



# Sriram Somayajula CA, CFA, ISB

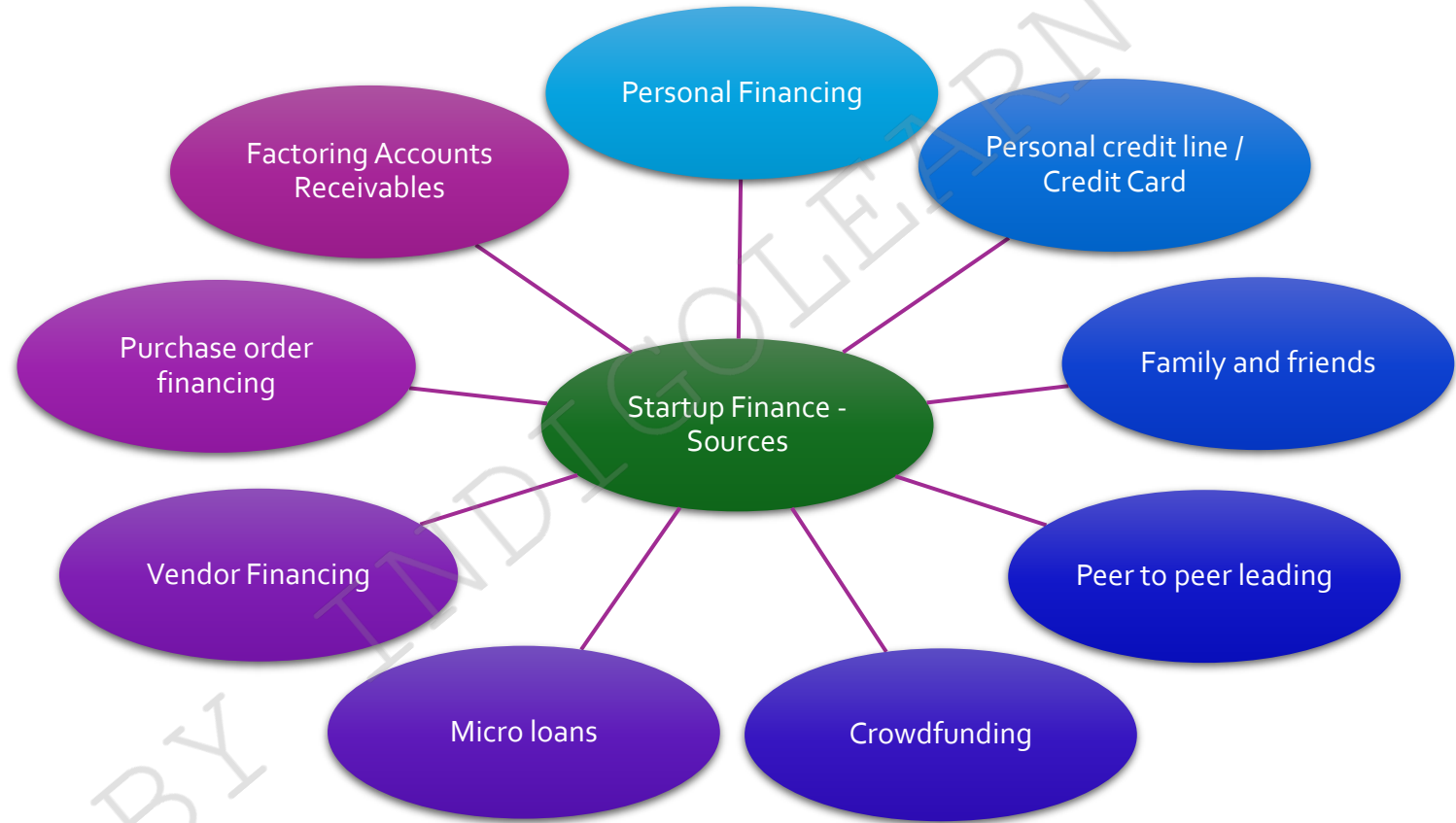
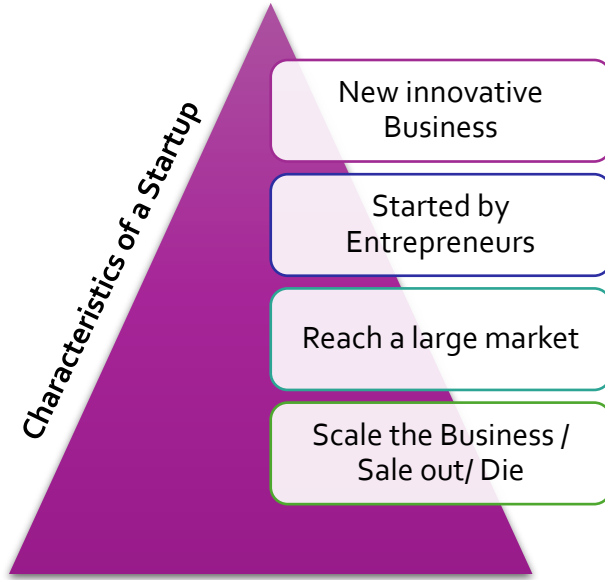
- Co-Founder & CEO, IndigoLearn
- Faculty | CA Final, AFM & CFA
- Taught ~4,000 Students of CA & CFA
- Deeply Passionate about Financial Markets & Economics



