

FUNDING GUIDE FOR INDIAN STARTUPS

Table of Contents

1. Introduction to Startup Funding
2. Funding Stages Explained
3. Types of Investors
4. Government Schemes & Programs
5. Preparing for Fundraising
6. Pitch Deck Essentials
7. Due Diligence Process
8. Legal & Documentation
9. Alternative Funding Sources
10. Investor Database
11. Success Stories
12. Common Mistakes to Avoid

1. INTRODUCTION TO STARTUP FUNDING

Why Do Startups Need Funding?

- Product development and R&D
- Market expansion and scaling
- Team building and talent acquisition
- Marketing and customer acquisition
- Working capital and operations
- Technology infrastructure

The Indian Startup Ecosystem (2024-25)

- **Total Startups:** 100,000+ recognized by DPIIT
- **Unicorns:** 68+ valued at \$1B+
- **Total Funding (2024):** \$8.2 Billion
- **Average Deal Size:** \$15 Million
- **Top Sectors:** FinTech, EdTech, HealthTech, E-commerce

2. FUNDING STAGES EXPLAINED

Pre-Seed Stage

- **Typical Amount:** ₹10 Lakhs - ₹1 Crore
- **Investors:** Founders, Family, Friends (3Fs)
- **Use of Funds:** MVP development, market validation
- **Equity Given:** 5-15%
- **Timeline:** 3-6 months

Seed Stage

- **Typical Amount:** ₹1-5 Crores
- **Investors:** Angel investors, Seed funds
- **Use of Funds:** Product development, initial team
- **Equity Given:** 10-25%
- **Timeline:** 6-12 months

Series A

- **Typical Amount:** ₹5-25 Crores
- **Investors:** VCs, Institutional investors
- **Use of Funds:** Scaling, market expansion
- **Equity Given:** 15-30%
- **Timeline:** 12-24 months

Series B & Beyond

- **Typical Amount:** ₹25 Crores+
- **Investors:** Late-stage VCs, PE funds
- **Use of Funds:** Geographic expansion, acquisitions
- **Equity Given:** 10-20%
- **Timeline:** 24+ months

3. TYPES OF INVESTORS

Angel Investors

Characteristics:

- High net worth individuals
- Typically invest ₹10 Lakhs - ₹2 Crores
- Provide mentorship and networks

- Quick decision making (2-4 weeks)

Top Angel Networks in India:

1. Indian Angel Network (IAN)

- Members: 500+
- Portfolio: 300+ companies
- Ticket Size: ₹25 Lakhs - ₹3 Crores

2. Mumbai Angels Network

- Members: 300+
- Portfolio: 200+ companies
- Sectors: All sectors

3. Chennai Angels

- Members: 75+
- Focus: South India
- Average Investment: ₹1 Crore

Venture Capital Firms

Early Stage VCs:

1. Accel Partners

- Fund Size: \$650 Million
- Ticket Size: ₹5-50 Crores
- Portfolio: Flipkart, Swiggy, BookMyShow

2. Sequoia Capital India

- Fund Size: \$1.35 Billion
- Ticket Size: ₹10-100 Crores
- Portfolio: Zomato, Byju's, Ola

3. Blume Ventures

- Fund Size: \$102 Million
- Ticket Size: ₹2-15 Crores
- Portfolio: Dunzo, Purple, Cashify

Growth Stage VCs:

1. SoftBank Vision Fund

- Fund Size: \$100 Billion
- Ticket Size: ₹100+ Crores
- Portfolio: Ola, Paytm, Unacademy

2. Tiger Global

- Focus: Growth stage
- Ticket Size: ₹50+ Crores
- Portfolio: Razorpay, PharmEasy

4. GOVERNMENT SCHEMES & PROGRAMS

Central Government Schemes

1. Startup India Seed Fund Scheme (SISFS)

- **Fund Size:** ₹945 Crores
- **Funding Amount:** Up to ₹20 Lakhs
- **Stage:** Proof of concept, prototype
- **Application:** Through incubators
- **Website:** www.startupindia.gov.in

2. SIDBI Fund of Funds

- **Fund Size:** ₹10,000 Crores
- **Investment:** Through AIFs
- **Focus:** All stages
- **Sectors:** All sectors

3. Atal Innovation Mission (AIM)

- **Focus:** Innovation and entrepreneurship
- **Programs:** AIM Incubators, Atal Tinkering Labs
- **Funding:** Up to ₹10 Crores for incubators

