

VSJ ASSOCIATES

Our Work Process

About VSJ Associates

VSJ (VSJ) Associates is a corporate and investment banking advisory firm based out of Coimbatore. VSJ helps qualified firms to raise funds for growth, expansion, acquisition and corporate requirements either via equity or structured debt.

VSJ has a 3-step process to raise funds. The processes are Initial Evaluation, Facilitation/Matching and Transaction. The client's must be ready with funds to support all expenses and other detailed documentation before any fund- raising deliberations. The process and its indicative expenses are given below.

VSJ specializes in the following areas w.r.t fund raising

Growth Capital thru Equity Infusion: VSJ has both national and global tie-ups with HNIs, Fund houses and Family offices. Based on the client requirement, VSJ can bring in equity capital both as domestic investment as well as Foreign Direct Investment (FDI) into qualified firms. In addition, VSJ has a partner network to fulfil all the statutory, regulatory, legal compliance for such investments.

Growth Capital thru Structured Lending: Unlike Bank based funding, which is solely based on the collaterals, structured lending is a modern, elegant debt solution which focuses on the cash flow & revenue of the company. Fast growing companies can avail growth capital without diluting their equity in the company. The structured lending solution can be in the form of private credit, invoice financing, revenue-based lending, lease financing and other solutions tailored for client firm & industry segment

- VSJ work with some of the India's largest Private Credit Funds (PCFs - structured as Alternate Investment Funds (AIF) - Category II under SEBI guidelines) for funding
- VSJ work with HNIs & Investment firms in South East Asia and Middle East for specific requirements
- VSJ also work with some of the family offices in India

The structure, process and workflow are more or less same for everything, with changes specific to the category. The fee structure will be uniform, but go lower for high value transactions and go higher for low value transactions. VSJ believes in quality turnarounds for their clients, and won't charge any retainer fees.

VSJ – How We Work?

VSJ 's Investment Advisory Process

Initial Client Reach out to VSJ:

- Clients contact VSJ directly or through authorized Customer Acquisition Teams (CATs).
- VSJ is NOT RESPONSIBLE for money paid to unauthorized third parties or any previous encounters of the Client, where they have lost money with third party brokers.

Basic Assessment:

- Clients or CATs send preliminary documents for VSJ to assess the opportunity.
- VSJ initiates first level calls with Client-side coordinators or CATs.
- VSJ gets onto an initial exploratory conference call with client side decision makers preferably promoters / founders / directors.
- VSJ evaluates the potential for fundraising and discusses its commercial engagement terms.

Initial Evaluation:

- If VSJ sees potential in the Client for fund raising using preliminary papers, VSJ will initiate a discussion with the decision makers from the client side. The promoters / founders / directors of the client company must directly engage with VSJ. This can be either a virtual call or in person meeting.
- Upon satisfactory discussions, VSJ will accept the assignment with the client.
- If the basic documents are unsatisfactory, or having compliance lapses, or AML/round tripping issues, VSJ has the right to reject or refuse the assignment

Formal Acceptance:

- Once VSJ accepts the assignment, the Client must enact a board resolution to appoint VSJ as the exclusive investment advisory partner along with acceptance of terms.
- The client firm must provide a formal appointment letter along with the initiation fees.
- VSJ's 3 step process will take precedence by signing the Client Engagement Agreement, NDA and issuing of the Appointment Letter along with the Board Resolution.

- VSJ outlines a fundraising strategy and required documentation to be circulating among its Investor network.

Facilitation & Matching:

- If the Client feels overwhelmed of the requirements, or they could not fit into the first level Investor demands post Initial evaluation phase, the Client or VSJ can decide on working together or terminate the engagement with the non-refundable initiation fees.
- Client confirms that they can work with external professionals to deliver the necessary documents and appoints a single point of contact to deal with VSJ. Preferably, the Single Point of Contact must be a decision maker.
- For the next steps, VSJ requires a pitch deck, full feasibility & financial model report from the following firms or a firm preferred by the Investors. Deloitte Touche Tohmatsu India LLP, KPMG Assurance and Consulting Services LLP, Price Waterhouse Coopers Private Ltd., EY India, Grant Thornton.
- In case the client can't afford to work with any of the aforementioned Firms, the client can connect back to VSJ for their preferred options. VSJ will point the client to their network's investment reporting & financial modelling firms. The client directly pays the referred firms' fees to get the necessary documents as required by VSJ.
- All Payments incurred by the client with reporting firms are directly paid and non-refundable.

