

# Unit-VI: Startup Funding & Branding

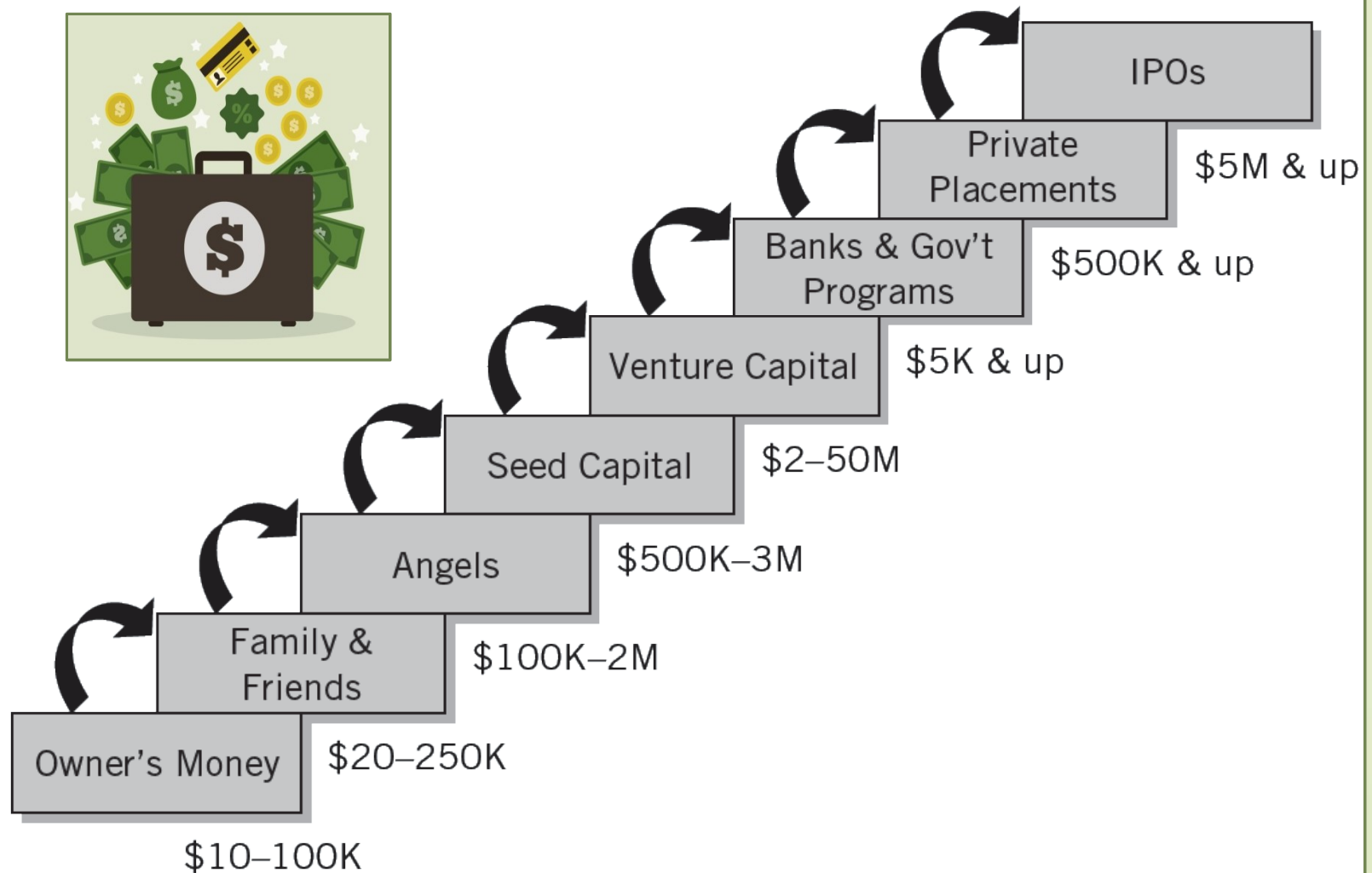
Sources of Funding: Bootstrapping,  
Angel Investors,  
Crowd Funding,  
Venture Capitalists,  
Advantages of Crowd Funding,  
Schemes of Government through Startup India,  
Role of Institutional support and Commercial  
Banks.

Introduction to branding a startup and developing  
branding strategies.

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# Sources of Funding Entrepreneurial Start-Up Companies?

The following diagram depicts the typical financing for start-up companies.



# Classification Source of Capital

## ► Equity Sources:

- a. Personal Sources
- b. Private Borrowings
- c. Informal Capital
- d. Corporate Securities
- e. Public Issues
- f. Internal Financing

## ► Debt Sources:

- a. Debenture
- b. Commercial Papers
- c. Inter-corporate deposits
- d. Public Deposits
- e. Institutional sources
- f. Commercial Banks
- g. Non-Institutional Arrangements (Hire, Rent and Leasing)

## Top Companies by Funding – 2017

Name of Company	Deals	Value of Funding	Top Investors
Flipkart	4	\$4.12 B	SoftBank, Tencent, Microsoft, eBay
Ola	6	\$1.77 B	SoftBank, Tencent, Tekne Capital, Falcon Edge Capital, Ratan Tata fund
Paytm	1	\$1.4 B	SoftBank
ReNew Power	4	\$740 M	Piramal Capital, JERA
Spandana Sphoorty	3	\$332 M	Kedaara Capital
MakeMyTrip	1	\$330 M	Ctrip.com, Naspers

