



EXPERT INTERVIEW

UPDATED

08/11/2022

# Kashish Sharma, CEO of EquityList on building Carta of India

## TEAM

Jan-Erik Asplund

Co-Founder

[jan@sacra.com](mailto:jan@sacra.com)

## DISCLAIMERS

This report is for information purposes only and is not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal trade recommendation to you.

This research report has been prepared solely by Sacra and should not be considered a product of any person or entity that makes such report available, if any.

Information and opinions presented in the sections of the report were obtained or derived from sources Sacra believes are reliable, but Sacra makes no representation as to their accuracy or completeness. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a determination at its original date of publication by Sacra and are subject to change without notice.

Sacra accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to Sacra. Sacra may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect different assumptions, views and analytical methods of the analysts who prepared them and Sacra is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

All rights reserved. All material presented in this report, unless specifically indicated otherwise is under copyright to Sacra. Sacra reserves any and all intellectual property rights in the report. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Sacra. Any modification, copying, displaying, distributing, transmitting, publishing, licensing, creating derivative works from, or selling any report is strictly prohibited. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Sacra. Any unauthorized duplication, redistribution or disclosure of this report will result in prosecution.

Published on **Aug 11th, 2022**

# Kashish Sharma, CEO of EquityList on building Carta of India

By **Rohit Kaul**



## Background

Kashish Sharma is the CEO of EquityList, which is a part of AngelList India. We spoke to Kashish on what challenges founders face in cap table management in India, how EquityList differs from Carta, AngelList's Indian ecosystem, and trends in Indian secondary market.

## Interview

**Can you tell us a little bit more about EquityList and what problem your team is solving?**

EquityList is a full stack equity management solution where we give a suite of tools to founders, finance and legal teams to manage their cap table, ESOP operations, data room operations, and other compliance related workflows. As we are providing a suite for cap table and ESOP management, we are immediately servicing tech startups Unfortunately, there isn't any infrastructure that allows founders and teams to manage



equity in the simplest fashion. So that's precisely what we're doing. We are simplifying equity as much as possible.

**It would also be interesting to understand what's the current scenario when it comes to startups in India handling their cap table or equity? What are the pain points, and who are the parties involved in these transactions?**

The majority of the startups are still using Excel sheets and Google sheets, which is fairly unfortunate because this data gets very complex as the company matures. If you just talk about the cap table, sure, it seems like a fairly simple table, which allows you to track dilutions and shareholding but something that's static at first becomes dynamic later. The more investors join your journey and the more employees keep on exercising grants, your cap table keeps on growing, and you now need to manage every single tuple in that database, which you can't do seamlessly if you don't have a dedicated tooling for it. The majority are still using Excel and Google sheets. Of course, there's a learning curve to adopt a new technology, which I think is a general SaaS barrier.

We were helping this pre-IPO company onboard onto our platform. I say pre-IPO because they were planning an IPO this year, but I think it's going to push to next year now. But they were mentioning that it takes roughly five minutes for their Google sheet to load on which they manage their cap table.

So this is what we have experienced, and once you start talking to customers, you really understand the nuances and the challenges. Most of the founders, especially tech founders, are fairly excited about building their product, selling to the customers, et cetera, depending on where their expertise and niche really lies. Cap table and equity management, in general, are not their forte. Most of the founding teams, especially at the earliest stages, don't really have someone who has great finance experience or has the legal experience of understanding grants and understanding different legal policies and legal documents as well. So they're conveniently outsourcing it.

Either they hire a CFO level of person by the time they reach Series A, or they just give it to a Chartered Accountant/Company Secretary firm that they've contracted since the earliest of days to manage it for them. And, very



evidently, it becomes a non-core competency and, therefore, not really a priority as the company's being built. When we set out to build this tool and to build this platform for India, we came to realize that there were multiple stakeholders involved. Some of them are employees of an organization, and some of them are these outsourced law firms, Chartered Accountant/Company Secretary firms, et cetera, where there needs to be a fairly collaborative workflow built in to ensure that all of these parties are seamlessly talking to one another.