4. Biotechnology Industry Research Assistance Council (BIRAC)

- **Sector:** Biotechnology and life sciences
- **Funding:** ₹50 Lakhs - ₹10 Crores
- **Programs:** BIG, SBIRI, BRTAC

State Government Schemes

Karnataka

1. Karnataka Startup Policy 2022-27

- Fund: ₹2,000 Crores
- Support: Seed funding, incubation

Maharashtra

1. Maharashtra State Innovation Society

- Programs: Idea2PoC, संकल्प
- Funding: Up to ₹50 Lakhs

Tamil Nadu

1. Tamil Nadu Startup and Innovation Policy

- Fund: ₹1,000 Crores
- Focus: Deep tech, manufacturing

Telangana

1. THub Incubation Program

- Funding: Up to ₹1 Crore
- Sectors: All sectors

5. PREPARING FOR FUNDRAISING

Pre-Fundraising Checklist

Business Fundamentals:

- ☐ Clear value proposition
- ☐ Market validation and traction
- ☐ Strong founding team
- ☐ Scalable business model
- ☐ Competitive advantage

Financial Preparation:

- ☐ 3-year financial projections
- ☐ Revenue and expense tracking
- ☐ Unit economics clarity
- ☐ Burn rate calculation
- ☐ Funding requirement assessment

Legal Foundation:

- ☐ Company incorporation
- ☐ Founders' agreement
- ☐ Employee stock option pool
- ☐ IP protection
- ☐ Compliance documentation

Creating Your Fundraising Strategy

Step 1: Define Your Needs

- How much funding do you need?
- What will you use the funds for?
- How long will this funding last?
- What's your timeline for fundraising?

Step 2: Identify Target Investors

- Research investors who invest in your sector
- Check their ticket size and stage preference
- Look at their portfolio companies
- Understand their investment criteria

Step 3: Build Your Materials

- Executive summary (1-2 pages)
- Pitch deck (10-12 slides)
- Financial model
- Demo or product video
- Letters of intent from customers

6. PITCH DECK ESSENTIALS

The Perfect 10-Slide Pitch Deck

Slide 1: Problem

- What significant problem are you solving?
- How big is this problem?
- Who faces this problem?

Slide 2: Solution

- What's your unique solution?
- How does it solve the problem better than alternatives?
- Demo or product screenshots

Slide 3: Market Opportunity

- Total Addressable Market (TAM)
- Serviceable Available Market (SAM)
- Serviceable Obtainable Market (SOM)

Slide 4: Product

- Key features and benefits
- Product roadmap
- Technology differentiators

Slide 5: Traction

- Revenue growth
- User acquisition metrics
- Key partnerships
- Customer testimonials

Slide 6: Business Model

- How do you make money?
- Pricing strategy
- Revenue streams
- Unit economics

Slide 7: Competition

- Competitive landscape
- Your unique advantages
- Market positioning

Slide 8: Team

- Founding team background
- Key team members
- Advisory board
- Why this team can win

Slide 9: Financials

- Revenue projections (3-5 years)
- Key metrics and milestones
- Path to profitability

Slide 10: Funding Ask

- How much are you raising?
- Use of funds breakdown
- Timeline and milestones
- Expected outcomes

7. DUE DILIGENCE PROCESS

What Investors Look For

Business Due Diligence:

- Market size and growth potential
- Business model viability
- Revenue sustainability
- Competition analysis
- Customer satisfaction

Technical Due Diligence:

- Product architecture
- Technology scalability
- IP portfolio
- Development roadmap
- Security measures

Team Due Diligence:

- Founder background verification
- Team capabilities
- Previous experience
- Reference checks
- Cultural fit

Financial Due Diligence:

- Revenue verification
- Expense analysis
- Cash flow projections
- Burn rate assessment
- Financial controls

Legal Due Diligence:

- Corporate structure
- Compliance status
- Contract reviews
- IP ownership
- Litigation history

Documents You'll Need

Corporate Documents:

- Certificate of incorporation
- Memorandum and Articles of Association
- Board resolutions
- Shareholder agreements
- Cap table

Financial Documents:

- Audited financial statements (if available)
- Management accounts
- Cash flow statements
- Revenue breakdowns
- Customer contracts

Legal Documents:

