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Presents



Handbook On Venture Capital

An Entrepreneur's Guide to
Early Stage Funding

Year of Publication: 2020



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Types of Investors

Accelerators / Incubators

Seed funding up to Rs. 50 Lakhs

Incubator: CIIE, Venture Centre, NSRCEL, SINE, IIT-M Incubation Cell

Accelerators: Axilor, 500 Startups, Surge, Y Combinator

Angel Networks & Platforms

Seed & Pre-Series A Funding of Rs. 50 Lakhs - Rs. 7 Cr (Avg. Funding)

AngelList, LetsVenture, Indian Angel Network, Venture Catalysts

Seed Funds

Seed & Pre-Series A Funding of Rs. 50 Lakhs - Rs. 7 Cr

3ONE4 Capital, Axilor, Blume Ventures, India Quotient, Kae Capital

Early Stage VC Funds

Seed, Series A and Series B investments of Rs. 2 - 70 Cr

Accel India, Blume Ventures, Beenext, India Quotient, Kalaari Capital,

Matrix Partners, Shunwei Capital, SAIF, Stellaris Ventures, VH Capital



Types of Investors

Growth Stage Funds

Growth Funding of Rs. 70+ Cr

Fundamentum, Iron Pillar, Lightspeed Ventures, Nexus Ventures,
Sequoia Capital India, SAIF, Tiger Global

Mega Funding Investors

Growth Funding of Rs. 150 Cr+

Alibaba, DST Global, Naspers, SoftBank, Steadview, Tencent

SME Focused Private Equity Investors

Funding of Rs. 25 Cr - Rs. 100 Cr+

Amicus Capital, Eight Roads Ventures, Gaja Capital, IFC, Lighthouse,
Motilal Oswal, Zephyr Peacock

Social/Impact Funds

Funds focused on companies serving Bottom-of-the-Pyramid consumers

Aavishkaar, Dell Foundation, Elevar Equity, Gates Foundation, Lok Capital,
LGT Lightstone Aspada, Menterra, Omidyar Network



Directory Section

Click on heading to go the section

	FUNDING RANGE	COMPANY REVENUE
Active Incubators	\$	-
Active Accelerators	\$	\$
Angel Networks	\$\$	\$
Individual Angel Investors	\$\$	\$
Deal Platforms	\$\$	\$
Seed Funds	\$\$	\$
Early Stage Investors (Seed, Series A)	\$ - \$\$\$	\$\$
Social/Impact Funds	\$ - \$\$	\$-\$\$
Healthcare Funds	\$ - \$\$\$	\$ - \$\$
Active SME Investors	\$ - \$\$\$	\$\$\$



Sample Term Sheet

This term sheet dated January 1 2020 (“Term Sheet”) sets out the terms and conditions of the proposed subscription of convertible preference of ABC Private Limited (the “Company”) by XYZ (“Investor”).

This Term Sheet summarizes the principal terms proposed by the Investor with respect to its investment in the Company (“Transaction”). This Term Sheet should not be construed as including all the terms relating to the Transaction. Such terms would be contained in the definitive agreements recording the Transaction to be negotiated and executed by all the parties (“Definitive Agreements”).

Parties hereto shall act in good faith to negotiate, complete and execute Definitive Agreements and related documents reflecting the intent contained herein latest by February 1, 2016 (“Term”).

This Term Sheet shall expire on the completion of the Term or execution of Definitive Agreements between the Parties, whichever is earlier. Upon termination, this Term Sheet, except for the exclusivity, confidentiality, governing law and dispute resolution provisions, shall lapse automatically, unless renewed by mutual consent of the parties hereto.

Capitalized terms used herein but not defined shall have the meaning ascribed to them below.



TRANSACTION

Parties	Company (name) Promoters, and Investor(s)
Shareholding Pattern	The shareholding pattern of the Company as on the date of this Term Sheet is set out in Schedule I.
Investment	<p>The Company is desirous of raising funds through issue of convertible preference shares ("CPs") at a price per CP of INR 100 (One Hundred Only).</p> <p>The Investor is desirous of subscribing to 100 (One Hundred)CP ("Investor CPs") for an aggregate value of INR 10,000 (Ten Thousand Only) ("Transaction").</p> <p>The shareholding pattern of the Company as on the date of completion of the Transaction is set out in Schedule II.</p>
Terms of Investor CPs	<p>Dividends: The holders of the Investor CPs shall be entitled to an interest of [0.1%] per annum.</p> <p>Liquidation Preference:</p> <p>a) Preference: [1x] the investment amount plus accrued Interest.</p> <p>b) Participation: [Non-participating/Full participation on as converted basis with equity shareholders.] Investor will start participating once the Investor has received a rate of return of [xx%] on its full investment amount.]</p> <p>Conversion: Investor shall have a right to convert Investor CPs into equity shares of the Company at any time after or simultaneous with the issuance of equity shares or other compulsorily convertible instruments into equity shares by the Company to institutional investors ("Series A Funding").</p>



TRANSACTION

Terms of Investor CPs

Conversion: The conversion price of Investor CPs shall be [xxx]% of the price per equity share determined at the time of Series A Funding.

If the Series A Funding does not occur before [date] (“Series A Funding Date”), the Investor shall be entitled to convert the Investor CPs to at a conversion price equal to [xxx%] of the fair market value of equity shares determined by an independent valuer as per the valuation methodology prescribed under the applicable laws.

Completion of the Transaction

Within a reasonable time after execution of this Term Sheet but in no event later than Day-Month-Year.

Minority Protection

Company will not take any of the below mentioned actions without express written approval of the Investor; provided that, if such action or decision is taken at a board meeting the affirmative vote of a Director nominated by the Investor will be required:

- Sale of assets except in the ordinary course of business.
- Acquisition of other businesses, creation of joint ventures/ partnerships, creation or investment in subsidiaries.
- Capital expenditures or acquisitions of assets in excess of the amounts specified in the annual business plan approved by the Board.
- Increase, decrease or other alteration or modification in authorized or issued share capital, or creation or issue of other securities (including equity shares, preference shares, non-voting shares, warrants, options, etc.).
- Related party transactions.
- Amendments to Memorandum or Articles of Association (including change in the number of Board members).
- Approval of, or amendment to, the annual business plan.
- Commencement of any new line of business.
- Debt/equity ratio exceeds the limit specified in the business plan of the Company approved by the Board.
- Settlement of any litigation or arbitration proceedings.



TRANSACTION

- The giving of security for, or the guaranteeing of debts of any person in excess of the limits specified in the annual business plan of the Company approved by the Board.
- Declaration or payment of any dividend.
- Setting up of salary and benefits of any employee with a total cost to the company or any subsidiary exceeding the limits specified in the annual business plan of the Company approved by the Board.
- Amendment or termination of any agreement appointing key executives of the Company.
- Any commitment or agreement to do any of the foregoing.

Information Rights

The Company will deliver to the Investor: (a) annual audited financial statements 90 days after the end of each financial year, (b) bi-annual un-audited financial statements, and (c) Annual management reports, plans and budgets.

Further Financing (New Shares)/ Anti-dilution

Any future issue of equity or convertible instruments by the Company shall be first offered to the existing shareholders in the ratio of their shareholding in the Company at the time of issuance.

Should any shareholder not subscribe to its portion in the rights offering, the same shall first be offered to the other shareholders in proportion to their shareholding in the Company. This shall be repeated until such time the entire un-subscribed portion is subscribed.

The conversion price of the Investor CPs will be subject to a [full ratchet / broad-based / narrow-based weighted average] adjustment to reduce dilution in the event that the Company issues additional securities (other than shares issued pursuant to employees' stock option plan) at a purchase price less than the applicable conversion price. The conversion price will also be subject to proportional adjustment for split or sub-division of equity shares, stock dividends, combinations, recapitalizations and the like.



TRANSACTION

Investor's Right to Sell

Investor CPs shall be transferable to any person after the Series A Funding Date.

The Promoters shall have the right of first refusal [or first offer right] on transfer of all or any of the Investor CPs or any transfer of equity shares issued upon conversion of Investor CCD'S in proportion to their shareholding in the Company.

If at any time the Promoters transfer more than [xxx] % of their shareholding in the Company to a third party, the Investor shall have a right to tag along its CPs in the Company on a pro rata basis to the purchaser of the Promoters' shares on the same terms and conditions applicable to the transfer of the Promoters' shares. However, if as a result of Promoters transfer, the shareholding of the Promoters collectively in the Company would fall below [51%], the Investor shall be entitled to tag all of his CPS or equity shares issued upon conversion of CPs to the purchaser of Promoters shares.

Promoters Drag Along Right

If the Promoters at any time propose a transfer to a third party transferee all or portion of their collective shareholding that is in an aggregate equal to 51% of the collective shareholding of the Promoters, then the Promoters may also elect to require the Investor to also transfer, to the third party transferee, as part of the drag along sale, that number of Investor CPs or equity shares issued upon conversion of equity that is pro rata to the shares proposed to be transferred by the Promoters, at the same purchase price and other terms that are applicable to the Promoters shares.