**Do you see a difference in the way later-stage founders manage their cap table compared to early-stage founders or do the founders just offload it to Chartered Accountants or CFOs? Is it ubiquitous across different stages of startups?**

Yeah. That's really ubiquitous. That doesn't really change, in general, because I think it only gets difficult for a founder who's not really focused on these operations to deviate away from, let's say, their day-to-day responsibilities into figuring this out. That's why they end up hiring and creating a dedicated HR team and finance team, which starts looking into this. So responsibilities fall up to those verticals within the organization. To answer your question very succinctly, it doesn't matter how mature of a company you are. At least that's what we are experiencing so far. For a lot of Series A and beyond companies, the good thing is that there's a sense of urgency to course correct whatever the current paradigm has been in terms of managing equity.

There are many Series A and beyond companies who have top-tier global VCs on their board and they do have a dedicated ESOP pool created but they don't have a board approved ESOP scheme yet. Or all the ESOP commitments, for example, have been fairly verbal or over email. So there isn't any legally authorized grant scheme or policy rolled out where an employee has actually given their signatures to accept those units as well. So I would say that mature companies, especially in today's environment, are fairly prompt and immediate to course correct however they have been running their shop so far, and they clearly understand the proposition that tools like EquityList are really solving for.

Early stage companies and especially those built by repeat founders, because they've gone through the grind before, understand how complex these things can get, ie- financial



reporting, filings, or during up-coming fundraising round where a new prospective investor is asking for data, and you have to rush around, trying to collate them. Because they've been through that grind, I think most of the repeat entrepreneurs are taking the right step by setting the right foundation.

**Do you see any push from the international VCs who are using tools like Carta back in the U.S.?**

I think it's catching up, especially in today's time where talent retention is becoming fairly problematic for most high-growth startups based in metropolitan hubs, ensuring that there is good transparency in terms of compensation and equity, the skin in the game factor, which of course the entire startup ecosystem, globally, has been built on. The ability to pretty much bring that together and tie loose ends, I think most of the investors are now realizing how important it is, especially laws and regulations in India that aren't really simple as well. Like in the U.S., most things are fairly templated and standard. There are multiple, numerous ways to navigate most of the compliances. But India has its own challenges. I think investors now are realizing that it's just best to build the company in the right way and define the culture in the right way as well.

So we are seeing that push. A lot of our conversations are with VCs, by the way, who want us to give the platform exposure to their entire portfolio, and conduct workshops as well. The push is definitely coming top-down as well. A lot of this comes back to the whole talent retention problem. A lot of the founders are fairly cognizant of it, and now they want to act upon it as quickly as possible.

**EquityList has been labeled as Carta for India. From that perspective, how similar are you to Carta? How different are you? Is this something which was custom built for India?**

Carta, of course, is a great inspiration. It's a behemoth in the U.S. and has defined cap table management and equity management, in general, for quite some time. In India, the low-hanging fruit problems for us to solve were cap table and ESOP management because that is literally what founders and their respective teams are trying to solve for. Especially in India, I think it's more ESOP management than cap table. Cap table management still has a bit of market education as an





element to it. ESOP management is the need of the hour. Teams within an organization have a very distinct KPI, and OKR is assigned to it. So it becomes the simplest tool, the simplest problem to understand and procure a tool to make your life easier.

As AngelList, where people are already hiring through us, people are raising capital through AngelList Venture, and launching products on Product Hunt, it seemed like a no-brainer to launch a tool where people can start managing their equity, simplify their cap table, and stock options for employees through us as well. Therefore, the very similarities between Carta for India and that analogy make a lot of sense as well, but that's not just the ambition that EquityList has. I think it's a great stepping stone to enter organizations, streamline their foundational equity management, and bring some processes for right management here and observability..

The goal is to evolve from an equity management tool to a default operating system, which allows companies to run their compliances and allows them to run their equity management fairly seamlessly through us. This could entail fundraising workflows, fundraising compliances, valuation exercises, equity management in general, which we already offer, which are cap table and ESOPs, data room operations, which is how do you store a lot of these confidential files, which could be fairly instrumental during, let's say, internal, external audits or for different use cases. So we become a full stack tool that allows founders to focus on building their product and have us pretty much automate the compliances.

