REALSME
PHILOSOPHY

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The REALSME Investment Philosophy

Capital As Partnership, Not Destination

Version 1.0

realsme.org · The Why Layer of the REALSME ecosystem

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About this document

This is the third of seven documents in the REALSME Philosophy Library. It sets out how REALSME thinks about capital: investment as risk-sharing rather than ownership acquisition, the buyback path to founder independence, patient capital, how businesses are valued, and the kinds of businesses REALSME prefers and avoids.

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INTRODUCTION

Introduction

REALSME believes that capital is one of the most misunderstood elements in business.

Many entrepreneurs see capital as a solution.

Many investors see businesses as investment vehicles.

REALSME views capital differently.

We believe capital is a partnership that helps businesses become stronger, more resilient and more independent.

The purpose of investment is not to create dependency.

The purpose of investment is to create capability.

A successful investment is one where both the entrepreneur and the investor prosper, and where the business becomes stronger because of the partnership.

CHAPTER 1

What Is Capital?

Capital is not merely money.

Capital represents:

Trust	Opportunity	Responsibility	Risk

Every rupee invested into a business represents somebody's effort, sacrifice and belief in the future.

Capital should therefore be deployed responsibly.

> The objective of capital is to create sustainable value, not temporary growth.

CHAPTER 2

The REALSME View Of Investment

REALSME does not view investment as ownership acquisition. REALSME views investment as risk sharing.

The entrepreneur contributes

- Vision
- Effort
- Industry knowledge
- Customer relationships
- Execution capability
- Understanding of the business and its realities

The investor contributes

- Capital
- Communication and reporting support for principal investors
- Governance structures where required
- Access to networks of investors, entrepreneurs and professionals
- Strategic guidance when requested
- Independent perspective on risks and opportunities

The entrepreneur remains responsible for building and operating the business. The investor remains responsible for supporting the entrepreneur responsibly.

Within the REALSME Philosophy, the promoter is not expected to surrender control of the business simply because capital has been introduced.

The promoter understands the business, customers and ground realities better than any external investor.

> The role of the investor is therefore not to replace the entrepreneur, but to strengthen the entrepreneur's ability to succeed.

Both parties share the risks and rewards associated with growth.

The purpose of investment is to strengthen the business and increase its ability to operate independently.

CHAPTER 3

Capital As Partnership, Not Destination

Traditional investment models often assume continuous fundraising. Entrepreneurs are encouraged to:

Raise Capital

↓

Scale

↓

Raise More Capital

↓

Scale Again

↓

Exit

The conventional cycle: growth funded by successive rounds, ending in an exit.

REALSME follows a different philosophy.

Investment should be viewed as a temporary partnership designed to help the business reach its next stage of maturity.

The objective is:

- Reduce risk
- Improve systems
- Strengthen cashflow
- Improve governance
- Create sustainable growth

> The goal is not endless fundraising.
> The goal is sustainable independence.

CHAPTER 4

The REALSME Buyback Philosophy

REALSME believes entrepreneurs should have a path to regain ownership.

Where practical, investments should include a mutually agreed mechanism that allows:

- Fair investor returns
- Predictable entrepreneur obligations
- Preservation of founder independence
- Long-term continuity of the business

Growth created beyond the agreed investor return should primarily benefit the entrepreneur who continues to build the business.

> REALSME does not seek perpetual ownership.
>
> **REALSME seeks successful businesses.**

The ideal outcome is:

Investment

↓

Growth

↓

Business Strengthening

↓

Investor Exit

↓

Entrepreneur Independence

The REALSME cycle: capital enters, strengthens the business, and exits — leaving the entrepreneur independent.

CHAPTER 5

Patient Capital

REALSME believes businesses grow at different speeds.

Not every business needs hypergrowth.

Not every business needs venture capital.

Not every business should be pushed towards aggressive expansion.

Patient capital means:

- Investing only what is required.
- Allowing businesses time to mature.
- Respecting the entrepreneur's pace of growth.
- Supporting long-term sustainability.
- Avoiding unnecessary pressure for exits.

The objective is healthy growth rather than accelerated growth.

CHAPTER 6

Business Valuation

REALSME places greater importance on current business performance than future projections.

Valuation should reflect:

- Existing revenue
- Existing profitability
- Existing systems
- Existing customer relationships
- Existing management capability

REALSME generally classifies businesses into three levels.

LEVEL 1

Founder Dependent

The founder remains central to operations.

Business continuity depends heavily on the founder.

INDICATIVE VALUATION RANGE

1.5x – 2.0x

Owner Earnings

LEVEL 2

Managed Business

Processes and teams are established.

Operations can function with reduced founder involvement.

INDICATIVE VALUATION RANGE

2.0x – 2.5x

Owner Earnings

LEVEL 3

Systemised Business

Strong systems, governance and management structures exist.

The business operates independently of the founder.

INDICATIVE VALUATION RANGE

2.5x – 3.0x

Owner Earnings

Indicative ranges only. Each business is assessed on its own performance, systems and management capability.

CHAPTER 7

Businesses We Prefer

REALSME prefers businesses that:

- Solve real problems
- Create employment
- Have long-term relevance
- Demonstrate ethical practices
- Respect environmental sustainability
- Serve communities
- Are willing to operate transparently

Particular interest exists in:

Family-owned businesses	Founder-led businesses	Service businesses
Infrastructure businesses	Community-focused enterprises	

CHAPTER 8

Businesses We Avoid

REALSME generally avoids businesses that:

- Depend on speculation
- Cause environmental harm
- Prioritise valuation over fundamentals
- Lack transparency
- Depend entirely on continuous fundraising
- Create growth without governance

The objective is not to invest in every opportunity.

The objective is to invest in businesses that align with the REALSME Philosophy.

CHAPTER 9

The Role Of The Investor

Within the REALSME Philosophy, investors are not controllers. They are partners.

They provide:

Capital	Perspective	Accountability	Experience

The entrepreneur remains responsible for building the business.

The investor remains responsible for supporting the entrepreneur responsibly.

A successful investor creates stronger entrepreneurs.
A successful entrepreneur creates stronger businesses.

CHAPTER 10

The Ultimate Objective

The purpose of investment is not merely financial return. The purpose of investment is to create stronger businesses.

Stronger businesses create:

- Better employment
- Better communities
- Better opportunities
- Better lives

REALSME therefore views investment as one part of a larger mission: to build businesses that are resilient, responsible and sustainable.

Capital	is the tool.
Business	is the vehicle.
People	are the purpose.

That is the REALSME Investment Philosophy.

REALSME Philosophy

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REALSME.ORG	The Why Layer
REALSME.IN	The Thinking Layer
REALSMEVENTURES.COM	The Doing Layer
ISHTACAPITAL.IN	The Capital Layer
ISHTATRUST.ORG	The Community Layer

Better businesses create better lives.