CFA



Startup financing means some initial infusion of money needed to turn an idea (by starting a business) into reality

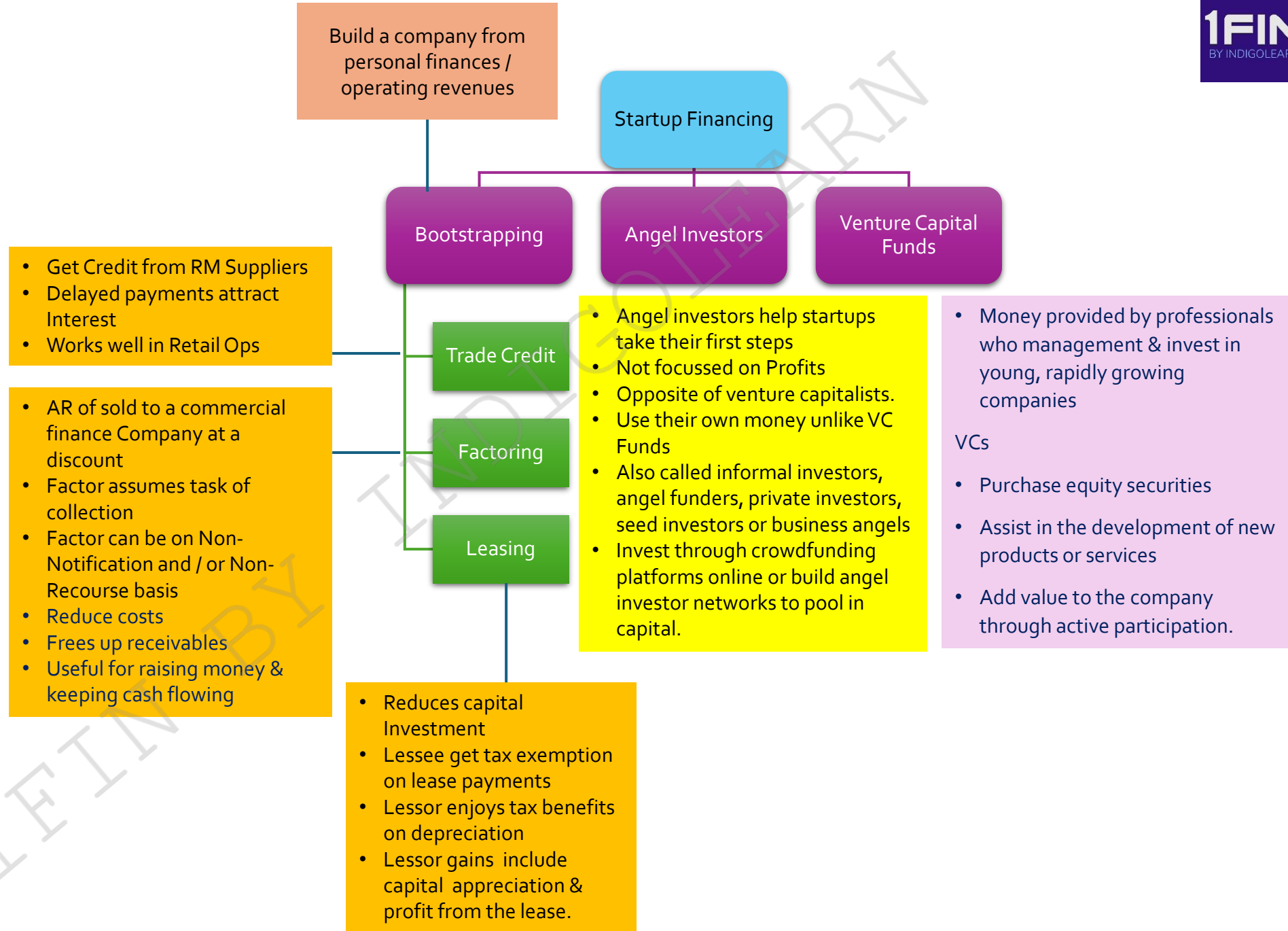


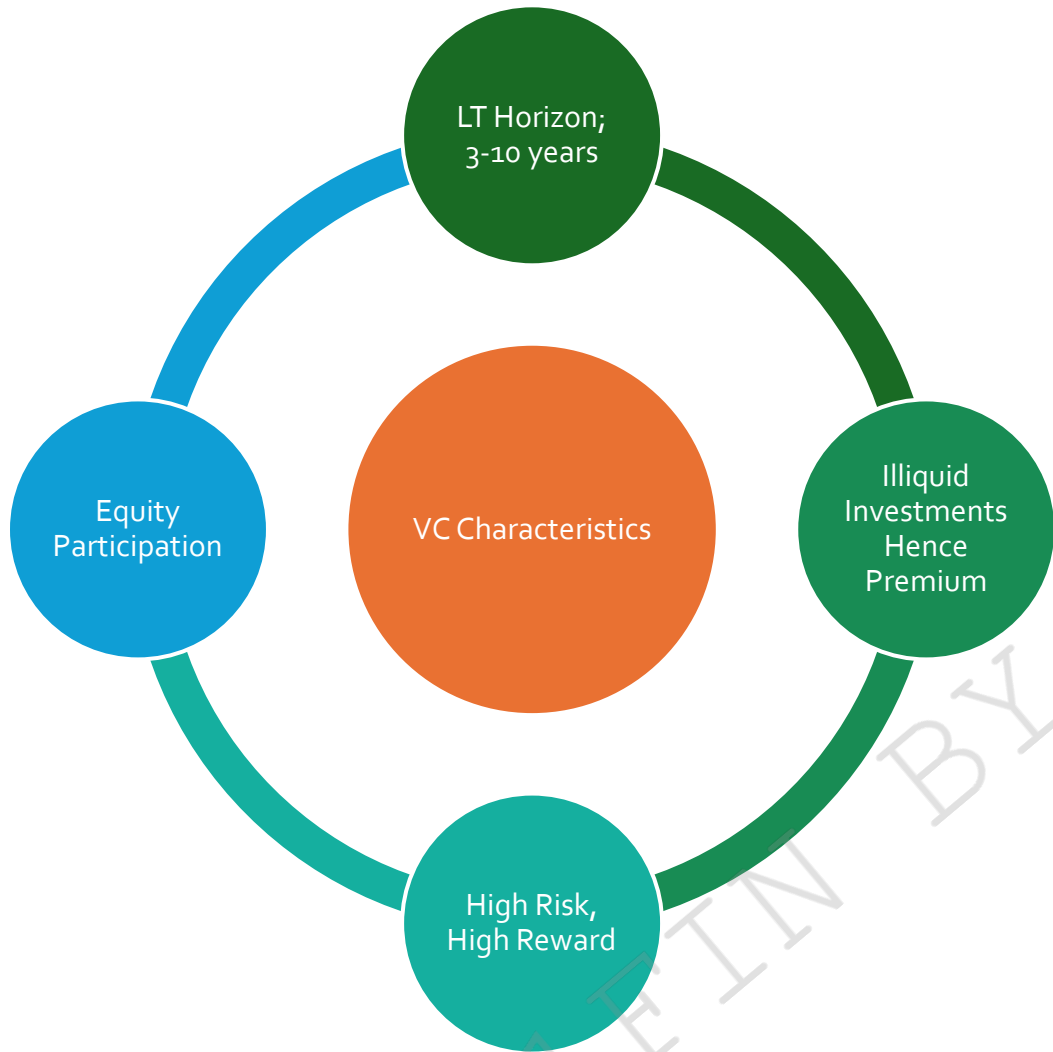
**Components of a Pitch presentation**





- A Unicorn is a mythical animal
- W.r.t Startups the term was coined by VC Aileen Lee in 2013
- A Unicorn is a privately held start-up Valued @ US\$ 1 billion or more