**Can you help us understand AngelList's larger ecosystem and operations in India, compared to what they're doing in the US? Why not offer AngelList Stack in India, which does a lot of what EquityList does?**

Well, I think the answer lies in the fact that India is a different market altogether. Most of the startup ecosystem itself is fairly young when you compare it to, let's say, Western markets, which means that the finer nuances, when it comes to regulations, fundraising, and in general, running a company in India, I think now they're being discovered and being talked about. Earlier, you just had a handful of entrepreneurs trying to figure out the regulations, trying to figure out how to run their shop, or even working with government bodies. Therefore, it's an evolving market with challenges that are still emerging



when it comes to something as simple as stock options and the regulations around stock options for employees to compliances around valuation exercises.

Therefore, it just made a lot of sense for us to create a separate product altogether, which caters to the Indian market, given the whole regulatory specification and customization that India needs. The only dedicated team in the country is AngelList India Venture, which pretty much looks at the venture operations. We have been around for roughly five years now. We've shipped products like syndicates, angel funds, RUVs for founders, and The Collective, which is a fund of fund structure backed by top-tier VCs to invest in promising syndicates on the platform.

Last year, we announced RUVs -- roll-up vehicles -- for India, which is a founder-led SPV. EquityList, given the specificities of building something for India, is why a separate team has been carved up.

**In the US there are companies like Caplight, Forge, CartaX, Hiive and Vested, all of which are creating liquidity in the secondary private markets. How do the liquidity options, ESOP options, and regulations differ in India and US, and how does that impact the way EquityList works?**

When it comes to the problem that we're solving for the Indian market, think of this as more of a fundamental challenge, which is how do you first get companies to create the right ESOP scheme, have your employees execute them[KG1] , have them very easily understand the value of their equity. So these are very rudimentary challenges that India, as a country, needs to overcome, and that's what's been the focus so far. When you compare this with the US, where of course, the employee stock options as an incentive have been around for quite some time, and there's a lot of maturity around it- it's very obvious for them to evolve to the next phase, which is how do you unlock liquidity?

I think in India, we are somewhat treading on that trajectory where suddenly buybacks, as a liquidity event are possible for employees, at least those working at fast-growing unicorns or soon to be unicorns. Last year was fairly a great testimony to that -- the amount of capital that was unlocked was fairly crazy from that perspective. But I must say that, realistically, most of the tools still need to solve fundamental and rudimentary

challenges, which is how do you proliferate or how do you even make the ease of issuing stock options fairly seamless for Indian founders, because in India, of course, you need to engage with lawyers and it takes a couple of thousand dollars there, then you need to get board approvals, get the right set of documents, file in ROC, etc.

At EquityList, we have already open-sourced some of that. We have worked with some of the best lawyers in the country to templatize very standard schemes and related documents so that any company, even if they're not using EquityList, can go online, enter four or five different data points about their organization, and it spits out a very standardized employee stock option plan for them to immediately start using, or even make revisions to.

AngelList India, for the past five years in India, has been building the discerning investing infrastructure already. We have one of the largest platforms accredited investors in the country. Some of these are retail accredited investors, HNIs, UHNIs, et cetera, who are already making a lot of primary or secondary investments into fresh startups, which are the deals that happen on AngelList India. For us to couple that investing infrastructure with the ESOP management tool that we've created for EquityList is fairly seamless, of which I think, in the coming few quarters, you should get to see a few glimpses.

**Apart from buybacks, are there other liquidity events which happen in India? Are there any challenges from a regulatory perspective?**

Buybacks are the most frequent ones, probably. I think the only other ones are intra-company transactions where another employee within the organization wants to buy your share at a discounted price because they have conviction in the company, and the seller probably needs liquidity. Or another example could be an incoming investor who wants to scoop up equity and buys out early investors. I must say, I haven't seen a lot of investors scooping up early equity shares to give liquidity to employees. I think company buybacks have been more prevalent in India so far.

