



COMPASS



Mr. Chandrasekar Kandasamy,
Managing Partner,
Stakeboat Capital LLP

From The Manager's Desk

At Stakeboat Capital, we continue to believe that the next decade belongs to Start-ups, Small and Medium Enterprises and we will remain an active participant in this ecosystem. While globally, some headwinds have slowed down the VC-PE activities with visibly more troughs exposed, the Indian start-up eco-system is emerging out with better ideas and execution.

Stakeboat specialises in identifying value opportunities in 'White Space' targeted at the lower end of the mid-market. We will continue to focus on growth equity investments in unlisted startups and SMEs across the country, which qualify as white spaces based on their characteristics in revenue and profitability, leadership, positioning, etc.

We are delighted to introduce you to our new initiatives to keep you in touch with important news, trends, opinions, portfolio action and more. With this first edition of Stakeboat Capital's Newsletter - **COMPASS**, which we intend to make a regular publication, we bring to you our investor portal - **STAKEBOAT SQUARE** for any time access to your portfolio holding details, notifications, activities and reports.

NEWSLETTER HIGHLIGHTS

- 1) Fund News: Stakeboat Capital Fund II invests in Sukino Healthcare
- 2) Exploring Opportunities - The buzz is EVerywhere !
- 3) Synthesis: Intelligence v/s Artificial Intelligence - BOT is it ?
- 4) Flash News

As signatories of the [UN PRI](#), at Stakeboat, Environmental, Social and Governance is not just a policy but a practice. We add Value to it as ESG & V, as we believe values survive much longer and add a lot more to the world of companies and communities. The integration of ESG & V factors into our investment decisions is an important aspect of fulfilling our commitment to create strong returns for our investors as we believe that it fortifies our ability to build strong companies with enduring values.



Healthy start to Portfolio building - Stakeboat Capital Fund – II invests in Sukino Healthcare

Stakeboat Capital Fund - II [invests](#) in [Sukino](#) Healthcare Solutions Private Limited (“Sukino”), one of India’s leading transition and rehabilitation care services company, to support and fund their vision of expanding into new geographies and other allied areas of rehabilitation.

Sukino operates a chain of inpatient rehabilitation centres, which provide continuum care services to patients who suffer from chronic ailments like stroke and other neurological impairments including debility, spinal cord injuries, cardiac conditions, respiratory distress, renal diseases and cancer. The services provided at a centre include physical therapy, occupational therapy, speech and swallow therapy, clinical psychologist support, nursing care and dietary interventions. The company has served over 10,000 patients and operates in five locations across Bengaluru and Kochi.

The Indian rehabilitation industry is expected to grow at a [CAGR of 15.5%](#) in the next 5 years. The existing demand is largely met by hospitals and unorganized players. Single-specialty rehabilitation chains, like Sukino are in a better position to solve the problems faced by patients with a focus on providing high-quality outcomes.

Rajinish Menon, Chief Executive Officer, Sukino said, “We are grateful to Stakeboat for providing us with this funding opportunity. Their entrepreneur-friendly approach and growth-oriented ideas perfectly align with our vision for Sukino. We were fortunate to have worked closely with our existing lead investors, Kris Gopalakrishnan and Mohandas Pai, to build Sukino to what it is today, and with Stakeboat coming on board, we are confident that we will be able to rapidly expand both our geographic reach and the scope of our offerings.”



Chandrasekar Kandasamy, Managing Partner of Stakeboat Capital said, “We are delighted to partner with Sukino Healthcare Limited as their Investor. The Indian rehabilitation industry is expected to witness significant growth in the coming years, with the market estimated to double from USD17 bn to USD35 bn in next five years, driven by the emergence of new technologies and increasing insurance coverage. Our investment in Sukino will help the company capture a share of the rapidly growing Indian rehabilitation industry. It also reaffirms our commitment to recognizing and supporting small and medium entrepreneurs”

Exploring Opportunities – The Buzz is EVerywhere !

Electric mobility will power a valuable new ecosystem

These are electrifying times for the clean mobility space in India. It's not about possibilities anymore, but powering ahead. As NASSCOM observes: “The Electric Vehicle industry revolution is a story of disruption. It is not just a change that is powering the wheels; it is the potential that is resetting the entire automobile industry.” The report adds that though Electric Vehicles (EVs) entered the market in 2022, 2023 will be the “momentous year” for the sector.

