

Veda Global LP

India Opportunity Fund

May 2021

Introduction

“Believe me; if somebody came and offered me ratings at half the price of Standard & Poor's or Moody's I would love to do it, but I can't do it. The market demands that I be rated by Standard & Poor's and Moody's.”

“When a rating agency comes to rate Berkshire, they have me by the throat. If they say it's going to cost me \$1 million and I say, ‘why can't you do this for \$900,000?,’ I have no leverage whatsoever.”

**—Warren Buffett
June 2010**

Overview

- Veda Global has identified the opportunity to invest in the top three Indian credit rating agencies: Crisil, Care Ratings and ICRA
- We believe that this is the most capital-efficient way to play the growth in India's GDP and financial services
- Shares are available at cheap valuations with 5x upside and very low risk of permanent capital loss
- Honne Capital has seeded the strategy with US \$5 million

Seeding Opportunity

- Veda Global is raising capital for \$1 million - \$50 million co-investors
- Veda Global is looking for help with working capital, marketing and capital raising with institutional investors, team building or other firm building assistance in exchange for an economic interest in fee income generated by the strategy
- With right capital partners, potential to take Crisil private in conjunction with S&P Global or other recapitalization or special dividend recapitalization transactions with Crisil

Credit Rating Business

- Credit rating businesses are of exceptionally high quality
 - Infinite return on equity (due to negative working capital), high margins, virtually no capital expenditures
- Oligopoly market structure, durable business, competitive moat and barrier to entry
 - The three players have been in existence since the 1980's with no significant competitive threats
- High operating leverage, low debt
- Long runway for growth
 - High correlation to development of India's GDP, financial markets and credit issuance with regard to mortgages, cars and credit cards

Top of Capital Stack

- Low risk of capital loss
 - Infrastructure and real estate will grow in India
 - These businesses require high capital expenditures and high leverage, as well as involve government contracts, competitive market dynamics and equity risk
 - Credit rating business acts as a tax collector / toll road on growth
 - Takes no credit risk
- Why would I own real estate or infrastructure projects with low return on equity and competitive threats when I can own the credit rating agency collecting a toll on the same project?
- Naturally diversified across sectors and geographies of the economy
- Represents small part of the total cost of an infrastructure project, real estate project, corporate loan issuance or mortgage

Customer and Buyer Value-Add

Value to Buyer of Credit Rating

- Represents small cost of the total cost of an infrastructure project, real estate projects, corporate loan issuance or mortgage
 - Customer-perceived or actual interest expense savings amortized over 5-10 years
 - Customer gets lower cost of credit

Value to Asset Managers and Market Participants

- Value to buyer of the loans in terms of insurance credit quality regulations and banks required to buy rated debts
- Provides additional capital markets guardrail for buyers
- Increased liquidity of rated loans and secondary market depth

Illustrative Value Add

	With Credit Rating	Without Credit Rating
Debt Raised	\$1,000,000,000	\$1,000,000,000
Cost of Debt	9.00%	9.25%
Annual Interest	\$90,000,000	\$92,500,000
Debt Term	7 Years	7 Years
Total Interest Paid	\$630,000,000	\$647,500,000
Additional Interest	\$0	\$17,500,000
Cost of Credit Rating	\$1,000,000	\$1,000,000
Savings	\$16,500,000	(\$16,500,000)
MOIC	16.5x	-16.5x

Strong Customer Value Proposition

India Macro Story

- India's GDP has grown at 5-8% annually since 2000
 - Projected to grow 6-10% annually from 2020 to 2040
 - Upside case of 10%+
- India per-capita GDP of \$2,500 vs China (\$12,000), United States (\$50,000) and OECD (\$30,000)

Credit Rating EBITDA Per Capita		
	United States	India
EBITDA	\$6,500	\$80
Population (Millions)	350	1,300
EBITDA Per Capita	\$18.57	\$0.06
Multiple	301.8x	
Market Penetration		0.33%

Less Than 1% Market Penetration

India Leading Companies Example

- HDFC Bank - US Market Cap: \$106 billion
- Tata Consulting Services - US Market Cap: \$153 billion
- Wipro – US Market Cap: \$39 billion
- Infosys – US Market Cap: \$76 billion
- Reliance Industries - US Market Cap: \$175 billion
- India is catching up in the Tech Unicorn world post Covid
 - New India Tech Unicorns: 10 Year to Date, 15 over last 12 Months
 - New China Tech Unicorns: 2 Year to Date, 16 over last 12 months

