

# GOOD CAPITAL

QUARTERLY INVESTOR UPDATE  
31 December, 2019

Prepared by:  
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General Partner

Dear Partners,

This quarter, we invested a total of \$2.4MN between two new companies and two follow-on investments. This brings our total deployed to \$3.9MN across 5 companies.

Our TVPI on the Fund is already up to 1.31. The large driver behind this is SimSim, which raised a follow-on round from Accel Partners and Shunwei, where we also participated.

## The Roundup

While the broader economic environment in India is experiencing an underwhelming growth rate, we have felt little to no change in the prospects of the early-stage tech industry. Here are our personal observations on the comprising factors of the market:

### **1. Customer adoption of technology products/services:**

- a. India is still at a relatively early stage of mainstream adoption of digital technology solutions. Tech startups are addressing markets which are grossly underserved and where customer needs are latent.
- b. For an individual-customer, technology startups are building fundamentally new ways of doing things. The value proposition to users is not of an incremental benefit (e.g. lower price) but, rather, transformational as compared to alternatives.

### **2. Investment opportunities in the pipeline:**

While increased PR coverage last quarter ensured we were kept busy, it genuinely seems the ecosystem has turned a corner. In terms of the quality of startup entrepreneurs that we have interacted with, this has been the best quarter in the last 7 years.

Though seed valuations have edged higher over the years, businesses are further along before they need to raise capital largely justifying these increases.

### **3. The path to scale and outcomes:**

While this administration has introduced a variety of business-friendly changes, a protectionist approach to regulation in the tech sector bucks this trend and may prove to be a deterrent to foreign investment in the country.

A couple of recent instances:

- a. Walmart's acquisition by Flipkart was followed by amended regulation requiring foreign-owned e-commerce companies to modify their supply chains and stop offering deep discounts<sup>1</sup>.
- b. Facebook-owned WhatsApp has been seeking approval to launch a payments feature, but it has been held back by regulators for the last 2 years.

While we believe a couple of isolated causes are leading to such regulation targeting specific companies, we in fact concur that the laissez-faire attitude taken by Silicon Valley to regulating tech companies is not what India can afford to aspire to. The composition of the Indian economy is primarily small-to-medium size businesses and that must be preserved. Our consumer thesis for India has been to back tech companies that enable these intermediaries; we believe this remains an especially strong position given recent policy developments.

Yet investor sentiment is particularly important in the private markets of technology startup investing, given that the number of buyers & sellers is relatively limited. While the late-stage ecosystem has been ripening over the last 24 months, sufficient apprehension amongst buyers can quickly tilt the scales, requiring assets to take price cuts in order to become liquid – eventually cascading across the stages. It's important that regulation does not intrude on the business climate.

At the same time, there has been little evidence of a slowdown in foreign capital entering the India market: just this week, news stories covered Tiger and Sequoia raising mammoth India-focused funds.

## Portfolio Additions

Entri<sup>2</sup>

**Position and Investment amount:** Participated in a convertible-note seed round with \$460,000 at a valuation cap of \$3.5MN for approximately 10% of the company.

Entri is a regional language learning app for India that provides different types of learning content (mock/adaptive tests, flashcards, video lessons) in local languages for job aspirants, that prepares them to get a government or private job. Entri started from Kerala with Malayalam and has recently launched Tamil, Kannada, Telugu, and Hindi.

Entri was founded by Mohammed Hisamuddin and Rahul Ramesh in 2017. Hisam previously helped grow SMSGYAN to 10 million users. Rahul ran a software development firm and is well versed in building technologically-scalable apps. Manas Vaze, who led design projects at Ola, Instamojo and Swiggy, recently joined to head Product & Design.

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<sup>1</sup> The Wall Street Journal did a story on this:

<https://www.wsj.com/articles/u-s-tech-giants-bet-big-on-india-now-the-rules-are-changing-11575386675>

<sup>2</sup> <https://entri.me/>

Metamorphosys<sup>3</sup>

**Position and Investment amount:** Led round with \$714,034 for 18.52% of the company

Metamorphosys Technologies is an InsurTech platform focused on building innovative B2B software products that address the business and technology challenges of the global insurance industry and transform the entire insurance value chain from customer acquisition to engagements.