- The Term represents the statistical rarity of successful ventures
- Emphasis is on the rarity of success of such start-up.
- Other features of a Unicorn are focus on new ideas, disruptive innovation, consumer focus, high on technology etc.
- A Startup with Valuation > US\$ 10 Billion is known as a Decacorn
- InMobi is India's first unicorn and as on date India has more than 100 Unicorns

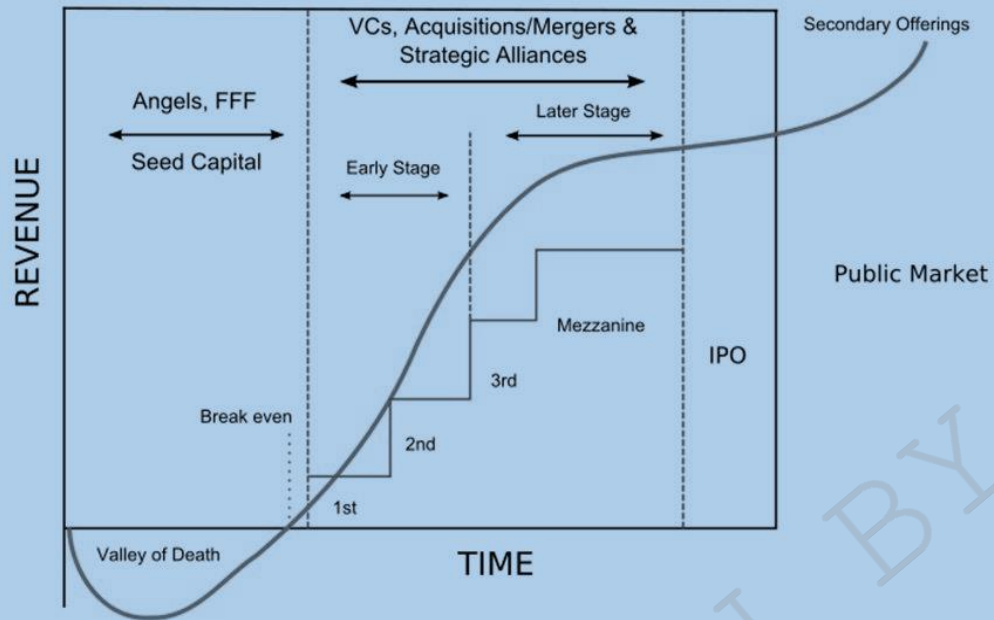




### Advantages of VC Financing

- Inject long- term equity finance – a solid capital base for future growth.
- VCs ate business Partners sharing both the risks and rewards
- Provide practical advice and assistance to the company based on past experience
- Has a network of contacts in many areas
- Capable of providing additional rounds of funding to finance growth.
- Experienced in prep for Domestic / Overseas IPO
- Can facilitate a trade sale.