The following are the scope of work under Facilitation and Matching

Due Diligence and Preparation:

- VSJ uses the reports from the client as mandated, conducts first level due diligence on the client's business based on the report
- Upon aligning with potential's Investor's acceptance level, VSJ sends it to their investment network to assess the interest levels & queries, which in turn will be answered by the client.
- VSJ will start engaging with Investors globally, and unless & otherwise the Investor specifically mandates a meeting with the promoters of the client's firm, all discussions & deliberations will be handled solely by VSJ.
- If a specific Investor wants to meet the promoter in India or Overseas, it will be communicated by VSJ to the client. The client directly manages all the travel, accommodation, per diem fees of the accompanied consultants and other meeting expenses as outlined by VSJ. This is a business expense directly incurred by the client, and this is non-recoverable.

Investor Deliberation:

- Either VSJ directly interacts with the Investors or the Investors meeting with the promoters in India or Overseas, Investors communicate their willingness or rejection to VSJ.
- Once the Investor rejects the proposal, VSJ will communicate the same to the client and move to the next Investor to deliberate on the same deal.
- Once the Investor confirms to move forward with the proposal, VSJ will first discuss with the Investor on the next steps. Depending upon the client's business, this may involve inviting Investor's for site visits, factory tour, customer interactions, vendor assessments and other pre-due diligence work.
- Upon the Investor's fullest satisfaction, the Investor may provide a Term Sheet or a Definitive Investment Agreement to kick start their own detailed due diligence across financial, structural, regulatory, statutory and other parameters.
- A Term Sheet or a Definitive Investment Agreement is only an expression of Interest and it should not be construed as a Letter of Intent or Confirmed Investment. Only after the successful completion of the due diligence, the Investor will open up on the modalities of investments – equity, debt, multiple tranches, convertible debentures etc.,

Investment Transactional Closure:

- Transaction Phase kick-starts.
- The client, the Investors, and VSJ engages in multiple rounds of deliberations to decide on the form, structure, tranches, roles, responsibilities, and fiduciary duties, legal, accounting and other requirements to finalize the Investment process.
- Post detailed deliberations, the Investor confirms the mutually agreed Investment amount, tranches, structure, jurisdictions if any and other key details
- Share Purchase/Subscription agreements will be prepared and formalized for a legal investment entry. In case of the debt, it will be Non-Convertible Debentures (CCD), Compulsorily Convertible Debentures (CCD) or other legally acceptable structures.
- All statutory, state and central government's documentation is prepared for both domestic or FDI investment
- Funds are transferred to the client's account¹
- Client pays VSJ the agreed-upon success fee within 3 working days.

Timeline:

- Engagements typically last 6 -10* months, depending on the assignment
- VSJ aims to close most transactions within 6-10months.

Additional Services:

- VSJ handles most intermediaries and consultants.
- Specialized external experts, if needed, are paid directly by the client.

Transactional Structure - Client Responsibilities and VSJ Policies:

Document Integrity:

- Clients are responsible for providing accurate, investable documents.
- VSJ is a consulting firm, and can point to right consultants & resources. The integrity of the client's organization is the full responsibility of the client only.

Client Preparation:

- VSJ provides "on boarding" sessions for client representatives.
- Guidelines cover discussion topics, commitments, and presentation etiquette.
- Formal attire required for in-person meetings; professional appearance for virtual meetings.

Communication Protocols:

- Official email addresses are required for all correspondence.
- Sensitive information should not be shared via messaging apps.
- Signal messaging platform recommended for confidential discussions.

Meeting Standards:

- Outstation meetings held in a pre-booked, professional spaces (minimum 4-star hotels) inside a Meeting Rooms. VSJ strictly avoids meeting at dining rooms, coffee shops and other places even in these places.
- Air travel is the standard form of transportation to meetings.