Given the market situation in general, you can't really comment much on it. As the markets do get better over time, expecting growth stage investors to come and scoop up equity as more liquidity events get created, that is a fairly possible scenario for





India. You always see this happening very frequently in the West, and I'm not just talking about hedge funds or private equity folks. I'm talking about super angels or funds running pre-IPO syndicates and pre-IPO SPVs to scoop up secondary common shares because they want to widen their exposure into such companies which are preempting a possible public listing.

Those avenues haven't opened up in India yet, but they very well should, given how quickly the ecosystem has been evolving and the new sets of investors that are being created and drawn into this ecosystem. In fact, at EquityList, so far, some of our customers have run their buyback programs through us, which is great because it then simplifies a lot of the paperwork, the ability to subscribe to these buyback programs, etc.

**What kind of GTM motion does EquityList have? Carta had the 409A valuations, which they bundled into their sales motions, which helped them acquire newer startups. Does the AngelList ecosystem help you in GTM?**

We have an inherent distribution advantage. Every new company that's raising capital on AngelList India very easily gets exposure to what EquityList is doing. It's fairly evident how seamless it is for us to onboard a company that's already raised capital from AngelList India to immediately come into our funnel because we pretty much procure most of their investment docs and with their consent, we could very easily accelerate their product onboarding. We can get cap tables digitized and run through us in less than a day's time, which is a fairly significant change when you compare it to a typical runtime which could very easily go into weeks

So far, AngelList India's a great top of the funnel. Then we see word of mouth also being fairly interesting. The reason we have been fairly under the radar about building EquityList in India as well, is that we are working fairly deeply with some of our early customers to understand their exact workflows and motions required to run their own business at the most premium level of managing compliances and equity. We don't really have a dedicated outbound stage motion as of yet, because AngelList India, and the word-of-mouth itself is enough of a motion flow to give us a good source of leads and keep on building the right product before we start aggressively evangelizing this in the ecosystem.



**In terms of the product market fit, how has the product evolved, what kind of traction you have seen from the startups? Are these primarily early-stage startups or later-stage?**

So far, we have roughly 170 companies using us across the board for cap table management, ESOP management, and running data rooms. That pretty much accounts for over 5,000 stakeholders on the platform for whom we are managing equity. By stakeholders, these could be investors or employees themselves. The spectrum is fairly interesting because we work with pre-seed companies to pre-IPO, as I said. So it's a very vast spectrum of companies who use EquityList. The sense of urgency of adoption is fairly evident when it comes to mature companies because they really need to streamline their entire compliance and equity workflow ASAP versus, let's say, companies at the earliest of stages who have time to do it, but they probably want to build the right building blocks and foundational layers in their organization to ensure that there's a good amount of just transparency.

And in terms of the products that we are offering, as I said, the suite covers cap table and ESOPs, but one interesting adoption that we are seeing is data rooms. That is a fairly interesting use-case as well, which is how do you allow companies, especially internal finance teams and external Chartered Accountant/Company Secretary firms to have one single source of truth and repository to collate all of the documents, which are otherwise over emails, or sitting in a silo in someone's hard drive, or on Google drives with varied permission levels. So every time you're performing any operation, let's say if you're raising a new round, you could fairly easily add all of your investment documents, and your valuation reports there. If you conduct a valuation exercise through us, automatically, your valuation report will get added to EquityList. All of the grants that get generated through EquityList can get added fairly seamlessly. So discovering, and the promptness of discovering these documents, becomes a time saver.

**Given that EquityList is being offered for free to the startups, what's the biggest objection that you hear from founders?**



The objection primarily is from early-stage startups at times who, unfortunately, undermine the importance of a right foundation or undermine the importance of using a cap table tool, essentially. So here's what happens. Most of the teams that you come across, especially in the earliest of stages, I'm talking about maybe pre-seed or seed at times, feel that cap table management over Excel is fairly doable and practical. So they don't need to spend a lot of time migrating wherever their current workflow and stack is into using EquityList. When it comes to ESOPs, either some of them haven't really figured it out, or they don't have board approval for a separate ESOP pool on their cap table. Therefore, they're either procrastinating or they are still continuing discussions with their legal partners to figure out the right documentation, which can, unfortunately, get dragged out for quite some time.

