

**CFA Society India**

# Cracking the Consumer VC Code

The Sixth Sense Playbook

**Nikhil Vora**

Sixth Sense Ventures

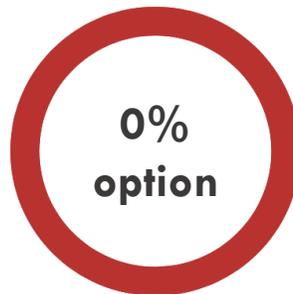
# 1 1-year journey of building India's most **credible** consumer fund

AUM (INR)



**India's largest**  
domestic (INR) VC fund

Management Fee



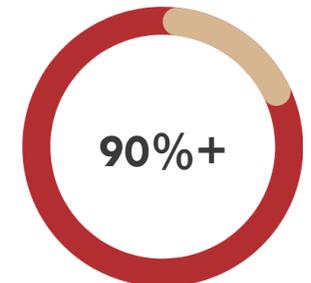
**First ever in India,**  
maybe globally

Fund-I Capital Payback

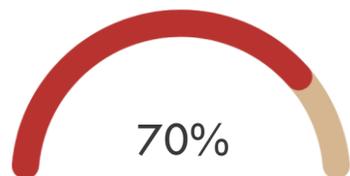


**Fastest payback**  
of capital

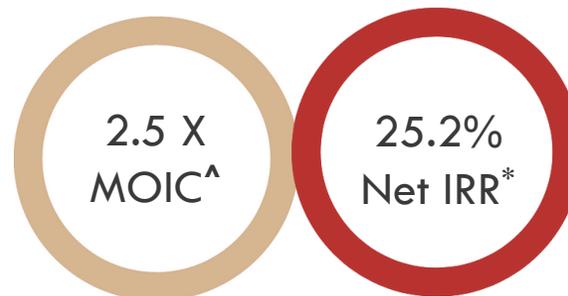
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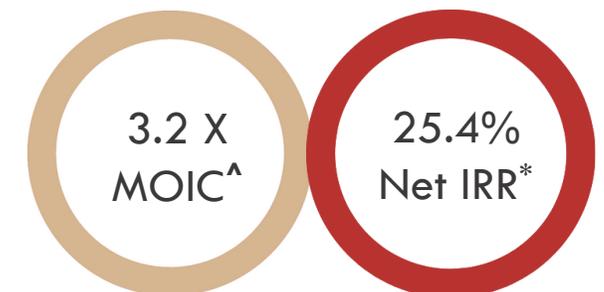
Proprietary Deals



Fund-I (SSIO I)



Fund-II (SSIO II)



# Among the **best performing AIF<sup>1</sup>s** in India

SSIO I and SSIO II both **outperformed peers** across DPI, IRR and TVPI

Fund	Vintage	Fund Size	TVPI <sup>4</sup>		DPI <sup>3</sup>		Net IRR <sup>2</sup>	
			Sixth Sense <sup>#</sup>	Peers <sup>^</sup>	Sixth Sense <sup>#</sup>	Peers <sup>^</sup>	Sixth Sense <sup>#</sup>	Peers <sup>^</sup>
SSIO I	2015	INR 118Cr. (USD 15M)	2.3	1.3	2.2	0.8	25.2%	13.4%
			1.8X		2.7X		1.9X	
SSIO II	2018	INR 515Cr. (USD 64M)	2.8	1.7	1.1	0.6	22.8%	16.4%
			1.6X		1.8X		1.4X	
SSIO III	2021	INR 2,603Cr. (USD 325M)	Closing investments					

