



VentureCatalysts

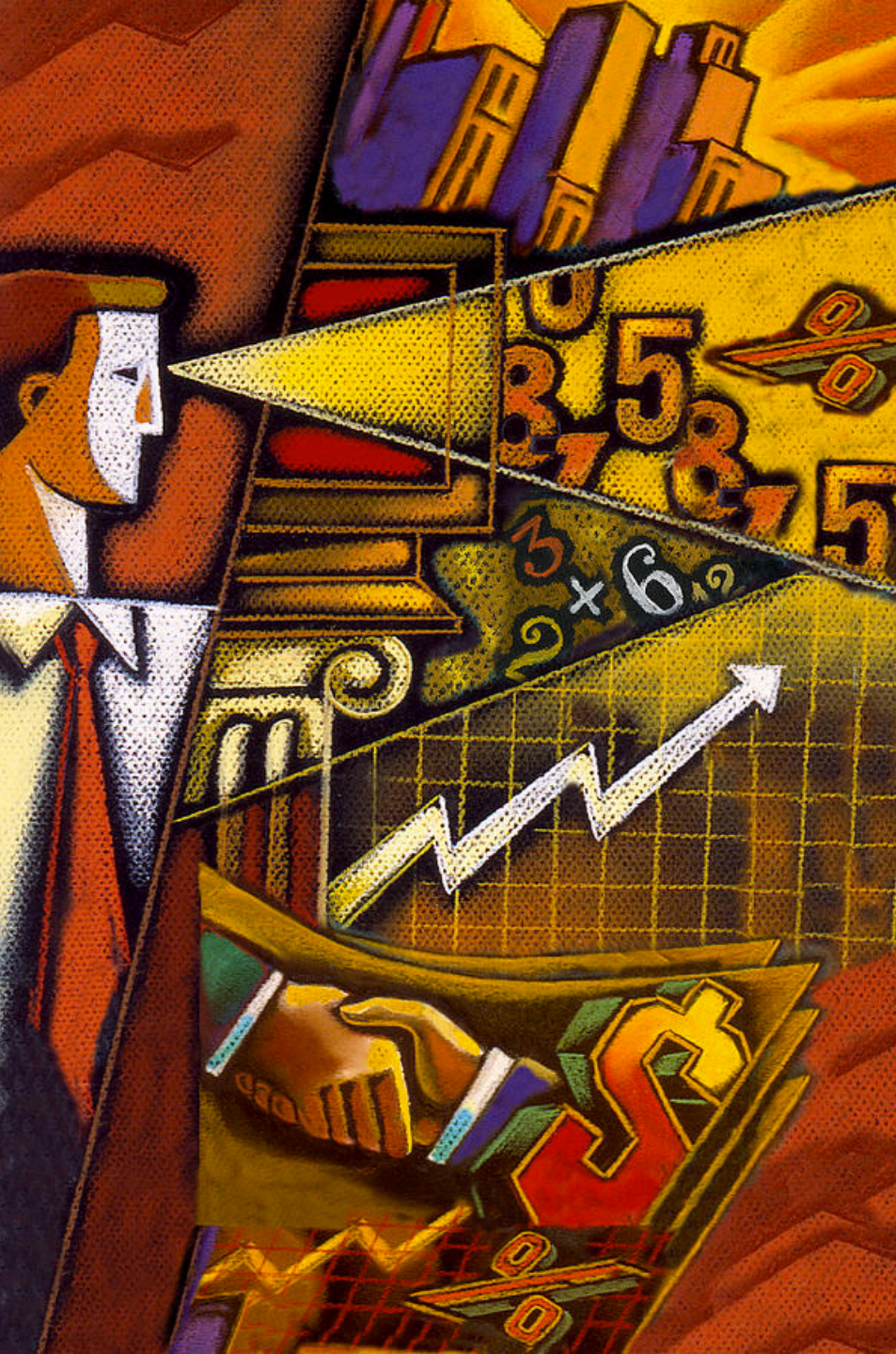
India's 1st Integrated Incubator

Angel Investment Masterclass

PUNE

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VentureCatalysts

India's 1st Integrated Incubator

India's First Integrated Incubator



**Global
Angel Network**



**Collaborative
Incubation Centers**



**Accelerator
Fund**



**Corporate
Programs**



Built for India : The Integrated Incubator!

