NPEA
Nepal Private Equity Association

Invest for Impact Nepal

Venture Financing in Nepal – The Alternative Route

- a unique perspective on the journey of a tech business in Nepal fueled by PEVC financing

Foodmandu deserves acknowledgment for its bold and pioneering initiative back in 2010, a move that not only marked a significant shift in the landscape of online food ordering and delivery services in Nepal but also set the stage for an interesting journey. The introduction of its online platform in the Kathmandu valley was a pivotal moment, heralding a new era in the way people accessed and experienced food services.

At that time, the platform-based services market was still in its infancy, presenting Foodmandu with the challenge of creating a market where none existed. However, on the other hand, the company enjoyed the luxury of being able to grow at its own pace, unhurried by competitors. This unique positioning allowed Foodmandu to shape its trajectory organically and establish itself as a trailblazer in the evolving landscape of online food services in Nepal.

Over the past thirteen years, Foodmandu has showcased remarkable resilience, particularly during challenging periods like the 2015 earthquake and the ensuing six months of economic embargo in Nepal. It posed a significant hurdle, just five years into its operations when the company was just starting to gain momentum. The setback in cash flows compelled Foodmandu to identify means to raise capital to ensure its continued survival.

At a Glance
Foodmandu Private Limited

Industry: *Tech enabled food delivery sector*

Region/Country: *Nepal*

Funds: *True North Associates, Team Ventures, and Dolma Impact Fund*

Exit Status: *True North Associates (Partially Exited), Team Ventures (Partially Exited)*

Manohar Adhikari, Co-founder and CEO, Foodmandu

Their ability to bring in expertise along with financing was the key motivation to seek a PEVC partner.

Given the conservative nature of traditional financial institutions, the company proactively explored alternative financing options in a strategic manner, aligning with its investment needs. The company was aware of the, still nascent, Private Equity and Venture Capital (PEVC) industry and believed that PEVC firms could be attracted by its market influence, ethical business practices, and the growth vision. And that is how Foodmandu's partnership with its first PEVC partner True North Associates (TNA) started in 2016.

TNA's investment in Foodmandu was also one of its first. TNA needed to assess how its investment would pan out if they were to partner with Foodmandu's founder who had no other track records. On the other hand, TNA was aware of the potential of a "technology-enabled business", and if done effectively could help the business realize its scalable possibilities. Therefore, TNA decided to take a hands-on approach with a "skin in the game" with firm belief that Foodmandu was a "disruptive business model" that has the potential to change the industry and hopefully provide multiples in return. Following its successful partnership with Foodmandu in 2016, TNA pitched to Team Ventures (TV) about the company's growth opportunities as a tech platform and about its requirements for additional capital for market augmentation. Recognizing Foodmandu's local brand visibility and compelling entrepreneurial narrative, Team Ventures acquired a 20% stake in Foodmandu in 2020. This investment involved purchasing a combination of new equity shares and a partial buy-out of TNA's holdings. Team Ventures credits TNA for taking on the pioneering role to derisk the company through its Series A investment and for providing the Series B investment opportunity. Team Ventures has also made a partial exit from Foodmandu, by sale of shares to Himalayan Capital Ltd - a full owned subsidiary of Himalayan Bank Ltd.

Foodmandu received over USD 4 million investment from three PEVC funds

Following Team Ventures' investment in Foodmandu, the company having gained further credibility, and was successful in attracting the attention of Dolma Impact Fund II (DIF II) in early 2022. Like TNA and Team Ventures, DIF II found Foodmandu's 'disruptive business model' appealing and aligned with the evolving lifestyle in Kathmandu and urban centers in Nepal. The industry was shifting, and this technological platform had the catalytic ingredients to expedite it. Building on the success of its partnerships, Foodmandu attracted the attention of DIF II in early 2022. DIF II's investment of USD 3.6 million further strengthened Foodmandu's core business, customer service excellence and solidified its position in the rapidly evolving industry, taking it to the next level.

With the injection of additional capital, Foodmandu has expanded their services to Pokhara, resulting in the increased number of employees to 365 (including 250 dedicated riders) and an expanded customer base of

263,000. Currently, the food delivery industry's gross revenue stands at USD 206 million shared mostly by the two larger players, one being Foodmandu. Projections indicate that the industry's revenue is expected to reach USD 263.90 million in 2024.

In retrospect, Foodmandu's journey is a testament to entrepreneurial vision and resilience. From its bold inception in 2010, introducing online food services to a market yet to embrace such platforms, to overcoming unforeseen challenges like the 2015 earthquake and economic embargo, Foodmandu has not only survived but thrived.

The strategic shift towards alternative financing and the partnerships with Private Equity and Venture Capital (PEVC) firms like True North Associates (TNA), Team Ventures, and the Dolma Impact Fund (DIF II) was indeed truly strategic. And as Foodmandu reflects on its remarkable growth, from navigating uncharted territories to becoming a major player in a multi-million-dollar industry, it serves as an inspiring case study for aspiring entrepreneurs and underscores the transformative power of strategic venture financing in Nepal's burgeoning alternative financing ecosystem. The narrative of Foodmandu's journey not only celebrates its success but also illustrates the symbiotic relationship between innovative businesses and the supportive role of PEVC firms in driving entrepreneurial growth in Nepal.

IIN is a collaborative platform established by **British International Investment** (BII), the **Dutch Entrepreneurial Development Bank** (FMO), and the **Swiss Agency for Development Cooperation** (SDC) to complement existing efforts to attract DFI investment to support private sector growth.

The IIN initiative **commenced in February 2021** to research and understand the investment market and ecosystem constraints. **Since August 2022**, it translated these findings into implementation. This phase of the programme will run **until July 2025.**

British International Investment

FMO Entrepreneurial Development Bank

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