

Corporate Governance Lessons

It is unfortunate that the valuation of BYJUS has crashed from \$22 billion to less than 1 billion dollars. It is a surprise for the investment community that a start-up which was funded by the highest quality investors such as Chan Zuckerberg and IFC has, or, is going through, a corporate governance crisis which is the talk of the town.

The reason for this is apparently the lack of good corporate governance.

Corporate governance fiascos illustrate the need for the ESG Association of India which has been recently established. It and its members need to beat the drum of good corporate governance.

Inattention to corporate governance results in various adverse outcomes such as:

(i) Fallen valuations ; (ii) Large losses by investors; (iii) Decline in reputation ; (iv) Potential target for short selling by hedge funds which can have a devastating impact as has been experienced by a few companies in India ; (v) Absence of good corporate governance also becomes an impediment to the continuation of capital flows to individual companies or sectors

The ESG Association of India will assist and support Indian startups, companies, financial institutions, banks, NBFCs, mutual funds and fund managers in their quest for good corporate governance.

The ESG Association of India (ESGAI) will highlight the best practices of corporate governance and how poor corporate governance manifests itself.

We at the ESG Association of India feel that corporate governance is both a fuzzy concept and an intangible notion wrapped inside a mystery.

To understand poor corporate governance one must look for its practical manifestations such as:

(i) Non-compliance with the regulatory framework ; (ii) CEO or top management level shenanigans; (iii) Lack of transparency e.g, inability to produce audited accounts or accounting chicanery; (iv) Lack of concern for employee and customer safety; (v) Internal disputes amongst top management and founders ; and (vi) Resignations of a board member, internal or external auditors and other key management personnel.

The other good news is that the Pai's have invested in Byjus in 2023 .Their presence in the company should help stabilise and turnaround Byjus fast and bring it back to its original glory.

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Petronas, GIC, Greenko to invest \$2 bn in India's AM Green



***Mr. Anil Kumar Chalamalasetty
(Chief Executive and MD)
Greenko***

The investment from Petroliaam Nasional Bhd (Petronas), Singapore's sovereign wealth fund GIC, and the founders of Greenko Energy Holdings in the establishment of the \$2 billion AM Green platform reflects a significant development in the field of green molecules, including green hydrogen, green ammonia, and other chemicals. AM Green is expected to serve as a holding company for these green initiatives, operating separately from Greenko Energy, one of India's prominent renewable power producers.

Notably, GIC holds the majority equity ownership of Greenko Energy Holdings, with 52% ownership. Other key investors in Greenko Energy Holdings include Orix Corp of Japan (22%) and Abu Dhabi Investment Authority (14%), with Anil Chalamalasetty and Mahesh Kolli, the founders of Greenko Energy, possessing 12% ownership. The initiative's renewable energy supply will be sourced from several upcoming mega projects, including the Ponnapuram Integrated Renewable Energy Storage plant in Andhra Pradesh, along with similar projects in Madhya Pradesh, Rajasthan, and Maharashtra. This aligns with India's National Green Hydrogen Mission, targeting 1 mtpa of green hydrogen by 2030.

LPs EIB & BII invest in GEF Capital South Asia Growth Fund III



Raj Pai
(Managing Partner)
GEF Capital Partners

The European Investment Bank (EIB) and the British International Investment (BII) have both committed significant investments to the GEF Capital South Asia Growth Fund III, demonstrating their shared commitment to climate action and sustainable development in the region.

EIB's Vice-President Kris Peeters announced a \$40 million commitment to the fund, emphasizing the bank's support for India in meeting its Paris Climate Agreement commitments. With a focus on climate finance and gender equality, EIB's investment aims to catalyze over \$500 million of growth capital for climate companies in India. Additionally, the fund targets environmental and social impact, aligning with the Sustainable Development Goals (SDGs), particularly SDG 13 on climate action. EIB's previous investment of over \$25 million in the predecessor fund underscores its continued dedication to fostering sustainable growth in South Asia

"On the other hand, BII has committed \$25 million to the fund, with a focus on investments in India that promote climate adaptation, mitigation, and the circular economy. This investment reflects BII's strategic approach to pursuing high-impact climate finance opportunities in India, with the goal of reducing greenhouse gas emissions, waste generation, and enhancing water use efficiency and sustainable food production.