# Bootstrapping

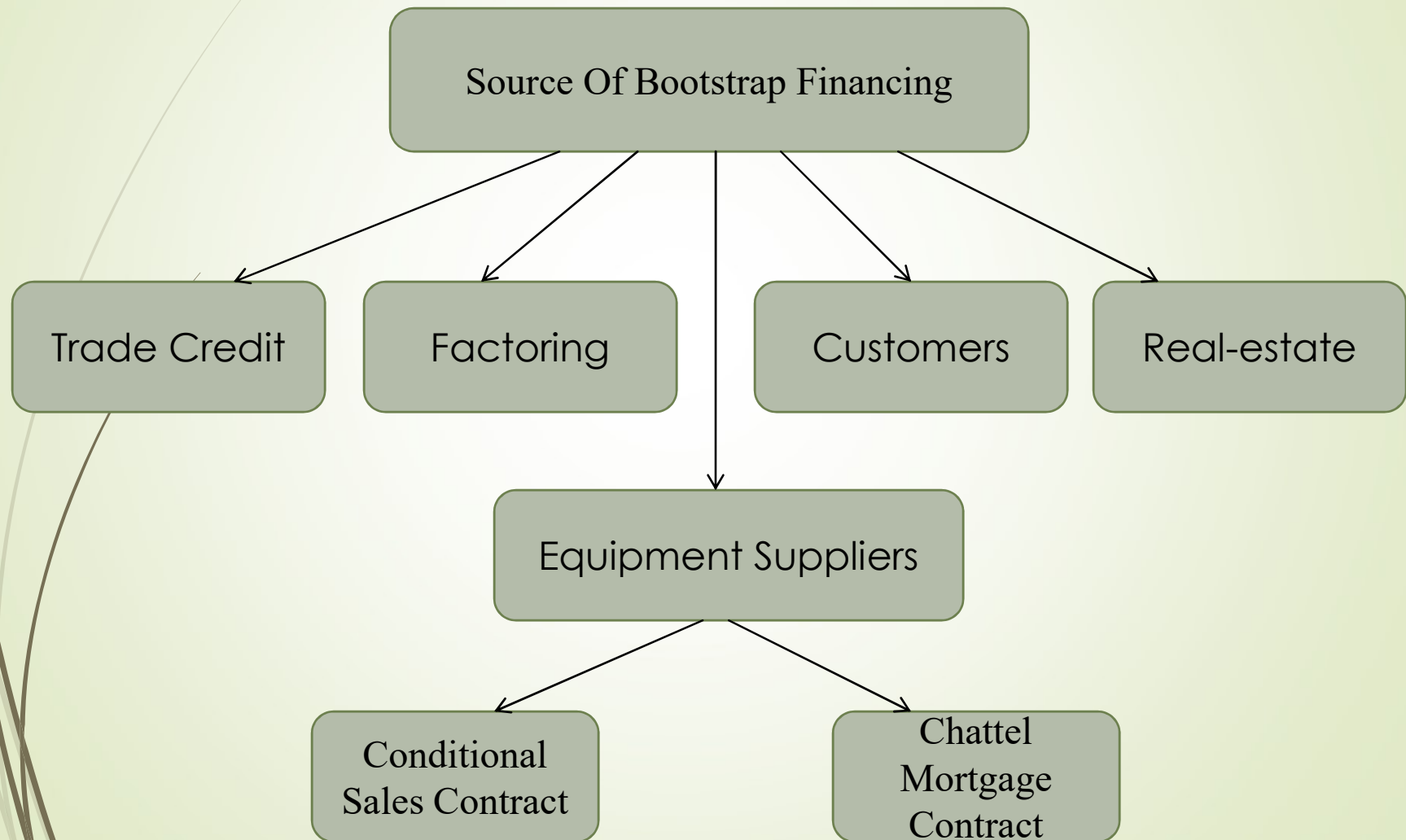
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- Bootstrap financing is probably one of the best and most inexpensive routes an entrepreneur can explore when raising capital.
- Bootstrap financing is a way to pull yourself up without the help of others.

## **Number of Advantages:**

1. Business will be worth more because less money has been borrowed.
2. Need not have to pay the high interest on borrowed money.
3. Creative in finding ways to raise profits, without having to look to external sources.

# Source Of Bootstrap Financing



## 1. Trade-Credit

Normally, a supplier will extend you credit after you're a regular customer for 30, 60 or 90 days, without charging interest.

- **Example**, suppose that a supplier ships something to you, and that bill is due in 30 days but you have trade credit or terms.
- Your terms might be net 60 days from the receipt of goods, in which case you would have 30 extra days to pay for the items.

## 2. Factoring

- This is a financing method where you actually sell your accounts receivable to a buyer such as a commercial finance company to raise capital.
- A "factor" buys accounts receivable, usually at a discount rate that ranges between one and 15 percent.

- Factoring can be performed on a non-notification basis. That means your customers aren't aware that their accounts have been sold.
- The factor then becomes the creditor and assumes the task of collecting the receivables as well as doing what would've been your paperwork chores.

### 3. Customers

Customers are another source of bootstrap financing, and there are several different ways to take advantage of these valuable assets.

- One way to use your customers to obtain financing is by having them write you a letter of credit.
- **Example,** suppose you're starting a business manufacturing industrial bags. A large corporation has placed an order with your firm for a steady flow of cloth bags.



- The major supplier from which you will obtain the material the bags is located in India.
- In this scenario, you obtain a letter of credit from your customer when the order is placed, and the material for the bags is purchased using the letter of credit as security.

#### **4.Realestate**

Another bootstrap financing source is real estate.

- The first is simply to lease your facility.
- This reduces startup costs because it costs less to lease a facility than it does to buy one.
- Also, when negotiating a lease, you may be able to arrange payments that correspond to seasonal peaks or growth patterns.

## 5. Equipment Suppliers

- Instead of paying out cash for your equipment, you can purchase it with a loan from manufacturers;
- In this way, equipment suppliers are a source of bootstrap financing.
- Two types of credit contracts are commonly used to finance equipment purchases:
  1. *The conditional sales contract*, in which the purchaser does not receive title to the equipment until it is fully paid for.
  2. *The chattel-mortgage contract*, in which the equipment becomes the property of the purchaser on delivery, but the seller holds a mortgage claim against it until the amount specified in the contract is paid.