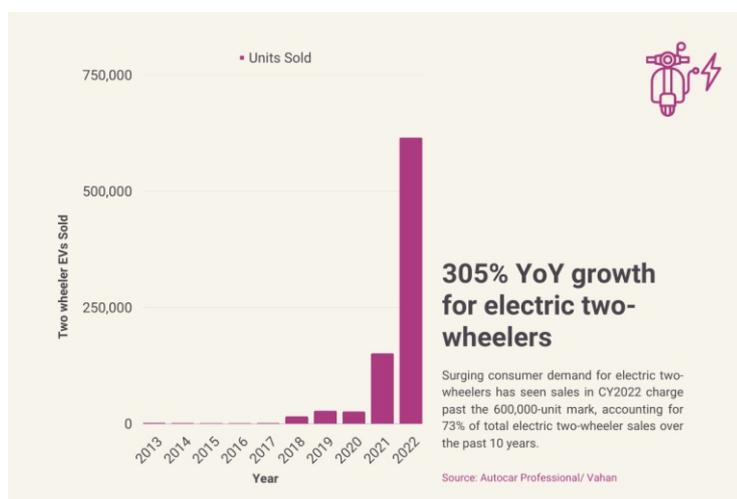
All Charged Up

Why such a positive buzz around EV right now? Data intelligence platform Tracxn states that EV startups in India recorded the highest funding in a decade in 2022. In its [EV India March 2023 report](#), the company notes :

- The Indian EV space is the third largest in terms of the number of companies, next to the US and China
- In terms of funding, the Indian EV space is the fourth highest after the US, China, and Sweden
- EV startups in India raised a total of \$1.66 billion in 2022, a jump of 117% from 2021
- The sector recorded four \$100 million+ investment rounds in 2022, compared to two in 2021
- Late-stage funding in the sector rose 124% to \$1.02 billion in 2022

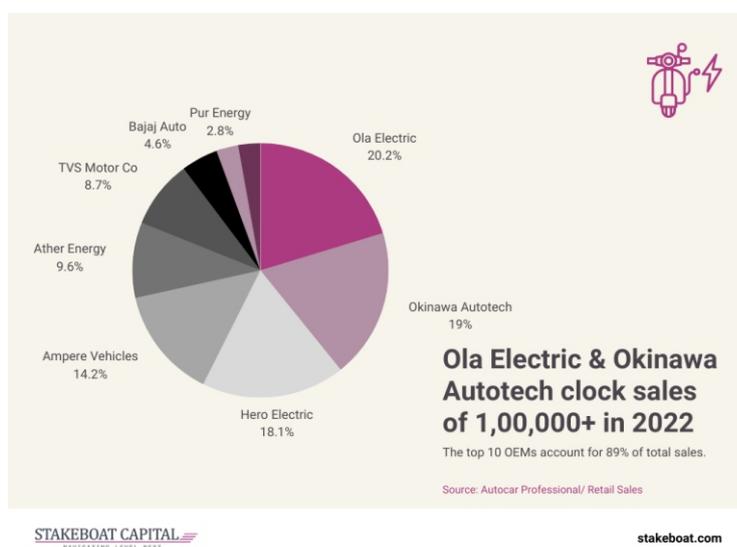
Post COVID-19, the EV market witnessed considerable traction, especially in the two and three-wheeler segments.

- Growth and conversion from Internal Combustion Engine (ICE) vehicles to EVs tripled in 2022 (Autocar Professional/Vahan)
- Annual sales of EV two-wheelers crossed 6 lakh units. (Autocar Professional/Vahan)



Exploring Opportunities – The Buzz is EVERYWHERE !

- EV two-wheelers currently make up about 4-5% of the market and are projected to cross 10% by FY 2025-26 and 30% by FY 2030-31. (JP Morgan: Indian Auto rEVolution monitor)
- Legacy and pure play electric players have entered this segment to ride the EV wave. Ola, Okinawa and Hero are currently the market leaders in this segment, with over 30 Original Equipment Manufacturers (OEMs). (Autocar Professional/ Retail Sales)



The EV OEM market is estimated to be worth \$31.6B by 2030 in just three categories – EV scooters, three-wheelers, and cars. The India [Economic Survey](#) predicts that India's domestic EV market will see a 49% CAGR between 2022 and 2030, with 10 million annual sales by 2030. Plus, the sector is projected to create around 50 million direct and indirect jobs by 2030.

What next?

In the medium to long term, the EV market is expected to move towards a smartphone model where the top 4-5 OEMs will own exclusive distribution channels alongside smaller players taking a multi-brand distribution approach. Government regulations and decreasing subsidies are expected to drive out pure importers and smaller OEMs.

Standardization has already started to take shape in the form of charging connectors for passenger vehicles (PVs). Scooter segments are likely to follow the same route with connectors and communication protocols being standardized, while battery size and weight are being left to the OEMs to support innovation.

