

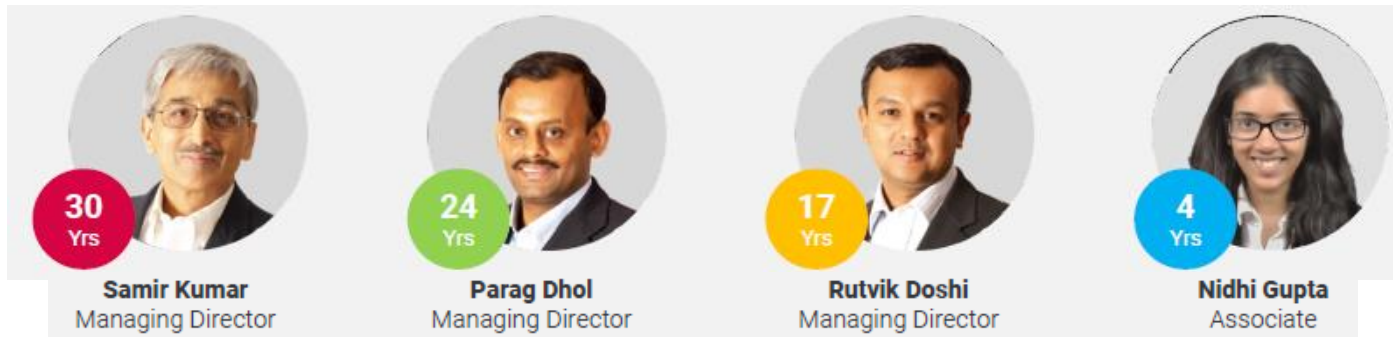
# Funding & Valuation for Start-ups...



Parag Dhol  
Inventus Advisory Services  
India (P) Ltd.



- Early-stage, tech-focussed VC Fund
  - Internet, Mobile, Software, IoT, Machine Learning & Fintech
- Investment Size: Rs. 5-15 crores to start with
- Team:



- Investments:



- Find us at [www.inventusvc.com](http://www.inventusvc.com)

# Funding - Why, when, who from & how much?



# Possible Financing Sources.....



- 3Fs
- Incubators
- Seed/Angels
- Customers
- Banks & FIs
- Venture Capital

# Why raise external money?

- (+) Distributes the risk
- (+) Grow faster
- (+) Suitable for upfront-investment businesses
- (+) Value-add

- (-) Strings attached
- (-) Gyan!



# Value Add



- Mentoring
- Strategic Inputs
- Organization Structure/Hiring
- Relationships (Partners, Customers, Acquirers, Investors)
- Next Round of financing/IPO

Right Investor at Starbucks, "must have a passion for coffee and the coffee experience."

Howard Schultz, Founder & CEO of Starbucks

# How much money?



- Think milestones
  - 9-12 months – Seed/Angel
  - 15-18 months – VC
- Range
  - Align with funding source
  - Thumb rules

## Valuation in Practise

**"IN THEORY, THERE IS NO  
DIFFERENCE BETWEEN  
THEORY AND PRACTICE.  
BUT IN PRACTICE,  
THERE IS."**

**-YOGI BERRA**





# Guilty as Charged....

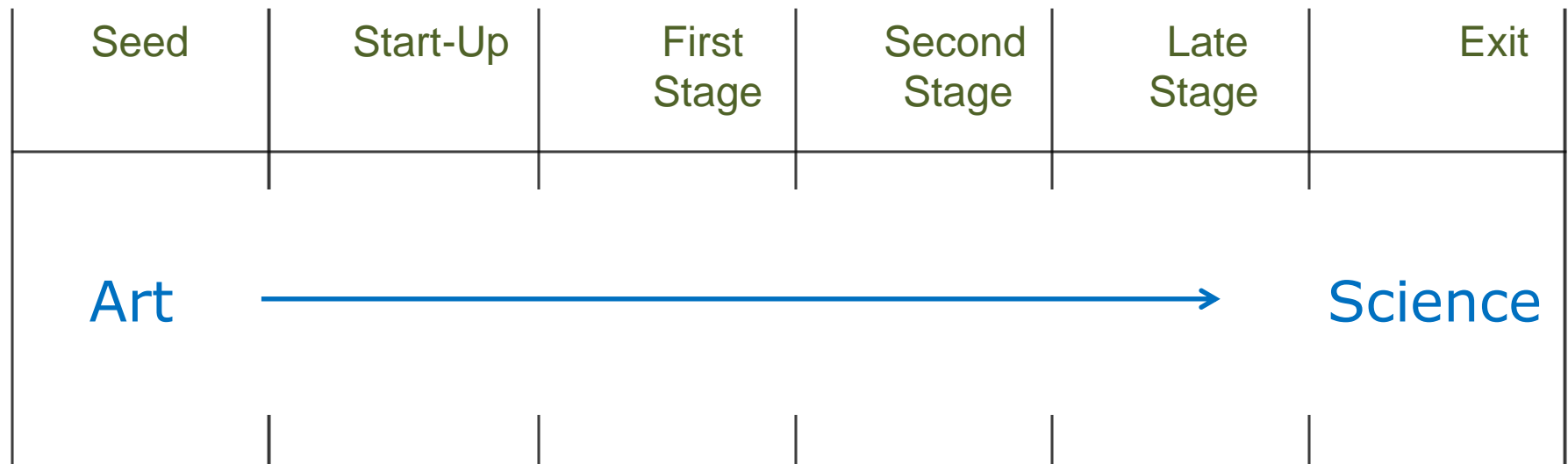
- Series A Investors (typically)
  - Sometimes, start-up Stage
- Valuation by a Series A Investor; Ad-hoc combination of...
  - Experience
  - Thumb-rules
  - Gut-feel
  - Fundamental Analysis
  - Comparison with relevant matches



