



## 1. Background

Autonebula Angel Network herein call as AAN is a network of Angel investors keen to invest in early stage businesses which have potential to create value to advance smart mobility solutions and addressing automotive industry needs.

AAN operated by Autonebula Incubation services which is India's first Automotive and Connected Transport Incubator. Started in Jan 2016, Autonebula in addition to capital provides constant access to high quality mentoring, product analysis, go-to-market strategy, and vast networks and inputs on strategy as well as execution. The Network members, because of their background are better able to assess the potential and risks at the early stage. AAN is division of Autonebula Incubation Services Private Limited.

AAN invests in promising start-ups and early stage companies. Autonebula is working with companies from Automotive and Connected transport sector and invest in scalable businesses with disruptive ideas and matching with end customer and Industry requirements.

AAN actively engages with the government and other organizations to educate and help facilitate adoption of and information of Government policies and procedures which creates an enabling environment for entrepreneurs and angel investors.

AAN looks at investing in ventures from across India and including overseas ventures. Its members are drawn from all over India and some from overseas.

AAN does not maintain a fixed corpus and does not have a fixed time horizon for making investments. As a broad outline, it is expected that members will invest at least Rs. 1 lakh per annum. Such expected amount is expected to have upward revision from time to time.

AAN is not a secretive body; in fact, it will proactively seek positive publicity with a view to being seen as the investor group of choice by Automotive, Autotech and connected transport startups and businesses.

All members will sign this document in acceptance of the broad principles that will govern the functioning of the AAN. The Network members will also agree to adhere to a code of confidentiality regarding all opportunities tabled at the forum. Details of any deal, entrepreneurs, etc. will be kept strictly confidential and will not be discussed or revealed outside the Network.

This document aims to evolve and spell out a framework under which likeminded members can "network" together and work synergistically to achieve common objectives in the above areas, while not having to operate under the more traditional but rigid models such as VCs, etc. At the same time, it is recognized that, in order to ensure longevity and scalability of this model, there needs to be some basic rules and operating guidelines that all members adhere to and these are outlined in this document.

## 2. Management Committee

The AAN will be governed by a Management Committee, initially comprising the following founding members:

- Mr. Sanjay Puri
- Mr. Bharat Ramani

Based on this framework, the specific rules and future management committee processes will be constituted by the above mentioned management committee. An overall principle of broad agreement will be adopted when dealing with significant changes.

The Secretariat will not be responsible in any way for any investment decisions taken by the members, the correctness of any information that it receives and disseminates, etc. In signing this document, each member specifically indemnifies the Autonebula Incubation Services Pvt. Ltd., its employees and Directors against any such liability.

Nothing stated herein should be deemed to create a partnership among the members; nor give any authorization to any member to act for or assume any obligation or responsibility on behalf of, any other member, The Network Company, its employees and its Directors, other than has been expressly provided for herein.

## 3. Secretariat

AAN has a central secretariat in Pune and satellite office in Bangalore, to do the following:

- Search for innovative and disruptive business for investment opportunities.
- Evaluate the opportunities at the first stage, including initial interviews.
- Coaching entrepreneurs for presentations to the network and fine tuning of pitch deck.
- Handle member registration process of Network, communications and relationships.
- Adherence to defined Network process for deal flows, etc.
- Coordinating due diligence and investments on behalf of the Investing group
- Interaction with network members.
- Handle publicity and public relations.

The Secretariat will operate through the corporate body Autonebula Incubation Services Pvt. Ltd, which has been specifically incorporated for this purpose. Members will not be required to be shareholders or Directors of this company to become “Members of the Network”, which will only require acceptance of nomination into the Network, payment of the annual fees and conformance to this framework.

## 4. Investment Avenues

- Business which add value to Automotive OEMs and Tier 1/Tier 2 suppliers across the globe.
- Business which focus on the technology and within the auto and Transportation industry – Tech centers, R&D, and advanced engineering
- Business which focus on gaining insight and strategic relationship on US - India for Automotive and connected transport sector.

### 5. Investment Amount

A typical investment size is Rs. 50 lakhs to Rs. 5 crores (approximately USD 1,00,000 to USD 1,000,000) but the members may invest more or less depending on the funding requirements of the company and the interest of the members. If the investment size is larger, the AAN may syndicate the investment with other investor groups.