# Startup funding cycle



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Financial Stage	Lock in Period	Risk Perception	Activity to be financed
Seed Money	7-10	Extreme	For supporting a concept or idea or R&D for product development and involves low level of financing.
Start Up	5-9	Very High	Initializing prototypes operations or developing products and its marketing.
First Stage	3-7	High	Started commercials production and marketing.
Second Stage	3-5	Sufficiently high	Expanding market and growing working capital need though not earning profit.
Third Stage	1-3	Medium	Market expansion, acquisition & product development for profit making company. Also called Mezzanine Financing.
Fourth Stage	1-3	Low	Facilitating public issue i.e., going public. Also called Bridge Financing.

## VC investment process

### Deal Origination

- VCs operate directly or through intermediaries.
- They focus on Sector / Stages of business / Promoter / Turn over
- Startups provide business plan consisting of business model, financial and exit plans in an IM

### Screening

- Generally carried out by a committee consisting of senior level people of the VC.

### Term Sheet

- Contains the terms of investment such as funding, governance, operations, liquidation, Etc,

### Due Diligence

- Handled by external bodies where, VC would try to verify the veracity of the documents taken.
- Fees of due diligence are generally paid by the VC but may also be shared between VC and Investee.

### Deal Structuring

- A convertible structure is preferred
- Promoters retain the right to buy back the share.
- (Tag Along Clause - A promoter has also to sell part of its stake along with the VC

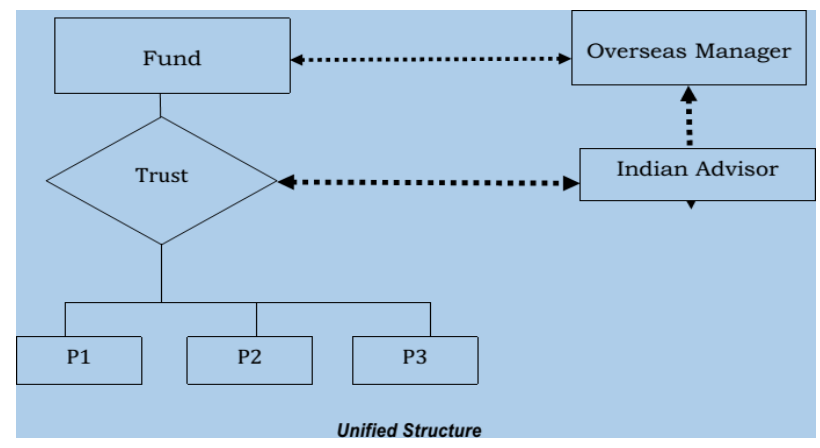
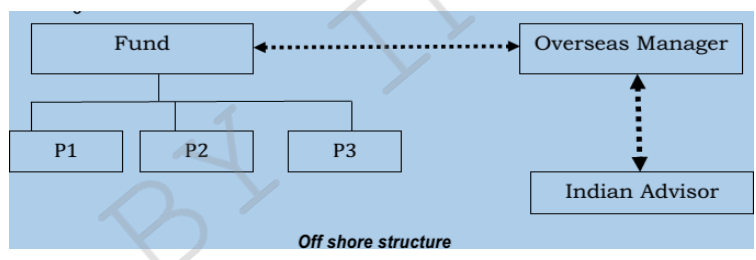
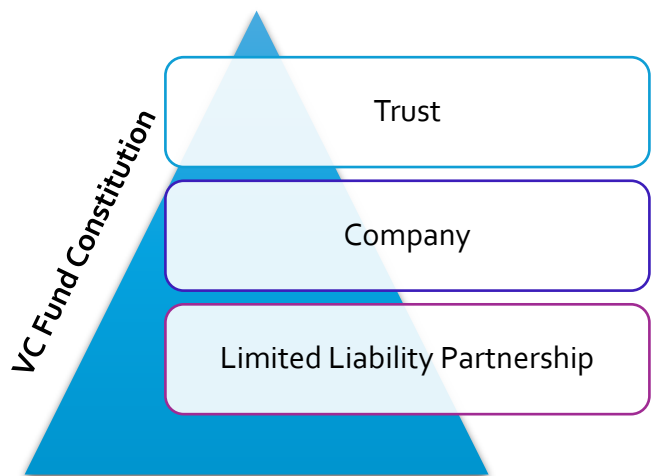
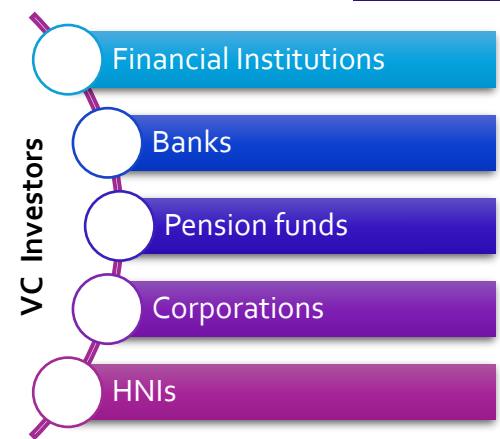
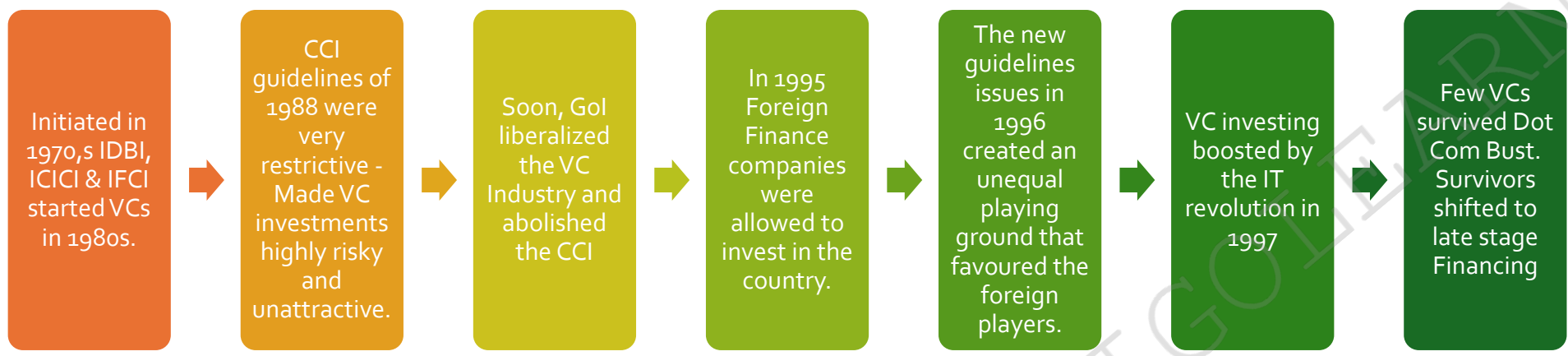
### Post Investment