Venture Catalysts believes in integrated approach for portfolio development. It offers mentorship, space, corporate connects, access to local & global markets and capital to incubatee companies. Key elements of our integrated support are :



**Global
Angel Network**



**Collaborative
Incubation Centers**



**Accelerator
Fund**



**Corporate
Programs**

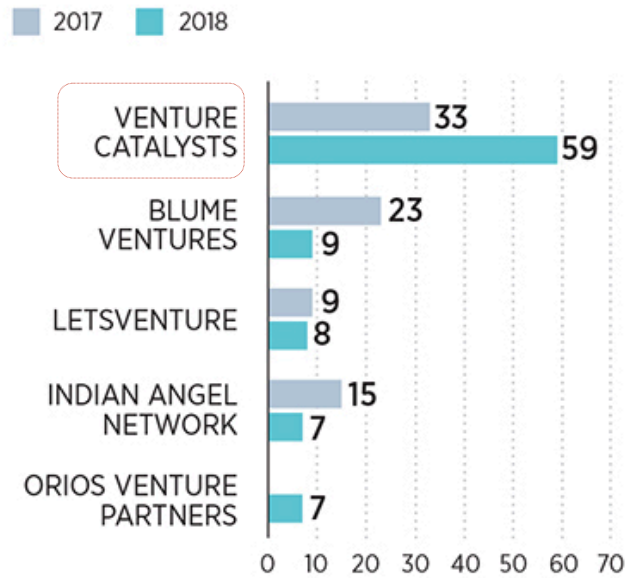
Core Offerings to startups :

- **Seed investment of Rs. 3CR TO RS. 15CR by VCats Accelerator Fund / 9Unicorns**
- **Integrated Incubation support for 12 months for 'product-market fit' & business model**
- **Investor Roadshows in GCC, China, London, Hong Kong, Singapore & Silicon Valley**
- **Corporate Connects for PoCs**