# Angel Investors

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- A wealthy individual willing to invest own money in a business start-up. The term Angel investor was first used by William Wetzel .
- An angel investor or angel (also known as a business angel, informal investor, angel funder, private investor, or seed investor) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

## Top Angel Investor in India

- Rajan Anandan:
- Anupam Gopal Mittal:
- Sanjay Mehta:
- Zishaan Hayath:
- Sharad Sharma:
- Anand Ladsariya:
- Sunil Kalra



# Investment Profile Angel Investors

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## ➤ Investment Profile

- Angel investments bear extremely high risks. As such, they require a very high return on investment.
- A large percentage of angel investments are lost completely when early stage companies fail, professional angel investors seek investments that have the potential to return at least ten or more times their original investment within 5 years, through initial public offering or an acquisition.
- Current 'best practices' suggest that angels might do better setting their sights even higher, looking for companies that will have at least the potential to provide a 20x-30x return over a five- to seven-year holding period.
- The actual effective internal rate of return for a typical successful portfolio of angel investments is, in reality, typically as 'low' as 20– 30%.

# India Angel Network Achievement

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- India Angel Network achievement
- Largest Angel investor group spread PAN India geographically in Mumbai, Delhi, Pune and Bangalore.
- +125 active Angel investor from across India and overseas.
- Concept has found resonance with corporate like IBM, venture fund like SIDBI, IVP, RVCF etc.
- +22 investments made to date across multiple sectors
- +250 deals received per month pan India bases
- Co investment with Sequoia Capital in Dhruva
- Member of world business Angel investor Association

# Crowd Funding

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- Accumulation of small investments in individual projects by large number of individuals (the “crowd”) via or with help of Internet and social networks.
- “the collective effort of individuals who network and pool their money, usually via the Internet, to support efforts initiated by other people or organizations.”
- Most crowd funding platforms specialize or focus on a specific area such as art, business or charities.

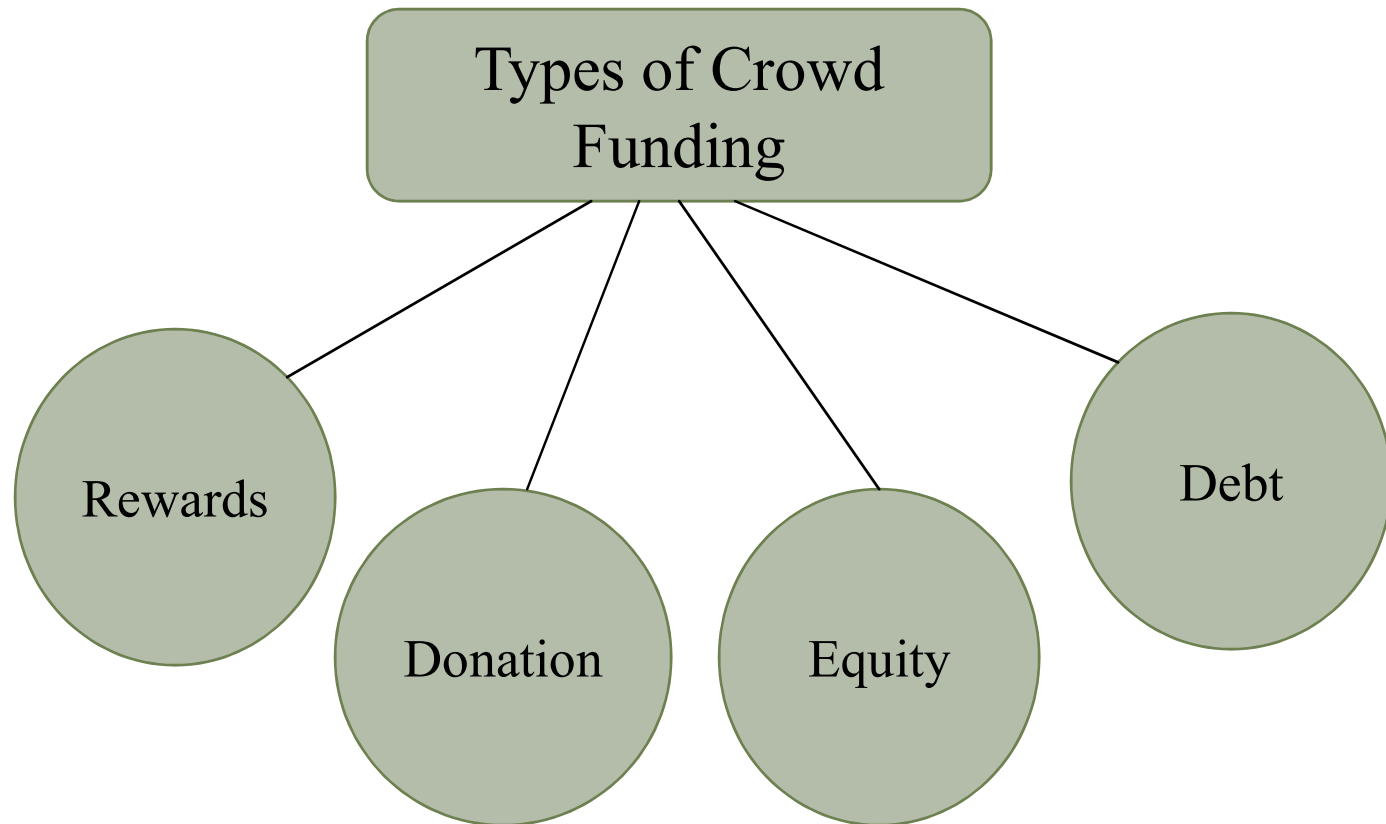
## Examples

- Crowd funder (specializes in business and tech start-ups)
- Crowd rise (funds charities & causes)
- Quirky (funds for inventors)
- Invested.in (to create your own funding community)
- Indiegogo (no specialization)

# Advantages Of Crowd Funding

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- The advantages of crowd funding as a way of financing a project depends really on the type of the crowd funding itself.



**1. Rewards-based,** This type of crowd funding is likely to attract patrons, who invest because they enjoy your project or initiative and want to support it. The most popular reward-based sites are Kickstarter and Indiegogo.