Non-Compete

Promoters jointly and severally agree not to directly or indirectly invest, collaborate or associate in whatsoever manner with any person, partnership firm or a company engaged in the similar business lines of the Company.



TRANSACTION

Exclusivity

Until expiry of the Term, Company will not take any action to, directly or indirectly, encourage, initiate or engage in discussions or negotiations with or provide information to, any other person or entity concerning the Transaction.

Conditions Precedent

The obligation of the Investor to consummate this Transaction (“Closing”) shall be subject to fulfillment of the following conditions, including but not limited to:

- Completion of business, legal and accounting due diligence by Investor of the Company and resolution of the due diligence findings to complete satisfaction of the Investor.
- Both parties having obtained corporate authorizations for execution and performance of the transactions contemplated under the Definitive Agreements. [Investor having obtained the approval of its investment committee.]
- Execution of Definitive Agreements and closing documents (including amendments to the Articles of Association) satisfactory to the Investor.
- Each of the Company and the Promoters providing representation and warranties customary in a transaction of similar nature.
- No existing or imminent material adverse change in the Company.

Confidentiality

Investor shall maintain confidentiality, regarding the contents of this Term Sheet, and the business and affairs of the Company. Investor shall be permitted to disclose all aspects of this Transaction to the investment bankers, accountants, legal counsel and in so far as it is disclosed in each case only where such persons are under appropriate nondisclosure obligations imposed by professional ethics, law or contracts. Nothing contained herein shall affect the ability of the Parties to make disclosure under applicable law.



TRANSACTION

Expenses

All costs and expenses in connection with the issuance of Investor CPs, including stamp duty, shall be borne by the Company. Each party shall bear its own legal and other costs.

Amendment

The Parties may amend the terms of this Term Sheet by mutual consent in writing.

Governing Law and Dispute Resolution

Any disputes arising out of or in connection with the validity, interpretation or implementation of this Term Sheet shall be governed by the laws of [India] and Courts at [Bangalore] shall have sole jurisdiction.

Binding

This Term Sheet is subject to the execution of Definitive Agreements and completion of the Closing conditions and is not legally binding on the parties, except for the following sections: Exclusivity, Confidentiality and Governing Law and Dispute Resolution.

For XYZ Private Limited

Name:

Designation:

For Promoters

Name:

Designation:

For Investors

Name:

Designation:



Structuring Venture Capital Investments

Venture capital investments are typically made in early-stage companies. They are often viewed as high-risk, high-return investments.

Growth and expansion of early-stage businesses/companies require capital investment. This article identifies certain structures and instruments for such investments, taking into account the outlook of investors and promoters, who mutually agree to collaborate for a business venture.

Venture capital investments include (i) subscribing to securities such as ordinary equity shares, equity shares with differential voting rights (“**DVR Shares**”), preference shares, equity-linked instruments, and convertible notes, or (ii) providing financial assistance in the form of a term loan or subscribing to non-convertible debentures or any such similar instruments.

Where funding is in the form of financial assistance, and not capital investment, the promoters retain ownership of the company in its entirety. Most early-stage companies prefer to raise capital through equity financing for several reasons, including interest on loans which is typically a cost for early-stage companies and, further, lenders may require collateral to secure the loan. Servicing the interest on loans is another challenge for such companies. On the other hand, with capital investments, the return-on-investment is usually generated after a defined period of time, when it is expected the company will have stabilized its business.

Start-up notification:

The Ministry of Commerce and Industry notification of February 19, 2019 relating to ‘start-ups’ permits a start-up to be incorporated as a private limited company under the Companies Act, 2013, or be registered as a partnership firm under the Indian Partnership Act, 1932, or a limited liability partnership (“**LLP**”) under the Limited Liability Partnership Act, 2008.

The Budget for 2020-2021 has proposed some benefits for start-ups:

- (a) *eligible start-ups have been permitted 100% deduction of profits and gains for three consecutive assessment years (as against seven years currently applicable) out of 10 years, where the total business turnover is not more than Rs. 100 crores (as against Rs. 25 crores currently applicable).*



Structuring Venture Capital Investments

(b) *where benefits of an ESOP are granted to an employee by a start-up, tax will now be payable or deductible only within 14 days*

- *after the expiry of 48 months from the end of the relevant assessment year; or*
- *from the date of the sale of such specified security or sweat equity share by the employee/assessee; or*
- *from the date on which the employee/assessee ceases to be the employee of the eligible start-up, whichever is earlier, on the basis of rates in force of the relevant financial year in which the said security is allotted or transferred.*

Prior to this proposal, tax was required to be paid at the time of exercise of option by an employee and such tax was calculated on the fair market value of the security.

Although start-ups can be incorporated as private limited companies, partnership firms, or LLPs, most stakeholders prefer a company structure for many reasons. First, a company is recognised by law as a separate legal entity, which entails that its shareholders (including promoters and investors who have contributed capital) cannot ordinarily be held personally liable for the company's liabilities. While an LLP also offers the same safeguards, and an LLP's partners are distinct from the LLP itself, a company has other features of a company which typically make it a more attractive investment vehicle compared to an LLP, for example, one such attribute is that companies can receive foreign investments in more sectors with relative ease as compared to LLPs. While LLPs are generally permitted to receive foreign investment, if the sector in which an LLP operates has any performance linked conditionalities, per the foreign direct investment policy of India, then no foreign investment can be permitted by such an LLP. Given such restrictions, and the likelihood that early-stage companies typically require funding for growth, including from foreign investors, a company is considered the more desirable option.

Some of the benefits of an LLP structure are discussed below:

Benefits of an LLP

As mentioned above, foreign direct investment in an LLP is permitted only when there are no performance-related conditionalities in the sector in which the LLP operates. LLPs in the IT & ITeS sector, or the services sector, for instance, can receive 100% FDI, since these said sectors currently do not have any performance-linked conditions under the FDI policy. In view of this, early-stage companies in such sectors, which have no conditions attached, can consider the LLP structure.



Structuring Venture Capital Investments

As it currently stands, both companies and LLPs are subject to corporate tax, and with the recent proposal in the Budget for 2020-2021, companies are no longer required to pay dividend distribution tax.

Another persuasive characteristic of an LLP is that investors in an LLP can be provided an exit with more ease than investors in a company. One of the ways in which a company can allow an investor to exit is through a share buy-back, wherein the cash available with the company can be used to buy back shares held by the investor. Share buy-backs are, however, considered procedurally tedious, and there is a limit on the quantum of shares a company is permitted to buy back. A company can buy back a maximum of 25% of its paid-up capital and free reserves, per the Companies Act, 2013, and a subsequent buy-back can only be undertaken after one year from the date of closure of the previous buy-back. In the case of an LLP, profits can be distributed to investors without any threshold, and investors can be allowed to exit the partnership. It is worth mentioning that buy-backs by a company also has certain tax implications which, again, tilts the scale in favour of LLPs.

Company structure for investment

A typical company structure inherently enables stakeholders to consider a wider range of investment instruments, depending on the requirements of the company and the commercial terms of the investment between the investors and promoters. Some of the instruments the stakeholders can consider are discussed below.

Ordinary Equity Shares

Ordinary equity shares are the most common instrument for investment in a company. An ordinary equity share provides ownership in the company at par with other equity shares/equity shareholders, without any preference or priority. Each share represents one vote, and the economic benefits and voting rights are associated with the number of ordinary equity shares held by a shareholder in the company. Typically, investors do not prefer to subscribe only to ordinary equity shares, since all ordinary equity shares rank pari passu inter-se each other and give no additional or preferential rights to an investor vis-à-vis the founders.



Structuring Venture Capital Investments

Equity Shares with Differential Voting Rights

Differential Voting Rights (DVR) shares are very popular with venture capital investors and early-stage companies. DVR shares can be issued with differential rights as to dividend, voting, or otherwise.

Accordingly, a venture capital investor proposing to invest in early-stage companies can subscribe to DVR shares with a higher/preferential economic interest. This meets the dual objective in terms of management control and economic rights, because a financial investor would not want to take the lead on management decision-making. Similarly, the founders who would prefer to lead the management decision-making, can hold only equity shares or also subscribe to DVR shares with higher voting rights, in addition to the common equity shares they hold.

While DVR shares can be issued under the Companies Act, 2013, subject to fulfillment of the various conditions mentioned therein (such as articles permitting the issuance of DVR shares, being approved by the shareholders at a general meeting, the company not having defaulted in filing financial statements and annual returns for the last three financial years, etc.), the said conditions are not applicable to a private limited company, per a notification issued by the Ministry of Corporate Affairs in this regard. In any case, most of the conditions are not onerous, to be fulfilled given a recent amendment to the same which relaxed the eligibility requirement of the company with a consistent track record of distributable profits for the last three years.