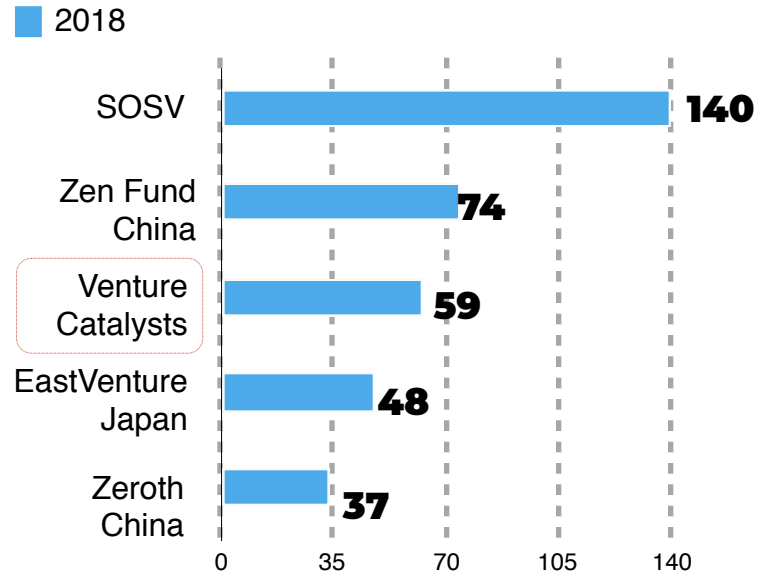


India's No. 1 & Asia's No. 3 Investor 2017, 2018

Top 5 Early-Stage* Investors In India



Top 5 Early Stage* Investors in Asia



Forbes

THE ECONOMIC TIMES

TOI

PitchBook



Asia's Leading Incubator : Highlights of 36 months



106
Deals done since 2016



\$80Mn
Invested in portfolio



10+
Incubation Centers



14,000+
Startups applicants



40+
Global Funds : co-investors



4000+
Investors : HNIs & Family Offices



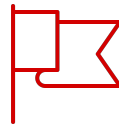
22+
Cities Operations



30+
Regional Partners



10+
International Roadshows



7+
Countries Operations



Deep Roots in Smaller Towns of India



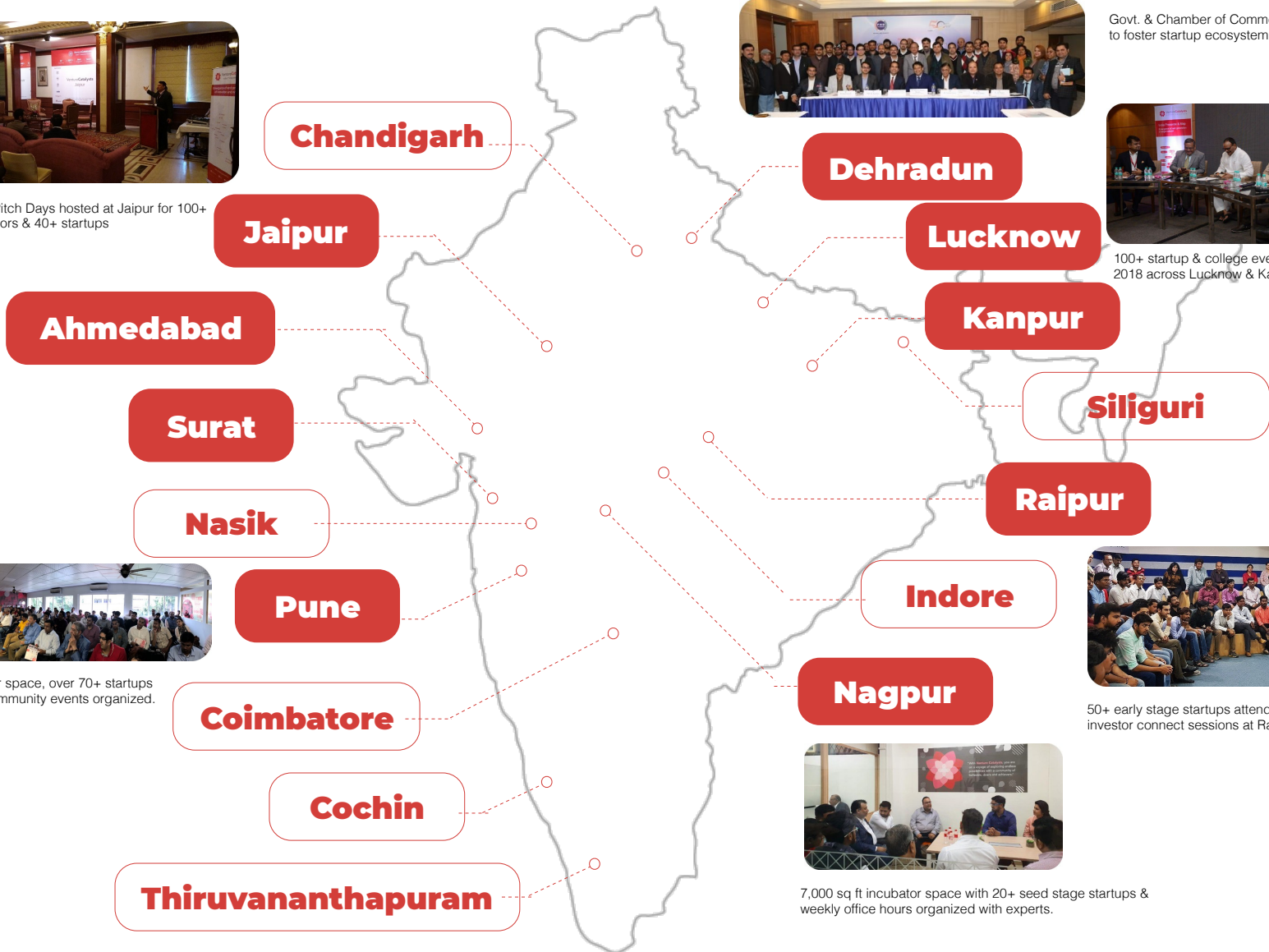
10+ Pitch Days hosted at Jaipur for 100+ investors & 40+ startups



Govt. & Chamber of Commerce partnered to foster startup ecosystem in Uttarakhand



100+ startup & college events Hosted in 2018 across Lucknow & Kanpur



5,000 sq ft incubator space, over 70+ startups incubated & 10+ community events organized.