➤ **Main advantage:** you won't launch your venture in debt (like in debt-based crowd funding), or give out shares of your project to patrons (like in equity-based crowd funding)

**2. Donation-based,** This type of fundraising is typical for a non-profit or a cause. Example : Go found me.

➤ **Main advantage:** same as with rewards-based model, you don't need to take a loan to launch your project.



**3. Equity-based,** This type of crowd funding is aimed towards technological, industrial and professional businesses and services rather than other causes. Examples of equity crowd funding aimed sites are Crowd cube, Fundable, Seedrs, and Fig.

➤ **Main advantage:** you will be able to collect a larger amount of money, that will allow you to launch your business, and do it without taking credit.

**4. Debt-based,** also known as peer-to-peer (P2P). It is like a credit from the bank, but instead of borrowing one larger amount of money, you borrow smaller amounts from multiple people. Examples of debt-based crowd funding platforms are Funding Circle and Zopa.

➤ **Main advantage:** There is no need to apply for a loan and go through the bank paperwork as well as to have a strict, demonstrable credibility that bank requires

# Venture Capitalists

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- They provide capital to young businesses in exchange for an ownership share of the business.
- The SEBI defined Venture capital fund in its regulation 1996 as a fund established in the form of a company or trust which raises money through loans, donations, issues of securities of units as the case maybe and makes or proposes to make investments in accordance with regulations.
- A venture capitalist is a person or investment firm that makes venture investments and these venture capitalists are expected as well as capital to their investments.

## Characteristics of VCs

- Well managerial skills
- Well knowledgeable
- Sophisticated investors-Comes forward to take risks
- Decision making ability
- Analyzing skills



## Services generally provide by VCs

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1. Finance to new and rapidly growing firms
2. Finance to typically knowledge based sustainable up scalable companies
3. Purchase equity and quasi equity securities
4. Assist in the development of new products or services
5. Add value to the company through active participation

Advantages of VC's	Dis – Advantages of VC's
Economy Oriented	Lengthy and Complex process
Investor Oriented	Deal in the negotiation
Entrepreneur Oriented	Investors becomes parts of owner's business.

# The most active Venture Capital Funds in India

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# The most active Venture Capital funds in India

**matrix**  
PARTNERS



Microsoft  
Ventures

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VENTURE PARTNERS

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# Role of Institutional Support and Commercial Banks.

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- Fiancé is considered as life blood of business. But it is beyond the capacity and capability of any single individual to contribute the required capital for the purpose.

The need for Institutional Support is discussed as follows:

1. To prepare project profiles and feasibility on behalf of entrepreneur.
2. To undertake industrial potential surveys with a view to provide first hand information regarding raw material, required labor etc.
3. To identify potential entrepreneurs and provide the technical and managerial assistance.
4. To undertake market researches and surveys for specific products, so that in future the unit may not take any difficult in marketing products.

5. To undertake export consultancy for export oriented projects based on modern technology to facilitate export.
6. To conduct entrepreneurship development programmes with a view to aware, create and groom entrepreneurs.
7. To procure and distribute scarce raw materials as and when required.
8. To supply machinery on hire purchase system.
9. To render marketing assistance to small-scale industries with a view to effectively sell their products in competitive era.

10. To provide consultancy and trading services to strengthen the competitive ability and gain advance knowledge in the field.
11. To help in development and up gradation of technology and implementation of modernization programmes by replacing old and outdated equipments.
12. To undertake the mass construction of industrial estates with all basic facilities.
13. To provide infrastructure and accommodation facilities to the entrepreneurs.



## INSTITUTIONAL SUPPORT

1. The National Small Industries Corporation Ltd (NSIC)
2. State Small Industries Development Corporations (SSIDC)
3. District Industries Centers (DIC)
4. Small Industries Development Bank Of India (SIDBI)
5. Khadi and Village Industries Commission

## 1. The National Small Industries Corporation Ltd (NSIC)

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- **The National Small Industries Corporation Ltd (NSIC) was set up in 1955 as central government** undertaking, the main aim of which is to fulfill the requirement of machinery and equipment for the development of the small entrepreneurs.

### Functions

1. Provides financial assistance by way of hire-purchase scheme for purchase of machinery and equipment, required for the setting up industries.
2. Provides various equipments on lease basis and training to workers.
3. Assists in marketing and exporting of the products of SSIs.
4. Helps in the development and up gradation of technology and modernization of the industries. Undertakes construction of industrial estates.
5. Purchase huge quantity of important raw materials and distribute the same to SSIs at reasonable rates.
6. Develops prototype machines and equipments to pass on to SSIs for commercial production. Sets up small scale industries in other developing countries on turn-key basis.

## 2. State Small Industries Development Corporations (SSIDC)

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➡ The State Small Industries Development Corporation (SSIDC) was set up under the companies act 1956, as state government undertakings to cater to the primary development needs of the small tiny and village industries in the state/union territories under their jurisdiction.

### Functions

1. To procure and distribute scarce raw materials.
2. To supply machinery on hire purchase system.
3. To provide assistance for marketing of the products of small-scale industries.
4. To construct industrial estates/sheds, providing allied infrastructure facilities and their maintenance.
5. To extend seed capital assistance on behalf of the state government concerned provide management assistance to production units.

### 3. DISTRICT INDUSTRIES CENTERS (DIC)

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- The District Industries Centers (DICs) programming was started in 1978 with a view to provide integrated administrative framework at the district level for promotion of small scale industries in rural areas.

#### Functions



1. To prepare and keep model project profiles for reference of the entrepreneurs.
2. To prepare action plan to implement the scheme effectively already identified.
3. To undertake industrial potential survey and to identify the types of feasible ventures which can be taken up in ISB sector, i.e., industrial sector, service sector and business sector.

4. To guide entrepreneurs in matters relating to selecting the most appropriate machinery and equipment, source of its supply and procedure for importing machineries.
5. To provide guidance for appropriate loan amount and documentation.
6. To assist entrepreneurs for availing land and shed equipment and tools, furniture and fixture.
7. To appraise the worthiness of the project-proposals received from entrepreneurs.
8. To help the entrepreneurs in obtaining required licenses/permits/clearance.
9. To assist the entrepreneurs in marketing their products and assess the possibilities of ancillarization.
10. To conduct product development work appropriate to small industry.
11. To help the entrepreneurs in clarifying their doubts about the matters of operation of bank accounts, submission of monthly, quarterly and annual returns to government departments.