Exploring Opportunities – The Buzz is Everywhere !

On the infrastructure side, strategic tie-ups and JVs between OEMs and supporting companies will enable technology transfer and innovation. Battery swapping is probably the way forward for commercial vehicles, and for closed user groups, whereas for personal usage, increasing vehicle range is expected to minimise the need for additional charging infrastructure.

On the government agenda

The significant strides and subsequent successes achieved by the EV sector in India can be directly attributed to the government's push towards Net Zero '[Panchamrit](#)' by 2070. The Indian government has targeted 30% EV penetration by 2030 through the [EV30@30](#) campaign, and is focusing on [cleantech's potential to catalyse climate action](#), and forge international partnerships around technological innovation, while advancing the [COP27](#) agenda.

1.Incentives: The Faster Adoption and Manufacturing of Electric Vehicles or the [FAME II](#) subsidy is provided on the condition that at least 50% of the EV components are locally made. While this is set to expire on March 31, 2024, industry analysts believe it will be extended with a possible incentive reduction in a graded manner. The government has recently also indicated that EVs may be covered under Production Linked Incentives (PLIs), targeted towards Advanced Automotive Technologies (AAT) products to provide an incentive of up to 18% to encourage the EV industry to make fresh investments in the indigenous supply chain.

2.Compliance and Safety Norms: OEMs have been instructed to get clearance from Automotive Research Association of India (ARAI) under the new AIS 0156 battery norms. The Ministry of Heavy Industries (MHI) recently also mandated automatic transfer of Domestic Value Addition (DVA) data directly to the PLI Auto Portal for monitoring.

3.Regulations: Strict action will be taken against those taking undue advantage of benefits. In September-October 2022, ARAI audited a few industry players leading to the suspension of subsidies to two leading players for flouting localisation norms. Additionally, subsidies have not been released for most OEMs in the last 8-12 months, building a humongous backlog of over INR 11 billion, according to industry and media sources. The government has now roped in Ernst & Young for a financial audit of all companies that claimed subsidies under the scheme.

Exploring Opportunities – The Buzz is EVERYWHERE !

The power of opportunity: Stakeboat view

McKinsey predicts that India is likely to see more electric two- and three-wheeler penetration than four-wheelers and heavy vehicles. “The rise of electrification across vehicle segments could directly impact the bill of materials (BOM) of vehicles ...Engines and associated powertrain components like fuel systems and exhaust systems will lead the transformation, and be replaced by battery, e-motor, e-axle/reducer and power electronics. Around 75% of the BOM in battery EVs consists of entirely new components,” the McKinsey report adds.

At Stakeboat Capital, that's the aspect of the rEVolution we are watching very closely - the ecosystem in which several scalable, valuable and sustainable businesses will be built.

While on one hand, vehicle manufacturers have seen unprecedented traction in electric mobility, there are also many attractive non-capex-oriented opportunities particularly from the EV support ecosystem. Powertrain and [Power Electronics products](#) such as motors, especially Non-Permanent Magnet Motors, motor components, controllers, converters, onboard chargers, power distribution units and wiring harnesses are undergoing an array of innovations with emerging players like Altigreen Propulsion Labs, Entuple E-mobility, IPEC, Greenerg Mobility, Interface Microsystems, and Sedemac Mechatronics focusing on this segment. Batteries and associated components are another interesting segment which will be a key focus area within the EV ecosystem, given the focus on reducing dependence on China. Components like battery packs, battery management systems, thermal management, connectors, and BaaS/swapping will be crucial to India's emergence as a credible global EV hub.

In addition, re-purposing and recycling of batteries will become critical over the next couple of years, given the considerable amount of waste generated by the sector. Players like Grinntech, Napino, Lohum, Cygni Energy, Lithion Power, and VoltUp are trying to solve some complex problems in this area.

Finally, connectivity and control systems is another interesting space witnessing high levels of innovation. Areas like software and solution providers, communication aggregation, telematics, infotainment, powertrain, chassis and body control will play a key role in providing differentiation to OEMs going forward. Zeliot, iTriangle, Holisol, Sensorise, and Loconav are a few key players emerging in this space.

At Stakeboat Capital, we believe that the mainstreaming of EVs will transform the mobility landscape. But the true opportunity lies in the vibrant ecosystem of businesses that will arise to support this transformation – providing different value-adds to consumers and manufacturers alike. These SMEs will contribute significantly to the expansion and growth of the EV space in India, creating an amplifier effect for the industry as a whole. Our focus is on low investment, yet scalable businesses, such as components and battery technologies, and we are watching this nascent ecosystem extremely closely.