Overall, the involvement of both EIB and BII as Limited Partners (LPs) in the GEF Capital South Asia Growth Fund III underscores their collaborative efforts to drive positive environmental and social change while fostering economic growth in the region.

We are looking at climate technology companies which can help map where in the supply chain we can decarbonize. Our favourite space, last year, was electric vehicles (EVs) but timing is very important. Our journey began in 2008 with an investment in Reva Electric car. It was a great company but in a wrong country and timing as policy tailwinds didn't exist at that time. Today, EV is a fantastic way to play the climate theme as 30% carbon emissions come from transportation. So GEF has committed close to \$500 million over the last 12 years in India in 16 plus deals across renewable, water, agri sectors etc. Last year was very exciting for us and we invested in two firms – Ratan Tata-backed Electra EV and Hero Motors, both mid-market growth companies. I believe that the climate financing need in India is close to \$1 billion each year and a lot more private-public-partnership is important.

ADB VENTURES STRATEGY: INVESTS IN INDIAN STARTUP SMART JOULES PRIVATE LIMITED



Dominic
(Co-founder)
ABD Ventures

ADB Ventures is an offshoot of the Asian Development Bank (ADB). It was set up in January to feed investment and support to start-ups focused on developing impactful solutions aimed at achieving the UN Sustainable Development Goals (SDGs) in Asia-Pacific.

Entrepreneurs need support and networks to take their products and services to market. Still, they are often disrupted by the lack of supportive tools and complexities that come with having to adapt their technology to fit markets that are diverse and fragmented by language, geography, culture and business environment.

Venture capital investment flows to emerging markets in Asia-Pacific have slowed since 2015 as investors focused on later-stage deals and tended to concentrate on selected markets and sectors such as e-commerce. On the other hand, impact investing is treated as a niche in the broader venture capital industry

“ADB developed ‘Strategy 2030’ through a very extensive consultative process across the region. There has been a very big push for ADB to find ways to take on more risk, particularly in our private sector investments and to pursue projects that can have a greater development impact. and do more in frontier markets,” he adds.

“One of the motivations was that there needed to be a new vehicle that would allow ADB to take on more risk to pursue more development impact. At the same time, we felt that ADB could add more value to the journey of start-ups and young companies in helping them scale across the region because we have a unique network for our existing operations.”

The venture capital platform, which saw its first close of US\$50 million for its Investment Fund 1, in April 2020 leverages ADB’s more than 50 years of experience working with governments, industries and large corporations in Asia-Pacific. The anchor fund was largely financed by institutions such as Finland’s Ministry of Foreign Affairs, the Nordic Development Fund, and Climate Investment Funds and the Republic of Korea’s Ministry of Economy and Finance.

However, as one of its main aims is to mobilize private capital through co-investments with private sector investors, there are plans in the pipeline to co-invest with sophisticated investors, family offices, foundations, and other impact funds.

“Our portfolio companies can be headquartered anywhere in the world as long as they plan to scale up their impact in our focus markets.”

.The investments will range from US\$100,000 to US\$4 million, primarily in equity or quasi-equity.

Investment Fund 1 will mainly invest in early-stage start-ups and focus on companies with solutions that can address climate change and empower women in Asia-Pacific. The fund has a 17-year life span, allowing ADB to invest patient capital in cleantech, fintech, agritech and health technology solutions.

However, recognizing that funding alone is insufficient to invigorate the start-up ecosystem in the target regions, Investment Fund 1 is augmented by a three-year, US\$12 million Technical Assistance programme. It will support impact technology start-ups through two primary activities: ADB Ventures SEED and ADB Venture Lab.

ADB Ventures SEED is a grant program to validate and de-risk technology pilots and promote expansion into emerging markets that start-ups may otherwise not prioritize. ADB Venture Lab is a suite of corporate innovation programs implemented in partnership with industry and accelerators for start-ups.

The venture platform will then leverage ADB's operational networks and industry expertise to generate technology pilot opportunities and support the latter's portfolio companies. The rationale behind the SEED and Lab programs is that they are essential to reducing investment risks.

