

Yeh funding-shunding kya hota hai? 😊

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THINKLABS

LIFEBLOB

MY DENTIST

DONEBYNONE

JEEVANTI

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Invested about Rs. 60 + 150 cr
Portfolio value about Rs. 200 + ??? cr
Including 4 Rs. 100 cr firms

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Funding options for growth

- Cash from profits – bootstrapping
- Money from Daddy – the lucky sperm
- Loan from Bank – against collateral
 - CGSTMSE – Up to Rs. 1 cr without collateral
- Investment from PE / VC

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Cash from profits

- The best way
- 95% of successful ones have done it
- No equity given out
- No pressure to go public
- No debt to service
- No guilt

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Money from Daddy

- Almost as good as cash from profits
- But you 'owe' the old man something
- And you can't flirt with his secretary
- Else almost as good
- Plus you can fall back on family if things go wrong
- But there may be sibling / family issues

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Loan from Bank

- Usually only collateraliseable
- New scheme thru natl. banks of Rs. 1 cr in firms without any guarantee / security
 - Issue in execution
- Relationships with bankers?
 - L&T / middle-man / fixer issue?
- Ability to service debt
- Unwillingness to roll over debt y-o-y
- No equity to be given out

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Investment from VC / PE

- Typically where debt is not possible/desirable
- From private investors / groups / funds
- From \$0.5m to \$500m
- Against equity, board seat

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How VC/PEs make money

- Collect money from investors
- Buy equity in you at a low price
- Help you grow – in theory sometimes
- Sell that equity for a higher price
 - To you – MBO
 - To public – IPO
 - To another – trade sale / topi
- Distribute profits to investors
- Repeat

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How VC/PEs get paid

- Like a mutual fund
- Annual management fee (~2%)
- Share of profits (~20%)
 - Usually above a hurdle rate

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VC / PE interest

- You should be valued highly later
- Someone should buy out their stake
- You should not bother them too much
- They should look smart to their investors
- Can you go public? (Rs. 50cr+)
- Can you be acquired? (leader / fast growing)

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About VCs and PEs

- VC = Risky ventures = higher returns
- PE = De-risked business = fairer returns
- Blended approach
- Funding pyramid
 - High mentorship/ low funds (<2 cr)
 - High mentorship/mid funds (<20 cr)
 - Mid-mentorship/mid funds (<50 cr)
 - Low-mentorship/high funds (<200 cr)
 - No-mentorship/ high funds (<500 cr)

ANGELS
SEED / VC
VC
GROWTH
PE/HEDGE

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Different VCs look for different things. Here's 10 things we look for.

- More consumer-facing
- Leadership in small niche that will grow
- Breakeven within funding amount (don't depend on 2nd round)
- Small, passionate, committed team – company before self
- Some area we understand slightly and can help
- Mutual respect between us
- Seedfarm (<2 cr, superfast) + Seedfund (2 – 25 cr, fast)
- Exit within 5 to 7 years
- 10x
- Change the world together

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Facts and fallacies

- VC/PE will end up running your business
 - We don't know how to, or have the time to
- VC/PE won't let you operate freely
 - We don't have time to oversee you
- VC/PE only care about their money
 - Very true. But also reputation.
- VC/PE have too many checks + balances
 - Only to cover our own asses

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Where to find VC / PE

- Lists at IVCA / TiE etc
- Find a middle-man / iBanker
- Find someone who knows one of us
- Few direct approaches work well
- Find what our focus / size is
- Present
- Process will take months

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How to handle VC / PE

- Don't be greedy – that's our job!
- Remember we will leave it back for you
- We will bug you only once a mth / quarter
- Don't get us into trouble
- We're humans too

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Questions / Comments?

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