



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



Women & Young Members Excellence Committee

Organises

यशस्विनी - An IDOL- Live Webinar



CA. Priti Paras Savla
Chairperson, WYMEC, ICAI



CA. Ravi Kumar Patwa
Vice Chairman, WYMEC, ICAI

Women CAs: Decoding Hedge Funds, Private Equity & Venture Capital

HOW
ALTERNATIVE
INVESTMENTS
REALLY WORK

The Rapid Rise of Alternative Investments - India and Global Trends



India: Rapidly growing AIF ecosystem - crossed ₹11–12 lakh crores



India: Right-shoring hub for global audits and fund administration



SEBI-regulated AIF Categories I, II, III



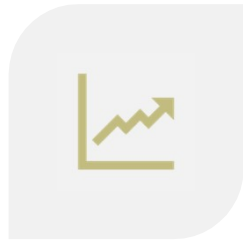
US: Largest global market for HF, PE & VC



Hedge
Funds
More



What Are Hedge Funds?



ADVANCED TRADING FUNDS
AIMING FOR ABSOLUTE
RETURNS



GENERATE PROFITS IN
RISING AND FALLING
MARKETS



INVEST IN EQUITIES, BONDS,
COMMODITIES, CURRENCIES
& DERIVATIVES



PRIMARY GOAL: ALPHA
GENERATION

CA Namrata More

Hedge Fund Structure

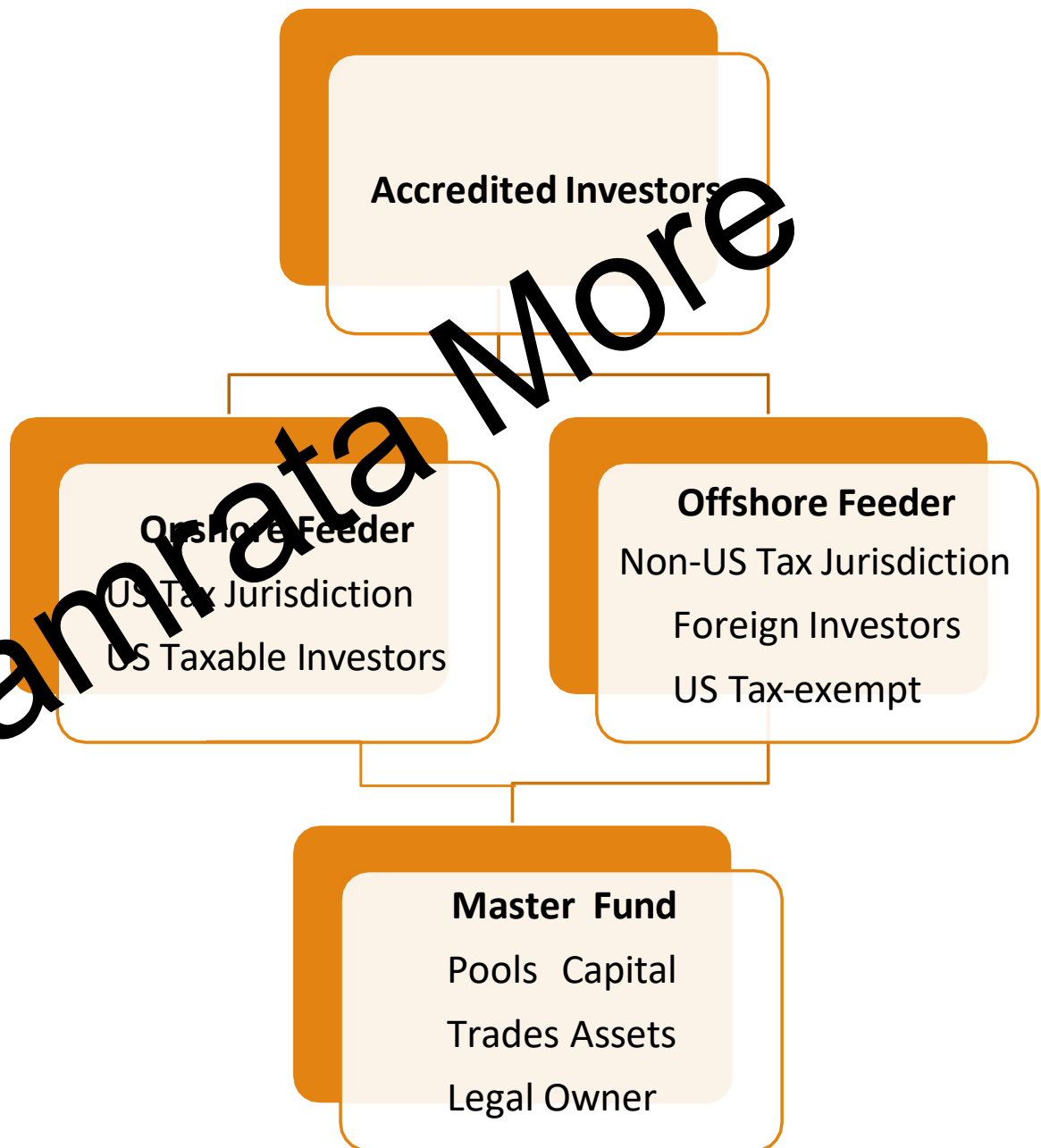
Mostly open-ended funds

Common structures:
Master-Feeder, LP/LLP/LLC,
AIF Cat III (India)