- IP registrations
- Material contracts
- Employment agreements
- Compliance certificates
- Litigation records

8. LEGAL & DOCUMENTATION

Key Legal Documents

Term Sheet

- Non-binding agreement outlining key terms
- Valuation and investment amount
- Liquidation preferences
- Board composition
- Anti-dilution provisions

Definitive Agreements

- Share Purchase Agreement (SPA)
- Shareholders' Agreement (SHA)
- Articles of Association amendments
- Employment agreements
- Non-disclosure agreements

Understanding Key Terms

Valuation Terms:

- **Pre-money valuation:** Company value before investment
- **Post-money valuation:** Company value after investment
- **Liquidation preference:** Investor's priority in exit events
- **Anti-dilution:** Protection against future down rounds

Control Terms:

- **Board composition:** How board seats are allocated
 - **Voting rights:** Decision-making power
 - **Protective provisions:** Investor consent requirements
 - **Tag-along rights:** Right to join founder exits
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9. ALTERNATIVE FUNDING SOURCES

Crowdfunding Platforms

Equity Crowdfunding:

1. LetsVenture

- Focus: Angel and VC deals
- Minimum: ₹2.5 Lakhs
- Sectors: All sectors

2. 1Crowd

- Focus: Early-stage startups
- Minimum: ₹10,000
- Type: Equity and debt

Reward-based Crowdfunding:

1. Ketto

- Focus: Social causes and startups
- Fee: 5% platform fee
- Payment: Multiple options

2. FuelADream

- Focus: Creative and social projects
- Fee: 5% platform fee
- Features: Marketing support

Debt Financing Options

Revenue-Based Financing:

1. GetVantage

- Funding: ₹1-15 Crores
- Criteria: ₹20 Lakhs+ monthly revenue
- Repayment: % of monthly revenue

2. Velocity

- Funding: ₹1-10 Crores
- Focus: SaaS and e-commerce
- Repayment: Fixed monthly payments

Traditional Lenders:

1. Lendingkart

- Business loans up to ₹2 Crores
- Quick approval process
- Collateral-free options

2. Capital Float

- Working capital loans
- Invoice financing
- Flexible repayment terms

Grants and Competitions

International Grants:

1. Google for Startups

- Cloud credits up to \$100,000
- Mentorship and support
- No equity required

2. AWS Activate

- Cloud credits up to \$25,000
- Technical support
- Go-to-market resources

National Competitions:

1. National Startup Awards

- Recognition and networking
- Cash prizes up to ₹5 Lakhs
- Government support

2. TIE Global Pitch Competition

- \$1 Million in prizes
- Global exposure
- Investor connections

10. INVESTOR DATABASE

Angel Investors (Individual)

Tech Sector:

1. **Rajan Anandan**
 - Background: Former Google India MD
 - Sectors: Consumer internet, fintech
 - Ticket Size: ₹50 Lakhs - ₹5 Crores
2. **Kunal Shah**
 - Background: CRED Founder
 - Sectors: Fintech, consumer
 - Investment: 50+ startups
3. **Ritesh Agarwal**
 - Background: OYO Founder
 - Sectors: Travel, hospitality, real estate
 - Investment: 20+ startups

FinTech Focused:

1. **Jitendra Gupta**
 - Background: Jupiter Co-founder
 - Sectors: Fintech, payments
 - Investment: 30+ startups
2. **Lizzie Chapman**
 - Background: ZestMoney Co-founder
 - Sectors: Fintech, lending
 - Focus: Financial inclusion

VC Firms Database

Early Stage (Seed to Series A):

1. **Matrix Partners India**
 - Fund Size: \$300 Million
 - Ticket Size: ₹5-25 Crores
 - Portfolio: Ola, Lenskart, Quikr
 - Contact: info@matrixpartners.in
2. **Kalaari Capital**
 - Fund Size: \$650 Million
 - Ticket Size: ₹3-20 Crores
 - Portfolio: Snapdeal, Dream11, Urban Company
 - Contact: info@kalaari.com
3. **Prime Venture Partners**
 - Fund Size: \$70 Million
 - Ticket Size: ₹2-10 Crores
 - Portfolio: Ezetap, Mfine, NiYO
 - Contact: contact@primevp.in

Growth Stage (Series B+):

