

Private Equity Investment Memorandum

Equity Funding Round – Series A – USD 18 Million
for
PSI Portfolio Startup
ICS India



India's largest Cotton B2B E-Com, Fintech & AgriTech Platform

From

PSI – The VC / PE Funding Network

Investment Bankers

India's largest VC / PE Funding Network

1000+ Investment Funds from 20+ countries

Venture Capital | Private Equity | Family Offices

Sept 2021



Table of Contents

| | |
|--|----|
| 1. Executive Summary | 3 |
| 2. Founder & CEO Profile – India’s first Cotton King | 4 |
| 3. About PSI – The World’s largest VC / PE Funding Network | 5 |
| 4. Comparison of ICS India, PayTM & Udaan | 6 |
| 5. ICS, PayTM & Udaan – Revenue v/s Valuation Multiplier | 6 |
| 6. ICS, PayTM & Udaan – Key Ratios Comparison | 7 |
| 7. PSI Observations – Most Important Highlight of this IM | 8 |
| 8. Target VC/ PE/ Corporate Investors | 8 |
| 9. Business Model..... | 10 |
| 10. Unit Economics | 10 |
| 11. Key VC Metrics..... | 12 |
| 12. Year 5 Income Projections | 12 |
| 13. Year 5 Investor Exit Valuation..... | 12 |
| 14. Exit Options for the Investor | 12 |
| 15. Funds Utilization..... | 13 |
| 16. Competitive Analysis..... | 13 |
| 17. Competitive Moat Analysis | 14 |
| 18. Co-Founders & Team Profile | 14 |
| 19. ICS Additional Information | 15 |
| 20. Contact Information..... | 19 |



Private Equity Investment Memorandum

1. Executive Summary

ICS - India's largest Cotton B2B E-Com, Fintech, AgriTech Platform seeks \$18M funding

We are reaching out to you on behalf of PSI Portfolio Startup, **ICS India – India's largest Cotton B2B E-Com, FinTech & AgriTech Trading Platform**. ICS is in solid early Revenues of \$1.7M (INR 12.81 Cr) and seeks \$18M (INR 135 Cr) Funding. The next 12 months projected revenues are \$5.19M. This funding ask includes acquiring 2 companies which will add approx.\$13.33M (INR 100 Cr) in Real Estate, Plant & Machinery Valuation to ICS' Balance Sheet. Just the Real Estate land value of these 2 acquisitions is \$10.67M (INR 80 Cr). ICS' projected Year 5 Enterprise Value is USD 25.25 BN. For an investment of \$18M today, we expect to give the Investor an Exit Valuation in Year 5 of \$4.55 BN at an Investor Exit Multiplier of 253X

Urgency of this Fund Raise

This fund raise is urgent to take advantage of the Cotton Season beginning in Oct 2021. Hence Investors need to take a quick decision to leverage on this year's cotton crop cycle, otherwise both ICS & the Investors will miss out this opportunity. The projected next 12 months revenues, we reiterate are \$5.19M on this \$18M fund raise

YourStory: "A **Bain & Co** report stated that AgriTech and Agri – Ecosystem sectors have received significant interest from the investor community, making India the third-largest country in terms of AgriTech funding and the number of AgriTech Startups

It added there are several estimates which indicate that approximately **\$30–\$35 billion** of the value pool will be created in Agri – Logistics, Offtake, and Agri – Input delivery by 2025. The report stated between 2017 and 2020, India received about **\$1 billion** in AgriTech funding. The top deals in agriculture were investments into companies like Ninjacart, AgroStar, Mahyco Grow, Husk, WayCool Foods and Products, Jumbotail, Vahdam, and DeHaat. Based on the discernable changes in the sector, investments in the AgriTech over the next four to five years are poised to increase significantly"

The **ICS** Founders have a combined experience of 30 years of experience in the business & have invested \$1.33M (INR 10 Cr) over the last 3 years to bring ICS to this level. Active Operations of the Startup can be considered for the last 1 year due to break in business cycle due to the COVID19 pandemic

The ICS B2B Online Platform serves the entire Cotton/ Yarn Ecosystem right from the Cotton Farmer, Ginners, Spinners, Fabric Manufacturers, Apparel Manufacturers, FMCG Oil Majors, who ultimately sell these to consumers online or offline. There are 2 broad & huge end consumer products in the business, Cotton & Yarn Apparels & Cottonseed Edible Oils



ICS have a ready order book for consuming this entire funding round of \$18M in the next **6 months** of India's Cotton/ Yarn Agri Crop Cycle. The company is targeting a total funding of USD 418 Million to reach revenues (Not GMV), but Actual Net Commission Revenues of USD 505 Million in Year 5

ICS India is a part of the Indian Cotton & Yarn Sector, with India being the world's second largest cotton exporter. Refer Slide 2, their Business Model/ Website already covers all players in in the sector, right from the Cotton Farmers (who grow the cotton), Ginners (who separate cotton & seed), Spinners (who process the cotton), Oil Mills (who produce edible consumer oil), Fabric Manufacturers (players like Arvind Mills, Grasim, Welspun), Fabric & Apparel Manufacturers (Raymond, Zara), FMCG Edible Oil (Oil Majors like Fortune), Online Channels (like Myntra, Flipkart, Amazon, Big Basket) & Offline Channels (Local Kiranas, Mom & Pop Grocery Stores, Retail Malls like Reliance Retail). ICS provides finance, quality control & invoicing services to the entire ecosystem from the farmer to the contract Manufacturers of Cotton Fabrics, FMCG Edible Oils etc.

The 2021 Global TAM for ICS is 1 Trillion US Dollars. This is broken up into \$500BN for Apparels & another \$500BN for Edible Oils

2. Founder & CEO Profile – India's first Cotton King

"We are especially proud to do this introduction to what we feel would be one of India's greatest Entrepreneurs, our dear Kameswara. His story is one that will make every Indian proud, & give hope to every farmer in the world, be it from India, China, Brazil, or Africa. He has single handedly created more impact in India's massive Cotton, Yarn & Edible Oils Industry"

Samir Dahotre, Founder & CEO, PSI

Kameswara Rao Ghanta | Founder & CEO | [Linkedin](#) | 22 Years Serial Entrepreneur

India's First Cotton King

Kameswara completed his Diploma in Textile Engineering in 1993 and has extensive techno-commercial experience in the Textile Industry. He has worked for over 6 years' experience as shift in charge of 100% EOU Spinning units in 3 Indian States (Counties): Maharashtra, Karnataka, and Andhra Pradesh.