# Other Thoughts....



- DCF: Limitations
  - Forecast for next 5-10 years?
  - Hard to predict cash flows
  - What discount rate to use?
  - Terminal value
- Porter's Five Forces framework
- Valuation depends on stage

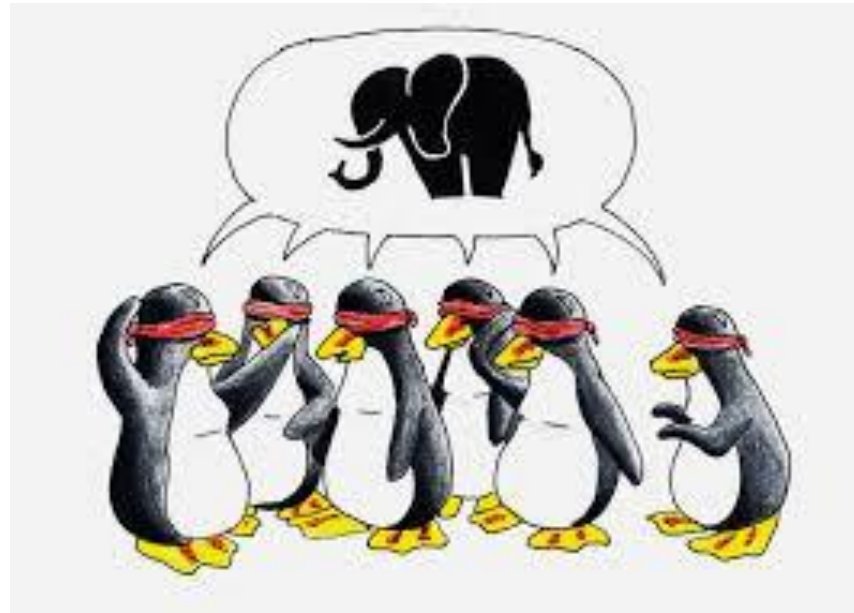


# Drivers of Valuation

- Environment Related
  - Macro-economic outlook
  - Industry Outlook
- Firm Related
  - Fundamentals of the firm, esp. strategic aspects.
- Deal Related
  - Stage of investment and expected investment horizon
  - Relative size of exposure in relation to the size of the deal
  - Previous round investors' expectations
  - Exit prospects and path
- Valuation Trends
  - Comparable deals. Caution : Compare likes.
  - Public market valuations and liquidity