1. **Steadview Capital**
 - Fund Size: \$2 Billion
 - Ticket Size: ₹50+ Crores
 - Portfolio: Paytm, Policybazaar, Gojek
2. **General Atlantic**
 - Fund Size: \$7.5 Billion
 - Ticket Size: ₹100+ Crores
 - Portfolio: Jio Platforms, WhiteHat Jr

11. SUCCESS STORIES

Razorpay's Journey

- **Founded:** 2014 by Harshil Mathur & Shashank Kumar
- **Problem:** Difficult online payment processing for businesses
- **Solution:** Developer-friendly payment gateway
- **Funding Timeline:**
 - 2015: \$1M Seed from Accel Partners
 - 2016: \$9M Series A from Matrix Partners

- 2018: \$30M Series B from Tiger Global
- 2020: \$100M Series C from GIC
- 2021: \$375M Series E (Unicorn status)
- **Current Valuation:** \$7.5 Billion
- **Key Learnings:**
 - Focus on developer experience
 - Solve real business pain points
 - Build strong unit economics

Zerodha's Bootstrap Success

- **Founded:** 2010 by Nithin & Nikhil Kamath
- **Approach:** Bootstrapped, no external funding
- **Growth Strategy:**
 - Zero brokerage model
 - Technology-first approach
 - Customer-centric pricing
- **Results:**
 - 6 Million+ customers
 - ₹4,700+ Crores revenue (FY23)
 - Profitable since inception
- **Key Learnings:**
 - Funding isn't always necessary
 - Focus on profitability from day one
 - Customer acquisition through value

12. COMMON MISTAKES TO AVOID

Fundraising Mistakes

- Starting too late or too early**
 - Start fundraising 6-9 months before you need money
 - Have 12-18 months of runway when you start
- Overvaluing your startup**
 - Be realistic about valuation
 - Focus on fair value, not maximum value
- Approaching wrong investors**
 - Research investor preferences
 - Match your stage and sector with their focus
- Weak pitch preparation**
 - Practice your pitch extensively
 - Prepare for tough questions
 - Have clear answers about market size and competition
- Neglecting due diligence preparation**
 - Organize all documents in advance
 - Ensure legal and financial compliance
 - Have reference customers ready

Business Mistakes

- Burning cash too quickly**
 - Monitor burn rate carefully
 - Focus on efficient customer acquisition
 - Build lean operations
- Lack of product-market fit**
 - Validate demand before scaling
 - Listen to customer feedback
 - Iterate based on market response
- Weak founding team**
 - Ensure complementary skills
 - Have clear equity distribution
 - Maintain good founder relationships

FUNDING TIMELINE PLANNER

Months 1-2: Preparation Phase

- [] Create financial projections

- ☐ Develop pitch deck
- ☐ Organize legal documents
- ☐ Research target investors
- ☐ Build demo/prototype

Months 3-4: Initial Outreach

- ☐ Send executive summaries
- ☐ Schedule initial meetings
- ☐ Attend networking events
- ☐ Refine pitch based on feedback
- ☐ Generate investor interest

Months 5-6: Active Fundraising

- ☐ Present to interested investors
- ☐ Provide additional information
- ☐ Negotiate term sheets
- ☐ Conduct due diligence
- ☐ Select lead investor

Months 7-8: Closing Process

- ☐ Finalize legal documentation
- ☐ Complete remaining due diligence
- ☐ Coordinate with lawyers
- ☐ Close the funding round
- ☐ Plan announcement and next steps

RESOURCES & TOOLS

Useful Websites

- **Government:** www.startupindia.gov.in
- **News:** Inc42.com, YourStory.com
- **Events:** TiE events, startup conferences
- **Databases:** [Crunchbase](#), [VCCEdge](#), [Tracxn](#)

Recommended Reading

- "Venture Deals" by Brad Feld and Jason Mendelson
- "The Lean Startup" by Eric Ries
- "Crossing the Chasm" by Geoffrey Moore
- "Zero to One" by Peter Thiel

Professional Services

- **Legal:** Khaitan & Co, AZB Partners, Trilegal
- **Financial:** Deloitte, PwC, KPMG, EY
- **PR:** Genesis BCW, Edelman, Adfactors

This guide is compiled by SAKEC E-Cell based on extensive research and industry inputs. Information is accurate as of January 2025.

Disclaimer: This guide is for informational purposes only and should not be considered as investment advice. Always consult with qualified professionals before making funding decisions.

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