Founders Amit and Kewal have deep domain expertise in Asia Pacific and US insurance markets. Amit has over 20 years of experience primarily focused on software product sales and strategy in the insurance sector. Kewal has over 20 years of experience in architecting world class enterprise B2B software products for the insurance industry. Amit and Kewal have worked together for over 18 years and bring complementary skills which will ensure success for Metamorphosys in both sales and technology.

Follow ons

Entri<sup>4</sup>

**Position and Investment amount:** Participated in a convertible-note pre-series A round with \$250,000 at a valuation cap of \$7MN

At close of the year, Entri's 2019 revenues have grown 500%, and breached monthly revenue of \$75,000 for the first time. That resulted in more than a 3x growth compared to the October 2019 revenue rate.

They are expanding their user base and have crossed 1.6 million users in December from 500k users beginning of 2019. To support this phenomenal growth, their team grew from 45 to 130, now spread across 6 different locations in India and is closing 6,000 new users each day.

SimSim<sup>5</sup>

**Position and Investment amount:** Participated in a follow-on series A round with \$1,016,645 for a cumulative holding of 11.55% of the company

SimSim is a video-based e-commerce platform that enables micro-influencers to create videos with the intent of driving transactions for India's new addressable internet audience.

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<sup>3</sup> <https://metamorphotech.com/>

<sup>4</sup> <https://entri.me/>

<sup>5</sup> <https://simsim.in/>

SimSim has expanded its presence to 67 unique cities. In November 2019, SimSim processed nearly 100,000 total orders with a Gross Merchandise Value of \$250,000. The team also reported a consistent increase in average order value which they expect to increase by 45% by year ending 2019, with CAC decreasing by ~8% month-on-month.

## Management Updates

### Press Announcements

Fortune Magazine India published a well written article profiling our work at Investopad and now Good Capital: "[The millennial investors](#)".

Also, two of our portfolio companies, SimSim and Meesho (Fund 0) were featured in a cover story by Nikkei on the future of commerce in India. The article can be found here: "[India's women lead an ecommerce revolution](#)".

### Fund Governance

#### 1. Audit - KPMG

The Fund has engaged KPMG Mauritius as its independent auditor for the year-ending 2019. KPMG will also be the independent auditor for the Investment Manager and Good Capital Partners. We are currently working with them to provide all our LP's with audited financials for year-end. This engagement is compliant with existing fund documents and we foresee a distribution of audited financials by Q2, 2020

#### 2. LPAC- Valuation Methodology

We held our first LPAC meeting on December 3, 2019. As part of duties, the LPAC is required to assist the Board in finalising the valuation methodology to be used by the Fund.

At this meeting it was determined that the Fund should create a standard and always record fair values or below of investments by default through the last round of funding (refer: schedule of investments). Anything outside of this, can and should be determined on a case by case basis.

## Looking ahead

### Investments

We have another 2 potential investments in the pipeline which you will hear about in the next quarter.

1. School in a box: An academic excellence system with a mission to empower India by making excellent education accessible and affordable to every child.
2. Design/Productivity: A startup building a design software which applies AI to simplify workflows for designers and marketers.

Beyond these, some of our pipeline includes startups doing the following:

- A platform enabling real-time business decisions for operational team, vis live location-data based intelligence.
- SMB optimization platform: utilizing behaviour science and artificial intelligence that assists SMBs in making good data-driven business decisions maximising operational & human resource efficiency
- SDK product: a set of developer-friendly APIs and SDKs targeted at fintech startups to create financial products
- Retail enterprise platform: that utilizes artificial intelligence to build a system of intelligence for the retail industry.
- Fintech Platform: a trade finance focused FinTech platform providing quick and digital financing to SME exporters from Asia.

## Fundraising

We completed the first close for Fund 1 in July 2019 with \$11.6MN.

We are now doing rolling closes for prospective LP's with whom we have been engaged with over the last few months.

Thank you all for your proactive help in introducing us to friends and colleagues that are interested in hearing the Good Capital story. We shall spend a good amount of our time on the road in coming months with our fundraising efforts.

## Capital calls

Our next capital call is scheduled for mid-February 2020.

Along with the usual management fees for the quarter and investment amounts, this capital call will include catch-up fees payable by new committing LP's along with reallocation of organizational expenses and operating fees.

