost 60% in the company, he added, without disclosing the name of the NBFC due to confidentiality reasons.

"This acquisition will give us a local balance sheet and move the decision-making to India. Sometimes we have missed the opportunity due to non-availability of having an entity here," said Kumar.

Subsequently, the NBFC will be a shareholder in the BreakThrough Fund, which will be co-managed by Delamore and the VC partner.

This is not Delamore's first attempt to own an entity in India. Just last year, Delamore and Kolkata-based entrepreneur Kaustuv Ray had announced plans for a 50:50 joint venture to launch technology and media ventures in India. However, this plan is not expected to take off.

"We haven't been able to make any progress with Ray because of his legal issues in India, and unless those legal issues are resolved, I am afraid, we won't be able to move forward, so that's where we are," said Kumar.