<sup>1</sup> AIF: Alternate Investment Fund

<sup>2</sup> Net IRR is pre carry and post expenses

<sup>3</sup> DPI: Distributions to paid-in capital

<sup>4</sup> TVPI: Total value to paid-in capital

<sup>^</sup> NSE AIF-II Benchmarks as on 30/09/23

\* Comparative internal estimates

# SSIO I and II metrics as on date

# Top 5 VC funds in India for over a decade

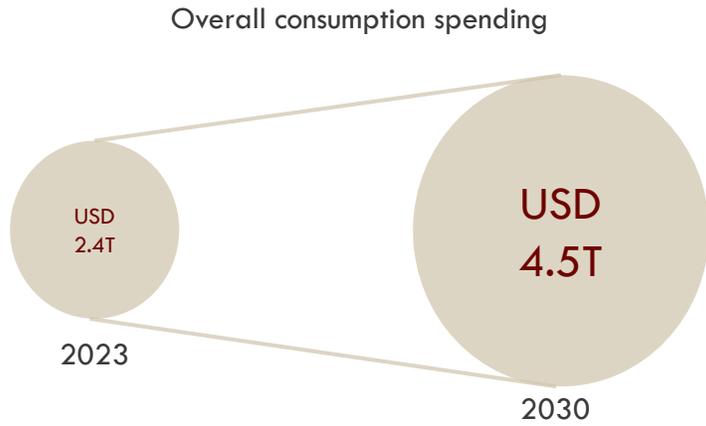
**Fig. 10.10: Top Performing India-Focused Venture Capital Funds (Vintages 2010-2018)\***

<u>Rank</u>	<u>Fund</u>	<u>Firm</u>	<u>Vintage</u>	<u>Fund Size (mn)</u>	<u>Fund Type</u>	<u>Net IRR (%)</u>	<u>Date Reported</u>
1	3one4 Capital – Rising I	3one4Capital Advisors	2018	450 INR	Early Stage: Seed	37.0	31-Dec-20
2	3one4 Capital Fund - Scheme II	3one4Capital Advisors	2018	2,500 INR	Early Stage	35.0	31-Dec-20
3	Sixth Sense India Opportunities II	Sixth Sense Ventures	2018	5,150 INR	Venture Capital (General)	30.0	30-Sep-20
4	Lightspeed Venture Partners IX	Lightspeed Venture Partners	2012	675 USD	Venture Capital (General)	29.2	30-Sep-20
5	Sixth Sense India Opportunities I	Sixth Sense Ventures	2016	1,180 INR	Venture Capital (General)	27.0	30-Sep-20

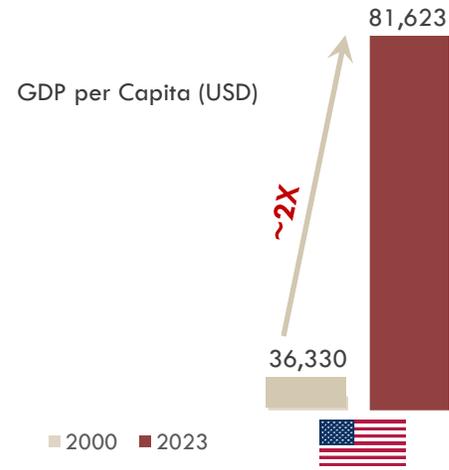
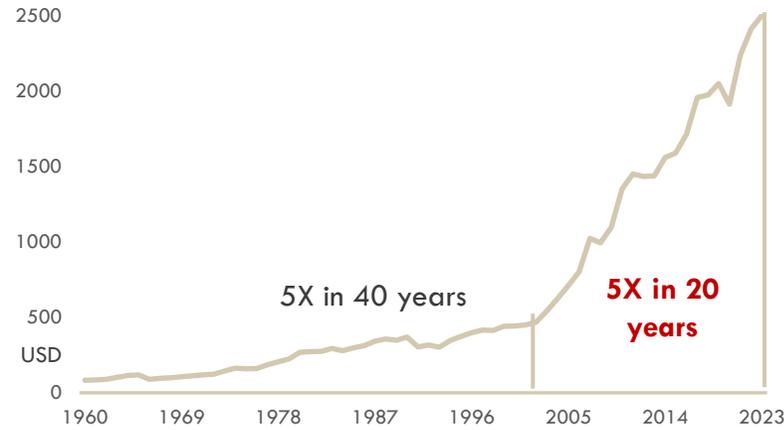
Source: Preqin Pro