China / India - Political Landscape

- India will have a growing role geopolitically over the next several decades
- Largest population in the world
 - Fastest growth rate of population
 - Favorable demographics, massive young population
 - Democracy
- United States and rest of OECD will inevitably shift away from Communist China
 - It is in the interest of US Capital to deploy in India both for economic return and a hedge for global stability and peace
- India currently has 0 of top 10-30 market cap companies in the world
 - China has 2 in the top 10 (Alibaba and Tencent)
 - We predict in 2030, 2040 and 2050, India will become a major player on the list of top 30 market caps in the world along with the US and China
 - It is very possible India and China may in fact even dominate this list along with massive currency appreciation for the two
 - People forget that German and Japanese currencies appreciated 4-10x after WWII

India Tech Diaspora

- Top 5 Companies in World:
 - Apple
 - Major and growing presence via iPhone and iMac
 - Local offices
 - Microsoft — Indian CEO
 - Major presence in India via software
 - Major local offices
 - Google / Alphabet — Indian CEO
 - Major presence in India via YouTube, Gmail
 - Local offices
 - Facebook
 - Major presence in India via Instagram, Facebook, WhatsApp
 - Local offices
 - Amazon
 - Major presence in India via Amazon Prime
 - 2nd largest global office
- Others
 - Adobe — Indian CEO

Catalysts

- A re-rating back to pre-COVID multiples
 - Re-rating to other high quality locally listed consumer multinationals such as Nestle and Unilever (40x-60x vs. 10x-25x today)
- A turnaround at CARE Ratings with a new senior management team and expansion into research services and asset management
- A weakening U.S. dollar relative to the Indian rupee over the next several years
- A pro-business administration under Narendra Modi supporting large-scale privatization across banking, financial services and infrastructure
- Activist pressure or engagement with management to recommend share buybacks, dividend recapitalization or other capital structure optimization
- Inclusion in emerging market indices, Indian ETFs and local ESG ETFs
- Emerging Market bull market like that in 2000-2010 after rotation out of US and other developed markets have had a 2010-2020 4x return and bull market
 - US and Developed Market investors will rebalance portfolios and look for diversification globally
 - A potential shift away from China both geopolitically and in terms of capital flows

Comparable Company Analysis – India vs. US Peers

Company	Market Cap (USD Million)	EV/EBITDA			Growth Runway
		2021E	2022E	2023E	
India Comps					
Crisil	\$1,793	23.1x	20.2x	17.3x	Very High
ICRA	\$427	26.7x	22.2x	18.5x	Very High
Care Ratings	\$195	12.6x	11.2x	10.3x	Very High
Average	\$805	20.8x	17.9x	15.4x	Very High
US Comps					
S&P Global	\$94,190	22.0x	20.7x	19.0x	High
Moodys	\$61,520	22.2x	21.2x	19.4x	High
Average	\$77,855	22.1x	21.0x	19.2x	High

Discount to US Peers with Better Growth Runway

Comparable Company Analysis – Base Case

- Multinational subsidiaries like Nestle and Unilever in India sell for 60-80x multiples because of long growth runway and business durability
- Credit rating business is more durable, more capital light, more sector diversified and has a higher return on equity
- We believe the credit rating companies deserve higher multiples and have traded at those multiples in an emerging market bull market in the late 2000's and early 2010's

Company	Market Cap (USD Million)	EV/EBITDA		
		2021E	2022E	2023E
Crisil	\$1,793	23.1x	20.2x	17.3x
ICRA	\$427	26.7x	22.2x	18.5x
Care Ratings	\$195	12.6x	11.2x	10.3x

Reasonable Multiples Given Asset Quality

Comparable Company Analysis – Upside Case

- Upside case if Care Ratings can earn Pre-COVID EBITDA numbers (\$30m+ vs \$19m currently)
- Upside if companies can increase cash flow at 20-25% growth rate
- Buying at 4-12x 2025 multiples
 - If companies hit growth numbers and market gives them a 20-40x multiple, considerable upside possible for high quality long term compounders with long runway ahead

Company	Market Cap	P/OCF				
		2021E	2022E	2023E	2024E	2025E
Crisil	\$1,793	20.9x	16.7x	13.4x	10.7x	8.5x
ICRA	\$427	30.8x	24.6x	19.7x	15.8x	12.6x
Care Ratings	\$195	10.5x	8.4x	6.7x	5.4x	4.3x

