



FUND RAISING BY STARTUP



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WHAT IS FUNDING?


Funding refers to the financial investment of a company to raise money required to start and run a business.



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STARTUPS NEED FUNDING FOR

- Prototype creation
 - Product development
 - Team hiring
 - Working capital
 - Legal and consulting services
 - Sales and marketing
 - Office space and admin expenses, etc.
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TYPES OF FUNDING

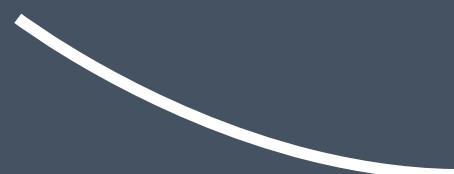
- EQUITY FUNDING
 - DEBT FUNDING
 - GOVERNMENT GRANTS
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EQUITY FUNDING



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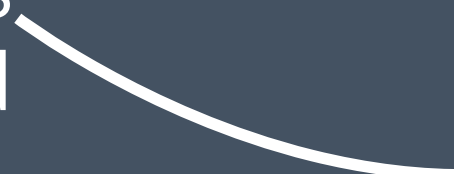
- Startups give up a portion of their ownership to shareholders in return for capital.
 - Equity Investors prefer to involve in the decision-making process.
 - No guarantee.
 - Sources come from Angel Investors, Self-financing families, Friends, Venture Capitalists, and Crowd Funding.
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DEBT FUNDING



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- Borrowing money and paying it back with interest within a stipulated time frame.
 - Startups need to provide a business asset as collateral.
 - Less involvement in decision-making.
 - Lender has no control over business operations.
 - Sources are Banks, Non-Banking Financial Institutions, and Government Loan Schemes.
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GOVERNMENT GRANTS



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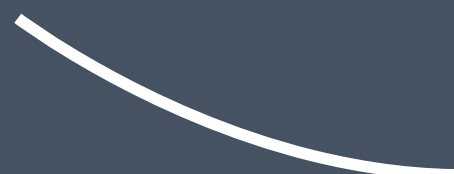
- A grant is a financial award given by an entity to a company facilitating a goal or improving performance.
 - No component of repayment of the invested funds.
 - Startups pose a huge risk of not receiving a portion of the grant due to several reasons.
 - No direct involvement in decision-making.
 - Sources are Central Government, State Governments, Corporate Challenges, and Grant Programs of Private Entities.
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INVESTORS LOOK FOR:



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- Objectives and Problem solving
 - Management and team
 - Scalability and sustainability
 - Customers and suppliers
 - Competitive analysis
 - Sales and marketing
 - Financial assessment
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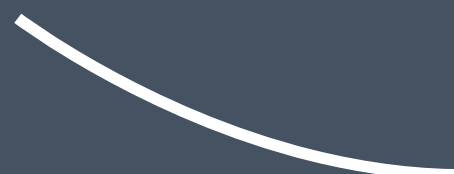
STEPS IN STARTUP FUNDING

- Assessing the need for funding
- Assessing investment readiness
- Preparation of Pitchdeck*
- Investor targeting
- Due diligence by interested investors
- Term sheet**



*A pitchdeck is a detailed presentation about the important aspects of the startup.

Creating an investor pitch is all about telling a good story connecting each element with the other. *



****A term sheet is a “Non-binding” list of propositions by a venture capital firm at the early stages of a deal that summarizes major points of engagement in the deal between the investing firm and the startup.**

A term sheet for a venture capital transaction in India typically consists of four structural provisions: valuation, Investment structure, Management structure and changes to share capital.**