He started his Entrepreneurship Journey as a Marketing Agent for cotton bales and cotton yarn in Guntur, Andhra Pradesh, **22 years ago, way back in 1999**. He then started which was at that time the latest state of the art Cotton Testing Facility at Guntur in 2000. In 2001 he started Raw Cotton Bales Export to Bangladesh. After the Govt. of India moved Cotton Commodities to Open Category, he is India's first Private Exporter of Cotton, which until then was the monopoly of Govt. of India Cotton Public Sector Company CCI ([Cotton Corporation of India](#)). Way back in 2005, Kameswara's export company achieved a massive revenue of INR 50 Cr (\$6.67M). He then started a Spinning Factory with his own earned funds of INR 17 Cr (\$2.27M), & grew it into a INR 60 Cr (\$8M) revenue company which came to be known as Spincot Textiles Pvt. Ltd. Hence Kameswara has created large financial corporations' way back since 20 years. Spincot also imported the latest state of the art technology from Rieter, a compact spinning technology

company from Switzerland. This project was launched in 2007 along with large Indian Textile Giants Welspun & Alok Industries. Spincot revenues was INR 150 Cr (\$20M) way back in 2013, hence Kameswara has created extremely large revenue companies before is the emphasis we would like to make. The ICS Software Platform has been actually built, bit by bit, over the last 7 years. We would especially request investors to read more details about ICS' extremely unique State of the Art Cotton & Yarn Mobile Testing Lab Vans. We would also encourage Investors to visit Andhra Pradesh or Karnataka to see the ICS Mobile Testing Vans in action. It is Kameswara's personal endeavor to solve the problems faced by Indian Farmers, Ginners, Spinners etc.

There is a personal journey of creating an Impact & changing the lives of the Indian Farmer. It's a journey where even the great nation of China can learn from, as their 400 million Farmers are also in huge problems as they migrated to the cities during the Manufacturing & Construction boom decades, but now are in extremely stressful financial condition as there are no jobs in the cities, and they also find it a huge challenge to now go back to their farmlands after so many years. This is the greatest challenge faced by the Govt. Of China.

3. About PSI – The World's largest VC / PE Funding Network

[PSI – The VC / PE Funding Network](#), is one of the world's largest VC, PE Investor Network, with 3000 Investment Professionals from [1000+ Investment Funds](#) (Venture Capital Funds, Private Equity Funds, LP's, Family Office Funds, Corporate VC's, M&A Corporate Conglomerates) from 20+ Countries. Google places us right on top as we have built the world's most comprehensive & relevant investor network. From any location in the world, If you search for "India's largest VC PE Funding Network" or "world's largest VC PE Funding Network"; the first result, Page 1 Rank 1, you would see is our [PSI website](#), & the second result will be our [Linkedin Profile](#). We are a globally unique Investment Banker, as we provide focused 360 Degree Growth for our Portfolio Startups via Fund Raising, Corporate Sales (up to \$100,000 or more via our CXO connects across India Inc) & Strategic Alliances (E.g., Microsoft, Infosys for a Tech Startup). Do check out our [PSI Portfolio Startups](#) if they might interest your firm

PSI's 360 Degree Solutions for VC's

The Network Effect – Working with VC's & a variety of Investment Companies: Checkout our [360 Degree Wagon Wheel for VC's](#). As we have built one of the most comprehensive global network of Investors, we are well positioned to serve VC funds in securing the next round of funding for their Portfolio Startups, or help in an M&A exit via our immense global Corporates network. As we are an I-Banker & not a fund, we also routinely introduce VC funds to prospective LP's. Or introduce early-stage VC's to late-stage VC's. We have a diverse range of Investor connections. E.g. one of our HKG/ India based PE Firms is a secondary markets VC Investor, which can buy out equity positions for an entire Vertical Sector of Startups from the VC Firm



About the Investors on PSI – The VC / PE Funding Network

EACH OF THE 1000 Firms on our Network are classified as per their Funding Stage, Sectors they invest in, current traction criteria they look for in a startup etc. Hence, we hope this Startup is relevant to your fund. Hence PSI is a VC PE Network for the VC's/ PE's, based on the investment philosophy of each individual Investment Firm

Some of the 1000+ VC/ PE Firms on our network include **Early-Stage VC's** (Inventus Capital, YourNest, 3one4 Capital, IAN, Blume Ventures, IndiaQuotient), **Mid Stage VCs** (Matrix Partners, Ansan, Nexus Venture Partners, SAIF Partners, Accel), **Late Stage VC's** (Insight Partners, Bessemer, Bain), **Consumer VC's** (DSG CP, Sixth Sense, Fireside Ventures), **M&A** (Unicorns, Tech Giants, Corporates), **Family Office** (Taparia, Biyani, Reliance, Marico, Hero, Dabur), **Private Equity** (Premji Invest, TPG Capital, L Catterton, Eight Road)

If you seek the next round of funding/ exit for your own Portfolio Startup via PSI's vast network of 1000+ VC, PE Funds, Family Offices, M&A, Corporate VC's, Corporates etc., do let us know

4. Comparison of ICS India, PayTM & Udaan

ICS India (Indian Cotton Solutions) is a pure play B2B E-Commerce Platform (with FinTech), similar to Udaan, which is also a B2B E-Com Player with Fintech. Since FinTech is a core business line for ICS, we are also comparing them to PayTM

- ICS India Year 5: The company in active operations can be considered a 1-Year-old tech platform founded by an entrepreneur with 25+ years' Experience in the Indian AgriTech, Cotton & Yarn Industry. By Year 5, ICS India would have raised \$480M and will have Billed Net Commission Revenue in Year 5 of \$505 Million, at an Enterprise Valuation of USD 25.25 Billion
- PayTM 2020 Financials: Revenues \$460M at a valuation of \$16BN, India's No 1 Unicorn (PayTM/ One97 Communications)
- Udaan 2020 Financials: Revenues \$130M at a valuation of \$3.1 Billion
- The India Prime Minister's office has recognized ICS' superlative achievements and is fully supporting this young startup

5. ICS, PayTM & Udaan – Revenue v/s Valuation Multiplier

Kindly refer to ICS Financials Excel jointly prepared by ICS & PSI as attached.