- VC Part of BoD
- Corporate Governance fairly Important
- Periodically update VC on mile-stones & reasons for meeting / Not meeting them.
- Bring in Professional Management

### Exit

- Failure or death of Startup
- Selling to third party/ Merger
- IPO
- Secondary Exit

# Historical perspective of Indian VC Funds



**Domestic Funds:**

- Raised domestically
- Structured as Trust / Company ( Vehicle) for the pooling Investor funds
- Separate investment adviser that carries duties of asset manager.

**Offshore Funds ( Offshore Structure):**

- Investments are made directly into Indian portfolio companies
- Assets managed by an offshore manager, while the investment advisor in India carries out the due diligence and identifies deals.

**Offshore Funds ( Unified Structure):**

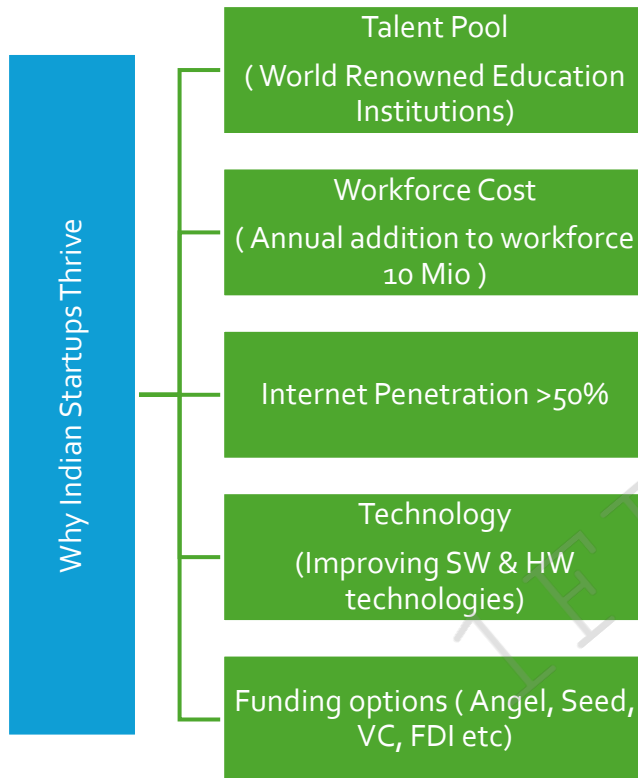
- Used when domestic & Foreign investors participate
- Overseas investors pool assets in an offshore vehicle that invests in a locally managed trust
- Domestic investors directly contribute to the trust.
- Trust makes local portfolio investments

## Startup India Initiative

- Initiated by the Government of India on 16th of January 2016
- GSR Notification 127 (E) dated 19th February 2019 defines a Startup
- An entity registered as a Pvt Company / Partnership Firm / LLP
- Considered as a Startup for a period of 10 years from Date of Reg
- Turnover in any FY < ₹100 Cr
- Working towards Innovation, development or improvement of products or processes or services, or
- Has a scalable business model with a high potential of employment generation or wealth creation.
- Entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

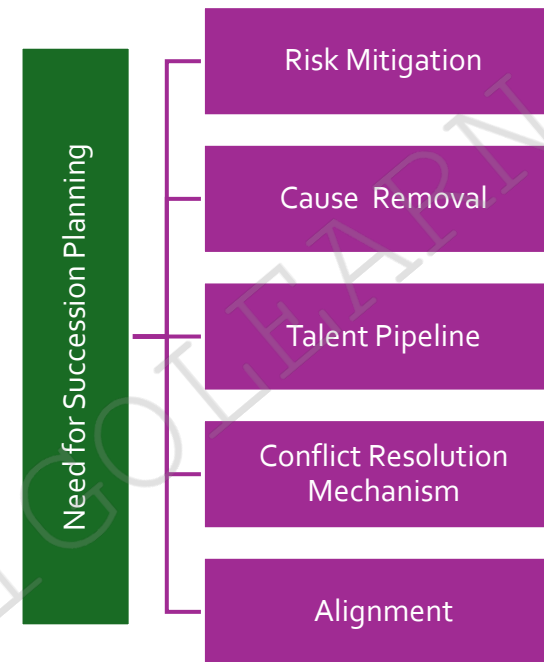
## How Start up India Initiative help the growth of Startups

- Launch of Startup India and StandUp India programs in year 2016.
- Creating awareness in public about start- ups & boosted entrepreneurial mindset.
- Gol set up a SIDBI-run Electronic Development Fund (EDF),
- Gol became an LP in a fund for the first time ever
- Additional Push from
  - Mudra Scheme
  - 100% tax benefits u/s 80-IAC
  - Angel taxation exemption
- DPIIT created ₹ 945 Cr Startup India Seed Fund Scheme in Jan'21 to
  - Provide financial assistance to start-ups for Proof of Concept, prototype development, product trials, market entry, and commercialization.
  - Expected to support
    - 3,600 entrepreneurs
    - through 300 incubators
    - in the 4 years.
- A DPIIT recognized start-up incorporated in last 2 years with a business idea can apply for Start up India Seed Funding Scheme (SISFS).
- Start-up seed funding under SISFS - INR 50 Lakh
- Priority sectors for SISFS
  - Social impact
  - Waste/Water management
  - Textiles
  - Financial inclusion
  - Education
  - Agriculture & food processing
  - Biotechnology & healthcare
  - Oil & Gas, Energy, mobility & Railways
  - Defense & space

