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Business proposals, most favoured by Investor

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This article provides insight to the entrepreneur, starting their new venture, about thinking process of the investor so that entrepreneur can select the venture accordingly. The business proposal having the traits discussed in the article will be favoured by the investor. The two examples from real life makes this concept explicit. Even though the investor has invested in the venture considering all the aspects, the venture can be made successful only with passion and focused approach of the entrepreneur.

Introduction

Ever since the corporate entities have come into existence, raising capital for apparently viable business proposal has been possible. The entrepreneur can raise the capital from the investor initially and later on with proven track record can go for IPO (Initial Public Offer) to raise the capital from public for further growth. In this article the basic traits of the business proposal are discussed which attract the investor.

The investor favours the businesses, which are

- Sustainable
- Scalable
- And having corporate governance in place

Sustainable Business

Sustainability of business depends upon the product or the services creating value for the customers, ability to achieve breakeven within the reasonable time, competition, and efficient operations and last but not the least customers' satisfaction.

• Value proposition

Any product or the services, provided by the businesses should be the part of value chain. The customers must feel

that by using the product or services they are getting the values worth for their spending. Any business proposal which fit this criterion will have lasting future. The customer and the company should be in a win-win position.

• Breakeven

When business achieves a stage where it neither gets profit nor loss, technically it is known as breakeven point. From here with increase in volume the business starts getting profit. At breakeven point business stops burning cash. Different business takes different times to achieve the breakeven point, but for the investor sooner is better. Sometimes investor do not mind longer period to achieve breakeven, burning the cash, in anticipation of large scale volume compensating with higher profit at the later stage.

• Competition

Business should be capable of withstanding the competition. Either the business with very difficult entry barrier or business with complex operation requiring specialize skill will face less competition. Business with unique selling proposition will race ahead in competitive scenario. If promoters are agile they can beat the competition.

• Efficient operations

For long term sustainable business operations, efficiency in operation is inevitable. Inefficient operation increases the cost of goods and services and ultimately it reflects in end prices. Higher prices may be a big deterrent in competition. Efficiency leaves sufficient profit in the business to survive.

Innovation

● Customers' Satisfaction

In any business customer is king. Without customers' satisfaction, customers can not be retained affecting business adversely. A satisfied customer brings more business through words of mouth, which is very important for sustainable business. The real test of customer satisfaction is a gain to a customer by using goods or services and not the lower price only.

Calable Business

The business model which is scalable brings lot of opportunity for all the stake holders. In a business life cycle, growth phase create the maximum wealth. The businesses which are profitable but not scalable do not attract investor as there is less room for creation of wealth.

The investor is even ready to burn the cash initially, if business model is highly scalable Walmart, Flipkart, Snapdeal & Amazon are some of the examples of highly scalable models. Only time tells when highly scalable model are successful in creating wealth.

Corporate Governance

From the day when corporate entity came into existence, the corporate governance became very relevant as the ownership and management of the business rest in different hands. The transparency between all the stake holders is very important when business grows under corporate entity. The management should take various decisions in the business balancing the interest of all the stake holders. Since investors are not involved in day to day management of the business they like the companies where corporate governance is at place.

Live Example Of Scalability Attracting The Investor

In healthcare sector Practo has set a live example of attracting high profile investors like Russian billionaire Yuri Milner, when business model is scalable.

Seven years ago, twenty-year-old engineering graduates, Shashank ND & Abhinav Lal from National Institute of

Technology, Suratkal, Karnataka, founded an online health service platform, which assist patients to fix appointment with doctors. They built a software platform to digitize their health records and have online consultations as well.

Practo today scaled up to an impressive level of clientele comprising of 200,000 doctors, 10,000 hospitals and 5,000 diagnostic centers based in 35 cities in four countries and still counting.

The online service has made rapid strides, raising \$124 million so far, the biggest by any healthcare start-up.

Lack Of Scalability Rendering Business Unviable

TalentPad was founded by IIT and IIM alumni Mayank Jain, Nikhil Vij and Raghav Jain. They were into hiring space where a clear opportunity lies because of requirement by new businesses as well as existing businesses. It is not easy to offer a clear value proposition for long term sustainability and hence many players struggle to survive. TalentPad was in the same category and hence it has to shut down less than a year after it raised funding from Helion Ventures.

They used efficient marketplace model based on analytics to serve their customers by providing suitable candidates. In pursuit of increasing their delivery capacity it had acquired Optimized Bits, a Bangalore-based rival company. But months after that it abruptly shut shop with the remark: "We helped a lot of companies hire from some of the best tech talent in India and played a crucial role in their growth, while delivering the best customer experience. But, we failed to figure out a scalable business for a big enough market."

Conclusion

Business models which are sustainable, scalable and having corporate governance definitely attracts investors but it does not mean that they will always be successful as success depends upon so many other factors as well, mainly the execution of business plan. The focused approach and promoter's passion are the ingredients without which success cannot be spelled out.