50+ early stage startups attend weekly expert & investor connect sessions at Raipur Incubator.



7,000 sq ft incubator space with 20+ seed stage startups & weekly office hours organized with experts.



Global Standards for Incubators!



**Fasted Growing
Incubator backed by
industry veterans**



Mr. Radhakishan Damani
DMart



Mr. Kamal Agrawal
Haldiram



Mr. Vallabh Bhansali
Enam Securities



Mr. Nemish Shah
Enam Securities



Mr. BC Bhartia
Bhartia Group



Investment Track Record

Invested RS. 3CR in Nov 2016



7X Valuation

Invested RS. 1.5CR in Oct 2017



7X Valuation

Invested RS. 1.5CR in March 2016



3X Valuation

Invested RS.3CR in July 2016



3X Valuation

Invested £120K in June 2016



15X Valuation

Invested RS. 1.5CR in Oct 2017



3X Valuation

Invested RS. 3CR in Aug 2016



2X Valuation

Invested RS. 1.5CR in Sept 2017



3X Valuation

Invested RS. 2CR in Aug 2018



7X Valuation





PART I

ANGEL INVESTING & ITS ROLES IN DEVELOPING ECONOMY



Era of Startup Economies has come!

20%+

Investment goes into startup

UBER



Palantir

wework

**Economy is impacted &
Driven by Startups**



Disruption & Innovation has started practicing walk of life.

Stock Markets, GDP & Industrial Growth to be driven by Startups

45% ▲

Rise in IPOs globally

200% ▼





Less time to become \$1Bn

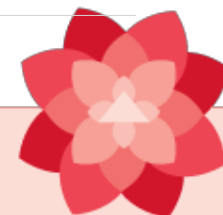
BATX (Baidu, Alibaba, Tencent, Xiaomi)

In China



India : Becoming Startup Nation

	 USA	 Israel	 China	 India
No. of Unicorns \$1B+ Valuation	98	4	37	20
Total Funding avg. per year	~\$100Bn	~\$15Bn	~\$60Bn	~\$8Bn
No. of Startups	~450,000	~8,000	~800,000	~20,000
No. of Incubators	~20,000	~80	~32,000	~600
No. of Coworkings	~6200	~110	~\$11,500	~1300



Angel Investor

Provides capital for a business startup, against convertible debt or ownership equity, and provides insights & mentorship to founders.

COMPLEX VERSION :

Angel Investor means any person, whether an individual or a company, who proposes to invest in an Angel funds and satisfies one of the following conditions, namely :

1. An individual investor who has net tangible assets of at least two crore rupees excluding value of his principal residence, and who:

i. has early stage investment experience (prior experience in investing in



PART II

LANDSCAPE OF ANGEL INVESTMENT ACROSS INDIA



Unlocking India - Potential for 1L Angels!

No. of Angel Investors in India



Year 2007

<100

Year 2017

10K+

INR. 6.5K
Cr
Invested

No. of angel investors in China



Year 2007

<200

Year 2017

1L+

INR. 180K
Cr
Invested

No. of angel investors in US



Year 2007

<1000

Year 2017

3L+

INR. 360K
Cr
Invested



STARTUP VS LIFESTYLE

Scalable startup

A fast growing organization with lean team & disruptive product for untapped market.

Lifestyle business

A self-sustaining organization with steady growth without any disruption in the business model or product.