Preference Shares

As the nomenclature suggests, preference shares carry preferential rights over ordinary equity shares, in relation to payment of dividend and distribution of funds, in case of liquidation of a company. Dividend on ordinary equity shares cannot be declared, unless preference shareholders have received their dividend in accordance with the terms of issue of the preference shares. However, the reverse is permitted, i.e., a company can declare a dividend only on preference shares without simultaneously declaring a dividend on ordinary equity shares. When a company is liquidated, preference shareholders rank higher than ordinary equity shareholders by law, and are entitled to receive the proceeds available upon the company's liquidation, in priority to ordinary equity shareholders.



Structuring Venture Capital Investments

The proceeds to be distributed to preference shareholders depend upon the terms of issue of the preference shares and entitlement of the holders, as contractually agreed. It is, therefore, possible that after distribution to the preference shareholders, the ordinary equity shareholders either receive nominal returns/distributions or none at all. It is necessary to bear this in mind when structuring investments and agreeing on the entitlements of the stakeholders. It can also be stipulated, absent default/breach by the founders, the entitlement of preference shareholders will be reduced if the ordinary equity shareholders do not receive a specified minimum amount.

Companies can issue preference shares either on a cumulative basis or a non-cumulative basis, with regard to dividends. Preference shares issued with a cumulative dividend right entail that the right to receive dividend at an agreed rate on a yearly basis can be carried forward and the company is required to pay out dividends on such shares on an accrued basis. In case of preference shares issued with a non-cumulative right to dividends, if the company does not declare a dividend in a given year, the right to receive a dividend for that year lapses. Preference shares to be issued by early-stage companies can be on a non-cumulative basis. The return on investment is typically structured at exit and, hence, the priority/entitlement of the preference shareholder to receive dividend would be available. The company will not have to meet the dividend obligation on an ongoing basis, since any surplus cash would typically be ploughed back into the business in the initial years, and not utilized to make distributions to shareholders.

A unique feature of preference shares over ordinary equity shares is that investors would only be entitled to voting rights in limited matters, while protecting their preference over ordinary equity shares in the case of dividends and liquidation. Private companies can, however, agree to provide voting rights to preference shareholders, since the applicability of the provision in the Companies Act, 2013, limiting the voting rights of preference shareholders, can be excluded by contract.

Equity linked Instruments

Equity linked instruments are securities that are convertible into ordinary equity shares, at the option of the holder of the instrument, or at the option of the issuing company, or as mutually agreed between the holder and the issuer, or on expiry of an agreed period of time.



Structuring Venture Capital Investments

Optionally, convertible preference shares are an example of equity-linked instruments, which provide holders the benefit of preference shares as discussed above, until such time as they are converted into ordinary equity shares. The decision to convert into ordinary equity shares can rest with the investors, who would typically exercise the conversion right in the case of an initial public offering or at the time of exiting the company. Similarly, optionally convertible debentures, which are a different set of equity-linked instruments, provide their holders the advantage of holding debentures in the company, which rank higher than ordinary equity shares and preference shares, in case of a liquidation. Debentures are debt instruments and the holder of a debenture is considered a creditor of the company, until such time as the instrument is converted into equity.

An investor can also seek the right to convert instruments into equity at a discount (subject to the pricing guidelines where the investor is a foreign investor) in specific circumstances, including where the founders have committed a default in terms of the agreement executed with such investors, to compensate for the loss suffered. If no conversion is undertaken, the instruments can be redeemed by the company by paying the holders of such instruments the agreed amounts, per the terms of issue.

A table with certain specific characteristics of optionally convertible preference shares and optionally convertible debentures is set out in the next page:



Structuring Venture Capital Investments

Optionally Convertible Preference Shares (OCPS)

Authorised Share Capital

Authorised share capital is the maximum amount of capital which a company is authorised to issue. A company cannot issue ordinary equity shares, DVR shares and preference shares without having sufficient authorised share capital.

Companies are required to incur certain statutory expenses in the nature of stamp duty and registration fees for the purpose of creating and increasing authorised share capital. Where OCPS are proposed to be issued, a company will need to ensure that there is sufficient authorised share capital in order to undertake such issuance.

Optionally Convertible Debentures (OCD)

Since debentures are debt instruments until converted (and not shares), there is no requirement to increase the authorised share capital of a company in order to issue OCDs. The authorised share capital is required to be increased only at the time of conversion of the OCDs into ordinary equity shares.

Although this provides some flexibility to the company at the time of issue of OCDs by not having to incur the stamp duty and registration fees for the higher authorised capital, in certain cases investors stipulate that the company maintain sufficient headroom in the authorised capital at the time of issuance of convertible debentures itself, so that at the time of conversion, particularly in case of an event of default where the investor and founders will likely be in a conflicting position, the investor can seek conversion into equity, without requiring cooperation from the founders to increase the authorised share capital.

In certain cases however, this flexibility does prove effective since the convertible instruments may be converted at a higher premium, for instance, the company may allot one ordinary equity share for every three optionally convertible debentures held by the investor. In such a case, since the number of ordinary equity shares that the company may issue and allot will be lower than the number of optionally convertible debentures held by an



Structuring Venture Capital Investments

Optionally Convertible Preference Shares (OCPS)

Paid-up Share Capital

The capital raised by issuance of preference shares will be counted towards paid-up share capital of the company. An increase in the paid-up share capital of a company beyond a certain threshold, will trigger various compliances under the Companies Act, 2013, such as the compliance relating to rotation of statutory auditor, requirement to appoint a company secretary, etc.

Dividend/ Interest

The rate of dividend on preference shares can be nominal and as mentioned above, preference shares can be issued as a non-cumulative instrument.

Liquidation

Preference shares will rank higher than ordinary equity shares in case of liquidation of a company.

Optionally Convertible Debentures (OCD)

investor, the requirement to have enough headroom in the authorised capital may be significantly lower. This is for the reason that the premium amount is not taken into account for the purpose of authorised capital, and only the face value of the shares into which they convert is considered.

The capital raised by issuance of debentures will not be counted towards paid-up share capital of the company.

Since OCDs are debt instruments, the provisions relating to loans in the Companies Act, 2013, may require to be complied with and this entails that an interest may be chargeable on OCDs, at least at the same rate of the interest chargeable on Government Securities of the same tenor as the OCDs.

Debentures will rank higher than preference shares and ordinary equity shares in case of liquidation of a company, even where debentures are unsecured.



Structuring Venture Capital Investments

It should be noted that companies are permitted to issue optionally convertible preference shares and optionally convertible debentures only to domestic investors. Where funds are raised directly from a foreign investor, per the extant foreign exchange regulations, only capital instruments, i.e., ordinary equity shares, compulsorily convertible preference shares, and compulsorily convertible debentures can be issued. Compulsorily, convertible instruments will convert into equity upon lapse of an agreed period of time, and the company cannot redeem such instruments. An Indian company and a foreign investor cannot contractually agree to an assured return at the time of investment. The Foreign Exchange Regulations, however, contemplate issuance of optionally convertible instruments to foreign owned and controlled companies. The RBI has clarified that a foreign owned and controlled company investing in instruments (other than capital instruments, i.e., equity shares, compulsorily convertible preference shares, and compulsorily convertible debentures) of another Indian company will not be treated as downstream investment.

Convertible Notes

Similar to compulsorily convertible debentures, convertible notes are debt instruments that can be issued by start-ups per the extant foreign exchange regulations. Foreign investors are permitted to subscribe to convertible notes, only if issued by a start-up registered with the Department of Promotion of Industry and Internal Trade, subject to the other conditions of the regulations, such as a minimum investment of Rs. 25,00,000 to be brought in a single tranche. The distinguishing feature between a compulsorily convertible debenture and a convertible note is that a compulsorily convertible debenture has to mandatorily convert into equity, and a convertible note is convertible or redeemable per the terms of the note. This characteristic of a convertible note is similar to that of an optionally convertible debenture, where the instrument can be either redeemed or converted. While optionally convertible debentures are not ordinarily permitted to be subscribed to by foreign investors, as mentioned above, regulations permit start-ups to issue convertible notes similar to optionally convertible debentures, in order to make investments in start-ups more attractive. Convertible notes must be converted into ordinary equity shares or redeemed within a period of five years from the date of issue of such notes.

SAFE

Simple agreement for future equity (SAFE) is a financing agreement between the company and domestic investor and is similar to a warrant, except that the actual price per share may be determined at a later stage. A start-up can raise funds without the requirement of having to issue any securities. A SAFE typically contemplates that the domestic investor will either receive cash payment with an upside or receive stock of the company on certain events or a date, as mutually agreed between the parties. Such trigger events could be a future equity financing round, maturity date of the SAFE, and sale of the company. In the case of SAFE, the parties defer the actual valuation of the company until the securities are issued, since the securities are not valued at the time SAFE is executed.