## In Closing

We are excited to have added two new companies to our portfolio this quarter and are thrilled to have had the opportunity to double-down into two of our existing five businesses. As portfolio companies show promise, we expect to start seeing opportunities in the near future where co-investment could be made available to LPs.

While we are conscious of a macro slowdown, we remain optimistic of the strength of private markets in India, especially given the new AUM supporting the ecosystem downstream from us.

We are seeing an unparalleled quality of entrepreneurs that have helped build businesses with scale and are now ready to do it again. We are most excited by and continue believing in founders that are focused on uncovering blind spots around the Bharat demographic and are finding large, under-competitive opportunities which remain pockets of value.

# GOOD CAPITAL

GOOD CAPITAL FUND I

UNAUDITED FINANCIAL STATEMENTS

December 31, 2019

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**GOOD CAPITAL FUND I****SUMMARY OF CAPITAL ACTIVITY PERIOD ENDING DECEMBER 31, 2019**

	<b>USD</b>
Committed capital of the fund	11,580,000.00
Summary of aggregate calls and distributions including the GP(1+2+3):	4,532,670.03
Capital Call in Quarter 3, 2019 (1+2)	2,809,470.00
Capital Call 3 in Quarter 4 2019 (3)	1,723,200.03

**GOOD CAPITAL FUND I****PROFIT & LOSS STATEMENT FOR THE PERIOD FEBRUARY 13, 2019 TO DECEMBER 31, 2019**

	<b>USD</b>
Income	-
Expenses	
Total administrative and operating expenses (76,151.63)	
Investment management fee expense	(162,992.00)
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b>(239,143.63)</b>

## GOOD CAPITAL FUND I

## BALANCE SHEET AS OF DECEMBER 31, 2019

<b>ASSETS</b>	<b>USD</b>
Bank account- cash	464,628.72
Cost of investment - equities	3,921,763.43
Prepaid fees	2,475
Receivable from shareholders	100
Other receivables	5,965.91
<b>Total Assets</b>	<b>4,394,933.06</b>
<b>LIABILITIES</b>	<b>USD</b>
Subscriptions received in advance	91,306.66
Audit fee payable	10,000
Subscriptions pending	100
Total Liabilities	101,406.66
<b>SHAREHOLDER CAPITAL</b>	<b>USD</b>
Par value	4,532.72
Share premium book value	4,528,137.31
Administration fee & operating expense	(66,151.63)
Management fee (162,992.00)	
Audit Fee expense	(10,000)
Total Shareholder Capital	4,293,526.40
<b>Total Liabilities and Shareholder Capital</b>	<b>4,394,933.06</b>

## GOOD CAPITAL FUND I

## SCHEDULE OF INVESTMENTS AS OF DECEMBER 31ST 2019

Company Name	Date	Round	Shares	% of company held	Cost/Share	FMV/Share	Cost	Fair Value	[Projected] Unrealized Gain/(Loss) <sup>6</sup>
Spatial Systems Inc	5th Aug 2019	Series A Preferred	18,561	0.08%	\$2.69	\$2.69	\$49,999.26	\$49,999.26	-
Buildwealth Technologies Private Limited	9th Aug	Series A Preferred	21,700	11.82%	\$39.48	\$39.48	\$856,790.60	\$856,790.60	-
SZS Tech Private Limited	27th Aug	Series Seed Preferred	6,040	9.40%	\$95.08	\$219.88	\$574,293.70	\$1,328,094.00	\$753,800
Entri Inc.	2nd Oct	Convertible Note Seed	-	-	-	-	\$460,000.00	\$920,000.00	\$460,000
Entri Inc.	21st Oct	Convertible Note Pre-Series A	-	-	-	-	\$250,000.00	\$250,000.00	-
SZS Tech Private Limited	9th Dec	Series A Preferred	4,553	11.55%	\$223.29	\$223.29	\$1,016,645.42	\$1,016,645.42	\$0
Metamorphosys	26th Dec	Series Seed Preferred	2,985	18.52%	\$239.21	\$239.21	\$714,034.09	\$714,034.09	-
<b>TOTAL</b>							<b>\$3,921,763.07</b>	<b>\$5,135,563.37</b>	<b>\$1,213,800</b>

<sup>6</sup> Based on fair values by default through the latest round of financing. However, these may differ from the valuation technique and audited values which will be agreed upon by the appointed auditor.