

Summary Valuation

Any funding decision within a startup journey is always tied to the valuation of the startup at the point of investment. This session was all about understanding how a company is valued and some key terms from a valuation and fundraising perspective.

Decoding Valuation

It is important to understand what investors look at when deciding whether or not to invest in a company. These factors differ from the stage of the funding and are summarized in the table below:

Sr.No.	Funding Stage	Factors Affecting Valuation
1	Angel/Seed	<ul style="list-style-type: none">• Idea• Team• Product• Market Size
2	Series A/B	<ul style="list-style-type: none">• Traction• Product Market Fit
3	Series C/D	<ul style="list-style-type: none">• Current and Projected Revenues

Valuation and Dilution

Here are a few terms that you should know to understand the fundraising and the valuation process:

1. Pre Money Valuation – Valuation of your company before funding
2. Post Money Valuation – Valuation of your company after funding
3. Dilution – Equity/Ownership of your company exchanged with investor for funding

Cap Tables

Cap Table or Capital Structure Table essentially represents the percentage ownership by various shareholders of a company and the respective value of their shares. A sample cap table is given below:

Common Shareholders	Date of Issue	Number of Shares	% of Total	Value of Shares (Rs.)
Navin	1/3/12	40,000	25.6%	6.4 crores
Yogi	1/3/12	40,000	25.6%	6.4 crores
Jitendra	1/3/12	20,000	12.8%	3.2 crores
Total		100,000	64%	16 crores
Preferred Shareholders	Date of Issue	Number of Shares	% of Total	Value of Shares (Rs.)
Mr. Ritesh	4/5/13	25,000	16%	4 crores
Tetris Ventures	11/4/13	25,000	20%	5 crores
Total		50,000	36%	9 crores
Net Total		1,50,000	100%	25 crores

You should be able to:

At the end of this session, you should be able to:

1. Understand the basis on which your company will be valued
2. Understand Dilution from funding received
3. Generate Cap Tables and think about using ESOPs