Structuring Venture Capital Investments

While SAFE includes several features of a convertible note, such as conversion events and liquidation preference as commercially agreed, SAFE is not a convertible note, but an instrument such as a warrant and, therefore, the parties could commercially agree on the maturity date. There is no maturity date for investing with SAFE. Further, the tax treatment will have to be analyzed to ensure it meets the commercial intent.

Overseas direct investment by investee companies

To address the concern of round-tripping of funds, it is important to note, where investments are made in entities with global operations, an overseas wholly owned subsidiary (WOS) or overseas joint venture (JV) cannot invest monies received from the Indian party back into India.

Subject to sectoral caps and conditions, an eligible Indian party (i.e., company, registered partnership firm, limited liability partnership, and any other entity in India, as may be notified by the RBI) can make investments outside India for bona fide business activities, by subscribing to/acquiring shares of a foreign entity, or by way of share swap. All overseas investments in aggregate made by an Indian party cannot exceed 400% of the net worth of the company, as per its last audited balance sheet.

The RBI recently updated the 'frequently asked questions' (FAQs) relating to overseas direct investments. In an attempt to address round-tripping concerns, the RBI has stated in the FAQs that an Indian entity cannot set up a subsidiary in India through its WOS or a JV in a foreign jurisdiction, or acquire a WOS, or invest in a JV that already has a direct or indirect investment in India.

With a multitude of global opportunities for companies, it is common to have Indian parties set up a WOS or JV in a foreign jurisdiction. This RBI clarification stipulates that such WOS or JV cannot repatriate any portion of its funds to India. While the aforesaid prohibition relating to round-tripping was always understood, by expressly incorporating this clarification in the FAQs, companies will now be required to put in an application specifically seeking approval to structure such investments, and approval will be granted on a case-by-case basis, depending on the merits. In bona fide cases, approval may be forthcoming.

This article is only an attempt to explain key aspects of prospective investments by venture capital investors in India and making investments/setting up operations overseas. All views provided herein are personal and should not be construed as legal advice or opinions of the Firm.



Structuring Venture Capital Investments

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Shares with Differential Rights

An Analysis

Shares with differential rights is a departure from the traditional concept of one-share-one-vote. It is a structure where companies can create a dual class of equity shares that provides for rights to vote and to claim dividend differential to the economic interest of the underlying shares. The “differential” can either be upward or downward. Either way, shares with differential rights skews control in favour of a certain category of shareholders in a manner that is not proportionate to their economic contribution. Therefore differential rights are useful to founders who can retain control over their companies even though their equity is diluted with successive rounds of financing.

Dual class structures are not a recent phenomenon, as they have been a feature of the share market since before the Great Depression in the US. More recently, tech companies (Google, Alibaba, Snapchat, and Facebook), have issued shares with differential rights. In India, the Tatas, Pantaloons Retail, and Gujarat NRE Coke Limited have also pursued the path of shares with differential rights.

Section 86 of the (Indian) Companies Act, 1956 read with the Companies (Issue of Share capital with differential voting Rights) Rules, 2001 allows companies to issue shares with differential rights with regard to voting, dividend, etc.

Differential rights are a well recognized concept in overseas markets. The US, Canada, Hong Kong, Singapore, Denmark, Spain, Sweden, and Italy all allow dual class structures, with Hong Kong and Singapore opposed to such structures until 2018 when they too began to permit them.

Section 86 of the (Indian) Companies Act, 1956 read with the Companies ((Issue of Share capital with differential voting Rights) Rules, 2001 allowed companies to issue shares with differential rights with regard to voting, dividend, and any other matters as prescribed, subject to certain conditions on the availability of distributable profits and subject to an overall ceiling of 25% of the company’s share capital.

Listed companies however, were disallowed from issuing shares with superior rights of voting or dividend both in the listing agreement and the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements), Regulations, 2015. By implication, therefore, inferior rights were not frowned upon in listed companies. These were largely carried forward to the existing law in the Companies Act, 2013 [Section 43 and Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014] and the SEBI Listing Obligations and Disclosure Requirements), Regulations, 2015.



Shares with Differential Rights

An Analysis

Earlier this year “SEBI” and the Ministry of Corporate Affairs (“MCA”) launched a series of amendments permitting companies in certain sectors to issue Superior Shares pre-Initial Public Offering (“IPO”) as also on a rights issue or bonus basis post IPO. The amendments on the contrary, disallowed inferior voting rights in listed companies. The amendment came on the heels of the approval of the SEBI framework at the SEBI board meeting on 27 June 2019 as per the consultancy paper on *“Issuance of shares with Differential Voting Rights”* dated 20 March 2019.

A comparative of the law on shares with differential rights pre and post the amendments is as follows:

Pre Amendments

For Listed Public Companies

Listed companies **were not allowed** to issue shares with superior rights in respect of voting and dividend.

Private Limited & Unlisted Public Companies

Issue of shares with differential rights is possible if a company meets the following conditions:

- Distributable profits track record of three years.
- No penalty imposed by the Reserve Bank of India/ SEBI/ Sectoral regulators that has been unpaid but a period of five years has not lapsed since payment of penalty.
- No default on payment of dividends, redemption, repayment of debt/deposits.
- 26% of total voting power as overall ceiling.
- Authorized by its Articles of Association.
- Authorized by an ordinary resolution at a general meeting.



Shares with Differential Rights

An Analysis

Post Amendments

For Private Limited & Unlisted Public Companies

Issue of shares with differential rights is possible if a company meets the following conditions:

- No penalty imposed by the Reserve Bank of India/ SEBI/ Sectoral regulators that has been unpaid but a period of five years has not lapsed since payment of penalty
- No default on payment of dividends, redemption, repayment of debt/deposits
- 74% of total voting power as overall ceiling
- Authorized by its Articles of Association
- Authorized by an ordinary resolution at a general meeting

For Listed Public Companies

The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR**) allows companies that have issued Superior Shares to proceed with an IPO provided:

- The company is actively engaged in the sectors of technology, information technology, intellectual property, data analytics, bio- technology or nano-technology to provide products, services or business platforms with substantial value addition.
- The **Superior Rights ("SR")** shareholder shall not be part of the promoter group whose collective net worth is more than Rs 500 crore
- The SR shares should only have been issued to the promoters who are involved in an executive capacity in the Company
- The SR shares should have been held for a period of at least 6 months prior to the red herring prospectus filing.
- The SR shares cannot have a voting right ratio of more than 10:1 and less than 2:1
- The SR shares cannot be transferred between the promoters e.g. Where SR shares have been issued to the promoters in a rights issue, the promoters cannot renounce their rights

Listed companies are however not allowed to issue shares with:

- Superior or inferior rights in respect of dividend; or
- Inferior rights in respect of voting



Shares with Differential Rights

An Analysis

Listed companies are allowed to issue Superior Shares through a rights issue or a bonus issue, provided they have outstanding Superior Shares issued to their promoters and founders. Superior Shares already issued to the promoters are subject to the following conditions:

- The superior voting rights shall not extend to the following matters:
 1. Appointment or removal of independent directors and/or auditor;
 2. Where a promoter is willingly transferring control to another entity;
 3. Related party transactions in terms of these regulations involving an SR shareholder;
 4. Voluntary winding up of the listed entity;
 5. Changes to the articles of association or memorandum of association of the listed entity, except any change affecting the SR equity share;
 6. Initiation of a voluntary resolution process under the insolvency code;
 7. Utilization of funds for purposes other than business;
 8. Substantial value transaction based on materiality threshold as specified under these regulations;
 9. Passing of special resolution in respect of delisting or buy-back of shares; and
 10. Other circumstances or subject matter as may be specified by the board, from time to time

- There is a ceiling of 74%
- Companies issuing Superior Shares have a board composed of at least 50% independent directors
- The nomination and remuneration committee and the stakeholders relationship committee and risk management committee have 2/3rd of their members as independent directors
- All SR shares be converted to ordinary shares after five years. This five-year period may be extended for another five years, if the shareholders (excluding the SR shareholders) have approved the extension through an ordinary resolution



Shares with Differential Rights

An Analysis

For ease of reading, shares with differential rights that provide superior rights in comparison to an ordinary share are referred to as “**Superior Shares**” and those that provide inferior rights in comparison to ordinary shares as “**Fractional Shares**”.

The 2019 amendments have clearly veered away from the position that hitherto disallowed promoters holding Superior Shares from listing their companies. The amendments have been welcomed by founders across the country, boosting the confidence of promoters who are on the IPO roadmap on the sticky issue of hostile takeovers.

In providing promoters with the much-required control, SEBI has also tried to bring in the balance of corporate governance by mandating that (i) a listed company with Superior Shares must have its board and key committees dominated by the presence of at least a majority of independent directors; (ii) a ceiling on the number of voting rights they can exercise; and (iii) a ceiling of 74% on the entire number of Superior Shares. Another good measure would have been prescribing the minimum number of ordinary shareholding percentage required to convene any general meeting or vote on any matter where the superior shareholders exercise their vote. Further, the protections of corporate governance set out above have not been incorporated in the Act and are currently required only for listed companies. Hence, for all practical purposes, in an unlisted company, the promoters’ power is unchecked, apart from the check of Section 241 of the Act, and the promoters could, by convening extraordinary general meetings, overrule the decisions reached by the board that has heavy investor representation.