Multiple Re-Rating Upside

Company Overview

- Crisil
 - 68.5% owned by S&P Global
 - S&P Global has a 2% cost of capital, honest management, shareholder friendly management
 - S&P desires to own more but has hit regulatory ownership limit
 - 5% of stock owned by 'Warren Buffett of India'
 - Company has grown cash flow 20% per year in last 5 years during a relatively weak Indian economy
- ICRA
 - 50% owned by Moody's
 - Significant IP sharing between parent and subsidiary
- Care Ratings
 - Homegrown local competitor
 - 10% owned by S&P Global
 - S&P Global desires to own more but market regulator has paused
 - New management team and potential turnaround as business historically earned \$30m EBITDA and that is down to \$19m

Crisil – 10 Year Projection

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
OCF	86	107	134	168	210	262	328	410	512	640	800
		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Exit Cap Rate											4%
Exit Terminal Value											20,005
FCF	86	107	134	168	210	262	328	410	512	640	20,805
Current Market Cap	-1,793										
FCF	-1,707	107	134	168	210	262	328	410	512	640	20,805

IRR	34%
MOIC	13.8x

Sensitivity Analysis

IRR		Exit Cap Rate			
		2.00%	3.00%	4.00%	5.00%
Growth Rate	10%	25%	20%	18%	16%
	15%	30%	26%	23%	21%
	20%	36%	31%	28%	26%
	25%	41%	37%	34%	31%
	30%	47%	42%	39%	37%

Multiple		Exit Cap Rate			
		2.00%	3.00%	4.00%	5.00%
Growth Rate	10%	7.4x	5.2x	4.1x	3.5x
	15%	11.4x	8.0x	6.3x	5.2x
	20%	17.2x	12.0x	9.4x	7.8x
	25%	25.5x	17.7x	13.8x	11.5x
	30%	37.5x	25.9x	20.1x	16.7x

14x Potential Upside

ICRA – 10 Year Projection

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
OCF	14	17	22	27	34	42	53	66	83	103	129
		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Exit Cap Rate											4%
Exit Terminal Value											3,230
FCF	14	17	22	27	34	42	53	66	83	103	3,359
Current Market Cap	-427										
FCF	-413	17	22	27	34	42	53	66	83	103	3,359

IRR	27%
MOIC	9.2x

Sensitivity Analysis

IRR		Exit Cap Rate			
		2.00%	3.00%	4.00%	5.00%
Growth Rate	10%	19%	15%	12%	10%
	15%	24%	20%	17%	15%
	20%	30%	25%	22%	20%
	25%	35%	30%	27%	25%
	30%	40%	36%	32%	30%

Multiple		Exit Cap Rate			
		2.00%	3.00%	4.00%	5.00%
Growth Rate	10%	4.9x	3.5x	2.8x	2.3x
	15%	7.6x	5.3x	4.2x	3.5x
	20%	11.4x	8.0x	6.2x	5.2x
	25%	17.0x	11.8x	9.2x	7.7x
	30%	25.0x	17.3x	13.4x	11.1x

9x Potential Upside

Care Ratings – 10 Year Projection

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
OCF	19	23	29	36	45	57	71	89	111	139	174
		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Exit Cap Rate											4%
Exit Terminal Value											4,338
FCF	19	23	29	36	45	57	71	89	111	139	4,511
Current Market Cap	-195										
FCF	-177	23	29	36	45	57	71	89	111	139	4,511

IRR	47%
MOIC	28.9x

Sensitivity Analysis

IRR		Exit Cap Rate			
		2.00%	3.00%	4.00%	5.00%
Growth	10%	36%	32%	29%	27%
Rate	15%	43%	38%	35%	33%
	20%	49%	44%	41%	39%
	25%	55%	50%	47%	45%
	30%	61%	56%	53%	51%

Multiple		Exit Cap Rate			
		2.00%	3.00%	4.00%	5.00%
Growth	10%	15.5x	11.0x	8.7x	7.3x
Rate	15%	23.8x	16.7x	13.1x	11.0x
	20%	35.9x	25.0x	19.6x	16.3x
	25%	53.5x	37.1x	28.9x	24.0x
	30%	78.5x	54.3x	42.2x	34.9x