#### **4. Small Industries Development Bank Of India (SIDBI)**

- The government of India has set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI for ensuring larger flow of financial and nonfinancial assistance to the small scale sector.
- The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector.

The important functions of IDBI are as follows:

- (1) To initiate steps for technological up gradation and modernization of existing units.
- (2) To expand the channel for marketing the products of SSI sector in domestic and international markets.
- (3) To promote employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of people to urban areas.

## 5. Khadi and Village Industries Commission

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- The Khadi and Village Industries Commission (KVIC) is a statutory body formed by the Government of India, under the act of Parliament, 'Khadi and Village Industries Commission Act of 1956'.
- It is an apex organization under ministry of micro, Small Medium Enterprises (Govt. of India), with regard to khadi and village industries within India, which seeks to – “plan, promote, facilitate, organize and assist in the establishment and development of khadi and village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.”
- In April 1957, it took over the work of former All India Khadi and Village Industries Board.



## Commercial Banks.

- Types of Bank Loans (Asset based)
  - Accounts receivable loans.
  - Inventory loans.
  - Equipment loans.
  - Real-estate loans.
- Cash flow financing (Conventional bank loans)
  - Installment loans.
  - Straight commercial loans.
  - Long-term loans.
  - Character loans.



Table 17: List of Key Fund-Based Products Offered to the MSME S

Products	Financial Institution	Tenure	Collateral
Overdraft*	Commercial Banks	1 year; revolving credit, renewed annually	Primary Security – Hypothecation of stock trade and receivables  Collateral Security – A minimum value of amount in the form of mortgage of immov property and/ or other liquid security
		3 months 1 year	Primary Security – Hypothecation of stock

<b>Short-Term Loan</b>	Commercial Banks NBFCs	3 months – 1 year; revolving credit, renewed annually	Mortgage of fixed assets such as land, building, factory
<b>Long-Term Loan</b>	Commercial Banks NBFCs	1-5 years	Mortgage of fixed assets such as land, building, factory
<b>Asset-Based Financing</b>	Commercial Banks NBFCs	3-7 years	Secured by an asset (e.g., a purchase order, contract, accounts receivable, invoice, letter credit, inventory, machinery, equipment)
<b>Credit Cards*</b>	Commercial Banks	1-3 years	No collateral required, only a third-party guarantee for a lower limit on the card, and hypothecation of stock in trade, receivables, machinery, office equipment etc. for an upper

Table 18: List of Key Non-Fund Based Products Offered to MSME S

Product	Financial Institution	Description
Letter of Credit	Commercial Banks NBFCs	Letter of Credit is extended to MSMEs and is mostly used by units; however importers too are increasingly making use of p Credit'. Credit is available for procuring raw material, manuf processing and packaging and shipping the goods. Letters of against 25%-35% cash margin and mostly on a 100% collate of residential property, corporate guarantees or liquid securiti
Bank Guarantee	Commercial Banks NBFCs	Bank Guarantees are extended for advance payment, tender r for getting orders, for procurement of raw materials among o

**Savings  
Account****Commercial Banks**

A few of the banks also provide savings accounts to the MSM. has the flexibility to choose the period of deposit from 1 year funds over a threshold limit with an initial deposit of certain swept (auto-sweep) to Corporate Liquid Term Deposit (CLTD). for CLTD will be the card rate applicable for the contracted term differential rate of interest is applicable. However, no Loan / Credit available under the scheme.

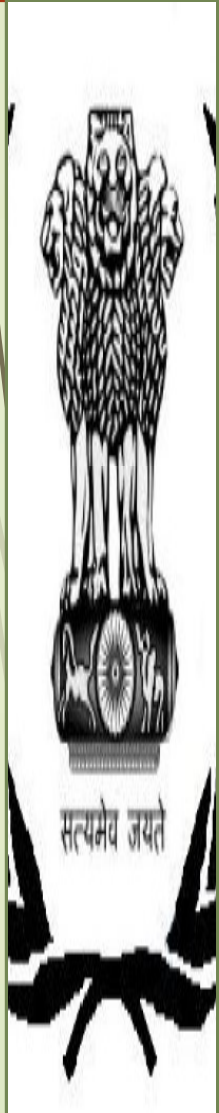
**Remittance****Commercial Banks**

Most of the banks provide electronic modes of retail payment National Electronic Fund Transfer (NEFT) and large value settlement Real Time Gross Settlement (RTGS) application



## Schemes of Government through Startup India,

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- Funding Support: Fund Of Funds With a Corpus of INR 10,000 Crores.
- The Fund will be in the nature of Fund of Funds, which means that it will not invest directly into Startups, but shall participate in the capital of SEBI registered Venture Funds.
- The Fund of Funds shall be managed by a Board with private professionals drawn from industry bodies, academia, and successful Startups.
- Life Insurance Corporation (LIC) shall be a co-investor in the Fund of Funds
- The Fund of Funds shall contribute to a maximum of 50% of the stated fund size. In order to be able to receive the contribution, ° the enterprise should have already raised the balance 50% or more of the stated fund size

- Credit Guarantee Fund for Startups
- Debt funding to Startups is also perceived as high risk and to encourage Banks and other Lenders to provide Venture Debts to Startups.
- Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of INR 500 crore per year for the next four years.
- Tax Related Incentives for START UPS: Tax Exemption to Startups for 3 years
- It is imperative that the profits of Startup initiatives are exempted from income-tax for a period of 3 years.
- This fiscal exemption shall facilitate growth of business and meet the working capital requirements during the initial years of operations. .