HOW DO YOU EVALUATE A STARTUP



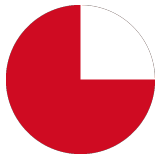
Mentor-able Founders

with exceptional execution capacity,



Disruption

unique & unheard, solving a real problem



Market

with large users / consumers, growing



Unit Economics

with positive 50-70% margins at least



Product-market fit

domain understanding, validation with users / paying customers



Scalable Asset Light

less capital intensive, scalable with technology & not with capital only.





PART III

VALUATION MYTHS



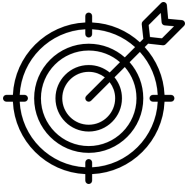
VALUATION

Unlike the technical & complex definitions of company valuation in public markets, startup valuations should remain simple :

Valuation is simply the by-product of how much money the startup needs against how much equity to be diluted.

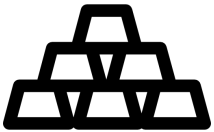


RIGHT QUANTUM



Fund the milestones

you believe necessary to reach a significant inflection point in the value of the business.



Build buffer

for the inevitable mistake or two in either your estimations or execution – usually one to two quarters



Bankroll the company

during the ensuing fundraising process.



LIMITING DILUTION

Limiting dilution to 20-25% in any round to keep enough for founders for next round dilution & to retain sufficient interest to run the company!

Example	% Dilution	Investors Holding	Founders Holding %
Round 1	25	25	75
Round 2	25	44	56
Round 3	25	58	42
Round 4	25	69	31
Round 5	25	77	23
Round 6	25	83	17

Conservative approach by considering no secondary sell by previous investors.



PRE-MONEY / POST-MONEY VALUATION



“A PRE-MONEY VALUATION is the valuation of a company or asset BEFORE investment or financing.

e.g. Founder is looking for investment of INR. 1cr. And the investors invest INR. 1Cr. in lieu of the 10% of the equity. Pre-money valuation is calculated as **Investment / equity** taken = $\text{INR. 1Cr} / 10\% = \text{INR. 10Cr.}$



“A POST-MONEY VALUATION is the valuation of a company or asset AFTER investment or financing.

e.g. Founder is looking for investment of INR. 1cr. And the investors invest INR. 1Cr. in lieu of the 10% of the equity. Post-money valuation is calculated as **Pre-money valuation + investment** = $\text{INR. 10 Cr} + \text{INR. 1Cr} = \text{INR. 11Cr.}$





VALUATION METHODS : TECHNICAL

Valuation Method	Principle
1 Berkus	Based on the assessment of 5 key success factors
2 Risk Factor Summation	Based on a base value adjusted for 12 standard risk factors
3 Scorecard	Based on weighted average value adjusted for a similar company
4 Comparable Transactions	Based on a rule of three with a KPI from a similar company
5 Book Value	Based on the tangible assets of the company
6 Liquidation Value	Based on the scrap value of the tangible assets
7 Discounted Cash Flow	Based on the sum of all future cash flows generated
8 First Chicago	Based on weighted average of 3 valuations scenarios
9 Venture Capital	Based on ROI expected by the investor