- PayTM 2020 Financials: Revenues \$460M, Valuation \$16BN, Revenue v/s Valuation Multiplier: 35X
- Udaan 2020 Financials: Revenues \$130M, Valuation \$3.1 BN, Revenue v/s Valuation Multiplier: 24X
- Hence, we are calculating ICS India Revenue Valuation Multiplier as an average of the Multipliers of PayTM & Udaan. This is $\frac{35+24}{2}$ which is 30X. Note that ICS India does not need to burn money for branding like PayTM. Its more similar to Udaan. However again, compared to Udaan, ICS ecosystem is highly focused on Indian B2B Cotton/ Yarn while Udaan has a much wider net of B2B Ecosystem & needs to burn money to acquire & especially maintain Partners, which ICS Founders have been part of the Cotton Industry for 25 years. Udaan makes money only from end consumer products, while ICS



makes money from their entire closed ecosystem value chain, from the cotton farmer to the large buyers & manufacturers of Cotton Fabric & Cottonseed Oil

- ICS India: Year 5 Revenues (Net Commissions) is \$505M. Considering Revenue v/s Valuation Multiplier of 30X, ICS Year 5 Valuation is \$25.25BN
- ICS Fintech Interest Income: ICS Annual Fintech Income of 17.4% is broking into two cycles of 6 months each
 - First 6 Months: Interest of 8.7% charged to Farmers, Ginners & Spinners (October to March)
 - Next 6 Months: Interest of 8.7% charged to Oil Mills & Fabric Manufacturers (April to Sept)
- Please check the Annual Fintech Interest Income of Udaan and PayTM as a comparison. Hence Udaan has a majority of Revenue & Valuation due to Fintech Interest Income i.e. Financing its partners which might be at the rate of 12% per Annum. PayTM's high valuation is from Bill Payment Commissions which is 2-3% of Commission. Comparing to these numbers, ICS earns a very high fintech interest income of 17.4% Per Annum
- TAM: ICS addresses two global industries: Cotton/ Yarn and Consumer Edible Oil. The Global 2021 TAM today for these industries is \$500BN for Apparels & another \$500BN for Consumer Edible Oils. Hence ICS TAM 2021 today is \$1 Trillion US Dollars

6. ICS, PayTM & Udaan – Key Ratios Comparison

Revenue / Valuation Multiplier

- ICS 2026: Income: 505M | Valuation: \$25.25 BN | Revenue/ Valuation Multiplier: 50X
- PayTM 2020: Revenue: \$460M | Valuation: \$16BN | Revenue/ Valuation Multiplier: 35X
- Udaan 2020: Revenue: \$130M | Valuation: \$3.1BN | Revenue/ Valuation Multiplier: 24X

We would like to reemphasize that please closely examine ICS Income v/s ICS Revenue, and also put this in the larger context of players like PayTM & Udaan, revenues, customers & the big picture

Funding / Valuation Multiplier

- ICS 2026: Funding Raised: \$418M | Valuation: \$25.25 BN | Multiplier: 60X
- PayTM 2020: Funding Raised: \$3.54BN | Valuation: \$16BN | Multiplier: 4.5X
- Udaan 2020: Funding Raised: \$1.15 BN | Valuation: \$3.1 BN | Multiplier: 2.7X

Valuation / Funding Ratios

- ICS 2026 : USD 4545M/418M : 10.87
- PayTM : USD 16000M/3540M : 4.52
- Udaan 2020 : USD 3100M/1150M : 2.7

ICS fares better because of the strong fundamentals of the business: closed ecosystem, cyclic guaranteed & recurring B2B income, fintech income also completely tied in & co-related to the B2B business etc.



7. PSI Observations – Most Important Highlight of this IM

Hence please note here that ICS does not need to market itself to its ecosystem. ICS' Partners get a complete Platform for Finance & Sales of their entire business operations & can fully depend on ICS as a reliable Partner, also there is no alternative to ICS. B2B Customer Loyalty is extremely strong compared to Business Models like Udaan, which do not offer an incentive to lock-in their Ecosystem Partners. Also the Value Chain is far different & incomparable

- Udaan finances B2B Players like Distributors, Shop Owners of Consumer Electronics/ Consumer Goods with no incentive for being loyal to Udaan. Also, there is not much value add you can do for finished consumer products, margins will be limited
- As compared to this, ICS is operating across the entire value chain, from the Cotton Seed to the finished Consumer Apparel, & from the Cotton Seed to the finished Consumer Edible Oil. Hence EBIDTA astronomically rises in this kind of Value Chain of the ICS Ecosystem

Very Important – The ICS Platform provides multiple unique benefits for the Indian Farmer: -

- ICS Mobile Labs will grade the cotton and give the Farmer a better price based on its quality
- ICS as a company will take the entire INR 25 Lac (\$33,000) Transaction on its books. ICS will invoice the Buyer, in this case the Ginner, the entire Transaction Value of INR 25 Lacs (\$33,000)
- ICS will charge the farmer (or GOF – Group of Farmers) 2% of the INR 25 Lacs (\$33,000) as its Fees for facilitating the trade on its online platform
- ICS will charge the GOF 8.7% interest charge (for 6 months) for having financed the transaction
- ICS will charge for e.g. another 8.7% interest charge (for next 6 months) to a Spinners/ Oil Processing Mills for further refining, financing & selling the product to an FMCG Edible Oil Major/ Fabric Brand. In this way ICS earns 8.7% + 8.7% = Total 17.4% Fintech Interest Income

8. Target VC/ PE/ Corporate Investors

For this fund raise, PSI has identified Corporates, Venture Capital & PE Funds who invest in the following industry sectors & as per ICS' funding ask. We have added a brief note on the relevance of ICS for your Sector/ Fund. Based on these criteria, we are reaching out to your Investment Fund