On the other hand, Regulation 41A(3) of LODR has gone overboard in stating that the holders of Superior Shares cannot exercise their superior rights over the following matters:

*“viii. **substantial value transaction** based on materiality threshold as specified under these regulations*

x. other circumstances or subject matter as may be specified by the Board, from time to time”.

The term “substantial value transaction” is wide-ranging and could encapsulate any merger or amalgamation or change of control within its ambit. In such a scenario, the promoters’ only recourse would be Section 241 of the Companies Act, 2013 in respect of a claim of oppression or mismanagement.



Shares with Differential Rights

An Analysis

While pursuing the path of reinstating control in the hands of the company's founders, SEBI is also simultaneously contemplating the inclusion of controlling shareholders as promoters of a company. Only time will tell how the two changes will complement each other to achieve SEBI's objective, as the definition of controlling shareholders could include private equity funds that are not the founders of the company.

The ICDR allows Superior Shares to be issued only to promoters who hold executive positions in the company. It has, however, become increasingly common for promoters of listed companies to move their personal holdings to family trusts or holding companies that are operated by their families for better estate planning. In such a case, the SEBI regulations are not immediately clear on whether such family trusts or promoter holding company structures may be issued Superior Shares.

SEBI has justified its choice to restrict the issue of such Superior Shares to companies in sectors that utilize technology and intellectual property sectors as companies in the new technology sectors have asset-light models, with little or no need for debt financing but with continuous equity infusions. The ICDR also requires that such technology companies eligible to issue Superior Shares must be "intensive" in the use of technology, intellectual property, etc. As the term "intensive" is not defined, it is subject to interpretation, especially as today's business models for most companies are technology-driven. Further, the use of the term "intellectual property" is quite broad, especially in a common law jurisdiction such as India. It could potentially include any company that has an active "brand", irrespective of any actual innovation or deployment of technology. The eligibility criterion may have space for more objectivity, allowing more financial parameters such as the debt-equity ratio of the eligible company.

The Companies Act, 2013 states that a company cannot issue shares with differential rights if it has (a) defaulted in its repayment/redemption of deposits, debt/statutory/employee dues, payment of dividend; or (b) been penalized by a regulator in order to prevent continued poor management of the company. However, the Act is silent on the treatment of Superior Shares while in default. The law would have been more purposeful had it stated that all existing Superior Shares or Fractional Shares stand converted to ordinary shares on a conversion ratio of 1:1 in order to maintain balance of power until the default is remedied.

Overall, the move by SEBI and MCA is a welcome amendment in the right direction, attempting to provide for checks and balances through well-planned regulation. However, only time and the manner of its implementation will prove the measure of its success.



Shares with Differential Rights

An Analysis

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Software in a White Coat: Governing Software under Medical Devices Laws

Imagine that, while sitting on your couch at home, you strap on a sphygmomanometer to measure your blood pressure; your IoT-enabled device syncs with your cloud-based health files to upload your readings. This AI-enabled cloud database studies the patterns of your blood pressure, notices an increasing trend, and sends a push notification to your doctor, recommending an increase in dosage. Your doctor takes a quick look at the AI-generated graphs and tables, accepts the software's suggestion, and signs off on the higher dose.

You are sent an e-prescription for the new dose. Imagine also that you can grant revocable access to this database to all your medical service providers, giving every doctor you consult full access to your medical history - you can designate different doctors as your primary points of contact for various issues. Now, every one of your chosen healthcare providers can note that you have been placed on stronger blood pressure medication. If this new dosage has any cross-practice concerns, such as adverse drug interactions, the AI system will notify the relevant doctor.

The healthcare industry is the playground for such advanced disruptive technologies. This has us pondering the question: how will the law keep pace with the changes in drug discovery, genetically-personalized medicine, telemedicine, online pharmacies, robotic surgical arms AI-aided radiology, IoT-enabled medical devices, and diagnostic software. Could it be that law can regulate all of them by making a single tweak, namely, treat software itself as a medical device?

To balance patient safety and public health with technology-driven innovations in healthcare is a Sisyphean task. In India, the nodal law governing pharmaceuticals is the **Drugs and Cosmetics Act, 1940 ("DCA")**. Under this parent law DCA, rules have been passed, including the **Drugs and Cosmetics Rules, 1945 ("DCR")** and the **Medical Devices Rules, 2017 ("MDR")**.

The DCA has stated that a drug includes devices intended for internal or external use in the diagnosis, treatment, and mitigation or prevention of disease in human beings and animals. The MDR meanwhile defines devices as substances used for in vitro diagnosis and other substances notified by the Central Government. Thus, a combined reading leads us to the fact that, under India law, all notified medical devices are treated as "drugs" and the DCA is applicable to such devices.

The **Foreign Exchange Management (Non-Debt) Rules, 2019 ("FDI Rules")**, which regulate foreign direct investment in India, defines "medical device" in a manner similar to that of the European Union ("EU"). The FDI Rules define "medical device" to largely mean any instrument including the software, intended by its manufacturer to be used specially for human beings and animals for the specific purposes of diagnosis, prevention, monitoring, treatment, and alleviation of any disease or disability. The FDI Rules consider software to be a medical device.



Software in a White Coat: Governing Software under Medical Devices Laws

This has been the position under the FDI Rules, even though domestic laws (DCA and MDR) do not regulate software in or as a medical device.

However, on 18 October 2019, the Central Drugs Standards Control Authority (“CDSCO”), the nodal organization under the DCA, issued a draft notification inviting public comments when it proposed to notify software as a medical device. Although this notification has not yet become law, given the ubiquity of software in the healthcare industry, it is only a matter of time before this is given the effect of law. It becomes important, therefore, to understand the challenges involved in categorizing software as a medical device.

Understanding Software in Healthcare

While the States legislate for “healthtech”, it is crucial for them to regulate software in the medical devices industry.

The US Food and Drug Administration (“USFDA”) classifies medical device software into three main categories:

- Software used in the maintenance or manufacture of medical devices;
- Software that is integral to a medical device (“Software in a medical device”); and
- Standalone software which, on its own, is a medical device (“Software as a medical device”)

Each of these categories has different regulatory needs:

Software used in the maintenance or manufacture of medical devices requires the least regulation, as the resultant medical device is (or will soon be) regulated under extant DCA laws and standards.

Software in a medical device requires a greater degree of regulation, as existing laws and standards governing the relevant hardware may not be equipped to handle a “smart” device. For instance, an IoT-enabled pacemaker that provides real-time heart data to a database/virtual platform, or an IoT/AI-enabled device that regulates dosages of intravenous drugs based on monitoring of blood markers, will not be specifically provided for under Indian law and standards governing non-enhanced devices.

Software as a medical device requires the most stringent regulation, as current Indian laws have no mechanism to deal with such devices.



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Software in a White Coat: Governing Software under Medical Devices Laws

Software as a Medical Device (“SaMD”).

On 09 December 2013, the **International Medical Device Regulators Forum (“IMDRF”)**, a voluntary organization of various national regulators of medical devices (India is not a party), agreed upon the following definition for SaMD:

The term “Software as a Medical Device” (SaMD) is defined as software intended to be used for one or more medical purposes that perform these purposes without being part of a hardware medical device.

SaMD is a medical device including an in-vitro diagnostic (IVD) medical device and is capable of running on general purpose (non-medical purpose) computing platforms. The use of the term “without being part of” means software not necessary for a hardware medical device to achieve its intended medical purpose. If the intended purpose of the software is to drive a hardware medical device, then the software is not treated as a medical device. When software is used in combination (e.g., as a module) with other products, including medical devices or interfaced with other medical devices even those incorporating hardware, then they meet the definition of SaMD. Mobile apps that meet the foregoing definition are also considered SaMD.

SaMD may also provide the means and suggestions for mitigation of a disease; furnish information for determining compatibility, diagnosing, monitoring and treating physiological conditions and congenital deformities; be an aid in diagnosis, screening, monitoring, and determination of predisposition; and enable prognosis, prediction, determination of physiological status. From this wide range of uses, it is clear that SaMD is a standalone software that serves a medical purpose. While such SaMD may work/be interoperable with, or even be incorporated in hardware (including hardware of a medical device), the existence of such device is not necessary for the software to carry out its primary task. Diagnostic software (used frequently in radiology and cancer detection) is a striking example of SaMD. However, software that “drives” a medical device or “embedded software” (such as the software in home-use glucometers that help analyze blood sugar readings and display results), software that does not have a medical purpose of its own (such as encryption software, which encodes medical data without any analysis or medical purpose of its own), a database that does not have a medical purpose, or software that merely monitors quality/functioning of a device to enable repair/maintenance are not considered SaMD.