COMPARABLE TRANSACTION

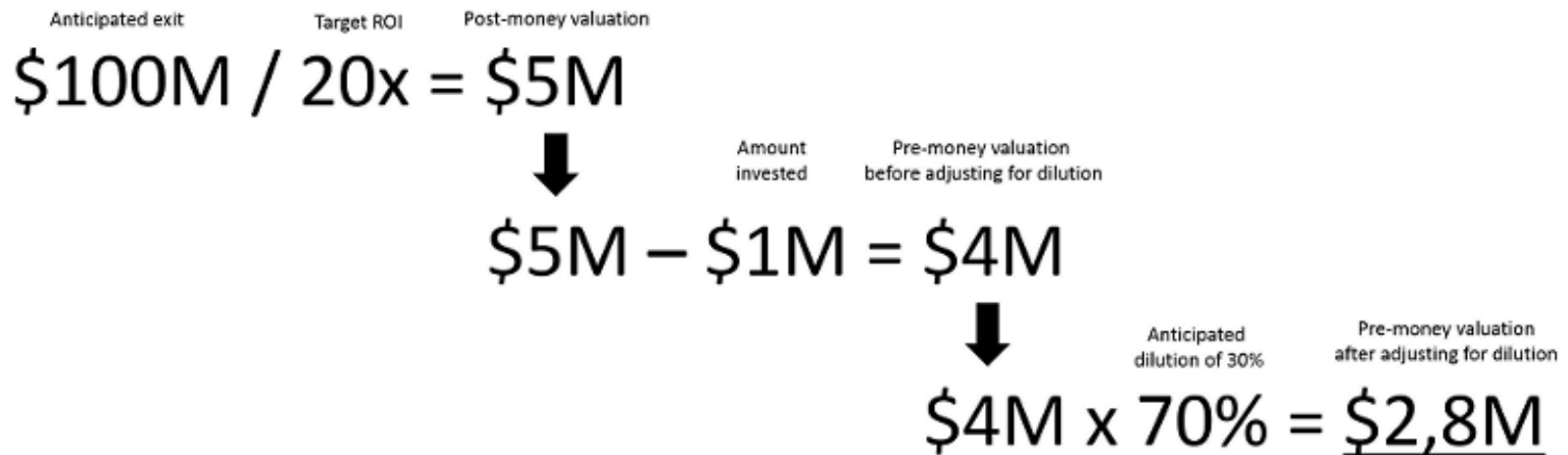
Comparable transactions considers the past sales of similar companies as well as the market value of publicly traded firms that have an equivalent business model to the company being valued. To get a more accurate valuation, more than one comparable transaction should be used.

	Somebody else's box	Your box
<i>Number of users</i>	100,000	55,000
<i>Valuation</i>		



VENTURE CAPITAL METHOD

The venture capital method reflects the process of investors, where they are looking for an exit within 3 to 7 years. First an expected exit price for the investment is estimated. From there, one calculates back to the post-money valuation today taking into account the time and the risk the investors takes.





PART III

DEMYSTIFYING TERMSHEET



WHAT IS A TERM SHEET?

» Termsheet is the blueprint for your future relationship with your investor

» Encapsulates two aspects:

› **Economics** : investor returns in liquidity event

› **Control** : mechanisms for investors to exercise

affirmative or veto



» As with other things in life, there is no good or bad term

TYPES OF TERM SHEET?



Binding Vs Non Binding

If it is binding, and only subject to preparation of formal legal documentation, then the term sheet should be detailed and so far as is possible outline all the clauses to be included in legal documentation.

If it is non-binding then there may be in principle agreement of the parties in relation to fundamental terms.



Equity Vs Convertible



WHAT IS CONVERTIBLE NOTE?

A convertible note is short-term debt that converts into equity.

In the context of a seed financing, the debt typically automatically converts into shares of preferred stock upon the closing of a Series A round of financing.



Paul Graham ✓

@paulg



Following

Convertible notes have won. Every investment so far in this YC batch (and there have been a lot) has been done on a convertible note.



MAIN CLAUSES TO LOOK AT?

- **Drag Along Rights**
- **Liquidation Preference**
 - **Participating**
 - **Non Participating**
- **Tag Along Rights**
- **Anti Dilution**
- **Right of First Refusal/Offer**
- **Pre Emptive Rights**
- **Veto Rights**
- **Equity Vesting**



DRAG ALONG RIGHTS

Drag along rights are term sheet provisions which allow investors to drag along all other stockholders, including the founders of a company, to consent to a sale of the company. In simple words, once a majority of investors and shareholders agree to the sale of the business, all other shareholders must also sell their shares on same terms and conditions, regardless of whether they agree to the deal or not.

Therefore, minority shareholders may negotiate a minimum price, minimum profit or a preferential price into a shareholders' agreement.



LIQUIDATION PREFERENCE

Investors always insist on investing through a preferred stock as it is better than common stock, because holders of preferred stock be given priority treatment in the event of liquidation. The liquidation preference defines the return that an investor receives during a sale, merger or acquisition of the company, and it can have a significant impact on the founder's return. It simply specifies which investor gets paid first and how much they get paid in the event of liquidation. There are two types of liquidation preference:

Participating Liquidation Preference : Under this preference, the preference holder will be entitled to receive his predetermined returns, but shall not be entitled to receive any portion of surplus proceeds to be distributed to equity shareholders.

