

Operational Challenges & Best Practices in Private Equity or Venture Funds Investee companies as Business Finance Partner CFO role



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Positioning: CFO Services

Our CFO's can thrive in following scenarios

- * PE investee companies with growing scale
- * Absence of senior finance team or absence of desired experience, skill sets or cost of hiring full time CFO is prohibitive or not require due to early growth stage
- * Accounts & finance reporting, hygiene is absent
- * Lack of systems & processes across functions & IxCFO's demonstrated role of "KPI based business driver"
- * Dynamic, evolving environment for organic & inorganic growth mandate between PE/VC Investor & Promoter
- * Companies slated for investment by PE/VC with higher growth trajectory by assisting existing CFO office

Typical PE/VC Investee Mandates

- * Building Scorekeeping function – Process, Controls & Automation
- * Introduce & keeping improving KPI - MIS reports focus on
 - * Performance – Tracking Constant Business Outlook vs Budget
 - * Unit Economics Tracking with Financial Planning & Analysis
- * Financial performance, suggest improvements by
 - * Improving Cash conversion cycle, managing stock, receivables, WC management, Banking/NBFC's relationship management
 - * Cost control & Optimisation via Cash Conversion Cycle
 - * Diving deep into business & finance with regular board/ops review
 - * Putting in place systems, controls & processes
- * Compliance matrix, exception reports, month closing with financial/ops IT integration and keeping Due Diligence ready
- * Assisting in Organic & Inorganic business & finance integration , preparing/updating business plans
- * Assisting in valuation , capital/debt structures and overseas set-up

Approach for mandate

- * Understand the PE funds & Founders aspiration
- * Create an engagement matrix targeting key focus areas and proactive review with quantifying impact via financial numbers
- * Establish rapport with management team, finance team & key stake holders
- * Be the bridge between management & PE investors
- * Hold periodic review meets with PE & management
- * Take course correction measures based on review meet
- * Keeping Due Diligence ready mode to tap capital
- * Last but not least; “Hands on approach for all mandates”

Company A – Transforming Finance

- * Company operating in E-commerce Services Space funded by private equity ('PE')
- * Analyzed and defined missing processes in the F & A outsourcing, mapping with operations, and defined the operating matrix of the Company as well as revenue recognition point
- * Keeping tab on orderly & control cash burn in highly dynamic competitive environment by tracking Unit Economics
- * Developed reporting matrix/board docket for the Company helping in explaining the business scale view point KPI's to the PE firm
- * Implemented compliance process across regulatory laws
- ❖ Keeping financial accounts & associated compliance under due diligence ready mode for quick turnaround on closure of fund raising process with Global VC Fund raising US\$100 Million

Company B – Capital Efficiency

- Business plan refined based on proper business segmentation with drill down operational budget/business levers/overheads addressing strategy on efficient capital deployment keeping in mind
 - * - Twelve (12) month valuation matrix as per term sheet
 - * - Debt requirement for future working capital
- Introduced stock count cycle process covering all items at quarter end and ageing analysis of inventory & receivables bringing substantial working capital optimisation
- Implemented MIS automation & board docket giving business analytics on early stage growing business & tracking important business/finance levers
- Assisted in ESOP formulation policy
- Completed finance function migration to full time Controller as BOT model – (Built - Operate - Transfer)

Company C – Building Financial Model

- * Co. B, an early stage startup funded by angel fund had given us a mandate to develop robust finance function
- * Company had lost 2 CFO's in a short span of 6 months and needed to create a business plan for round II of fund raising from PE
- * Helped setting up controls, processes and MIS pack
- * We were able to understand the business in a short span of 2 weeks and create/refine a business plan within 4 week with domain expertise for Series A funding
- * Setting up subsidiary in US & Europe to take up SAAS based product offerings overseas with Tax & Revenue structuring

Company D – Digital Controllership

- * Have successfully implemented Financial ERP with interface to POS systems across 80 retail stores
 - * Robust MIS and redefined the cost of finance function (COFF) under our Tx & Fx matrix
 - * Substantial improvement in gross margin by 2% and overheads reduction by 1% across the growth stages with well built controls on inventory, cash collection practices and overheads rationalisation
 - * Implemented internal audit framework across stores and well built surprise check elements to deter losses
- * ESOP implementation working closely with HR

To Sum up

- * Unlike family business, PE owned companies mandates come with their own different set of challenges
- * We have unique engagement matrix – Tx + Fx + Ix
- * However, ixCFO is strategically positioned to take on such challenges as our partners have 300+ man-years plus of cumulative experience. This coupled with deep insights, knowledge management framework & rich network enables us meeting our deliverables on time with quality & quantifiable matrix