

STARTUP FINANCE

Innovative Ways to Finance a Startup	Pitch Presentation	Startup India Initiative	Succession Planning in Business	Stages of Funding for VC																												
<ul style="list-style-type: none"> • Personal Financing • Personal Credit Lines • Peer to Peer Lending • PO Financing • Family & Friends • Factoring Accounts Receivables • Micro (Small) Loans • Crowd Funding • Vendor Financing 	<p>➤ Meaning: Brief presentation using PowerPoint to provide a quick overview of the business plan</p> <p>➤ Points while preparing pitch presentation</p> <ul style="list-style-type: none"> - Introduction - Team - Problem - Solution - Marketing/Sales - Projections/Milestones - Income statement CFS, BS) - Competition - Business Model - Financing 	<p>➤ Entity shall be considered a startup if:</p> <ul style="list-style-type: none"> • Up to a period of 10 years from the date of incorporation/ regn., incorporated as a Pvt Ltd Co. or regd. as Partnership Firm or a LLP in India • Turnover of entity for any of the FYs since incorporation/ regn. has not exceeded 100 crore rupees. • Working toward innovation, new product, development, processes or services • Entity should not have been formed by splitting up / reconstructing a business already in existence. <p>➤ Reasons why India became a sustainable environment for start-ups to thrive in:</p> <ul style="list-style-type: none"> - Pool of Talent - Cost effective workforce - Increasing use of Internet - Technology - Variety of Funding Options Available 	<p>Meaning: Succession planning is the process of identifying the critical positions within an organization and developing action plans for individuals to assume those positions.</p> <p>Challenges:</p> <ul style="list-style-type: none"> • Founder mindset different from corporate mindset • Premature for startups to implement business succession • Founders are the face of startups. <p>A need for succession planning?</p> <ul style="list-style-type: none"> - Aligning - Risk Mitigation - Cause Removal - Talent Pipeline - Conflict Resolution Mechanism <div style="text-align: center; border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">ARCTC</div> <p>Business Succession Strategy:</p> <ol style="list-style-type: none"> 1. Evaluate key leadership positions 2. Map competencies required for above positions 3. Identify competencies of current workforce 4. Bridge Leader 	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #4a69bd; color: white;"> <th>Financial Stage</th> <th>Period</th> <th>Risk Perception</th> <th>Activity to be financed</th> </tr> </thead> <tbody> <tr> <td>Seed Money</td> <td>7-10</td> <td>Extreme</td> <td>Support concept or idea or R&D</td> </tr> <tr> <td>Start Up</td> <td>5-9</td> <td>Very High</td> <td>Prototypes operations</td> </tr> <tr> <td>First Stage</td> <td>3-7</td> <td>High</td> <td>Commercial prodn. & marketing.</td> </tr> <tr> <td>Second Stage</td> <td>3-5</td> <td>Sufficiently high</td> <td>Growing working capital</td> </tr> <tr> <td>Third Stage</td> <td>1-3</td> <td>Medium</td> <td>Market expansion</td> </tr> <tr> <td>Fourth Stage</td> <td>1-3</td> <td>Low</td> <td>Public issue</td> </tr> </tbody> </table> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Offshore Structure</p> </div> <div style="text-align: center;"> <p>Unified Structure</p> </div> </div>	Financial Stage	Period	Risk Perception	Activity to be financed	Seed Money	7-10	Extreme	Support concept or idea or R&D	Start Up	5-9	Very High	Prototypes operations	First Stage	3-7	High	Commercial prodn. & marketing.	Second Stage	3-5	Sufficiently high	Growing working capital	Third Stage	1-3	Medium	Market expansion	Fourth Stage	1-3	Low	Public issue
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<p>➤ Unicorn status: Valuation of any start-up slips below US\$ 1 billion it can lose its status of 'Unicorn'. Next milestone - Decacorn, company which has attained a valuation of more than US\$ 10 billion.</p> <p>➤ Unicorn Features: A start-up is referred Unicorn if:</p> <ul style="list-style-type: none"> • A privately held start-up • Valuation of start-up reaches US\$ 1 Billion • Rarity of success • New ideas, high on technology innovation, consumer focus. 																																

MODES OF FINANCING

BOOTSTRAPPING	ANGEL INVESTORS	VENTURE CAPITALIST		
<p>From personal finances / operating revenue of new co.</p> <p>Methods in which a startup firm can bootstrap:</p> <ul style="list-style-type: none"> ➤ Trade Credit: ➤ Factoring ➤ Leasing 	<ul style="list-style-type: none"> • Invest in small startups / entrepreneurs. Among the family & friends. • Helping startups take their first steps, • Provide one-time investment to help business propel or ongoing injection of money. • Provide more favourable terms compared to other lenders, since they invest in the entrepreneur starting business than viability. • Known as Seed/ Private Investor 	<p>Meaning: Investment vehicle that manage funds of investors seeking to invest in startup firms with exceptional growth potential. Invest in young, rapidly growing company.</p> <div style="text-align: center; border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">HELL</div> <p>Characteristics:</p> <ul style="list-style-type: none"> • High Risk • Equity Participation • Lack of Liquidity • Long Time Horizon 	<p>Structure of Venture Capital Fund in India:</p> <ol style="list-style-type: none"> 1. Domestic Funds – One which raises funds domestically 2. Offshore Funds – <ul style="list-style-type: none"> (a) Offshore Structure – Investments directly into Indian portfolio companies. (b) Unified Structure - When domestic investors are expected to participate in the fund <div style="text-align: center; border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">AAP Finance</div> <p>Venture Capitalists generally:</p> <ul style="list-style-type: none"> • Assist in development of new products or services. • Add value - co. through active participation. • Purchase equity securities • Finance new & rapidly growing companies 	<p>Advantages:</p> <ul style="list-style-type: none"> • Practical advice & assistance to co. based on past experience • Additional rounds of funding • Injects long - term equity finance • Initial Public Offering (IPO) • Network of contacts that can add value • Trade sale • Sharing both the risks & rewards <div style="text-align: center; border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">PAINTS</div> <p>VC Investment Process:</p> <ul style="list-style-type: none"> Deal Origination - Screening Due Diligence - Deal Structuring Post Investment Activity Exit Plan