Non Participating Liquidation Preference : Under Participating Liquidation Preference, the investor after receiving his predetermined returns, shall also be entitled to participate along with equity shareholders in surplus proceeds.



TAG ALONG RIGHTS

It is also known as co-sale, it protects the minority shareholders. It gives a minority shareholder the right to have his shares bought on the same terms as majority shareholders.

If a shareholder wishes to dispose of shares that are the subject of a co-sale or tag along right, the other shareholders who benefit from the right can insist that the potential purchaser agrees to purchase an equivalent percentage of their shares, at the same price and under the same terms and conditions.



ANTI DILUTION

It protects investors in the event a company issues equity at a lower valuation than in previous rounds. Shares, options and convertible securities are adjusted so that the holder of these securities receives additional securities.

It gives the right to the shareholder to receive such additional shares, without any cost at the same price on which the shares were issued to the other person so as to reduce the price per share held by him;



RIGHT OF FIRST REFUSAL/OFFER

If the shareholder wants to sell any of the shares to an outsider or to a third party, the right of first refusal requires them to give the investors the first offer to purchase the shares on the terms offered by the third party.

In case there is more than one investor, if the investor exercises their right of refusal, each investor may participate in the purchase pro rata based on the number of shares held by each investor. If the investors forego their right of first refusal, then the shareholder may sell his shares to a third party.



PRE EMPTIVE RIGHTS

It requires the company to first offer to any newly issued shares to existing shareholders on pro rata basis. This gives the investor the right to participate in subsequent financing rounds to the extent that is required to protect their percentage equity stake.

This ensures that the voting and other rights of existing shareholders exist in proportion prior to the new issue in the future. It simply allows investors to ensure that they have the ability to hold on to their shareholding on a pro rata basis and without being diluted.



VETO RIGHTS

It simply means the right to forbid or withhold assent to or reject. The giving of veto powers to shareholders increase the chance of deadlocks and creates a need for speedy means of resolving differences, or for a satisfactory method of dissolving the enterprise when corporate paralysis ensues.

Shareholders can be given veto rights in relation to certain matters including, but not limited to, appointment of employees, financial and strategic decisions of the company.



EQUITY VESTING

In this clause, the shareholder does not obtain the benefit of the shares until certain conditions have been satisfied, such as to remain in the company for a minimum period of time or achieving revenue targets or number of users.

The company may have an automatic right to repurchase the unvested shares at the time of the founders involvement with the company ceases.

The vesting period is typically between 3-5 years, the purpose is to ensure that the founders have legitimately earned his shares.



RESERVED MATTER

- Transfer of any IPR
- Availing of debt beyond certain limit.
- Enter into any transaction with affiliated or related party
- Create any new class, shares or securities or reclassify any capital stock of the Company;
- Issue additional shares of capital stock
- Any change in ESOP pool including allocation
- Acquire any equity interest in any entity or person
- Make any material change in the nature of the Company's business
- Amendment in AOA / MOA
- Appointment / Reappointment of Auditors



FINANCIAL & LEGAL DD

1. Business Overview -

- Company Overview & Corporate Structure
- Review of legal documents filed with ROC - AOA, MOA, PAS3 etc
- Review of relevant industry law to ensure compliance
- Review of various agreements entered into by the startup during the course of business and analysing their impact on incoming investors (Related Party Agreement, Advisory Agreement, Vendor Agreement, Shareholder Agreement etc)

2. Summary of Financial Statements -

- Summary of Balance Sheet for current & previous financial year
- Summary of Profit & Loss for current & previous financial year

3. Analysis of Financial Statements -

- analysis of key items of the financial statements which includes detailed information, reasons for adverse variation w.r.t previous year, statutory compliances, key ratio analysis etc
- Summary of Intellectual Property Rights & License

4. Key Findings -

- Summary of key findings from the DD report which includes background, management comments and DD Team comments on a particular finding.





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THANK YOU!

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