- **Large Global Corporations – India/ International:** Companies already in the Textile/ FMCG business or wanting to go there. E.g. Reliance, Aditya Birla Group, ITC, Adani Group, Amazon, PayTM, Tata Group etc.
- **Private Equity Funds:** Who are looking to investing in traditional Indian businesses like Cotton/ Yarn/ FMCG with a completely new tech based high growth Business Model. Taking an investment position in ICS today & selling this equity to a Global Giant after 5 years will provide extremely high multipliers
- **AgriTech VC's:** AgriTech funds wanting to become a part of India's & the world's highly profitable cotton & edible oils business
- **Internet/ Mobility/ B2B/ E-Commerce VC's:** ICS is a fully transactional website having done online revenues of \$1.7M (INR 12.81 Cr). As ICS already provides a transaction website for its Partners, an app might be developed if the need arises. It facilitates the mobility of the goods its Ecosystem Partners produce due to its credit-based system. ICS has its own Mobile Testing Labs (Large Vans) for

spot testing & grading of cotton, thereby facilitating on the spot variable pricing based on the quality of the cotton, rather than the traditional unprofitable method of pricing based on volume, not quality

- **Fintech VC's:** ICS provides Fintech (credit) facility to its Partners like Farmers & Ginners during the 6-month cotton season. All transactions are done online, fully transparent, & with full GST (Income Tax) benefits from the Government & total eligibility for Agri Subsidiaries from the Govt. As has been identified by several venture capital funds, there is a Fintech sub vertical in every tech sector in E-Commerce. A part of the business is being driven largely by Govt. of India Subsidy CCI (Cotton Corporation of India). A large part of CCI funding on behalf of Govt of India is going to be used as working capital to purchase cash terms from farmers & offer cash sales to Spinners up to 90 days (Letter of Credit). A majority of funds are used in CCI's case for maintaining the huge stocks. In comparison, ICS is offering maximum credit up to 180 days to spinners and without keeping a single bale in our warehouse [our aim is zero stock at any point of time] At the outset, PSI would like to clarify that ICS does not compete with CCI, as CCI focuses on buying farmers produces on cash terms and selling Spinners on cash terms, while ICS focuses on value addition to the farmers' production and selling their stocks to spinners on better prices on cash and credit terms up to 180 days based on the farmer's selected selling option. In comparison to the history of the Indian Banking Sector, India needed Public Sector Banks (Govt. run banks) to kickstart the Indian economy in the 1970's. However today the real value creators of the banking system are the Private Sector Banks like HDFC Bank, Kotak Mahindra Bank & ICICI Bank with strong financials & superlative valuations. Similarly, ICS is India's Private Sector Player compared to the Govt. backed CCI. CCI is also a key partner to ICS & their endorsement letters are enclosed
- **Impact Funds:** MSME's contribute to 30% of India's GDP. ICS already supports 100 farmers, 10 ginners, 10 spinners, since last 3 years and they have completed all trails and now the entire E-Commerce platform is operational for all ICS Partners. By Year 5, ICS will have 7.5 million Farmers registered on their website. Assuming one Farmer supports 4 family members, ICS will be the source of livelihood for 30 million Indians
- **Supply Chain/ Logistics VC's:** ICS has developed this online platform which is patented. This platform has our Logistics Partners enrolled in the system. Depending on the location of the farmer at one end and the Ginner/ Spinner at the other, in this software we can add our Logistics Partners, mainly warehouses in different places with WHRDA (Warehouse Regulatory Development Authority) permissions. It will be more useful to us to start consignment sales business with lock and key system maintained by professional collateral managers like NCML, Star Agri etc.
- **Sector Agnostic Funds:** Sector agnostic funds seeing the big opportunity in Indian B2B AgriTech E-Commerce & FinTech can explore this Investment Memorandum
- **Deep Tech:** Though being a small company, ICS has developed its entire software platform through its inhouse team of developers. We intend to invest heavily in deep tech technologies such as Big Data, AI & ML, as we intend to understand the needs of our farmers, consumers and other stake holders in order to serve them better. We have built India's first ever Mobile Testing Lab Vans for on the spot quality, gradation & pricing of cotton. We will in future use advances techniques like AI, ML, IOT towards refining not just the quality of cotton, but helping farmers increase crop yield, predicting high yield & low yield areas and solutions to counter them etc. For this please let us know high tech

Agri Tech Startups in your portfolio, as ICS would certainly like to source AI, ML & Big Data Technologies from such tech startups

9. Business Model

Refer to Slide 2, which covers the ICS Supply Chain

- Cotton: Cotton is India's top cash crop supporting the livelihood of 30 million Indian Farmers. ICS has Cotton Farmers directly registered on its platform
- Ginners/ Ginning Companies separate the cotton from the seed. From this point the Cotton & the Seeds take different journeys

Cotton

- Cotton Processing Companies: These companies filter & clean the cotton and make it more consistent. It is then packed in Cotton bales
- Cotton Yarn/ Cotton Fabric Manufacturers/ Spinners: These companies convert the cotton bales into cotton fabrics of 50+ varieties. They also can manufacture the fabrics as per the style requirements. These fabrics in many scenarios are directly exported to Apparel Brand Manufacturers throughout the world
- Domestic Cotton Fabric Brands: Domestically the cotton fabrics are also sold to fabric brands like Raymond, or finished Apparel Manufacturers like Zara. These are also sold domestically as well as can be exported

Cotton Seed

- Cotton Seed Processing Plants: Cotton seeds are further processed, a part of which is used as feed for animals. Another major part is processed to make Edible Cottonseed Oil
- FMCG Cottonseed Oil Brands: Further branding and marketing of Cottonseed Oil is done by FMCG Majors like Fortune, HUL, P&G, Walmart, Marico etc. These are hence edible oils to be sold to consumers at FMCG Stores, Kiranas, Mom & Pop Stores, or online

Distribution Channel

- Cotton: Cotton as an end product is available to consumers as both a Fabric E.g. Raymond Suit Showrooms, or as a finished Apparel at Zara. Obviously, high quantities of apparel are also sold online at Myntra, Flipkart & Amazon
- Cottonseed Edible Oil: Again, is sold offline at stores such as Reliance Retail, Mom & Pop Stores, or Online at Big Basket, Amazon, Flipkart

10. Unit Economics

Please refer to ICS PSI Financials Excel, Tab: Unit Economics & EBIDTA

ICS is in the business of facilitating transactions (or trades) for all its Partners of its online Platform including Farmers, Ginners, Spinners, Oil Mills etc.