Synthesis – Intelligence v/s Artificial Intelligence – BOT is it ?

It's been commonly heard these days that unless you've been living under a rock (and a very large one at that) you've seen the hype waves from ChatGPT hitting every industry thought leader, and influencer.

The hype seems rather real and so is the fact that [ChatGPT](#) has proven to every business leader that one needs to take the advances in artificial intelligence very seriously. This is especially true for the tech giants, who are seeing the sands shift beneath their feet in ways that they haven't had to contend with since the rise of smartphones.

The development in Artificial Intelligence (AI), whether via the release of GPT 4 or commercial launch of [Bard](#) by Google, is evolving rapidly and we will continue to see new variants for a foreseeable time. [ChatGPT hit 1 million users in five days](#) of being available! However, a [factual error by Bard AI](#) chatbot during its demonstration did cost \$100 bn in market capitalisation to Google's parent Alphabet and the employees working on the project - their jobs! The fallout from Bard's exoplanet mishap wasn't just about that singular error - it raised questions about how we will be able to integrate these models into practical applications and business critical systems. It's a dream to have a system that intelligently feeds you the correct answers to questions with instant knowledge and context over internet-sized surface areas, but it's a nightmare that these systems might hallucinate a fake answer as easily as give you a real one.

According to [Forbes Advisor](#), a staggering 97% of business owners believe that ChatGPT will benefit their businesses. Over 60% of business owners believe AI will increase productivity. Specifically, 64% stated that AI would improve business productivity, and 42% believe it will streamline job processes.

Given the hype surrounding the product and apparently visible benefits as per certain LinkedIn influencers, we decided to put it to use and see what benefits we (and by extension, the PE/ VC investment community) could derive from it. Taking baby steps, we used it for industry research to see where it would lead us from there.

With our limited usage, we could crisply summarise that:

1. Do Not use it for the information that would serve as the basis for your decision making,
2. Use it for getting started with the topic you have no idea about and then abort it!



Synthesis – Intelligence v/s Artificial Intelligence – BOT is it ?

We have been an active investor in the B2B SaaS domain. While we are always learning, exploring and experimenting with new ideas, with a couple of successful portfolio investment experiences like [LeadSquared](#) and [Ozonetel](#), we know a thing or two about how this industry works. When asked some specific questions around financials of the competing companies, ChatGPT either did not have the data because its directory can [provide information only till September 2021](#) nor it could provide a verifiable source for whatever data it produced. Both the aspects – the recency and the source to verify the trustworthiness are essential for any investment decision making. More so, ChatGPT would give you generic answers that have been transferred from one generation to the next like folklore.

As such, it feels less of artificial intelligence but more of human intelligence that has been assimilated in one place.

Nevertheless, even the accumulation of human intelligence at one place that is available to you, at your fingertips, is a useful proposition. If one understands its limitations and asks the right questions, one could derive tangible benefits. The essential problem any professional faces, while looking at a completely new segment, is 'where to start from'. In such circumstances, ChatGPT or any other AI based [Large Language Model](#) (LLM), could help with is provide initial guidance.

The technologies are ever evolving and especially the large language model's progress based on community usage. Such models are absorbing new information, getting trained on a continuous basis, and as the systems become more efficient, perhaps a day would come when it could prepare important business memos and take decisions basis preliminary information provided to it.

But one thing seems certain – the ability to assess people and the ability to understand the circumstances and adapt to the environment using a combination of several cognitive processes, is what ChatGPT can never take from us.

Such is the ability that will enable us to stay relevant.



News Flash : Some Highlights

- Stakeboat Capital Fund II wins the "[MID-MARKET PE-FUND RAISE OF THE YEAR 2022 AWARD](#)" as part of Venture Intelligence APEX'23 Private Equity & Venture Capital awards event in Mumbai
- The FUND sets up it's operations in [GIFT CITY](#) and kickstarts with USD 5 Million in capital commitment from foreign investors
- Total Capital Commitment for the **FUND II** crosses **INR 900 crores**
- Stakeboat launches its Investor Portal - [STAKEBOAT SQUARE](#) - for a direct, anytime access to investment details for its investors of Fund II
- Stakeboat Capital releases it's **ESG & V** (Environmental, Social, Governance and Value) Policy



STAKEBOAT CAPITAL LLP

Address:
**1st Floor, A Block, MIRAYA ROSE,
 66/1, Siddapura,
 HAL Airport - Whitefield Road,
 Bengaluru - 560 066,
 Karnataka, India**

Speak with us at: **+91-97430 00790**
 Write to us at: IR@stakeboat.com
 Read about us at: www.stakeboat.com
 Investor Portal: [Stakeboat Square](#)

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