Software in a White Coat: Governing Software under Medical Devices Laws

Challenges in regulating SaMD

In the Indian context, it does not suffice to merely issue a notification designating software as a medical device, as extant laws are ill-equipped for the task. How, exactly, will India choose to define SaMD? This definition can draw on the existing IMDRF definition and that used by the EU Medical Devices Regulation 2017 (“EUMDR”). The need is for a comprehensive and technology-agnostic definition, which will then inform all subsequent lawmaking in this regard. Once software is designated as a medical device, it will become subject to all the licensing requirements currently in place for drugs and other medical devices. However, the laws do not contain any standards for SaMD (unlike, say, the prescriptions by the Bureau of Indian Standards (“BIS”) for 974 medical devices, including surgical knives, pacemakers, etc.).

This begs several questions, none of which have easy answers:

At what stage will SaMD be considered safe for public use? What will be the risk classification for SaMD? Any attempt to find sound answers to such queries is fraught with problems. Legislation will have to seek to address how it will account for software bugs, updates and bug fixes, disaster recovery programs, and risks from use or prohibition of open-source software. Much thought must also be given to the mechanisms to be in place for clinical trials of SaMD, and clinical or pre-clinical evaluations or tests to ensure their safety, stability, security, interoperability, etc.

Other queries that still elude the law is how legal systems will provide for failed interoperability, which may result in glitches or corruption of data, and how such SaMD will be tested for repeatability, reliability, performance, risk management, and information security.

Labelling requirements for such software and restrictions in respect of import of drugs/medical devices will need to be overhauled. In this era of pharma supply chain management, unique identification device numbers are crucial; and if national registries are framed, the way they are monitored will also need legislation.

From the point of view of regulatory capacity, it is also important to deliberate upon how CDSCO and ancillary authorities will equip themselves to legislate, monitor, regulate, test, and assess SaMD. Professionals with appropriate technical qualifications will have to form part of these governmental authorities, and the law will need to be amended accordingly.



Software in a White Coat: Governing Software under Medical Devices Laws

Importantly, it will be necessary to delve into the participatory risk matrices for products/services and fix liability for defects or malfunctioning of SaMD. This could see some evolution in medical negligence jurisprudence as well as in cybersecurity that forms the backbone of devices and sharing of data that such devices will store and access.

The single most important question with regard to the proposed large-scale use of SaMD will be data privacy and security. Health data, being sensitive and personally identifiable data, must be subject to the highest standards of data privacy and security. The Government of India's final stance on localization of non-financial data as also personal data protection norms, which are still at a bill stage, will also dictate the growth of this sector.

Regulating SaMD is a challenge for legislators all over the world despite the growing interest and importance accorded by legislators and government to the public. The EUMDR is currently the gold standard in this regard, with detailed regulations to handle SaMD, but even these are not without their lacunae.

The Indian pharmaceutical and medical devices industry is at a crucial stage of growth. On the one hand, they stand to benefit from the growing global trade war as countries look to diversify their offshore manufacturing activities. On the other, the Indian generic drugs industry has received its share of FDA investigation reports, which have pointed to the non-compliance in India-based facilities that they deem serious.

With the DCA turning 80 years in 2021, it may be time for a recast of the critical areas of this piece of legislation. The legislation for SaMD should be chartered along with ancillary legislations that are bound to impact this space such as data protection, labeling, e-pharmacies, medical negligence, and consumer protections laws.

Above all, sound, uncompromising implementation of well-planned legislation is required to help India move the needle on public health and innovation.



Software in a White Coat: Governing Software under Medical Devices Laws

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Aarathi started her practice in the US in 2001 as a foreign legal consultant concentrating on the US-India business corridor until 2006. In 2010, she co-founded Vichar Partners that merged its law practice with J. Sagar Associates in April 2014.

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Directory - Active Incubators

Incubators have been sorted alphabetically by name in their geographical regions.

Northern Region

Amity Innovation Incubator	Noida	Website
IAN Incubator	Delhi	Website
JSS ITBI STEP, JSSATE	Noida	Website
L Incubator, IIM Lucknow	Lucknow	Website
Shriram Institute for Industrial Research	Delhi	Website
SIIC, IIT Kanpur	Kanpur	Website
SINED, NDRI	Karnal	Website
STEP, Thapar University	Patiala	Website
TBI KIET	Ghaziabad	Website
TBI MCIIE, IIT Varanasi	Varanasi	Website
TBI, Graphic Era University	Dehradun	Website
TIDES, IIT Roorkee	Roorkee	Website



Directory - Active Incubators

Southern Region

AIP, ICRISAT	Hyderabad	Website
Amrita TBI	Kollam	Website
Anthill Ventures	Hyderabad	Website
BEC STEP	Bagalkot	Website
CIE, IIIT Hyderabad	Hyderabad	Website
Composites Technology Park	Bangalore	Website
Global Incubation Services	Bangalore	Website
GrowthStory	Bangalore	Website
ICRFT, Anna University	Chennai	Website
IIITB Innovation Centre	Bangalore	Website
IIT-Madras Incubation Cell	Chennai	Website
IKP Knowledge Park	Secunderabad	Website
InnAccel	Bangalore	Website
Kerala Startup Mission	Trivandrum	Website
Khosla Labs	Bangalore	Website



Directory - Active Incubators

Southern Region

NITK-STEP	Surathkal	Website
NSRCEL, IIM Bangalore	Bangalore	Website
Periyar TBI	Thanjavur	Website
PSG STEP	Coimbatore	Website
RainMatter	Bangalore	Website
RTBI, IIT Madras	Chennai	Website
SID, IISc Bangalore	Bangalore	Website
SJCE STEP	Mysore	Website
SRM Incubation Centre	Chennai	Website
T-Hub Lab 32	Hyderabad	Website
TBI KEC	Erode	Website
TBI, BIT Erode	Sathyamangalam	Website
TBI, NIT Calicut	Calicut	Website
TBI, University of Hyderabad	Hyderabad	Website
TeNeT	Chennai	Website



Directory - Active Incubators

Southern Region

TREC-STEP	Tiruchirappalli	Website
Villgro	Chennai	Website
VIT-TBI	Vellore	Website

Eastern Region

Ekta Incubation Centre	Kolkata	Website
Faraday Science Park	Guwahati	Website
Innovation Park, IIM Calcutta	Kolkata	Website
KIIT TBI	Bhubaneswar	Website
Neotec Hub	Kolkata	Website
STEP, IIT Kharagpur	Kharagpur	Website
Tagore Center for Green TBI	Shibpur	Website
TotalStart	Kolkata	Website



Directory - Active Incubators

Western Region

CIBA	Goa	Website
CIIE, IIM Ahmedabad	Ahmedabad	Website
CrAdLE	Ahmedabad	Website
DKTE TBI	Kolhapur	Website
First Cheque	Mumbai	Website
icreate	Ahmedabad	Website
MICA Incubator	Ahmedabad	Website
MUTBI	Mumbai	Website
NCL Venture Center	Pune	Website
NDBI, NIID	Ahmedabad	Website
SINE, IIT Bombay	Mumbai	Website
Startup Oasis	Jaipur	Website
TBI, BITS Pilani	Pilani	Website
UnLtd India	Mumbai	Website
Venture Centre	Pune	Website



Directory - Active Accelerators

Northern Region

500 Startups	Delhi	Website
Oracle Accelerator	Delhi	Website
5Ideas	Gurgaon	Website
Green House Accelerator	Gurgaon	Website
GSF Accelerator	Gurgaon	Website
HealthStart	Noida	Website
TLabs	Noida	Website

Southern Region

Axilor Ventures	Bangalore	Website
Bosch DNA	Bangalore	Website
Brigade Reap	Bangalore	Website
Cisco Launchpad	Bangalore	Website
Google Launchpad	Bangalore	Website



Directory - Active Accelerators

Southern Region

Microsoft Accelerator	Bangalore	Website
NUMA Bangalore	Bangalore	Website
Revvx Accelerators	Bangalore	Website
Shell Accelerator	Bangalore	Website
Target Accelerator	Bangalore	Website
Tracxn Labs	Bangalore	Website
Paypal Start Tank	Chennai	Website
The Fabric	Chennai	Website
The Startup Centre	Chennai	Website
Spark10	Hyderabad	Website
Startup Village Collective	Kochi	Website



Directory - Active Accelerators

Western Region

Bharat Inclusion Initiative	Ahmedabad	Website
ISME Ace Fintech	Mumbai	Website
JioGenNext	Mumbai	Website
Powered Accelerator	Mumbai	Website
Venture Catalysts Accelerator	Mumbai	Website
VentureNursery	Mumbai	Website
YES Fintech	Mumbai	Website
Zone Startups India	Mumbai	Website
DesignGild	Pune	Website
Edugild	Pune	Website