### 6. Membership of Network

- i. All individual members are inducted in their individual capacities and not as representatives of their organizations. Their membership fees may be paid directly by them or their investment company or any organization they choose. However, members in this category would be able to make investments in ventures brought to the Network only in their name (this of course includes jointly with family members or through wholly owned investment companies or Trusts). The fiduciary ownership of the investment will personally be that of the member (or family) and will not be on behalf of any other person or corporate body.
- ii. New members can join (AAN) by writing to **membership@autonebula.com** or connecting with the secretariat.
- iii. A new member is required to get a reference from a respected individual or a person from automotive industry or from existing Angel member. In case there is no reference, the new member would be added by completing background verification process. The profile of new member is then sent to the Board of Directors for their approval post which the payment and other formalities need to be concluded.
- iv. Institutional members can also join the AAN with members of the institution given access to the deal flow. Institutional members will be joining as representatives of an institution. In such a case any investment made in ventures would need to be in the name of that institution. The membership fee for institutional members is higher than for individual members. Institutional members, just like individual members, would need to abide by the same governance rules set out in this framework document.
- v. Two people can be nominated by the institution to attend the angel meetings and act on behalf of the institution. However, only one person may attend the meeting at a given point of time. Every corporate member shall be entitled to act and be represented by two authorized representatives whose profiles should be approved by the Board of Institution.
- vi. Fiduciary ownership of the investments made in that case will be in the name of the institution. Examples of Institutional members could be a Venture Capitalist or Private Equity firm or a Company, Institution or an endowment with capital set aside for entrepreneurship and early stage funding.
- vii. The Network work for PAN India organizations. While its Secretariat is headquartered in Pune, it looks at investing in ventures from across India and overseas. Its members are drawn from all over India and some from overseas.

## 7. Types of Membership

Autonebula Angels has two classes of membership,

- i. Individual and
- ii. Institutional

Membership fees are payable on yearly basis. The membership to the Network will be annualized i.e. effective for 12 months from the date of becoming a member. AAN notifies the membership fees as applicable from time to time.

All members will sign the Framework document and Code of Conduct & Confidentiality document in acceptance of the broad principles that will govern the functioning of the AAN. Network members will also agree to adhere to a Non-disclosure agreement regarding all opportunities tabled at the forum.

## 8. Investment Methodology

- i. A primary source of deal flow for AAN is through,
  - Automotive and allied industry Entrepreneurs -who can submit their business plans directly on our website
  - Member angels
  - Investment Bankers, Angel networks and other partners
- ii. Members are encouraged to refer deals that they find attractive to the Network
- iii. AAN does not maintain a fixed corpus. AAN also does not have a fixed time horizon for making investments.
- iv. Investments will typically be made by the Angel member by direct subscription of shares in to the company.
- v. All the members shall grant Power of Attorney (“POA”) to Portfolio Manager, AAN for executing all the transaction documents including Term sheet, Definitive documents on their behalf. POA shall be used only after the concerned member communicates consent via email to invest in the company.
- vi. Once the member has communicated his / her specified quantum of investment commitment in the company by email, the said commitment cannot be withdrawn unless and until the due diligence reports are adverse and beyond rectification.
- vii. The quantum of Investment shall be preferably in multiples of lakhs.
- viii. Once an investment is made into the company, the terms of investment among others may include the appointment of a Nominee Investment Director on the board of the investee company representing investors from AAN. The Nominee Investment Director and Secretariat Office will keep other investing members of AAN informed about the progress of the company on a regular basis. Investment Nominee Director would exercise specific rights as per the agreement with the company. All communications

between Company and AAN investors and vice versa shall be routed through both Nominee Investor Director and Secretariat Office.

- ix. In case, any Member loses AAN membership, then he / she automatically ceases to be Investment Nominee Director on the portfolio company representing AAN investors. A new Nominee Investor Director shall be chosen from among the remaining HA investor group. An inter se agreement shall be executed to this effect.
- x. President, Director or Investment Manager Secretariat Office shall be appointed as Board Observer on the all the portfolio companies invested by AAN members.
- xi. Any non-investing AAN member choosing to be on the Board of an AAN portfolio company shall disclose / communicate by mail, the same to the Secretariat office at the earliest.
- xii. Only President, Vice President and Director are authorized to speak to media on behalf of AAN. They may nominate other members and/or secretariat staff for this purpose.
- xiii. All investment decisions will be made individually by the investor or the institution and they are solely responsible for their decisions.
- xiv. Investee Company seeking funds will be explained the framework of Autonebula Angels.
- xv. All the investing members are expected to participate by putting in time for strategy and other operations of the company in the spirit of entrepreneurship.
- xvi. Lead Investor may or may not be the largest investor in terms of investment of capital among the angel investors Investment Group.
- xvii. It is expected that an investment decision will be communicated to investee within 60 days of short listing by the secretariat.
- xviii. We encourage member angels belonging to different backgrounds to invest to give the investee a different perspective on various matters.
- xix. It is not necessary for the investments by different angels to be of the same size. However, the minimum ticket size for an investment is INR 1 Lakh for individual members and INR 5 Lakhs for Institutional investors.
- xx. Expected yearly investment commitment is INR 1 lakh per member per year for Individual members and INR 5 Lakh per year per member for institutional members subject to shortlisting of the investee companies.
- xxi. Also, member angels may invest in a company at different times at different valuations based on the mandate from Investee companies.