29x Potential Upside

Gorav Khanna



- Mr. Khanna previously worked at the family office of Bennett S. LeBow. Mr. Khanna focused on pursuing value-oriented investments in private and public equity and debt securities. Mr. Khanna has extensive private and public investing experience across asset classes and industries
- Mr. Khanna previously worked in technology venture capital at Comcast Interactive Capital. He began his career at Credit Suisse First Boston focused on Technology Mergers and Acquisitions based in San Francisco
- Mr. Khanna holds a bachelor's degree in economics, magna cum laude, with a concentration in finance from the Wharton School of the University of Pennsylvania, a bachelor's degree in applied science, magna cum laude, with a major in systems science and engineering from the School of Engineering and Applied Science of the University of Pennsylvania. Mr. Khanna was a member of the Jerome Fisher Program in Management and Technology and spent a semester study abroad at the Hong Kong University of Science and Technology

Derek Cheung

- Mr. Cheung is the Managing Partner and Chief Investment Officer of Honne II, LP, a United States based \$50 million special situations investment firm focused on Graham and Dodd value investing, special situation investing with an emphasis on capital preservation and compounding and growth
- Mr. Cheung founded Honne Capital in 2012
- Mr. Cheung graduated from Seton Hall in 2008 with a major in Finance

Honne Case Study

- In 2017, Honne Capital identified the opportunity to buy Puerto Rico closed-end funds owning a mix of US and Puerto Rico debt
- Underlying bonds included primarily Puerto Rico sales tax revenue bonds and a diversified portfolio of performing A-rated US municipal debt across New York, Illinois and California
- These closed-end funds were trading at less than 60% of NAV
- Honne Capital's investments returned approximately 2.0x over time frames ranging from 8 months to 20 months
- The potential existed to deploy \$15 - \$30 million into the strategy

Honne Special Situations

Honne Special Situation Trade Overview								
Position	Description	Potential Max Position Size	Capital In	Capital Out	MOIC	Date In	Date Out	Hold Period
<u>Closed End Fund Discount to NAV Special Situation Trades</u>								
Puerto Rico Closed End Fund Trade 1	Santander Closed End Funds issued to Puerto Rico Retail Investors. Bought at 60% of NAV. Underlying Bonds were COFINA, PREPA, General Obligation and diversified US Muni Performing A Rated Debt. Exit at NAV.	\$10,000,000	\$150,000	\$280,000	1.9x	2017	2019	24 Months
Puerto Rico Closed End Fund Trade 2	UBS Closed End Funds backed by Puerto Rico Municipal Bonds at 60% of NAV. Traded up to 80% of NAV currently. Expect exit at 100% of NAV in 8 months total and in May 2021.	\$5,000,000	\$1,000,000	\$2,000,000	2.0x	Oct 2020	May 2021	8 months
<u>Facebook Pre IPO Shares - Bought Direct From Employees and Second Market</u>								
Bought Facebook Pre IPO Shares	Bought \$1m pre IPO Shares via employees and Second Market. Held stock 23 months and made 1.5x MOIC. Investors wanted capital back with profit. Eventual 10x+ possibility if investors held.	\$50,000,000	\$1,000,000	\$1,500,000	1.5x	Jan 2012	Dec 2013	23 months
<u>Sientra</u>								
Bought Sientra Stock	Bought Breast Implant Company with Strong Catalyst after a Factory Fire and Company Stock Selling Below Cash on Balance Sheet	\$20,000,000	\$1,000,000	\$1,700,000	1.7x	Dec 2015	June 2017	19 months
<u>Austal</u>								
Bought Austal Stock	Australian Defense Company with Major Catalysts around US Ship Building Contracts. Stock was low around fear of some US Defense Contracts failing because of ship production issues.	\$10,000,000	\$750,000	\$1,875,000	2.5x	Nov 2013	April 2015	18 Months

Key Service Providers

- Delaware GP / LP Fund Structure

CUSTODIAN

- Edelweiss Custodial Services

PRIME BROKER

- Edelweiss

INDIA BANK

- State Bank of India

INDIA TAX ADVISOR

- Minesh Shah & Associates LLP

AUDITOR

- Richey May & Co

ADMINISTRATOR

- NAV Consulting, Inc

LEGAL COUNSEL

- Feagre Drinker LLP

Terms

LOCK UP

- 5 Years
- Early redemption with penalty
- Negotiable

FEES

- 2% Management Fee
 - 20% Carried Interest
 - High Water Mark
 - Negotiable
-

Quotes

“The best business is a royalty on the growth of others, requiring little capital itself.”

- Warren Buffett

“We look for monopoly, tax collector, toll road businesses with pricing power and inflation protection at the top of the capital structure.”

- Veda Global LP

Office

A light gray world map is centered in the background of the slide. A dark blue rectangular box is overlaid on the map, containing the text for the New York office.

NEW YORK

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INVESTOR RELATIONS

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