- **SETTING UP INCUBATORS:** An incubator is essentially a place, especially with support staff and equipment, made available at low rent to new small businesses.
- **35 new incubators in existing institutions:** Funding support of 40% (subject to a maximum of INR 10 crore) shall be provided by Central Government for establishment of new incubators for which 40% funding by the respective State Government and 20% funding by the private sector has been committed.
- The incubator shall be managed and operated by the private sector.
- **35 new private sector incubators:** A grant of 50% (subject to a maximum of INR 10 crore) shall be provided by Central Government for incubators established by private sector in existing institutions. The incubator shall be managed and operated by the private sector.

## Introduction to branding a startup and developing branding strategies.

- Branding is one of the most important aspects of any business, large or small, retail or B2B.

**“ Your brand is your promise to your customer”.**

Defining your brand is like a journey of business self-discovery. It requires, at the very least, that you answer the questions below:

1. What is your company's mission?
2. What are the benefits and features of your products or services?
3. What do your customers and prospects already think of your company?
4. What qualities do you want them to associate with your company?



# Branding Tips For A Startup

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1	Get a great logo	Place it everywhere.
2	Write down your brand messaging.	Every employee should be aware of your brand attributes.
3	Integrate your brand	How you answer your phones, what you or your salespeople wear on sales calls, your e-mail signature, everything.
4	Create a "voice" for your company that reflects your brand.	Written communication
5	Develop a tagline.	Write a memorable, meaningful and concise statement that captures the essence of your brand.
6	Design templates and create brand standards for your marketing materials.	Use the same color scheme, logo placement, look and feel throughout.
7	Be true to your brand.	If you don't deliver on your brand promise. refer you to someone else-

# Developing Branding Strategies

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- Brand development is the process of creating and strengthening your professional services brand. As we help firms develop their brands, we divide the process into three phases.
- The first phase is getting your brand strategy right and aligned with your business objectives.
- Second is developing all the tools you will need to communicate the brand, such as your logo, tagline and website.
- Finally, there is the phase of strengthening your newly developed or updated brand.

# Branding Strategies

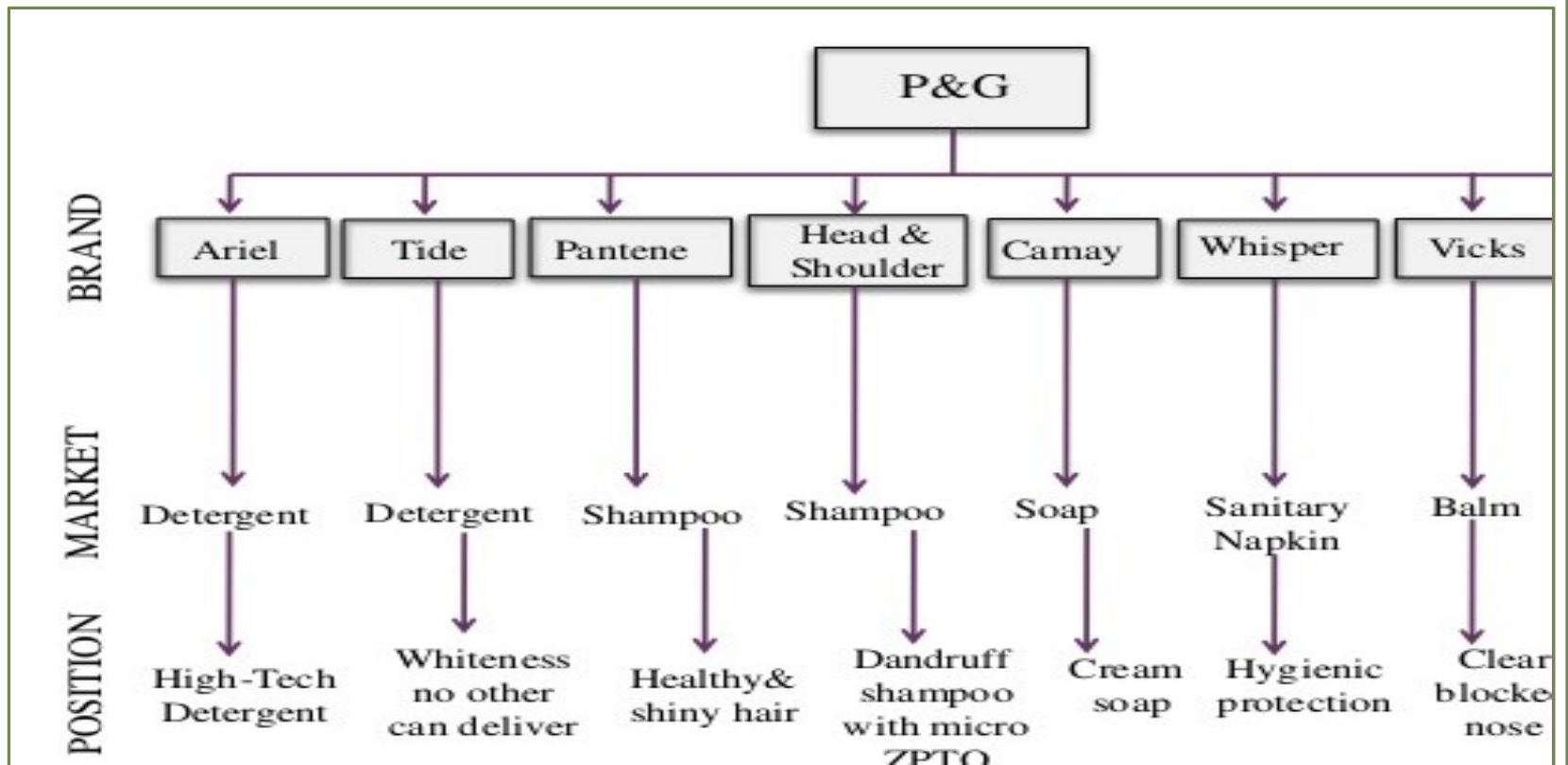
1. Product Branding/Multi-Brand strategy
2. Line Branding
3. Range Branding / Mixed Branding
4. Umbrella Branding Strategy
5. Source / Double Branding
6. Endorsement Branding
7. Private Labels / Store branding

