

Summary

Funding Overview

For many Entrepreneurs who are about to start their journey – one of the most important areas to consider is the fundraising stage. While there are multiple ways to fund your venture – including debt – equity funding has become one of the most important measures for startups to scale their operations. This session was all about having a broad view on the funding process starting from understanding when funds are required to approaching investors for getting these funds.

Seeking External Funding

It is important to understand the status of your business and its growth to figure out when you would require funding. Ideally you should start thinking about funding **6 months** before the need arises. Now these funds could be used for **various purposes** such as generating working capital, growing your business etc. Also the nature and objective of your business determines the type of investor you should approach.

Stages of Funding

As your Startup grows it can raise more and more funding through multiple rounds of equity funding. It becomes important for entrepreneurs to understand the business stage at which one can go for specific rounds and the amounts that can be generated at these rounds. All this is summarized in the table below:

Sr.No.	Business Stage	Funding Round/Source	Amount Raised	Dilution
1	Team Creation	Bootstrapping	5-50 lac (own funds)	-
2	Building Minimum Viable Product	Angel Investor	0.5-2 crore	20-30%
3	Demonstrating Product Market Fit	Seed	\$200K	20-30%
4	Demonstrating Product Market Fit Scalability	Series A	\$2-5 Million	20-30%
5	Growth of Business	Series B and beyond	>\$5 Million	15-20%

Qualities to Look for in Investors

Funding isn't just important for the capital that is invested in your business. The investors who fund a business can also play an active board role to guide the business in the right direction by lending their expertise and intelligence. Entrepreneurs should look for certain qualities in investors such as:

1. Agreement on vision
2. Capacity for future investments
3. Ease of working

Approaching Investors

There are certain channels which entrepreneurs can use to get in touch with investors and secure funding. These include:

1. Introduction through portfolio company
2. Introduction through someone trusted
3. Through Press Releases

You should be able to:

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

- Answer "when" and "why" you would need funding
- Understand the stage of your business corresponding to funding round
- Know how to approach investors