Key parties: GP, LPs,
Administrator, Prime Broker,
Custodian

Master-Feeder Fund Structure

CA Namrata More



How Hedge Funds Make Money

CA Namrata More

Management Fee (~2% of AUM)

Performance Fee (~20% of profits)

Use of leverage to amplify returns

Side pockets for illiquid investments

Popular
Hedge Fund
Strategies

LONG / SHORT EQUITY

GLOBAL MACRO

EVENT DRIVEN

QUANTITATIVE TRADING

Hedge Fund Valuation & NAV



Level 1: Quoted prices



Level 2: Observable inputs



Level 3: Illiquid / complex
assets



NAV prepared monthly or
quarterly

HF Audit Focus Areas



Valuation of Investments



NAV Calculation



Performance Fees / Incentive fees



Internal Controls



Compliance & Regulatory Reporting



Related Party Transactions



Private
Equity

CA Namrata More

What Is Private Equity?



Buy → Improve → Sell
strategy



invests in mature or
undervalued
companies



Focus on operational
and governance
improvements

CA Namrata More

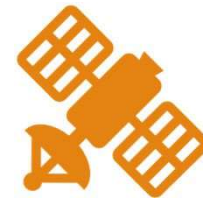
Private Equity Fund Structure



Closed-ended funds



Commitment-based
capital drawdowns



GPs, LPs, Operating
Partners

CA Namrata More

How PE Funds Earn Returns



Management Fee
(1.5%–2%)

Carried Interest
(~20%)



Transaction and
monitoring fees

Private Equity Lifecycle



Raise Fund



Identify Target



Acquire



Improve (operations, cost, EBITDA, governance)



Exit through IPO / sale



Distribute proceeds to investors

CA Namrata More

PE Valuation Methods

Market multiples

Discounted cash flow (DCF)

Adjusted NAV

Mostly Level 3 valuations

CA Namrata More

PE Audit Focus Areas



Investment Valuation



Carried Interest and Profit Allocation



Commitments and Capital Calls



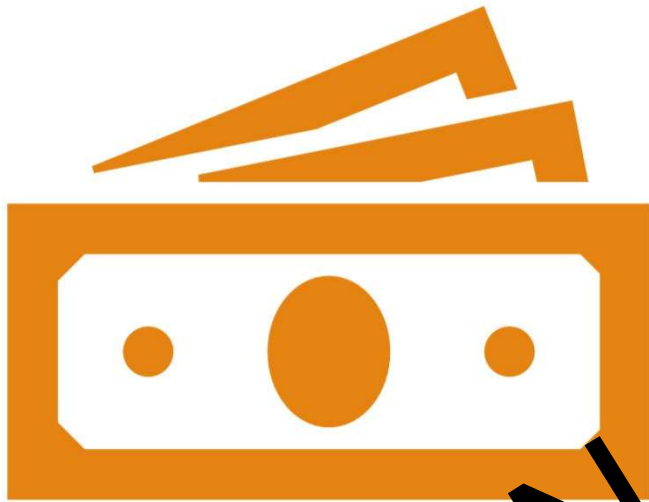
Portfolio Company Financials



Compliance & Regulatory Reporting



Internal Controls



Venture More
Capital

CA Namrata

What Is Venture Capital?



FUNDING STARTUPS AND
INNOVATION



HIGH-RISK, HIGH-
RETURN ASSET CLASS



FOCUS ON TECHNOLOGY
AND INNOVATIVE IDEAS

CA Namrata More

VC Fund Structure



MOSTLY CLOSED-
ENDED FUNDS



10–12 YEARS
LIFECYCLE



GPS, LPS, FOUNDERS,
ADVISORY BOARDS

CA Namrata More

Stages of VC Investment



Seed



Early Stage (Series A)



Growth Stage (Series B-C)



Late Stage



Mezzanine



IPO / Exit

CA Namrata More

How VC Funds Earn



MANAGEMENT FEES – ~2%
OF COMMITTED CAPITAL



CARRIED INTEREST –
ACCRUED ANNUALLY BUT
PAID ONLY ON EXIT

VC Valuation Approaches

Last Round of Financing /
Post-Money Valuation

Market Approach –
Comparable Startups

Income Approach (limited
early-stage use)

Calibration Testing (ASC 820
compliance)

Typical level: **Level 3.**

VC Audit
Focus Areas

Capitalization table verification

Confirmations

Review of funding rounds

valuation assessment

Rights & liquidation
preferences

Key Takeaways

Feature	Hedge Funds	Private Equity	Venture Capital
Fund Type	Mostly Open-Ended	Closed-Ended	Closed-Ended
Investments	Public markets	Mature private companies	Startups
Risk	Medium	High	High
Time Horizon	Short–Medium	3–7 years	10–12 years
Valuation	Mostly Level 1–2	Level 3	Level 3
Revenue Model	Mgmt + Performance Fee	Mgmt + Carried Interest	Mgmt + Carried Interest
India Category	AIF Cat III	AIF Cat II	AIF Cat I
Return	Total and Net Return for the year	IRR	IRR

THANK YOU!

Any Questions?

CA Namrata More