# 1.Product Branding/Multi-Brand strategy

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In multi-branding strategy the brand is Promoted exclusively so that it acquires its own identity and image and stand on its own. Allowed to acquire differentiation and exclusivity

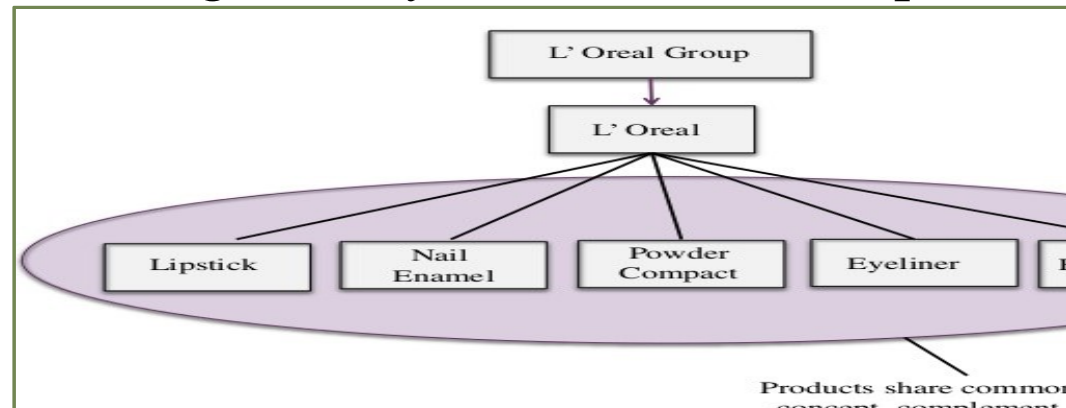
- Targeted accurately to a distinct target market or customers because its positioning can be precise and unambiguous



## 2. Line Branding

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- Line in the context of product mix refers to various product lines that a firm may have in its total portfolio.
- For example: Philips – line extension has T.V, video and audio, personal care, communication and household appliances.
- The brand appeals to distinct market segments who appreciate and like the brand. Now the customers do not tend to be contended with one product which the brand offers
- Line extension is generally followed for complimentary products.

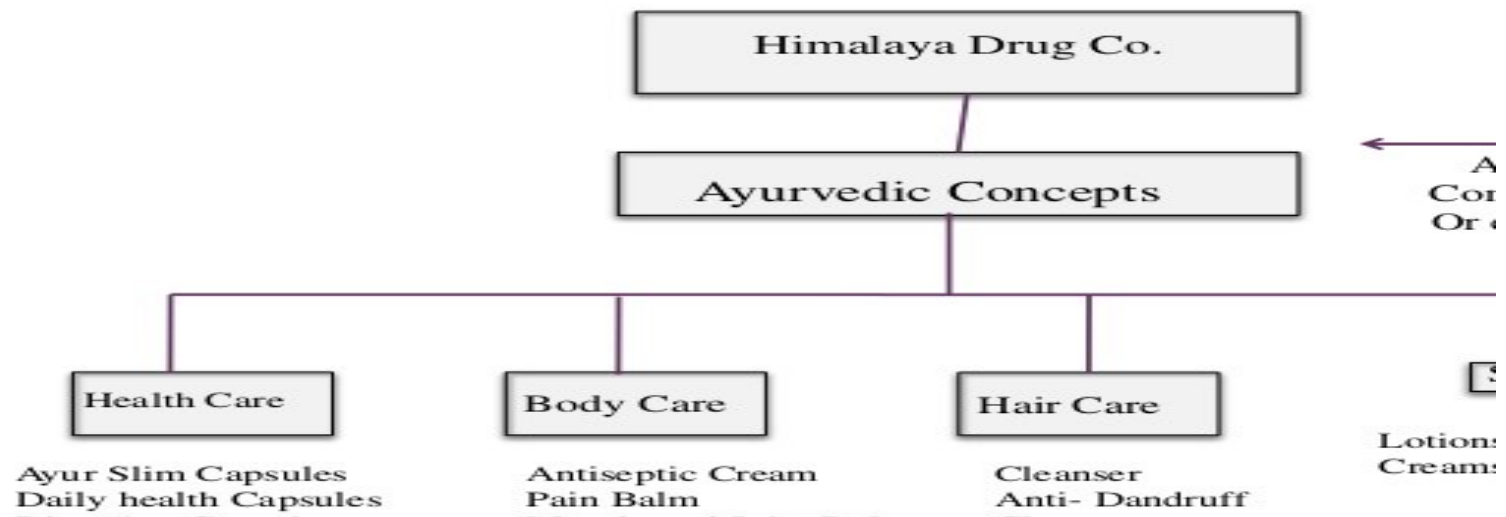


### 3. Range Branding / Mixed Branding

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- Line branding restricts the brand's expansion into nearby territories of complementary products, which complement or support the main product's usage
- All the products share a common promise which stems from the firm's or range brand's area of competence
- The product are tied together by a single brand concept