## 9. Funding Process

### A. Coverage

AAN funds the Business which are covered under following lines of business

- a. Business which add value to Automotive OEMs and Tier 1/Tier 2 suppliers
- b. Business which focus on the technology and within the auto industry – Tech centers, R&D, and advanced engineering
- c. Business which focus on gaining insight and strategic relationship on US - India for Automotive and connected transport sector.

### B. Source for Deal Flow

A primary source of deal flow for AAN is through Automotive and allied industry, member referrals, and members are encouraged to refer deals that they find attractive to the Network.

- a. Automotive and allied industry Entrepreneurs -who can submit their business plans directly on our website i.e. Elevator Pitch
- b. Member angels
- c. Investment Bankers, Angel networks and other partners

### C. Secretariat Screening

Business plan of applicant is reviewed based on following criteria's,

Sr. No.	Selection Criteria
1	Business model matching with or in line with requirements of Automotive and Connected transport sector
2	Status of Prototype (Pre-idea, idea, Proof of Concept, Launch, Growth)
3	Founders & Quality of Leadership Team
4	Quality of advisers or board & key partnerships in place
5	Technical and Operational Feasibility
6	Customer Traction
7	Business Model
8	Market Opportunity (Size)
9	Key USPs (e.g. disruptive technology)
10	Go to Market / Sales Strategy
11	Market Timing
12	Financial Plan (Viability)

If the Secretariat believes it is an attractive investment opportunity, entrepreneur will be invited to deliver a 30-minute pitch to our members either personally or via Skype, Videoconferencing, etc.

We receive substantial number of applications and most of them are turned down without AAN meeting them in person. Only entrepreneurs who have convincing and realistic probabilities of securing funds are only invited to pitch at the session.

### **D. Formal Presentation**

Pitch Deck, Required Investment, expected valuation and dilution details are posted on AAN exclusive portal for comments and remarks from AAN members.

AAN meeting is held on once in every month / quarter where usually three-four companies are selected to present. Each company is allocated a 30 minute slot, (20 minutes for pitch and 10 minutes for Q&A session). A thorough discussion of each investment opportunity (i.e. presenting company) takes place.

All members present will then discuss and debate each investment and any concerns they might have, any additional information required, etc. Each positive investment group will nominate a member (the “lead member”), who will be the party to all discussions along with Secretariat on deal valuation, structure and closure with the entrepreneur. Each Network member will be free to make his or her individual decision on investing in any given opportunity.

In order to proceed to the next stage in our process, the company will need to secure sufficient interest from members of AAN and Investment Group formed with provisional subscription commitment.

### **E. Term Sheet Negotiation**

After successful completion of the business due diligence process, AAN will share a term sheet with the entrepreneur that defines the structure of the investment deal – including the amount / type of equity, rights of Autonebula Angels post investment, amongst other things.

### **F. Due Diligence**

If a company receives sufficient interest from the members, the Secretariat proceeds to perform a detailed business due diligence. This is to ensure the sanctity and hygiene of the company with regards to the business plan, team background, track record, financial projections, industry overview, competitive landscape etc. Secretariat, covers the Legal and Financial due diligence of the Company. In case if proposed Investment requirement is of more than USD 1M Legal and Financial Due diligence is executed through external agency. All cost w.r.t due diligence are to be incurred by Investee company.

### **G. Execution**

Once the due diligence process is through and no adverse findings are noted, the Secretariat prepares an investment memo which is circulated to the members. Member provides their hard commitments after reviewing the investment memo based on their risk appetite and interest.

When all parties are satisfied with the terms and language contained in the Term Sheet and Shareholder Agreement, the deal can be executed and Secretariat move ahead with the execution of documents and fund transfer process.

### **H. Investment Monitoring**

All investments are done in tranches with specific milestone to be achieved, Autonebula Angels Network Secretariat, Nominee Investor Director call for the monthly / Quarterly MIS from the investee company and analyses the same for the progress made w.r.t milestones and change in

business model if any. Also, the same are confirmed in limited views from internal auditors and statutory auditors. Autonebula Angels Network in consensus with other large investors group if any dictates the terms of appointment of Internal and Statutory auditors of the Investee Company. Updates w.r.t above are shared with Investment Group on half yearly basis.

