

MIDAS VENTURES

A CASE OF A FINANCIAL SERVICES AGGREGATOR

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On a balmy winter afternoon in 2014, Sachin Gupta, Promoter, Midas Ventures, is reviewing a presentation on his laptop sent to him by his team. The presentation highlights strong potential for the start-up company to leverage prospects among retail, SME and institutional clients for investments in banking and financial services. Sachin Gupta is feeling triumphant—Midas Ventures has successfully signed memoranda of understanding with a number of strategic business partners and the firm has been appointed as an authorised agent for several leading banks and financial services organizations. Midas Ventures can now promote a strategic investment banking portfolio of these partners in the market and has even been assigned the coveted role of a lead manager for raising equity funding through private placement and public offering of preference shares.

In the first stage of business expansion, Sachin Gupta is targeting the investment and banking portfolio of high net worth individuals, very high net worth individuals, non-resident Indians, PIOs, as well as young working professionals, among others. The company aspires to be a first mover, and views a strong business opportunity in the Bangalore investment banking market for customized, financial management and wealth management solutions that create financial assets and wealth for investors. Despite being just over a year since its incorporation, Midas Ventures had already raised US\$75 million in both debt and equity from more than 30 clients, primarily in India. The company also explored overseas corporate entities based out of Dubai and US, Singapore and Israel to invest in its portfolio. The company also has plans to develop a financial advisory services practice and to register as a brokerage firm, going forward. There are also other plans to scale up the stand-alone, web portal-based operations of the start-up to a fully-integrated investment services aggregator, online.

The Company

Midas Ventures, based out of Bangalore, is a click only company set up by an enterprising young businessman, Sachin Gupta, who as a finance professional and practicing chartered accountant, saw opportunity in the creating a web portal that enabled investors to trade in investment banking instruments. There are few players in the market who specialize in the design and sale of the proprietary software that is customized for the requirements of the buyers and sellers of investment banking products online. These include a range of online investment plans: Systematic Investment Plans (SIP) for mutual funds as well as term and unit linked plans; trading in electronic gold and silver; stocks; options; bonds; and so on. The company has been very successful in promoting its software tools on its digital platform: both on its website as well as through other digital outlets, to both retail buyers as well as institutional customers such as small and large businesses.

The web portal receives a good number of hits from registered users who are greatly benefitted from the features of its website-embedded software tools. These tools help customers to buy investment banking products, search for plans to buy, evaluate benefits and feature of investment banking products, and even identify the brand offering the product as well as compare prices of offerings, among others. The software also enables users to customise search options and scout for investment options across offerings in debt, equity as well as fixed income securities that meet their needs, and where transactions are digitally secure against fraudsters.

Gupta finalized negotiations for business funding for expansion from a leading entrepreneurial ecosystem in Bangalore that supports new venture creation—Green Shoots: a center of excellence in business incubation and entrepreneurship, which has very successfully engaged scholars and experts to mentor a number of entrepreneurial ventures to success. The operations of the company are handled by a number of professional employees, which include software design and testing, website design and maintenance, building relationships with channel partners, strategic partners and technology partners as well as digital promotions. There is also a significant investment of the company in back office operations with over 50 call center professionals working to generate leads through an outbound process. The company also plans to set up an inbound call center facility soon for a 100-seat call centre.

The business objective of Midas Ventures is to develop investment banking management software for customers, while setting new standards of quality and customer service. The business process information systems that the company seeks to build and embed in its website will allow customers trade in stock, debt, equity and fixed income products online, and in real time. The company earns a commission on each successful transaction on its website done by a client. Strong investments in back office research on consumer buyer behaviour and preferences has enabled the startup to build a detailed profile of the segments that the company seeks to target with actionable insights.