It's usually the earliest of stages that may end up underestimating how complex these things can get. It's very interesting when we get a new lead -- at least, it's fairly evident that either they're about to close their next round or they must have just closed a round, and it's part of one of the compliance requirements that the incoming investor has proposed that, "Hey, you need to get your house in order." I think with a bit of market education and the seamlessness of onboarding that we have been able to build so far, we should be seeing that adoption fairly seamlessly. One of the reasons why we've kept EquityList free is to proliferate that adoption as much as possible.

When you're creating products which are category-defining in a market that requires an element of market education, reducing any sort of inertia can go a long way in accelerating product adoption. That has allowed us, so far, to understand the nuances and minutia of different features that people may require. That coupled with the fact that AngelList India itself has seen over 500 plus transactions -- we have a portfolio over 500 plus over the last five years -- some of these companies have grown out to become unicorns, and that has also allowed us to see different paperwork, the back and forth, that we could processize and streamline. Building slowly and gradually under the radar has been fairly beneficial for the right product and our customers

**We have seen this trend of some of these Indian companies incorporating in the US or Singapore using say**

**Stripe Atlas. As a founder, what are the pros and cons of incorporating in India versus in the US and how does that impact the cap table?**

This answer is fairly nuanced -- so I want to attempt to take this answer because everyone has their own different reasons. Mostly, incorporation is a fairly strategic decision. Let's say, if a company has global ambitions and predominantly relies on foreign markets as part of their initial GTM, they would truly benefit from registering outside. It makes a lot of sense because not only can they very easily set up checking accounts over there as well, but they could very easily fly out there, get the right visas for the team, and attract the right set of investors, therefore allowing easier due diligence. That itself has been one of the biggest reasons, in general.

If your market is the Indian market to start off with, it's still much simpler to deal with, let's say, a boutique law firm or a boutique Chartered Accountant/Company Secretary firm to very cheaply get incorporated in India. So price arbitrage also is favorable when you want to start a company. Regulations are nuanced, which is a hidden element to the question that you have asked. Most of the founders do, unfortunately, suffer from different regulations, a lot of filing, etc., which markets like the US have streamlined. This is where EquityList becomes fairly imperative for the Indian market because one thing that we realized is that dual entity management is not simple. We have seen this firsthand because at AngelList India Venture, a lot of our companies may have started by registering themselves in India, but they very quickly flipped because of global ambitions.

That flipping process itself is cumbersome. It's tedious. It requires a lot of approvals from existing investors, and it requires a lot of filings and documentation that can end up taking months and a lot of resources. So imagine if flipping is that complicated, how difficult can it get for a founder to juggle between two jurisdictions at the same time.

Dual entity management becomes fairly seamless with a tool like EquityList. Streamlining that flipping and that juggling is a big problem that we want to solve in the coming few quarters, and that's part of the roadmap.

**How have the Indian founders evolved when it comes to their understanding and their attitude towards ESOPs, and**



### **using equity as a motivation for employees?**

The honest answer is that most of the founders have their hearts set in the right places. No one wants to build a company with the wrong intentions of cheating their own employees or not prioritizing their interests. At least that should happen in general. Even with some of the companies that we talk to on a daily basis, we realize that employee satisfaction, building trust within an organization, and using ESOPs, SARs, and other various forms of stock options as an instrument. It's fairly imperative, and it's fairly important to the culture of those startups, but as I said, it gets deprioritized in the grand scheme of things. That is pretty much the biggest factor, which leads to miscommunication, disconnect, and employees not being able to comprehend how these stock options are supposed to work.

The first thing which has changed in this market is the amount of spotlight that ESOPs, as instruments, have gotten over a period of time. Given the amount of money that's being brought into India and the talent war that we are seeing within tech startups itself, that leads to the retention problem. With companies over the last two or three years who have practically turned unicorns in less than two-three years, which is a very fast turnaround time for such high, impressive growth, offering stocks into such a high-velocity company can be a life-changing experience for most of the employees. That acceleration of the Indian ecosystem has thrown a good amount of spotlight on ESOPs, which are being used as great retention motivators.