Last financial year ICS facilitated online transactions on its platform for INR 12.81 Cr (\$1.7M). These are actuals in their Balance Sheet.

Moving forward for the next 12 months: An average transaction on ICS System is expected to be INR 25 Lacs (\$33,000). Hence to take a real-world example, a Group of Farmers or FPO's (Farmer Producing

10



Organization) has Cotton on hand for INR 25 Lacs (\$33,000), but the bank is not willing to give them credit. Moreover, the Ginner who processes this cotton is not giving them upfront payment for the goods. Other complexities are also there that the grading & pricing system is unfair.

Hence in this transaction, ICS Income is

- 2% of Trading Commission on INR 25 Lacs (\$33,000), is INR 50,000 (\$667)
- 17.4% of Fintech Interest for 12 months on INR 25 Lacs (\$33,000), which is INR 435,000 (\$5,800)
- Total ICS Income Per Transaction: INR 4,85,000 (\$6,467)
- EBIDTA for this Transaction: 69%

Revenues for Year 1

- Note that the above are Incomes and not Revenues in ICS' books
- Refer to our 5 Year Income Projections, we earn 2% Trading Income on the Consignments we back as a Trader as well as Financer
- However, the entire 100% trade value happens through the books of ICS India and all Invoices are in the name of ICS India, on behalf of our Partners (Farmers, Ginners, Spinners, Oil Mills etc.)

Trading Revenue

- Trading Income = 2% of Traded Volume
- Hence Trading Revenue (Invoice Value) = $100/2 = 50$ Times of Trading Income
- Revenues (Trading) = $50 \times$ Trading Income Year 1

The calculations are explained in detail in the Excel

Hence, summarizing: -

- ICS Year 1 Trading Revenues : \$3,333,333
- ICS Year 1 Fintech Income : \$1,856,000
- ICS Total Year 1 Revenues : \$5,189,333

Hence on a funding round of \$18M today, ICS will reach revenues of \$5.19M within the next 12 months

Endorsement by CCI (The Cotton Corporation of India)

Govt. of India's Public Sector Cotton Undertaking, the highly reputable CCI was given recommendations by the PMO & CCI also has worked with ICS Founder since 20+ years. In 2016, CCI issued ICS with multiple endorsement letters as attached, giving an open offer to work with ICS to implement ICS E-Commerce technology at any one of the CCI Centers in India. As also covered by this letter, post successful implementation, CCI will promote the ICS E-Commerce Solution to all Indian Farmers, again a big endorsement & massive business opportunity for ICS. Hence CCI is expected to be the biggest marketing partner for ICS as they completely dominate the cotton industry



11. Key VC Metrics

Please refer to our Excel for the calculations

- EBIDTA : 69% (Unheard of in B2B E-Commerce & Fintech)
- CLTV (One Customer, 5 Years) : INR 24.25 Lacs (\$ 32,333)

5 Year CLTV / 5 Year CAC

This ratio is 18. This is an excellent ratio for any industry. Every 1\$ spend means \$18 Revenue

12. Year 5 Income Projections

- By Year 5, ICS will reach Income of \$505M. Please note our revenues will be much higher. As highlighted earlier, for Year 1 our Income is \$1.9M, whereas our Revenue is \$5.19M
- At this point we will have 7.5 Million Registered Farmers, with 750,000 Active Farmers each giving us an income of INR 50,000 (\$667) per year. Consider that India has total 30 Million Cotton Farmers. Hence in 5 Years we will register 25% of our target customer farmers

13. Year 5 Investor Exit Valuation

- ICS Valuation Year 5 : \$25.25 BN
- Investment Ask Today : \$18M
- Investor Equity Value Year 5 (18% Equity) : \$4.55 BN
- Investor Exit Multiplier Year 5 : 253X

Summary Exit Valuation

- In Year 5, an Investor investing \$18M in ICS India today will get an exit valuation of \$4.55BN, with an Exit Valuation Multiplier of 253X, and an Enterprise Valuation of \$25.25 Billion

14. Exit Options for the Investor

Hence from 2024-2026, ICS has various exit options are as follows

- a) IPO on NASDAQ / Commodities Trading Exchanges
- b) US or TSX (Toronto) SPAC / Private Public Placements
- c) M&A by large Indian Cotton Players: Reliance, Grasim, Welspun
- d) M&A by large International Brands: Zara, HUL, P&G, Walmart
- e) The most exciting option that ICS/ PSI would like to work on will be for ICS itself to evolve into the world's largest Trading Stock Exchange for all major crop industries



15. Funds Utilization

Refer our Fund Utilization Tab of our Excel. ICS is seeking \$18M funding to achieve \$5.19M Revenues in the next 12 months. Breakup of the funds Utilization is as follows: -

- a) **Cotton & Yarn Mobile Testing Labs:** Setting up of 10 Cotton Testing Labs & 3 Yarn Testing Labs to cover 5 high cotton producing states of India. Presently ICS is already covering 2 States: Andhra Pradesh & Telangana (Amount: \$2.67M / INR 20 Cr / 15%)
- b) **Fintech Credit:** To be given to ICS Partners – Farmers, Ginners & Spinners (Amount: \$10.67M / INR 80 Cr / 59%)
- c) **Two Acquisitions** (Amount: \$4.67M / INR 35 Cr / 26%)
- d) **Acquisition No 1 – Kusulava Ginners:** ICS will acquire Kusulava Ginners (which is currently controlled by PNB Bank under Sarfaesi Act). This factory is located at Marrisalem, Guntur, a 14 Acre property. This will give us inhouse Ginning Production Capacity. This company premises size is 14 Acres. The land valuation itself is INR 2 Cr (\$267K) Per Acre, which takes just the land valuation to INR 28 Cr (\$3.73M). In addition there is Plant & Machinery valuation
- e) **Acquisition No 2 – Unnava Spinners:** ICS will acquire Unnava Spinners Pvt Ltd at Marrisalem Guntur, a 25 acre property. This will give us inhouse Spinning Capacity. The land valuation is INR 2 Cr (\$267K) Per Acre, which takes just the land valuation to INR 50 Cr (\$6.67M). The Warehouse size is 150,000 Sq. Ft. In addition, there are 3 apartments for Sr. Officials
- f) Both these acquisitions can be considered as Backward Integration of our processes. Hence this will give us the necessary expertise in offering ICS Standardized Ginning & Spinning Processes to other companies, thereby dramatically scaling their Unit Economics. These both companies will add approx \$13.33M (INR 100 Cr) in Plant & Machinery Assets to ICS Balance Sheet, and will act as additional security to any prospective investor. Both the properties are highly valued as they come under the APCRDA (Andhra Pradesh Capital Regional Development Authority)