# Consumption in India is a **USD 4.5 Trillion opportunity**

## Consumer spending poised to grow **2X in 6 years**

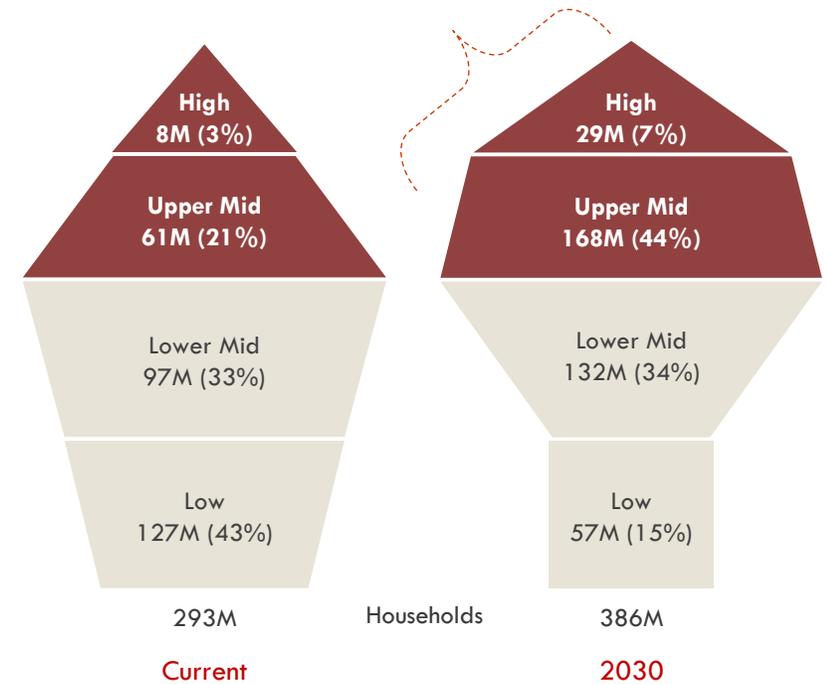


## GDP per capita at an inflection point



## Premiumisation underway

24%  $\xrightarrow{2X}$  51%  
Households will move to upper end of pyramid



# At an inflection point - IN D Indulgence Age

I can **“SPEND”** – INCOME effect

I am **“WILLING TO SPEND MORE”** – MINDSET change

I know **“WHERE TO SPEND”** – AWARENESS levels

I have **“OPTIONS TO SPEND”** – AVAILABILITY

I **“WANT MORE THAN I NEED”** – ASPIRATION effect

There are **MORE** like me – **BROADBASED** growth

India - Fastest growing consumption economy

35% of Indians born in post-liberalization era

Increased media proliferation

Increased brand options in each segment

India moving up the value chain - **Premiumisation**

Peer influence reflected in consumption choices

# Until now **wallet share was controlled**

Indian incumbents dominate with a **70-80%** category share.

US counterparts control less than **50%** share.

Category Share



New age brands in the US are capturing incremental category growth

Incremental category growth captured by US insurgent brands  
**20%**

US emerging brands are outgrowing their category by  
**10X**

# Not anymore, the Indian consumer story has **entered a new era**



Consumers have moved, legacy brands have not.

