

4TH RGNUL NATIONAL NEGOTIATION COMPETITION, 2025

7th-9th February, 2025

GENERAL INFORMATION

Final Round

Innovators v. Investors:
The Novosat Power Play

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BRIEF ON THE PARTIES

Novosat Projects Pvt. Ltd.

Novosat Projects Pvt. Ltd. (hereinafter “**Novosat**”), is a young and innovative project management start-up, specialising in data-driven services that optimise construction timelines. Founded to revolutionize project management in the construction industry, the company leverages advanced analytics, AI, and machine learning to provide real-time insights that enhance project efficiency, reduce delays, and minimize costs. Novosat offers a cutting-edge SaaS (Software as a Service) platform to optimize construction project timelines using AI-driven data projections. The platform also assesses risks, provides trend analysis, and improves cost estimation for construction companies.

TreasureX Pvt. Ltd.

TreasureX Pvt. Ltd. (hereinafter “**TreasureX**”) is a well-established venture capital firm renowned for its strategic investments and strong market presence across various industries. Founded by a team of seasoned financial experts and entrepreneurs, TreasureX specializes in identifying and nurturing high-growth startups with disruptive potential. Over the years, TreasureX has built a reputation for its hands-on investment approach, collaborating closely with its portfolio companies to ensure their long-term success. It is also recognized for its milestone-based funding model, ensuring that companies meet performance benchmarks before additional capital is infused, fostering discipline and accountability. In July 2024, TreasureX acquired a 25% equity stake in Novosat for \$ 5 million and agreed to provide funding through milestone-based tranches based on its software services. First tranche of \$2.5 million was released immediately and subsequent tranches were to be released upon achieving agreed upon growth targets.

BACKGROUND OF FACTS

Novosat prioritises long-term growth and customer satisfaction, seeking to build a platform based on subscriptions to its software that aligns with its sustainable business model. However, TreasureX is more focused on rapid scaling, short-term profitability, and expanding market presence. In August 2024, the venture capital firm proposed a strategy involving the sale of Novosat’s proprietary data to insurance companies, allowing insurers to create customized

insurance plans for construction firms based on the data's insights. TreasureX believes that this strategy could deliver immediate profitability and market dominance over and above the software service. However, Novosat is concerned about the associated risks, such as potential data breaches in the form of exposure to sensitive financial information and intellectual property. This could cause major harm to its client relationships which form the basis of the software services. Consequently, Novosat rejected TreasureX's data-selling strategy, preferring to protect its clients' data and maintain its vision of sustainable growth.

This rejection hampered TreasureX's vision for Novosat's future growth, further causing a delay in the next tranche, which, as per the investment agreement amounted to \$1.5 million and was scheduled to be released in the first week of September. The reasons cited for the delay were the board's dissatisfaction with Novosat due to increased operational costs and reduced sales, despite Novosat reaching the required milestone. This created financial distress for Novosat. Novosat's founder, Ms. Xander, however, contends that the funding delay will cause future milestones to be missed, constituting a breach of the investment agreement by TreasureX. As expected, Novosat failed to meet the next milestone in October 2024. The final tranche of \$1 million was therefore also withheld.

This conflict was further deepened when, after failing to meet the milestone, TreasureX insisted on additional equity in exchange for releasing the overdue funds. In the alternative, TreasureX was ready to release the overdue funds without additional equity if Novosat adopted the data-selling strategy within the next three months. Additionally, Ms. Xander believes that the proposed strategy of selling data contradicts Novosat's long-term goals and poses significant risks, and therefore, should not be pursued.

THE DISPUTE AND THE CALL FOR NEGOTIATION

The main point of contention between Novosat and TreasureX is equity dilution; TreasureX is keen to increase its stake in the company by taking advantage of Novosat's financial difficulties and missed milestones. However, Novosat responds that TreasureX's funding delays are the reason for the failure to meet the milestones, arguing that TreasureX's actions violated the terms of the initial investment agreement. The conflict stems from the opposing interests and stances of the two companies concerning data sales.

TreasureX is intent on maximizing short-term returns by increasing its equity and leveraging data sales to insurance companies, while Novosat is focused on retaining control and pursuing its long-term vision through its software services. These disagreements have given rise to several important

issues, such as whether TreasureX can raise its equity due to a milestone that was not reached, whether the funding delay equates to a breach of contract, and the more significant creative differences between TreasureX's desire for rapid market dominance and Novosat's commitment to long-term growth without putting at risk its customers' personal information by selling it to insurance companies. Additionally, TreasureX's role as an investor and its fiduciary responsibilities to Novosat and its stakeholders are under scrutiny due to these conflicting strategies for the company's future.

With rising tensions and financial strain due to prolonged delay in funding, NovoSat initiated negotiations with TreasureX to resolve their differences and come to an agreement. TreasureX, motivated by its goals of profitability and market expansion, agreed to enter discussions to reach a resolution that fit its investment strategy. Both sides acknowledged that resolving the dispute was essential to ensuring the company's stability and fostering future growth.