### I. Post Investment

1. It is expected that the AAN Members will work jointly with the entrepreneur to make the venture successful, where they have put time and money.
2. The AAN member's investing in a company along with the investee company and the Secretariat will select a Board member among the investing members. This member may or may not be the Lead Investor(s).
3. Closing the deal is only the beginning of the involvement of Autonebula Angels in the company. The investors would proactively leverage not only their own network of contacts, but also the contacts of every other Member of the group. We would also help to arrange discussions with other investors for "follow-on funding".

### J. Mentoring

- Network members are collectively committed to contributing money as well as their time and expertise in businesses that they consider worth investing:
- Network members, when investing in an opportunity, will identify who, from within their group would be most appropriate to represent them on the Board of the company based on the ability to mentor and guide the company at strategic / operational levels as also availability of time to do so. The investment groups of Network members investing in an opportunity are encouraged to find ways to appropriately incentivize / reward those amongst the group spending disproportionately more time and effort on mentoring the company from within the equity negotiated by them but this is purely at the discretion of the investment group.
- Such Advisors / board members may be given stock options in the company by the entrepreneurs, provided these are over and above the deal negotiated by the investing group of the Network. However, such arrangements would need to be agreed by the investor and promoter groups and the secretariat kept informed.

### K. Investment by Network Operator

- Autonebula Incubation Services Private Limited i.e. the Network Operator will invest limited amount with each investment group so as to act in protecting shareholders rights by becoming shareholder itself.
- Autonebula Capital Advisors Private Limited an Asset Management Company under the group's umbrella can invest as an Institutional member subject to approval by its Investment Committee.
- No employee of Autonebula Group will be allowed to invest or subscribe for directly or



through network or under any other form in any of the Portfolio companies of AAN, except for indirect investment from Fund/s operated by Autonebula Capital Advisors Private Limited.

### L. Documentation

AAN acts as a single point coordinator for end-to-end transaction documentation process on behalf of its members. Original share certificates post investment are handed over to Investor member and soft copies of common documents such as Terms Sheet, Share Purchase agreement, Share allotment resolution and forms and other relevant documents are provided via email to Investor Group.

### 10. Fees and charges by AAN

AAN charges 1.5% of Investment amount from investing members and 1% from Investee company as a consideration of execution and co-ordination of Deal flow and investment process.

### 11. Code of Conduct and Confidentiality

- i. With reference to investment opportunities that have been tabled at the Network, the members agree that:
  - If any member (institutional or individual) has any interest in a particular deal i.e. as an investor, director or in any other capacity he/she would need to disclose this to the Secretariat immediately on that deal being tabled.
  - If any network member, institutional or individual was already pursuing a deal before it came to the Network, then he/ she would need to immediately notify the Secretariat and they will then be excluded from the process going forward for that particular deal.
  - No Network member (individual or institutional) would have parallel discussions with the entrepreneur outside of the process, which includes a restriction on a member entering into a separate understanding with an investee company for any consideration.
- ii. All members agree that details of any deal, entrepreneurs, etc. will be kept strictly confidential and will not be discussed or revealed outside the Network.
- iii. Only members can attend the AAN scheduled meetings.
- iv. All documents including emails, presentations, discussions, terms sheets and other agreements that members receive from AAN are confidential. Members are requested not to disclose or forward them to any third party including other angel groups or venture funds.
- v. Once a company is shortlisted for due diligence, only AAN Secretariat Office is

authorized to speak to the company and / or its founders till such time that the company is either invested or rejected (unless AAN Secretariat Office requests for help from fellow AAN members).

- vi. Members attending the monthly AAN meeting are requested to voluntarily disclose if they have a direct or indirect investment in a presenting company or a company that competes with the presenting company. For the sake of confidentiality we will request the said member to voluntarily excuse himself or herself from such presentations unless the promoters / entrepreneurs allows the same.
- vii. During the company presentations by the entrepreneurs at the scheduled AAN meetings, members are requested to avoid over critical remarks and observations that discourage the presenters. They are also requested to avoid cross-talk or phone calls or walking in & out during the presentations. AAN members should strive to give positive experience to the entrepreneurs at every stage, whether their company gets funded or not.
- viii. We request all members to work for the growth of AAN, its membership and its sanctity. Members are also requested to encourage promising companies to present to AAN and to provide support to investee companies wherever feasible.
- ix. This code of conduct may be modified from time to time by the Board of Directors of AAN.
- x. Each member is required to provide their acceptance to this code and modifications from thereof from time to time.