**Case for disruption!**



Brand Awareness



Brand Loyalty



**Case for disruption!**

# Making it **ripe for challengers**

## New-age consumers prefer **new-age categories**

Incremental spends driven by	Personal Care	Apparel	Food	Alcohol
	<b>Premiumisation and New Categories CHALLENGERS' STRONGHOLD</b>	<b>78%</b>	<b>58%</b>	<b>57%</b>
<b>Expansion of Existing Categories INCUMBENTS' STRONGHOLD</b>	22%	42%	43%	50%



# Making it **ripe for challengers**

## New-age consumers prefer **new-age channels**

Channel contribution of consumer companies to overall retail



## New-age brands will **dominate new-age channels**

Category

Shaving Essentials

Coconut Water

Silver Jewellery

Incenses

Category Share

20%

85%

40%

38%



Channel

Leading E-com Player

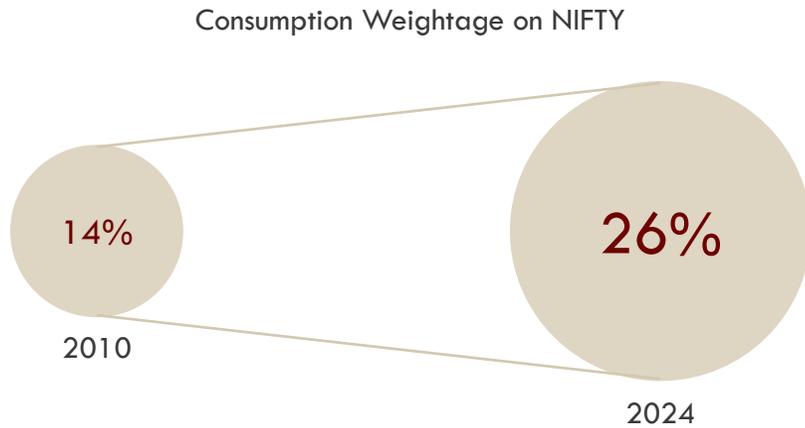
Leading Modern Trade Player

Leading E-com Player

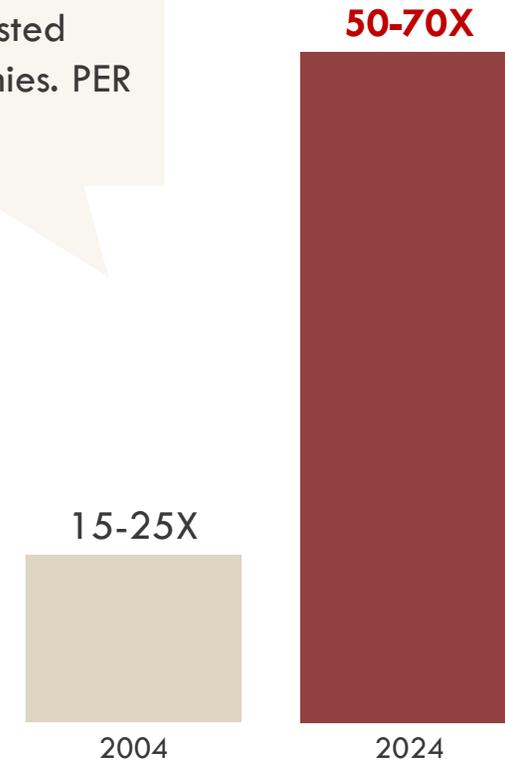
Leading Q-com Player

# India's consumer sector has **created value**

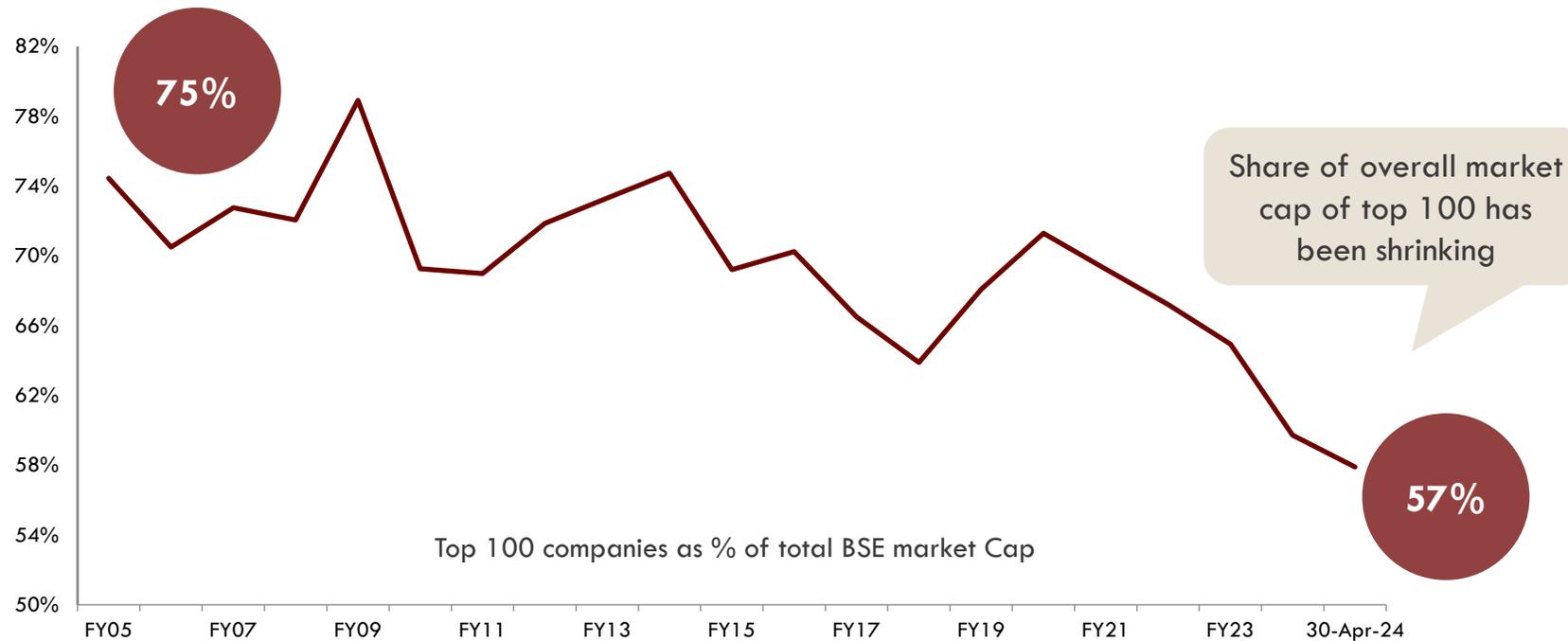
PE Ratios (PER) of Consumer Incumbents



Rerating of listed consumer companies. PER up **3X**



# Now value will get **re-distributed to challengers**



Over the last five decades, only 60 companies have consistently appeared in the Fortune 500 list

As emerging leaders drive change and growth, **value will get re-distributed**



# Our Investment Philosophy



Back our

# SIXTH



**Challengers disrupting**  
large consumer categories



Investment of **INR 50-100Cr.** (USD 6-13M), max  
INR 250Cr. (USD 30M)