The Entrepreneur

Gupta is a visionary with keen opportunity sensing acumen and a passion to pursue his ideas into reality. He has been able to identify opportunities in investment banking, technology and innovation that provide end-to-end solutions to customers in online trade and advisory in banking and finance. He is very easily among the first movers in the design of smart information technology solutions that facilitate online transactions in financial intermediation, among others. The investment banking and management software designed by the company meets the requirements of a wide range of businesses and the web portal enables users to search, query, compare, evaluate, buy and sell securities. A family-owned business, Midas Ventures, pursues a professional style of management where each employee is treated with respect and empathy and it values integrity as well as initiative.

Opportunities and Challenges

The company is located in Bangalore—the fastest growing city in Asia as well as a vibrant and expanding real estate market. Information technology and other high technology corporations are headquartered in Bangalore and offer world-class facilities for global operations. Midas Ventures aspires to be not only a player in the Bangalore market for online investment banking services but a game changer as well. Gupta seeks to create a unique identity by offering value-added services to the sector. Securities as asset classes have strongly driven the market for financial advisory and portfolio management for investors in Bangalore. Interestingly, even though Bangalore does not have a vibrant

stock market or even an ecosystem of established brokerages, it is emerging as the preferred destination of choice for buyers of both investment banking products, particularly open ended mutual funds and close ended mutual funds that offer high rate of return and diversity portfolio risk.

The location of software parks as well as centres for innovation and research and development as well as large and growing opportunities for professional employment in the areas of technology and innovation has transformed the business aggregator market for investment banking services into providing world-class financial advisory as well as secure e-commerce environments for the buying, selling, and trading in securities.

Investment banking management information solutions is a growing area for new businesses to enter and consolidate. Software tools offered by Midas Ventures enable buyers, sellers and institutions to understand the market for banking and finance better and in superior ways. Digital platforms that offer investment banking and management business process as well as information solutions are much sought after as these are customised to the requirements of users. Midas Ventures has been proactive in defining this market space, and is positioned as a first mover in offering solutions to investors across strategic portfolio exposures. The company has plans to launch and promote a range of such solutions online and uses analytics tools such as search engine optimization and search engine marketing to measure the usage of its solutions, deal closure, multi-level vertical business, cold calling and lead generation processes.

The company has a large database of prospects as well as value and strategic investors in Bangalore, which it leverages optimally to generate new leads and business for its client acquisition and lead prospecting teams. Its salespersons are skilled in converting institutional clients into registered users for the web portal, while its digital promotions online are able to generate new registrations as well as leads from among retail prospects for investment banking products. Existing investors: both strategic and value—are also targeted by the promotional effort to understand portfolio ownership as well as diversification in Bangalore as also the aspirations of existing buyers to upgrade products to those with larger equity exposures. The brand is growing in awareness and there is strong traction in the marketplace. At the same time, the company seems to have defended its flanks well by ensuring that it is innovative and is well recognized as a niche market player.

As a new venture, Midas Ventures needs to understand the mind-set of users and gather insights on how best to position its products to them. While customer satisfaction with the solutions appears to be high, the entrepreneur ought to also focus on understanding consumers better and promoting the offerings through both offline and physical channels. While opportunities for business expansion and consolidation in a niche area of business are good for Midas Ventures, there are some possible challenges.

The company aspires to be a market leader with its business model of an investment banking and financial advisory aggregator through its web portal for SME and other consumer segments. At the same time, it needs to lookout for copycat brands that seek to imitate its business model. The success of the company in the marketplace will give rise to price point competition. While competition is good as it makes the marketer more competent, the company ought to scale up the start-up business by innovating on products and solutions for customers. The company also needs to watch out for

large players who are seeking to launch proprietary banking management solutions as emerging business aggregators of premium banking and financial services brands in the marketplace.

The possible dilemma facing Midas Ventures is the trade-off between resources available for innovation and the need to scale up quickly so that it is many steps ahead of market competition. He needs to find the right responses to these challenges, and quickly. Also, the entrepreneur ought to gather appropriate consumer insights through marketing research, which help the business aggregator, build a profile of the prospect: investment preferences, recency, frequency and monetary value of transactions, trading in securities, cross-buying and other such key buyer behaviour dynamics.