16. Competitive Analysis

- Cotton bales and cotton yarn consumer Commerce is still offline. Amazon revenues in 2019 were just \$11 BN, compared to Walmart's 2019 revenue of a massive \$514 BN. ICS India supports Offline Players of our industry with an online platform hence we serve 95% of the market
- The B2B Business has its own complexities compared to B2C E-Commerce
- There are no major players in B2B E-Commerce of cotton bales and cotton yarn
- B2C E-Commerce comprises of large horizontal marketplaces like Amazon. B2B E-Commerce will always evolve into specialist category players like Udaan (Consumer Products), Bijnis (Footwear) & ICS (Cotton, Yarns, Edible Oils)
- ICS does not have a single large presence direct competitor
- ICS is already present in 5 states, with strong presence in 2 states
- The growth of B2B E-Commerce business is fully dependent on a player's relationship with Suppliers & Retailers. ICS is a completely closed loop & loyal mutually beneficial ecosystem

17. Competitive Moat Analysis

ICS India v/s DeHaat

DeHaat, an AgriTech Startup raised [\\$30M in Jan 2021](#)

- **ICS & DeHaat serve a completely different set of AgriTech Customers:** DeHaat is the typical high growth AgriTech Startup in any leading country, addressing Fruits, Vegetables, Food Grains etc. ICS Serves Cotton, Yarn & Edible Oils. Both serve a completely different set of farmer customers
- **DeHaat has same loyalty issue of Udaan:** DeHaat will face similar challenges to Udaan in maintaining customer loyalty. The detailed ICS – Udaan comparison can be extrapolated here as well. ICS is a closed loop ecosystem for its set of Partners, as elaborated in great detail earlier
- **DeHaat & ICS will not enter each other's space:** DeHaat & ICS have a completely different roadmap and have no interest in each other's customers, today or any time in the future
- **DeHaat Investors:** For this reason PSI will approach DeHaat Investors as well, as we see absolutely no conflict of interest between DeHaat & ICS
- **Big Basket, Reliance, Tatas:** Will again focus in AgriTech in the DeHaat space as either B2B, B2C or B2B2C. Once again none of these big players have any interest in the Cotton, Yarn & Edible Oils B2B Space

18. Co-Founders & Team Profile

ICS India is HQ at Guntur, Andhra Pradesh, with its Technology & Operations Team spread across Telangana, Karnataka, Maharashtra & Odisha. There are 3 Co-Founders with a Team Size of 25 people

- Mobile Lab Operations: 10 Members
- Purchase Operations: 5 Members
- Sales Operations: 5 Members
- Back Office: 5 Members

Other than this recently we have shortlisted and finalized EX CCI (Cotton corporation of India) Retired GM's, Branch Managers & Buyers wanted to join in our company, one retired GM may be posted as professional director or chairman of the company, we can close all these senior hires post this funding round

Kameswara Rao Ghanta | Founder & CEO | [Linkedin](#)

Detailed profile shared earlier

Hari Kiran Ghanta | Managing Director | Business Planning | [Linkedin](#)

Hari is the son of Kameswara Rao. Age 21, Student of the highly reputed Good shepherd International School until 12th grade with IGCSE Syllabus, French as second language. Recently completed B. Sc. Business Management from the London School of Economics Education Partner in New Delhi. His fresh mind, energy, enthusiasm, tech expertise will immensely contribute towards ICS' future



Hari Chandana Ghanta | Director | Marketing

Hari Chandana Ghanta is in 4th year B.Tech in Computer Science from SRM University, Chennai. Also did Grade XII from the Good Shephard International School, IGCSE, with French as Second Language. Has scored very high academically. Strong knowledge of software development, and is an integral part of the ICS tech story, driving the E-Commerce Website development, many YouTube videos which you will see on the ICS website in multiple Indian languages etc.

19. ICS Additional Information

Role of ICS India in this complex Cotton Supply Chain

ICS India focuses on the high margin, yet highly complex cotton Textiles industry vertical with a highly focused B2B E-Commerce platform for its members, it is the only Unique E-commerce platform for the Indian Cotton Industry with zero competition. In addition, ICS India focuses on Raw materials for continuous 24x7 process industries which require high demand product categories such as cotton bales (also called as Lint bales for Spinning mills), and cotton yarn for weaving mills (also called as cloth producing mills) which sees them achieve high gross margins. ICS India has a complete tech platform including its website (fully billing) and Apps (under development), but here multiple industries are our clients. It's a high-volume business, minimum order value is INR 25 Lacs (\$33,000), so normally there is no need for an App for our B2B Ecosystem Partners. Our website provides many training videos for how the members can use the B2B System. If the need arises, we will develop apps too, because our Partners are already doing online purchase through our website by seeing our quality reports or physically by checking the quality of the products

ICS India B2B E-Com Marketplace directly connects Farmers/ Suppliers/ Manufacturers/ Traders/ Exporters/ Importers directly. Hence, they eliminate the middlemen, which are Stockists, Distributors & Sub Distributors, which enables our Partners to earn high margins and pass these on consumers or Manufacturers. Individual B2C Model Businesses are also free to buy on the site, hence the Business Model is primarily B2B E-Commerce with Support for one time B2C Customers also. Long credit under Letter of credit or bank guaranty up to 180 days is allowed for individuals manufacturers and importers from outside India who might do a bulk purchase. But traders and exporters will get only the option of buying on cash terms, no credit is available. The B2C model also offers direct purchases by consumer Manufacturers from Farmers, who can try our ICS platform by registering on it, through our value addition process done by ICS on behalf of farmers. ICS focuses on farmers value addition by doing ginning process on behalf of farmers and sells the goods to consumer product manufacturers directly for better price realization, while larger players like CCI focus on buying Raw cotton from farmers with govt of India MSP prices and doing ginning by their own and selling to consumers and traders either on profit and loss mode same will be reimbursed by Govt of India. 100% of CCI's revenues are from their MSP (Minimum support price) operations only and other online players like Cotton Vyapar (currently website down) is facilitating selling cotton from farmers to traders and others online like retail online trade, but we at ICS are procuring cotton from farmers with our mobile labs cotton quality reports, and after ginning again, mobile cotton

15



lab report and upload quality report and quantity online we will sell cotton bales to Spinners (ultimate consumer of cotton) for their manufacturing purpose. Also to direct importers, traders also will sell, and in the same way yarn also we will establish mobile yarn testing labs and test the quality and upload the quality reports and quantity online and sell to customers with our quality guaranty.