**Example:** Nestle uses its Maggi brand for its range of fast food – Maggi noodles. sauces. soups. pastas.etc



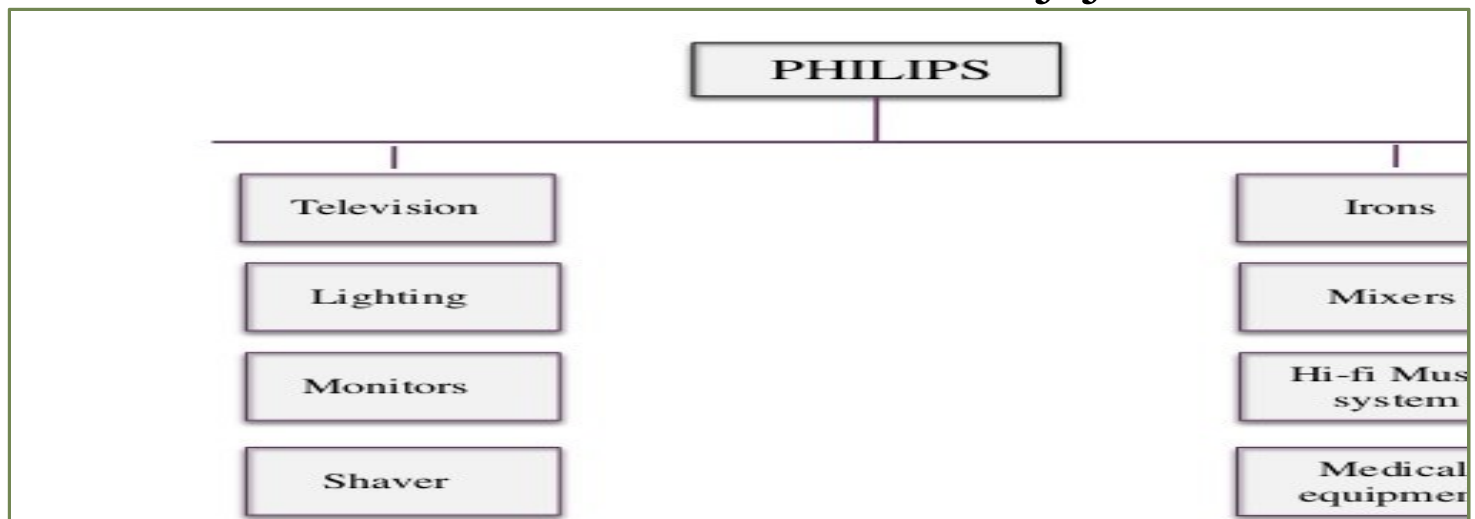
## 4. Umbrella Branding Strategy

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- Umbrella branding has been particularly favored by the companies of the East.

### Example:

1. Korean giant LG uses its name on the product like microwaves, refrigerators, computers, television, air conditioners
2. Philips, GE and Canon also follow umbrella branding
3. Indian business houses – TATA and Bajaj



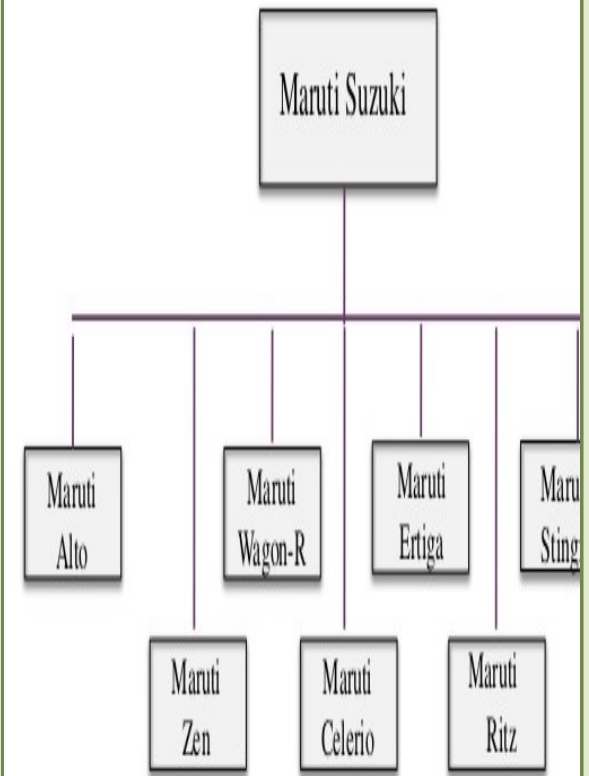
## 5. Source / Double Branding

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- Source brand strategy combines the firm's name with the product brand name. It is hybrid of umbrella brand and product brand strategy
- The product is given a brand name and it is combined with the name of the firm

### Example:

1. Pulsar – name of the bike
  2. Bajaj – the company name behind it
- Both the name enjoys equal importance and are given equal status in the brand's communication

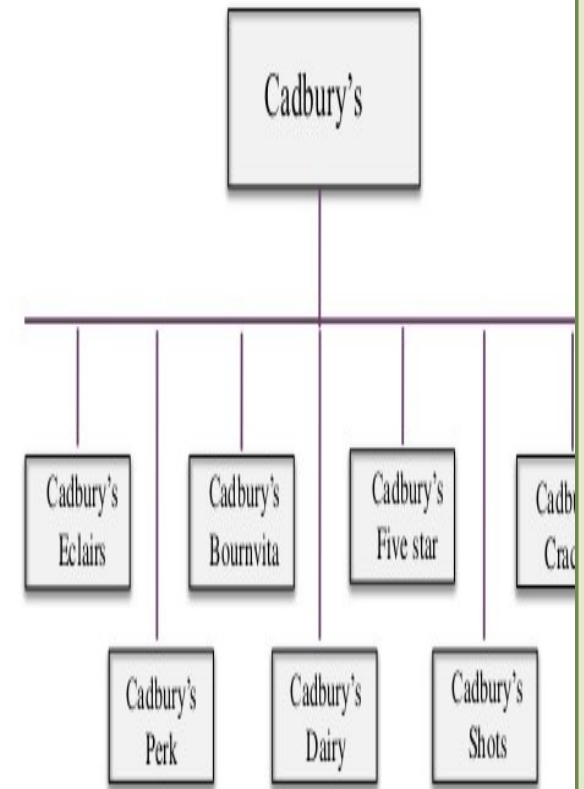




## 6. Endorsement Branding

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- Endorsement brand strategy is modified version of double branding
- It makes the product brand name more significant and the corporate brand name is relegated to a lesser status
- The umbrella brand is made to play an indirect role of passing on certain common generic associations
- It is only mentioned as an endorsement to the product brand
- By a large, the brand seeks to stand on its own
- Unlike the product brand, endorsement brand discloses the identity of the maker, making it a small part of the brand



## 7. Private Labels / Store branding

- Products marketed by retailers and other members of the distribution chain
- Private labels can be called store brands when they actually adopt the name of the store itself in some way

**Example:** Stop brand of clothes by Shopper's Stop

Thank  
you!