

# 30

**things that  
I learned  
from my  
startup  
experience**

**PART 5 - Funding**

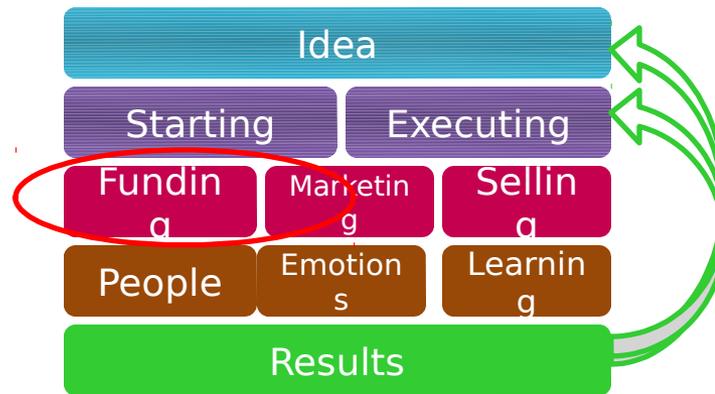
Suhas Dutta

“Luck, that's when  
preparation and  
opportunity meet.”

**P.E. Trudeau**

# So far...

- We have gone through the Ideation stage, the Starting Up, and the basic tips on Execution.



- Allow me to spend some time on Funding, and soliciting investment.

# When to raise, and how much money

- When /how much – depends on your need. No silver bullet.
- Our experience says –
  - Raise early, so that you don't have to shave off important spends
  - Raise as much as you can, so that you can focus on your business instead of on raising money every sometime.
  - Going through friends and family in the beginning is okay.
  - Figuring out how much traction is required, for you to be able to get to the funding market, is important.



# When to raise, and how much money

- Our experience says –

- There is no fixed process or sequence through which you need to progress between seed, angel and series A.
- Some investors might not understand your solution or industry and /or might be downright rude. If you think they will not invest, brush off the dust and move on.
- No harm in picking up more than what you need immediately.
- In you are planning to go to VCs / PEs later, try to ensure your seed and/or angel round investors provide clean money.
- Try not to have too many investors early on. Getting funding will become troublesome later.



# Preparing to pitch

- Know what to expect from investors, or questions during a pitch. Get your mentor to run you through a few mock sessions.
- If not already aware, get familiar with:
  - Investment related jargon
  - Basic process of investment
  - How shareholding, vesting etc work
- Whether it is in the market place, or aimed at an investor, your job is to sell. ...and sell well.
  - Whether to a customer, or the investor, it is about narrating you story

# Creating your story

- At a high level, what interests a potential investor are:
  - When did you start and where have you gotten so far? [Traction]
  - Where can you go from here? [Projection]
  - How much have you made, and will continue to make? [Cash flow]
  - Who will help you get there? [Team credibility]
- But remember, getting funded is not the goal of your startup. It is an enabler towards what you set out to achieve.

# Investment solicitation

- Here are some quick Dos / Don'ts of the process, whether you send out material or do a face-to-face pitch:
  - Don't sound too needy, overly deferential or apologetic. it doesn't help
  - Get to the point quick, stop being vague or longwinded.
  - Don't be casual in approach or un-prepared. Be earnest and exude seriousness and confidence without being too flashy (unless your product or service fits the bill).
  - Don't be cagey. No investor will sign an NDA with you.
  - Expunge these words /phrases from your pitch - "thought leader," "disrupting the status quo", "disruptive technology", "groundbreaking", "next generation", "game changer", "paradigm shifter" - even if these are valid in your context.
    - If you have your shit together, it will show

# Meeting the investor



Know your competitors and their traction level and shortcomings.

Dress appropriately. Neither over, nor under.

Know who you will be meeting beforehand.

Be ready to go away from your prepared presentation.

Tell a story. Use anecdotes, examples and data

Know your business and market well.

Provide direct answers.

Know your competitors, their traction and weaknesses

Talk about your customers.



However good a presenter you may be, prepare for every possible situation that you make.

**SMART TIP**

# Your pitch (es)

- You need to have 2-3 versions ready
  - Elevator pitch : Not more than one paragraph, or one slide. Your verbal version of this would be a max of two minutes.
  - Short deck : Not more than 10 slides covering:
  - Longer deck: Should cover the same areas as the shorter deck in detail but also talk a bit about projections
- Table of contents for your decks:
  - Summary
  - Problem
  - Your solution
  - Technology (if applicable)
  - Team
  - Marketing & Sales
  - Competition and how you differentiate
  - Milestones
  - Finance

# Shaking hands

- You might meet 20 investors, and end up getting to the term sheet stage with two .
  - After the basic verbal agreements have happened, the paperwork starts.
- In most cases, the agreements / term sheets from the investors will be “take it or leave it” and you will have no choice but to sign up as is.
  - However, if there is a serious issue with the term sheet / agreements, be prepared to walk away.
- Get a corporate lawyer who has experience dealing with startups and funding; but remain on the side of practicality, the decision about what to accept or not is finally yours.
  - It is the lawyer’s job to point out every thing that might even be remotely dodgy.
- With the help of your CA, ensure that your financials are tight.

# Shaking hands

- The investor will do a background check. Similarly, you need to talk to people where this investor might have put in money as well and get some feedback.
- Set up expectations with the investor up front - this is above and beyond what will be in the shareholders' agreement.
- The investors will do a due-diligence of your company and its operations and turn every stone, look though the innards. This is usual, do not get fazed.
- The investor might do a background and / or reference check of the founders/ promoters as well.



# Useful starting points

- How to communicate traction:  
<http://www.quora.com/Brendan-Baker/Posts/Startups-How-to-Communicate-Traction-to-Investors>
- Storyboarding your pitch:  
<http://www.quora.com/Brendan-Baker/Posts/Startups-How-to-Storyboard-your-Pitch-Deck-in-10-Steps>
- Material for the investor(s):
  - Elevator Pitch:  
<http://venturehacks.com/articles/elevator-pitch>
  - Deck: <http://venturehacks.com/articles/deck>

- We have shared experiences from the investment solicitation process, but have not covered how to create artifacts and presentations, how to present, how to read through investment documents etc. You will find plenty great material covering all that on the web .
- Go on to Part 6 where we shall go through some elements that we learnt and experienced about marketing and selling.

- Have questions or feedback? Write to me.
- If you need a little help in terms of mentoring, reviewing material, vetting a plan or the like...I would be happy to help a fellow entrepreneur start her/his journey. It will cost you just a cup of coffee.
- If you have already started and could do with some strategic advice, helping create your business plans or your investment pitch, marketing strategy, fulfill your company's training needs, need advice on the pitch etc, please feel free to reach me.
- My coordinates are:
  - [reach@delhigate.com](mailto:reach@delhigate.com)
  - [linkedin.com/in/suhasdutta/](https://www.linkedin.com/in/suhasdutta/)

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