This business has huge number of farmers that want to sell their raw cotton with better prices that Govt of India MSP rates, or best rates as available in the market within the Cotton Season of October to March every year. In India there are limited players of large Ginners requiring huge stocks of raw cotton for their production from farmers between October to March every year. In addition, Spinners who want to carry over stocks between April to September every year of the season are being addressed by ICS for their continuous 24x7 manufacturing process, so ICS should balance all these stakeholders' activities smoothly in an entire cotton/ yarn crop cycle year. Currently ICS has 1,000 farmers & 500 ginners, 500 spinners and 200 weavers registered on the platform

Revenue Channels: -

ICS India has business offerings depending on the requirements of our Ginners, Spinners Manufacturers & Traders: -

Commissions Model

- Manufacturers can list their products at ICS Portal for free. ICS earns 5-10% commissions on the transaction. Hence to give a typical transaction example
- A farmer group from Telangana State wants to sell their raw cotton of 500 quintals to a spinner by doing value addition through our ICS Platform. They upload their product details, quality specifications of raw cotton bags for INR 6000 Per Quintal (\$80)
- ICS System will allocate one Ginner who is conveniently located nearby, & instruct the farmer group to send their material to that nearby ginning mill in the name of ICS India with official ICS Company Invoices/ GST waybills, everything will be sent to farmer group by SMS and mail. After coming to ginning mill, actual weight of material and LYP% [lint yield percentage, here take 33% [cotton lint] / 65%[cotton seed] / 2% [invisible loss moisture] will be noted in front of the farmer and the same will be informed to farmer by SMS, that this is official material receipt to farmer, and in our system also farmer details and bank details are mentioned online. Hence, here the total farmer amount will be INR 30,00,000 – [500x6000] / \$40,000 – [\$.6.7 x \$80], and then the Farmer will decide which Sale Option to choose. We also make Ginning process on behalf of farmer group within a week. Ginning process once complete, will also be informed to farmer by SMS and then the sale of cotton seed can happen immediately on same day [mandatory]
- Example @ Rs3500/ quintal / \$50/ quintal, the seed amount will be INR 500 x 0.65: 325quintals x INR 350, INR 11,37,500 (\$15,000)
- Within the 10th day of receipt, cotton bales also will be sold by ICS India Portal. Here cotton lint bales quantity will be 500x0.33 : 165 quintals means : 97 bales [16500/170] of 1 lot each 170 kgs, then cost of lint bales as per today market is INR 55000 (\$700)/candy or INR 15466 (\$200)/quintal then actual cost of lint bales will be INR 165x 15466 (\$00):INR 25,52,024/- (\$34,000)
- Total amount to farmer will be INR 1137500 + Rs 2552024 :Rs 3689525/- then we deduct Ginning expenses : each bale Rs 1500: Rs 145500/- and less service charges of ICS Platform @ 50 paise per kg on raw cotton [500x0.5 :Rs 25000/-] 50 paise per kg on cotton seed sales [325x0.5: Rs16250/] and 50 paise per kg on cotton lint bales sales [165x0.5: Rs 8250] all together Rs 49500/- towards ICS Platform

service charges or commission then total deduction net payment goes to farmer will be Rs 3689525- [145500+49500] : Rs 34,94,525/- so here farmer will get net profit of Rs 4,94,525/- through our value addition process, against his direct sales to any Ginner @ 6000/quintal they will get only Rs 3000000/- . So this is our innovative concept how our value addition process will benefit to farmers, here ICS Platform will get net @ 1.65% net income from farmer transactions, and in same way ICS Platform will get service charges from other stake holders for same transaction in this way from ginner Rs 100/bale[97x100: Rs9700/] and from Spinner service charges of 50 paise per kg on cotton lint baes [16500x 0.5: Rs 8250] and 25 paise per kg from cotton seed buyer [32500x0.25; Rs 8125/] In this transaction so ICS Platform will get total of Rs 9700+Rs 8250+8125: Rs 26075/- here it is almost 0.87% net income to ICS Platform all together ICS Platform will get 1.65+0.87: 2.52% or Rs 75575/- net income on farmer option sale system to ICS Platform in single transaction, We also might evolve completely into an Amazon Marketplace Model where Manufacturers (or Sellers) directly invoice Retailers, and pay ICS Platform a commission, as currently ICS Platform buys from farmers & then invoices consumers i.e Spinners. Means here our invoice value of 1 lot of 100 bales will be Rs 25,00,000/- excluding GST 5%, if adds it will be Rs 27,50,000/- The entire farmer option sale demo video has been shown in our you tube channel or in our website as video no 12 English, video no 19 in Hindi and video no 21 in Telugu so please go through the same .