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Y Combinator	California, USA	Website
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Directory - Angel Networks

Northern Region

Chandigarh Angels Network	Chandigarh	Website
Growx Ventures	Delhi	Website
AngelList India	Delhi	Website
Indian Angel Network	Delhi	Website
Palaash Ventures	Delhi	Website
Quintillion Media	Delhi	Website
GSF Superangels	Gurgaon	Website
Inflection Point Ventures	Gurgaon	Website
Rajasthan Angel Investor Network (RAIN)	Jaipur	Website



Directory - Angel Networks

Southern Region

GrowthStory	Bangalore	Website
LetsVenture	Bangalore	Website
Chennai Angels	Chennai	Website
Keiretsu Forum Chennai	Chennai	Website
50K Ventures	Hyderabad	Website
Hyderabad Angels	Hyderabad	Website
Splice Capital	Hyderabad	Website
SucSEED Angel Network	Hyderabad	Website
Native Angel Network	Madurai	Website

Eastern Region

Calcutta Angels	Bangalore	Website
Primarc iVentures	Bangalore	Website



Directory - Angel Networks

Western Region

1crowd	Mumbai	Website
ah! Ventures	Mumbai	Website
BITS Spark Angels	Mumbai	Website
CCube Angels	Mumbai	Website
CIO Angel Network	Mumbai	Website
Cross Border Angels	Mumbai	Website
Gemba Capital	Mumbai	Website
Lead Angels	Mumbai	Website
Mumbai Angels	Mumbai	Website
Powai Lake Ventures	Mumbai	Website
Sarathi Angels	Mumbai	Website
Singularity Ventures	Mumbai	Website
Stanford Angels	Mumbai	Website
Venture Catalysts Angels	Mumbai	Website
VentureNursery Angels	Mumbai	Website



Directory - Angel Networks

Central Region

Swan Angel Network	Indore	Website
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Overseas

Harvard Angels	California	Website
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Angel Network Middle East	Dubai	Website
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Swastika	Hong Kong	Website
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Directory - Active Angel Investors

Binny Bansal	Bangalore	Linkedin	AngelList
Kalyan Krishnamurthy	Bangalore	Linkedin	
Kanwaljit Singh	Bangalore	Linkedin	AngelList
Kris Gopalakrishnan	Bangalore	Linkedin	
K Ganesh	Bangalore	Linkedin	AngelList
Kunal Shah	Bangalore	Linkedin	AngelList
Madan Padaki	Bangalore	Linkedin	
Manish Singhal	Bangalore	Linkedin	AngelList
Mohandas Pai	Bangalore	Linkedin	AngelList
Pallav Nadhani	Bangalore	Linkedin	AngelList
Phanindra Sama	Bangalore	Linkedin	AngelList
Sachin Bansal	Bangalore	Linkedin	AngelList
Sharad Sharma	Bangalore	Linkedin	AngelList
V Balakrishnan	Bangalore	Linkedin	AngelList
Girish Mathrubootham	Chennai	Linkedin	AngelList
Kumar Vembu	Chennai	Linkedin	



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Ajay Relan	Delhi	Linkedin	AngelList
Amit Ranjan	Delhi	Linkedin	AngelList
Ashvin Chadda	Delhi	Linkedin	AngelList
Kunal Bahl	Delhi	Linkedin	AngelList
Rajan Anandan	Delhi	Linkedin	AngelList
Ritesh Malik	Delhi	Linkedin	AngelList
Samir Sood	Delhi	Linkedin	AngelList
Sunil Kalra	Delhi	Linkedin	AngelList
Utsav Somani	Delhi	Linkedin	AngelList
Vijay Shekhar Sharma	Delhi	Linkedin	AngelList
Deep Kalra	Gurgaon	Linkedin	
Rohit Bansal	Gurgaon	Linkedin	AngelList
Apurva Salarpuria	Kolkata	Linkedin	AngelList
Aneesh Reddy	Bangalore	Linkedin	AngelList
Aprameya Radhakrishna	Bangalore	Linkedin	AngelList
Ashish Gupta	Bangalore	Linkedin	AngelList



Directory - Active Angel Investors

Ganesh Natarajan	Kalyan	Linkedin	AngelList
Amrish Rau	Mumbai	Linkedin	AngelList
Anand Ladsariya	Mumbai	Linkedin	AngelList
Anand Lunia	Mumbai	Linkedin	AngelList
Anand Mahindra	Mumbai	Linkedin	
Anil Jain	Mumbai	Linkedin	AngelList
Anupam Mittal	Mumbai	Linkedin	AngelList
Jitendra Gupta	Mumbai	Linkedin	AngelList
Samir Bangara	Mumbai	Linkedin	AngelList
Sandeep Tandon	Mumbai	Linkedin	AngelList
Sanjay Mehta	Mumbai	Linkedin	AngelList
Zishaan Hayath	Mumbai	Linkedin	AngelList
Anand Chandrasekaran	California	Linkedin	AngelList
Arun Venkatachalam	London	Linkedin	AngelList
Indus Khaitan	San Francisco	Linkedin	AngelList
Vaibhav Domkundwar	San Francisco	Linkedin	AngelList
Deepak Shahdadpuri	Singapore	Linkedin	AngelList



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Smergers	Website
1Crowd	Website
36Kr	Website
AngelList	Website
Applyifi	Website
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Club ah!	Website
Enablers	Website
Excubator	Website
F6S	Website
Fellaequity	Website
GlobeVestor	Website
GREX	Website
LetsVenture	Website
Marquee Equity	Website
RueOne Investments	Website
Seedrs	Website
StartEZ Technologies	Website
Tribe Impact	Website



Directory - Seed Investors

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GEMS Partners	Delhi	Website
IAN Fund	Delhi	Website
India Internet Fund	Delhi	Website
Leo Capital	Delhi	Website
Outbox Ventures	Delhi	Website
Peesh VC	Delhi	Website
Pravega Ventures	Delhi	Website
VH Capital	Delhi	Website
WaterBridge Ventures	Delhi	Website
MCube Capital	Gurgaon	Website
Ncubate Capital	Gurgaon	Website
YourNest	Gurgaon	Website
YouWeCan Ventures	Gurgaon	Website



Directory - Seed Investors

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3ONE4 Capital	Bangalore	Website
Accel India	Bangalore	Website
Angel Prime	Bangalore	Website
Arali Ventures	Bangalore	Website
Axilor Ventures	Bangalore	Website
CapAleph	Bangalore	Website
Capier Investments	Bangalore	Website
Exfinity Ventures	Bangalore	Website
Fireside Ventures	Bangalore	Website
Ideaspring	Bangalore	Website
Incubate Fund	Bangalore	Website
Kalaari Capital	Bangalore	Website
Kstart	Bangalore	Website
Pi Ventures	Bangalore	Website
Prime Venture Partners	Bangalore	Website



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Northeast Venture Fund	Guwahati	Website
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Bharat Innovation Fund	Ahmedabad	Website
GVFL	Ahmedabad	Website
India Quotient	Ahmedabad	Website
KellyGama	Ahmedabad	Website
Alpha Capital	Mumbai	Website
Ankur Capital	Mumbai	Website
Artha India Ventures	Mumbai	Website
Astarc Ventures	Mumbai	Website
Blume Ventures	Mumbai	Website
Equanimity Investments	Mumbai	Website
Idein Ventures	Mumbai	Website
IvyCap Ventures	Mumbai	Website



Directory - Seed Investors

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Rainmatter Capital	Bangalore	Website
Rebright Partners	Bangalore	Website
Saha Fund	Bangalore	Website
Sequoia Surge	Bangalore	Website
Sol Primero	Bangalore	Website
Speciale Invest	Bangalore	Website
Sprout Venture Partners	Bangalore	Website
StartupXseed Ventures	Bangalore	Website
Stellaris Venture Partner	Bangalore	Website
Unitus Seed Fund	Bangalore	Website
Ventureast	Bangalore	Website
50K Ventures	Hyderabad	Website
Endiya Partners	Hyderabad	Website
SRI Capital	Hyderabad	Website



Directory - Seed Investors

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JSW Ventures	Mumbai	Website
Kae Capital	Mumbai	Website
Lightbox Ventures	Mumbai	Website
Matrix Partners India	Mumbai	Website
Next Orbit Ventures	Mumbai	Website
Nexus Venture Partners	Mumbai	Website
Oliphans Capital	Mumbai	Website
Orios VP	Mumbai	Website
Rainmaker Ventures	Mumbai	Website
Roots Ventures	Mumbai	Website
SIDBI VC	Mumbai	Website
Sixth Sense Ventures	Mumbai	Website
Unicorn India Ventures	Mumbai	Website
Uniqorn Ventures	Mumbai	Website
White Unicorn Ventures	Mumbai	Website



