



IIT ROORKEE



NPTEL ONLINE  
CERTIFICATION COURSE

# Innovation, Business Models and Entrepreneurship

## Managing Investors for Innovation

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Finance is fuel to run the vehicle of Innovation.



# Finance for Startup

- Initial Capital
- Working Capital



# Various Sources of Investment

- Self
- Incubators



# Next Stage of Investment

- Debt Financing
- Equity Financing



# Debt Financing

- Debt financing for early and growth stage startups that may not have the assets or cash flow to get loans from traditional lenders.
- It is a loan against collateral such as assets, receivables or intellectual property, with an option to get equity if repayment is not done on time. ( The equity option is usually 10%-15% of the debt amount).

- It is given to a startup that's raised some funding through the VC route but is not inclined to give away more stake immediately. The amount of venture debt is no more than 25% of the venture equity round size.
- The repayment term is 24 to 36 months.

# Some Recent Examples of Debt Funds

- Unicorn India : Rs 600 Crore
- IvyCap Ventures : Rs500 Crore
- Alteria Capital : Rs1000 Crore





According to Hari Menon, cofounder Big Basket “ For us, working capital is not critical as we charge directly from our consumers. But we have capital expenditure for which we use venture debt.”



# Angel Investor

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.



# Venture Capitalist

An investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to equities markets. Venture capitalists are willing to invest in such companies because they can earn a massive return on their investments if these companies are a success.



# EQUITY Vs DEBT



# Thank You