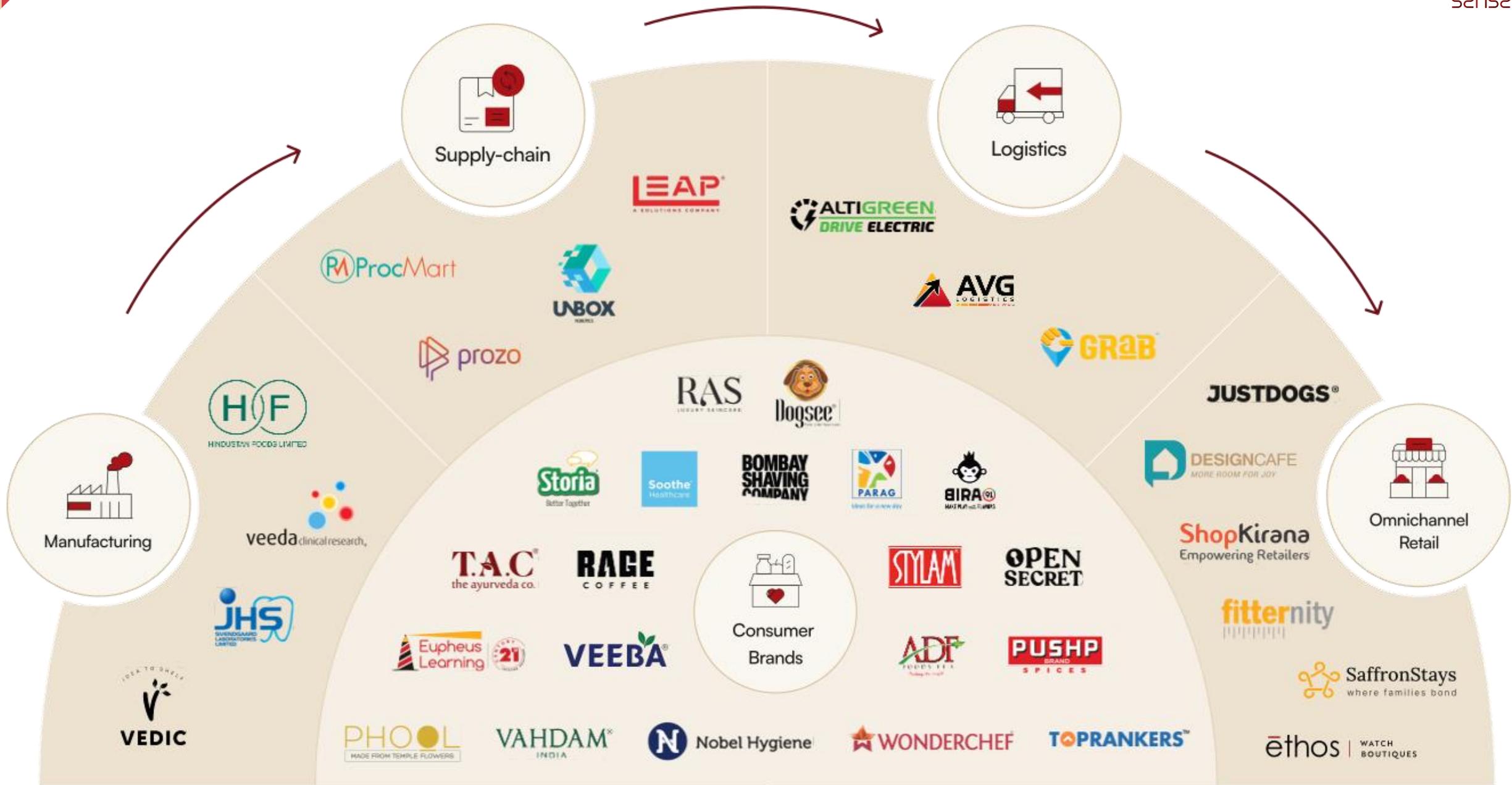
Leverage consumer **expertise**  
**and ecosystem**



Board member, **strategic**  
**decisions**



SSIO I payback – **2.5 years**  
SSIO II payback – **5 years**



“I skate to where the puck is going to be, not  
where it has been”

Wayne Gretzy, Legendary Hockey Star



“An entrepreneur tends to bite off a little more than he can chew **hoping he’ll quickly learn how to chew it”**

Roy Ash, Co-founder, Litton Industries



“When markets shift you will fail if you don’t realise that longevity requires you to change the success formula, or your DNA”

Anonymous



“Disruption is either going to happen to you or  
**because of you”**

Brian Solis, Leading Digital Analyst, Author and Speaker



**Always,always,always  
believe in yourself,because  
if you don't,then who  
will,sweetie?**

*-Marilyn Monroe*





# 7 Commandments of Investing

# Leave your optimism bias behind while investing

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# Stock gains depend on entry value, not luck



# Profit in business is sacrosanct



# Don't confuse intelligence with a bull market



# Don't get attached, exit timely



Always play by the rules



# Anyone for jalebi fafda?





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