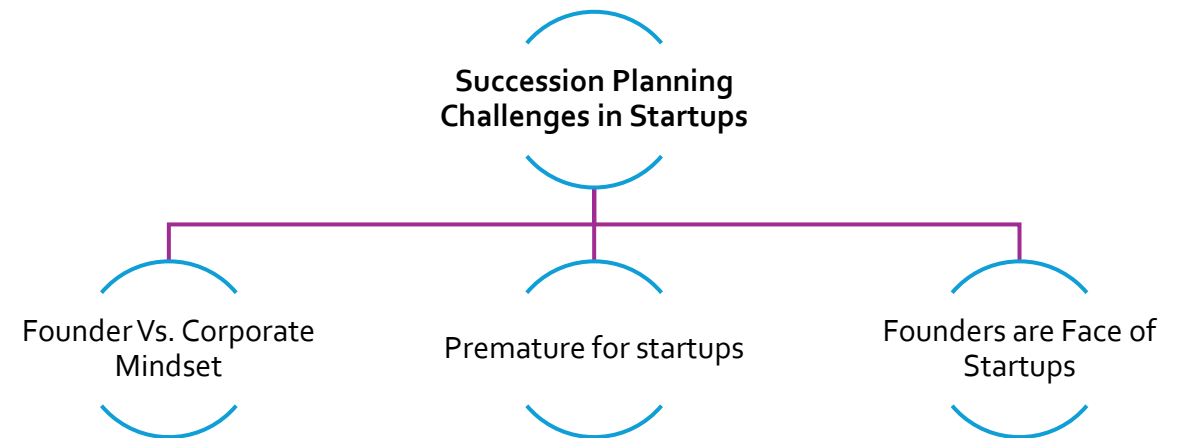
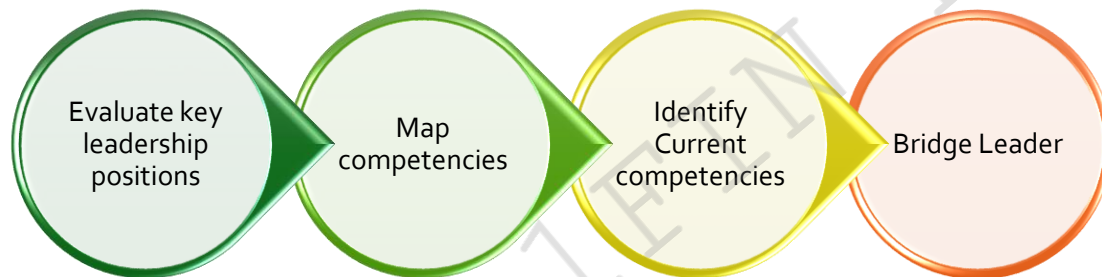


**Succession planning** is the process of identifying the critical positions within an organization and developing action plans for individuals to assume those positions.

- Identifies future need of people with the skills and potential to perform leadership roles.
- Important priority for family-owned businesses, managed by a non-family leader, ownership with the family.
- Ensures that the right people are available for the right jobs today and tomorrow.
- Also provide a liquidity event, which enables the transfer of ownership in a going concern to rising employees.
- Good way to promote and advance all employees

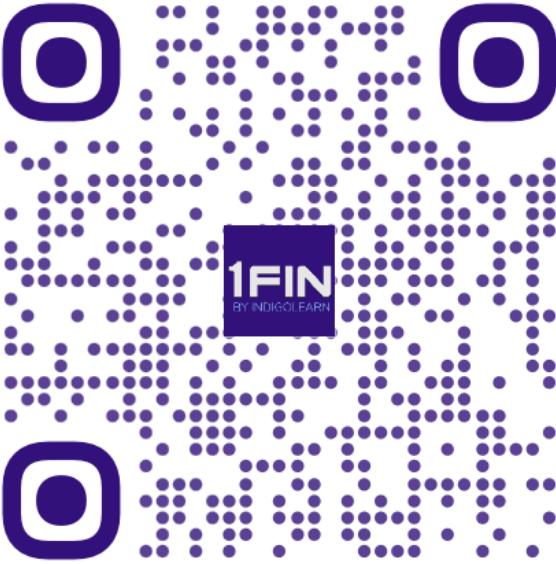


### Business succession strategy





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# Thank You



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