Directory - Seed Investors

Western Region

Alacrity India	Pune	Website
Snow Leopard Technology Ventures	Pune	Website

Overseas

Scale Ventures	California	Website
Purvi Capital	Chicago	Website
Beenext	Japan	Website
M&S Partners	Mauritius	Website
DSG Consumer Partners	Singapore	Website
Jungle Ventures	Singapore	Website
Powerhouse Ventures	Washington DC	Website



Directory - VC

Northern Region

Lightspeed Venture	Delhi	Website
India Internet Fund	Delhi	Website
Outbox Ventures	Delhi	Website
Peesh VC	Delhi	Website
Pravega Ventures	Delhi	Website
Quarizon	Delhi	Website
VH Capital	Delhi	Website
EVC Ventures	Gurgaon	Website
Lumis Partners	Gurgaon	Website
MCube Capital	Gurgaon	Website
Nokia Growth Partners	Gurgaon	Website
SAIF	Gurgaon	Website
The HR Fund	Gurgaon	Website
YourNest	Gurgaon	Website
YouWeCan Ventures	Gurgaon	Website



Directory - VC

Northern Region

Rajasthan VC	Jaipur	Website
AdvantEdge Partners	Noida	Website
Bertelsmann India	Noida	Website
Naukri/Info Edge	Noida	Website
Ventureworks India	Noida	Website
Alkemi Venture Partners	Delhi	Website
GEMS Partners	Delhi	Website
Hunch Venture	Delhi	Website
IAN Fund	Delhi	Website
Leo Capital	Delhi	Website
Ncubate Capital	Gurgaon	Website



Directory - VC

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3ONE4 Capital	Website
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Accel India	Website
Artiman Ventures	Website
Axilor Ventures	Website
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Capier Investments	Website
Catamaran Ventures	Website
Exfinity Fund	Website
Fosun RZ Capital	Website
Ideaspring	Website
IDG Ventures India	Website
Inventus Capital Partners	Website
Kalaari Capital	Website
KITVEN	Website



Directory - VC

Southern Region

Prime Venture Partners	Bangalore	Website
Qualcomm Ventures	Bangalore	Website
Rebright Partners	Bangalore	Website
Saama Capital	Bangalore	Website
Saha Fund	Bangalore	Website
Sequoia Capital India	Bangalore	Website
Sol Primero	Bangalore	Website
StartupXseed Ventures	Bangalore	Website
Stellaris Venture Partners	Bangalore	Website
Vertex	Bangalore	Website
TVS Capital	Chennai	Website
Ventureast	Chennai	Website
Endiya Partners	Hyderabad	Website
Parampara Capital	Hyderabad	Website
Arali Ventures	Bangalore	Website



Directory - Seed Investors

Southern Region

Fireside Ventures	Bangalore	Website
NB Ventures	Hyderabad	Website
Rainmatter Capital	Bangalore	Website
Speciale Invest	Chennai	Website

Western Region

India Quotient	Ahmedabad	Website
Infuse Ventures	Ahmedabad	Website
Alpha Capital	Mumbai	Website
Ankur Capital	Mumbai	Website
Artha India Ventures	Mumbai	Website
Astarc Ventures	Mumbai	Website
Blume Ventures	Mumbai	Website
Carpediem Capital	Mumbai	Website



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Faering Capital	Website
Idein Ventures	Website
IIFL VC	Website
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Incubate Fund	Website
IvyCap Ventures	Website
JSW Ventures	Website
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Kaizen PE	Website
Kitara Capital	Website
Lightbox	Website
Mandala Capital Fund	Website
Matrix Partners India	Website
Mayfield	Website
NEA	Website



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Nexus Venture Partners	Website
Nirvana Ventures	Website
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Omidyar Network	Website
Omnivore Partners	Website
Orios VP	Website
Paragon Partners	Website
Pi Ventures	Website
Powerhouse Ventures	Website
RAAY Global Investments	Website
Ratan Tata	Website
Reliance Capital	Website
Reliance Venture	Website
RPG Ventures	Website
SIDBI VC	Website
Sixth Sense Ventures	Website



Directory - Seed Investors

Western Region - Mumbai

Solidarity		Website
Tano Capital		Website
Tata Capital Innovations Fund		Website
Trans Continental VC		Website
Unicorn India Ventures		Website
Unilazer Ventures		Website
Uniqorn Ventures		Website
White Unicorn Ventures		Website
Zodius Capital		Website
Mantra Ventures	Pune	Website
Snow Leopard Technology Ventures	Pune	Website
Guild Capital		Website
GVFL	Ahmedabad	Website
ITI Growth Fund		Website
Kalpavriksh Fund		Website



Directory - Seed Investors

Overseas

Sands Capital	Arlington	Website
Shunwei Capital	Beijing	Website
Purvi Capital	Chicago	Website
Maverick Capital	Dallas, TX	Website
Cocoon Ventures	Dubai	Website
Earlsfield Capital	London	Website
M&S Partners	Mauritius	Website
Now Capital	New Jersey	Website
Tiger Global	New York	Website
Green Visor Capital	San Francisco	Website
Valiant Capital	San Francisco	Website
Morningside Ventures	Shanghai	Website
DSG Consumer Partners	Singapore	Website
Jungle Ventures	Singapore	Website
RB Investments	Singapore	Website
Digital Garage	Tokyo	Website



Directory - Seed Investors

Overseas

GREE Ventures	Tokyo	Website
Beenext	Japan	Website
Soma Capital	San Francisco	Website



Directory - Active Social VCs

Northern Region

Asha Impact	Delhi	Website
Ennovent	Delhi	Website
Lok Capital	Delhi	Website
Dia Vikas Capital	Gurgaon	Website
IAN - Impact	Delhi	Website
Insitor Fund	Delhi	Website
Michael & Susan Dell Foundation	Delhi	Website

Southern Region

Unitus Ventures	Bangalore	Website
C4D Partners	Bangalore	Website
CBA Capital	Bangalore	Website
Accion International	Bangalore	Website
Aspada Investments	Bangalore	Website
Elevor Equity	Bangalore	Website



Directory - Active Social VCs

Southern Region

Gray Matters Capital	Bangalore	Website
Menterra Impact Fund	Bangalore	Website
Menterra Social Impact Fund	Bangalore	Website
Unitus Seed Fund	Bangalore	Website
Gray Ghost Ventures	Chennai	Website
IFMR Trust	Chennai	Website
Incofin	Chennai	Website
Villgro	Chennai	Website

Eastern Region

Northeast Venture Fund	Guwahati	Website
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Directory - Active Social VCs

Western Region

SIDBI VC - Neev Fund	Mumbai	Website
Pioneering Ventures	Mumbai	Website
Infuse Ventures	Ahmedabad	Website
Aavishkaar	Mumbai	Website
Acumen Fund	Mumbai	Website
Ankur Capital	Mumbai	Website
Contrarian Drishti	Mumbai	Website
Intellectap Impact Investment Network (I3N)	Mumbai	Website
Omidyar Network	Mumbai	Website
responsAbility	Mumbai	Website

Overseas

Village Capital	Washington	Website
Belgian Investment Company for Developing Countries	Brussels	Website
Khosla Impact	California	Website



Directory - Active Social VCs

Overseas

Creation Investments	Chicago	Website
GAWA Microfinance Fund	Madrid	Website
Oikocredit	Netherlands	Website
Norfund	Oslo	Website
Norwegian Microfinance Initiative	Oslo	Website
Capricorn	Palo Alto	Website
Unitus Impact	San Francisco	Website
Gates Foundation	Seattle	Website
Bamboo Finance	Singapore	Website
Upaya Social Ventures	Washington	Website
LGT Venture Philanthropy	Zurich	Website
BlueOrchard	Zurich	Website
Calvert Foundation	Maryland	Website



Directory - Active Healthcare Investors

Northern Region

Healthquad	Delhi	Website
Quadria India	Delhi	Website
RoundGlass Partners	Punjab	Website

Southern Region

GSK Ventures	Chennai	Website
India Life Sciences Fund	Hyderabad	Website

Western Region

OrbiMed	Mumbai	Website
Sabre Capital	Mumbai	Website
Somerset Indus Capital Partners	Mumbai	Website
Tata Capital Healthcare Fund	Mumbai	Website

Overseas

Everstone Everlife	Singapore	Website
HBM Healthcare Investments	Zug	Website



Directory - Active SME

Southern Region

Amicus Capital	Bangalore	Website
Aquarius	Bangalore	Website
Bessemer	Bangalore	Website
WestBridge	Bangalore	Website

Western Region

GVFL	Ahmedabad	Website
BanyanTree Finance(Banyan Tree Growth Capital)	Mumbai	Website
Gaja Capital	Mumbai	Website
IFC	Mumbai	Website
Lighthouse Fund	Mumbai	Website
NEA	Mumbai	Website
Paragon Partners	Mumbai	Website
SIDBI VC	Mumbai	Website
Carpediem Capital Partners	Mumbai	Website



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For More Details:

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