- **Subscription Model:** ICS Platform offers subscription models for Manufacturers who seek higher visibility on the platform. We offer 3 subscription categories like Gold, Silver & Bronze. Bronze is free. Silver is for INR 15,000/ \$200 Per Annum. Gold is INR 30,000/ \$400 Per Annum. Hence currently to attract Retailers we are focusing on Commissions model, but we might migrate to Subscription Model if we want to see predictable revenue as well as limit the costs for our Retail Store Owners.
- **Fintech Income:** ICS Platform offers 180 days credit to A, and B credit rating customers and some customers we can offer TReDS [Trade Receivables electronic Discounting System]option through M1 and RXIL exchanges from 30 to 180 days credit, in our direct credit offer they have to pay one equal instalment on every 15days, like 30 days 2 instalments and 180 days means 12 instalments, in TReDS] At the end of this tenure, the customer has to pay up financier who pays to us for their invoice, For other customers who are below BBB credit rating customers either they have to offer bank guarantee means here if customer offers INR 1 crore bank guaranty to ICS Platform then ICS Platform allocate the credit limit to their customers to trade up to 80% of bank guaranty value means Rs 80 lacs worth they can buy through our website, if they paid any amount then automatically their limit resets and allow them to buy, otherwise system does not allow them to buy.
- ICS Platform offers variable rates for variable credit periods from 1.1% to 2% per month depends on option selected from MSP 1 means 1 month credit with 2 equal instalments and MSP6 means 6 months credit with 12 equal instalments
- Here all above options can be offered by our suppliers otherwise ICS Platform will finance to customers on same terms. Consider this finance option sells ICS Platform will get 1.5% PM interest on their revenues, this will be extra income to ICS Platform other than fixed income of 2.52% of service charges, here take above farmer transaction as example, and assume that farmer has selected spot option means he want to get entire amount with in 15th day from ICS Platform irrespective of seller paid or not, but here spinners selected MSP6 option then ICS Platform will give amount to farmer on 15th day by RTGS and get payment from customer on every 15th day one single instalment, here our MSP options prices works like this if MSP 1 means 1.15% PM means our above invoice amount of Rs 2552024 will became Rs 2581372/- like this MSP 2 will be added 1.25% on MSP 1 price, MSP 3 will be 1.35% on MSP 2 price, MSP 4 will be 1.45% on MSP 3 price, MSP 5 will be 1.55% on MSP4 price and

MSP 6 will be 1.65% price on MSP5 price, then MSP 6 price will be Rs 27,74,013/- means net income will be Rs 2,21,989/- it will be 8.7% on invoice value for 6 months with 12 instalments on every 15th day in this way we can get almost 17.4% PA returns on our investment amount if we invest our money in financing these activities.

- Hence 1.45% interest fee per month is a very low fee & an attractive option for those who need long credits to enhance their purchase and sale Cycles. There is enormous potential for the MSME lending business in India without going to the formal, complex & expensive Banking System. 80% of credit requirements of Indian Retailers is related to their in-store inventory, hence ICS Platform offers a convenient & inexpensive line of credit for our customers. The 1.45% per month interest on investment of ICS Platform will be very smooth and steady business income. Due to the technology platform, Manufacturers are required long credit facility on their raw material which is available only 5 months in a year and but they have procure good quality and quantity from next 7 months for their uninterrupted and consistent operations on 24x7, whereas in their traditional offline mode, they had to get credit @ 18 to 24% PA but all suppliers can't accept for long credits due to strong competition and cash payments to be paid to farmers, so here ICS Platform have enormous opportunity in fintech operations too.
- **Institutional B2B Business:** ICS Platform has recently developed a strong corporate B2B Business. We have been providing cotton bales, cotton yarn to all customers in India, abroad online, We also customize these orders with logo branding, QR Code system services and third party quality inspections to foreign buyers as we have NABL IS/ISO 17025 standards Accredited Mobile cotton labs.
- **Logistics Income:** We make a small income by arranging shipment of goods from Manufacturers to Retailers
- **Warehousing Cost:** ICS Platform currently has only 1 warehouse in Guntur, but we expect to add a few more as we grow. This cotton bales and cotton yarn specific micro warehousing is more cost effective than the traditional offline supply chain warehouses

Unique Business Model

There is no B2B E-Commerce marketplace in India offering customization services. especially due to COVID-19, ICSS Platform has seen a strong uptick in demand. We are the only platform offering these online sales of industry raw materials with quality certification offering benefits such as: -

- Connecting farmers to actual consumer Manufacturers of their choice & vice versa. This is a vital service as Manufacturers/ farmers both know what kind of inventory works in a particular locality
- ICS platform enables price negotiation directly between the Farmers & actual consumer product Manufacturers . This is directly related to the previous point, because Manufacturers know which area can give them best quality and the maximum volume, hence they can be offered the best rates and discounts.
- Logistics services via our leading Logistics Partners, giving a choice of Logistics Providers. This is vital as certain type of apparel inventory might need to ship faster than others
- Long Credit Facility up to 180 days for Manufacturers which never existed in the traditional cotton or cotton yarn supply chain. In addition, Manufacturers can pay on every 15th day as instalment to the supplier even on a day-to-day basis for the inventory that is bought. This incentivises suppliers to offer more inventory/ more credit to the manufacturers. As per the World Bank, micro lending in small businesses has an unbelievably low default rate of 1%. This is of course because it's a close ecosystem of Manufacturers & farmers who work with each other over many years



Very High Demand for our Services

Our currently monthly volumes are typically INR 1-2crs Per Month/ \$ 2.0-2.6 million Per Month. Post this funding round, we can immediately increase it to INR 50-crs/ \$ 6.67 million Per Month without hiring too many people, because that is the kind of demand we have got

Go to Market: -

ICS Portal a website as well as an apps can be developed, enabling our ecosystem to choose the tech platform of their choice

Website: Demo can be provided to investors for the E-Commerce Transactions

If ICS develops apps, there will be 2 types: -

ICS Cotton App: To serve cotton Farmers, ginner and Spinners (Product Manufacturers/ suppliers chain of cotton bales)

ICS Yarn App: To serve ICS Platform yarn suppliers and Customers (Retail weavers in different clusters in India too)

ICS Platform has 3000 registered members. The website has seen 100 to 200 viewers daily basis , out of which 3000 are active users. These active users are our Manufacturer Customers

20. Contact Information

PSI looks forward to get on a call with you on any convenient day from 2.00pm – 6.00 pm India time, to discuss the ICS Platform, India’s fastest growing & dominant B2B Cotton Textiles E-Commerce startup. The participating team from our side will be: -

- Kameswara Rao Ghanta, Founder & CEO, ICS
- Samir Dahotre, Founder & CEO, PSI

Contact Us: -

Samir Dahotre | +917666029701

Founder & CEO | [Email](#)

PSI – The VC / PE Funding Network | Pune, India

Investment Banking | India’s largest VC, PE Investor Network

3000 Investment Professionals | 1000+ VC, PE Funds | 20+ Countries

-----XXXXXXXXXX-----