"In return, we will get investment rights in these companies. And if they are successful and plan to raise funds later, we can follow up and invest in them through the investment fund. That is one way we can de-risk by providing reimbursable grants through our seed program." Through the Lab's initiative, ADB Ventures looks to match potential customers with the technologies developed by its portfolio companies. Unlike most venture capital funds, which have an investment horizon of seven years, ADB Ventures' Investment Fund 1 was designed with a 17-year lifespan, as it is what the market needs, says Mellor. Therefore, the targeted returns of our fund are less than those of normal venture capital funds, which typically look to invest and exit within several years. We have a single-digit return target, which we know is lower than the industry.

"ADB Ventures Investment Fund I have invested \$2 million in Smart Joules in India. Consistent With the establishment arrangements for the fund, ADB will not invest its capital alongside the fund. SJPL is an India-based provider of data-driven energy efficiency solutions for commercial buildings, targeting large hospitals as the beachhead market. SJPL delivers energy savings through a combination of (i) a proprietary Internet of Things (IoT)-based sensing and analytics platform, and (ii) the application of an Energy Efficiency as a Service (EEaaS) business model. The investment will improve energy efficiency in commercial buildings by reducing carbon emissions and making the distribution system smarter. SJPL's vision to promote energy efficiency and eliminate energy poverty aligns with ADB's operational priorities to tackle climate change, build climate and disaster resilience, and enhance environmental sustainability in Asia and the Pacific."

ADB Ventures provides patient venture capital to early-stage technology companies with climate and impact-focused solutions.

Founded in 2020, ADB Ventures is the corporate venture arm of the Asian Development Bank based in Manila, Philippines. The firm seeks to invest in climate solutions, sustainable agriculture and food, sustainable mobility and supply chain and cleantech and clean energy sector.



Arjun P. Gupta
(Co-founder & CEO)
Smart Joules

ADB VENTURES

SEAFUND VENTURES: INVESTING IN 5 DEEP TECH STARTUPS FOR SUSTAINABILITY



Manoj Agarwal
(Co-founder & Managing Partner)
SeaFund

SeaFund is raising a fund of Rs 250 crore to invest in Sustainability, Fintech, SaaS, and Hardware-enabled startups. They've already invested Rs 5 crore each in five sustainability-focused startups. Their plan is to allocate 20% of their fund towards Clean Energy and the EV value chain, covering Transportation, Logistics, and Circular Economy sectors.

The startups they've invested in are Redwings, Docker Vision, Swapp Design, Simatricals, and Evhicle, each specializing in various aspects of sustainability and EV technology. For instance, Docker Vision uses AI to streamline port operations, Swapp Design focuses on fast battery swapping using autonomous robots, and Simatricals offers high-speed wireless charging solutions for EVs.

Evhicle makes smart units for EVs that help them run better. They control things like how the vehicle moves, measures data, tracks cargo, and updates wirelessly.

RedWings creates drones that work on their own to change how goods move in supply chains. They're leading the way in making these services mainstream in India.

Manoj Agarwal, who runs SeaFund, believes India's EV industry is just getting started. More investors are realizing its potential for growth. At SeaFund, they've always cared about sustainability and EVs, and now they're seeing real progress. They're committed to helping their companies grow and finding new chances to invest in this area.

SeaFund is putting money into these 5 startups after a big search across India. Besides giving them money, the startups will also get help to reach more customers and grow faster.

Narendra Bhandari from SeaFund says that as they get ready for their next fund, lots of people are interested in investing in Indian EVs. More people think we need to use cleaner ways to do things because our cities are getting more polluted. This, along with new startups coming up all over India, is making investors like them excited to help these new businesses grow. SeaFund plans to put more money into one or more of these startups as they grow and reach their goals. They believe in supporting startups that offer unique solutions for electric vehicles. This fits with their strategy of investing more than half of their money in follow-up rounds. They'll keep working with these startups and are open to investing more in them or others with great ideas for EVs. This is part of SeaFund's plan to build a strong portfolio in technologies that help the environment.

According to Mayuresh Raut from SeaFund Ventures, more and more people in India are starting to use electric vehicles. This is because the government supports it, and there are companies in India that design and make these vehicles. Also, there's enough money available to support these new projects. Companies in logistics and supply chains are among the first to use electric vehicles for short-distance deliveries because it makes sense economically. Goals for the environment set by companies and policymakers are also pushing the use of electric vehicles forward quickly.

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