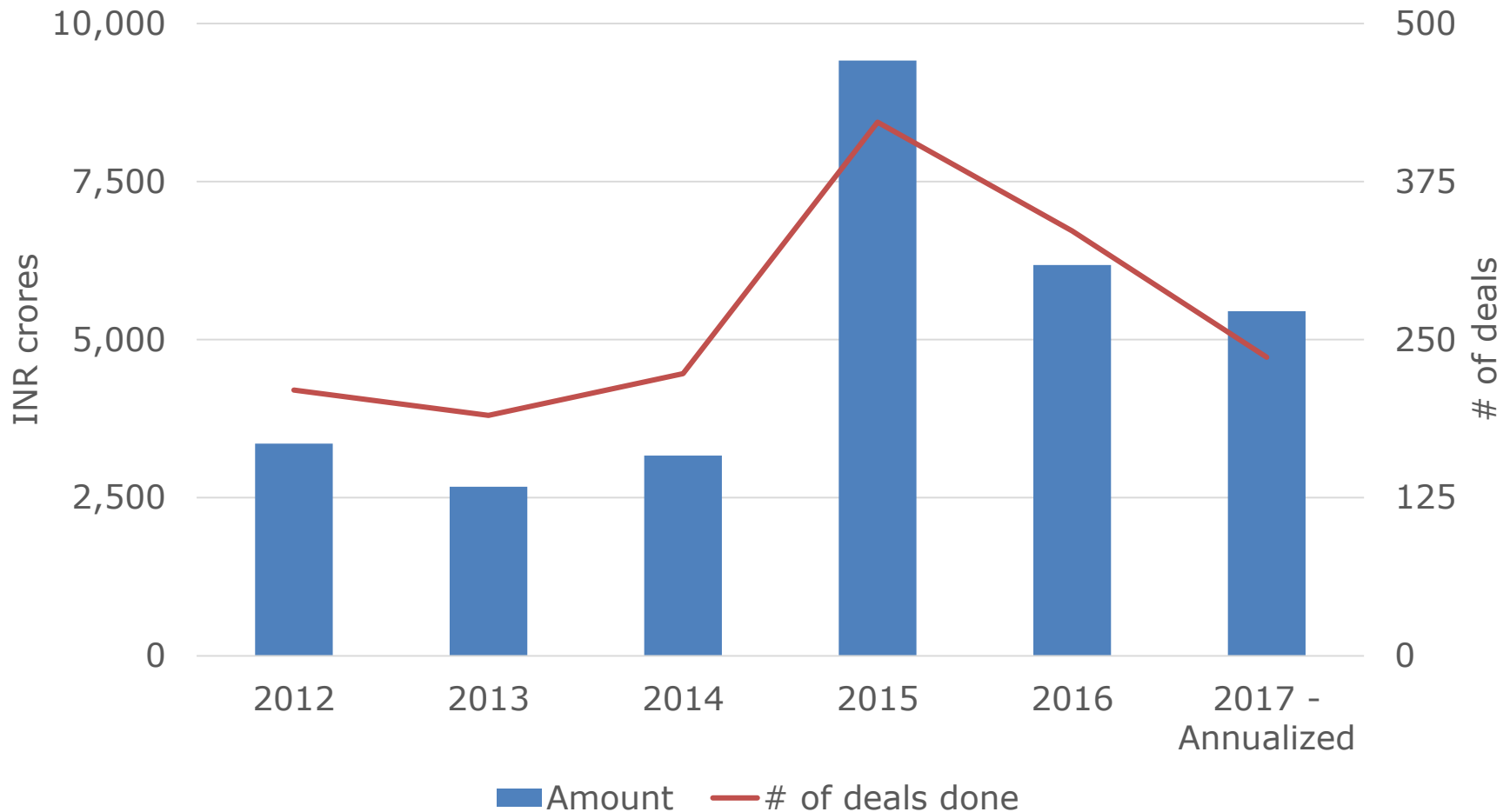


## What got us here?



# India VC - Capital invested

## Venture Investment



Source: Venture  
Intelligence India

The destinies of all followers lie in the hands of their leaders

# Time in the market, not market timing.....

## The top 'Jedi Master' investors of Indian startups in 2015

RADHIKA P NAIR  
4 JANUARY 2016



SOURCE | YOUR STORY RESEARCH

# Gravity defying business models....



**Aditya**

@forwardshortleg

 Follow

Ordered lunch through TinyOwl  
Paid bill of 155 via Paytm  
Got Cashback of 77 from Paytm & 150 from  
TinyOwl  
Earned 72 Rs for eating lunch 😂😂😂😂

RETWEETS

729

LIKES

380



3:16 a.m. - 31 May 2015

# On the margin.....



**Silk Board Junction**

@silk\_board

 Follow

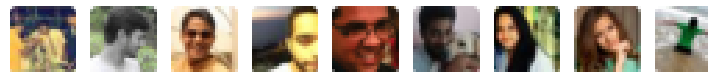
Traffic Update : Three IIT-IIM grads sharing an Uber Pool stuck at BTM water tank have started a food-tech company.

RETWEETS

1,208

LIKES

569



8:18 a.m. - 24 Nov 2015



# What happens next?



# Consolidation.....



PROPTIGER



# Operators as distinct from Financials



# What to look for?

- Landgrab, Winner takes all, First Mover Advantage, Uber for X....
- Me-too investments

Shalina Pillai & Shilpa Phadnis | TNN | Oct 9, 2015, 05.11 AM IST

THE TIMES OF INDIA

Startup analytics firm Tracxn finds that 31 food-tech startups have so far raised \$161.5 million in investments this year, as compared to \$66.8 million last year.

## Local & Home Services Marketplaces - Sector Overview

Jan 2015

In India, though this segment has received limited venture, it caught over 70 of the 150 we had tracked in this segment were 2014 founded

Tracxn

### HYPERLOCAL DELIVERY – India

Start-up Landscape

July 2015

- 110+ startups, 80% founded in last 18 months.

- LP talk
- Radio, print ads proportion



Angel investing becomes the new asset class for wealthy Indians

Krithika Krishnamurthy, ET Bureau Feb 6, 2015, 03.10AM IST

# Thank You!

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