Transparency:

- Clients must disclose all related parties, subsidiaries, and close

associations in their reports.

- Off-balance sheet liabilities and non-accounting expenses should be revealed upfront.
- Clients must disclose all legal cases pending both on the Company, Subsidiary and other legally related entities as well as key promoters. This also incl. IT Raids, ED Searches, SFIO or other Union Government Financial, Legal (Civil & Criminal) inquiries.

Data Management:

- All client files are deleted 30 days after contract termination. Clients may copy their data before deletion. VSJ respects client confidentiality and data ownership.

Data Security:

- VSJ strives for best possible data security

Minimum Deal Size/Ticket Size Thresholds:

Equity Investment	INR 50 Crores & Above or USD 6.5 Mn
Structured Lending	INR 25 Crores & Above or USD 3 Mn
Sell Side Advisory	INR 25 Crores & Above or USD 3 Mn

Fees Structure – Non-Refundable & Performance Driven

VSJ Offers a simplified, results-oriented, success based fee structure, reducing the client spends on fund raising. VSJ's goals are aligned with raising successful funding rounds for clients, to maximize its earnings.

- At Initiation – USD 10,000 or INR 8,50,000 whichever is lower. Non-refundable.
- At Facilitation & Matching – All the fees are paid directly to the respective firms or consultants. VSJ DO NOT CHARGE anything in this phase.
- Upon Success, based on the size of the transaction. NO SUCCESS; NO PERFORMANCE BASED FEES.

Success Fees upon Transactional closure

Below INR 100 Crs or USD 12.5 M	7 – 8%
Between INR 100 – 450 Crs or USD 12.5 – 50 M	6 – 7%
Beyond 450 Crs & above or USD 50 M & above	3 – 5%

Sample Calculation for Client-side CFOs

Client in India wants to raise 150 Crs for growth and expansion thru equity dilution. The below is the cost of fund raise

Initiation Fees	₹ 8,50,000 (USD 10,000) + 18% GST
Facilitation & Matching	N.A. Direct Client Spends
Upon Success at 7% average	₹ 10,50,00,000 + 18% GST
Cost of Capital for Successful Fund raise	7.05% + GST
Sunk cost or Advisory Risk cost for unsuccessful Fund raise	₹ 8,50,000 directly with VSJ, and others Direct Client spends.

The above is for illustration purposes only.

The actual fees at various stages varies based on the intended fund raise

- All fees will attract 18% GST as additional if paid in India
- All fees must ONLY be paid via banking channels.
- The corresponding invoice will be raised to the bank account with which the funds received.
- VSJ does not take funds from Individual Savings Accounts, and all funds must come only from the authorized Current Account/s of the client or Subsidiaries.
- The objective for both VSJ & the Client is to successfully complete the fund raise. In case of any termination in between or an unsuccessful fund raise, despite all the genuine efforts from all sides, with a mutual termination agreement VSJ will terminate the contract with the Client.
- VSJ will only provide clean, transact-able, bank-based, equity and structured lending solutions. VSJ STRICTLY DO NOT entertain unaccountable cash transactions or other illegal transactional options.
- VSJ won't take physical cash or without the agreements in place.
- For Foreign Currency transactions, the Client is fully responsible to provide the necessary hedging for currency fluctuations
- All legal disputes between the client and VSJ will be sorted out through Arbitration or comes under the jurisdiction of Madras High court only.
- It is the sole responsibility of the client to go through the document clearly and deeply before committing on the engagement.

Engagement Tenure:

- Minimum contract duration is 6 - 10 working months.

1 - Foreign Direct Investment coming to an Indian registered company in itself is a separate process. The client has to work with their own banks, RBI, DPIIT and other statutory authorities both State and Central to fulfil all the pre-requisites to receive the money. VSJ's scope of work will not incl. this transactional receipt process. This is a separate consulting for a fee from VSJ, which is optional for the client to choose. ***** - If any natural calamities occur between countries, if the government enacts new laws affecting FDI, or if any issues arise within the investee companies during the period, the duration of the timeline shall be extended accordingly.

Best Wishes

VSJ Associates