Unfortunately, what I'm realizing is that most of the talent recruiters, or most of the high-earning employees, especially engineers, don't value stock much because they don't understand it. We see this fairly evidently when we chat with employees all the time. If you talk to any recruiter as well, they'd say "ESOPs are not a great negotiation factor; tell me how much you're willing to give in-hand compensation, and that could help close the candidate" You could talk to a Series B founder, and I would be fairly surprised if they understand the exact nuances of managing an ESOPs scheme. For most of the legal entities themselves, you won't get a consensus in figuring out the right structure for some of these securities.

That is what we're really trying to bridge. That gap in forming the right foundation with the right tool to help you manage all of this in a fairly autopilot mode. With tools like EquityList, we are





bridging that gap fairly fast, and that's where you see very interesting use cases. People can now introduce these custom investing schemes on EquityList within a matter of a few clicks. As I said, we have open-sourced some of these basic templates that people could start issuing to their employees as grant documents, which otherwise can cost them anywhere from one lakh to two lakh with a turnaround time of roughly a month. So something that gets delayed by four weeks, you could now do in a matter of a few minutes.

I think most repeat entrepreneurs understand that times are changing, awareness is increasing in the ecosystem, and most of the smart employees are asking all these questions upfront. One thing that we built at EquityList is an employee offer portal where now you can very beautifully break down the intricacies of your offer letter that you're making to a future candidate. Everyone understands the basic breakup of an in-hand component. The problem is, if I tell you, Rohit, I want to give 0.2% of my company, you're like, "That's great, but I don't know what that means. What does that translate into?"

The ability to very beautifully relay, what do your options translate into, given your company's share price, given your exact valuations, that EquityList is already storing, visualize it in the form of a graph, allow Rohit to simulate that on the very offer portal, if the company IPOs or it goes bust, how much will this accrue in value? What is my exercise price like? What does that even mean? The ability to distill it into a single page and accept an offer, I think those are some baby steps that we have already taken to reduce that trust deficit in the ecosystem.

**What are your thoughts on the market size and attractiveness? We often hear that if equity management or cap table management in India was a large, lucrative market, Carta would have been here.**

That's a great question to ask, and it's interesting as well because I think a news broke out two weeks ago that Carta is entering India by acquiring an Indian player called ZenEquity, which means that maybe the market has grown to a state where Carta's like, "Hey, we need to tap in."

As I said, whenever you are creating a product or a business, which itself is a market creator, it's very difficult to unearth the depth of that market.



In India, the macro numbers position the startup ecosystem to be a trillion dollar economy by 2025 and with all of the employee buyback programs that have happened over the last two to three years -- it signals right growth.

In the U.S., it always made a lot of sense for such tools to thrive because it costs a lot of dollars to deal with lawyers and other valuation services versus in India, where dealing with different entities to get paperwork sorted is still slightly easier due to the cost arbitrage. That's why when we talk about "what is EquityList?", equity management is just version one. The journey to becoming the default operating system will truly allow us to go horizontal and thus go deeper into the market. That would actually allow us to go much deeper and thereby expand that addressable market side.

It's a great inflection point that the ecosystem is where a lot of its first generation entrepreneurs are backing second generation entrepreneurs and high-growth operators within the very same companies are now starting up themselves. So it's an ecosystem, which is pretty much producing founders all across, as we go deeper into the markets, and not just India. If you think about the talent which is flocking across neighboring geographies as well, taking with them the same workflows, the same models of running the company, and maybe dealing with the same set of challenges - it might not be difficult to seep into other markets and solve for them as well.

## Disclaimers

*This transcript is for information purposes only and does not constitute advice of any type or trade recommendation and should not form the basis of any investment decision. Sacra accepts no liability for the transcript or for any errors, omissions or inaccuracies in respect of it. The views of the experts expressed in the transcript are those of the experts and they are not endorsed by, nor do they represent the opinion of Sacra. Sacra reserves all copyright, intellectual property rights in the transcript. Any modification, copying, displaying, distributing, transmitting, publishing, licensing, creating derivative works from, or selling any transcript is strictly prohibited.*