



# Decode Startup Financing

What Every CA Needs to Know in 2025



**Presented by -  
CA Lalit Valecha**

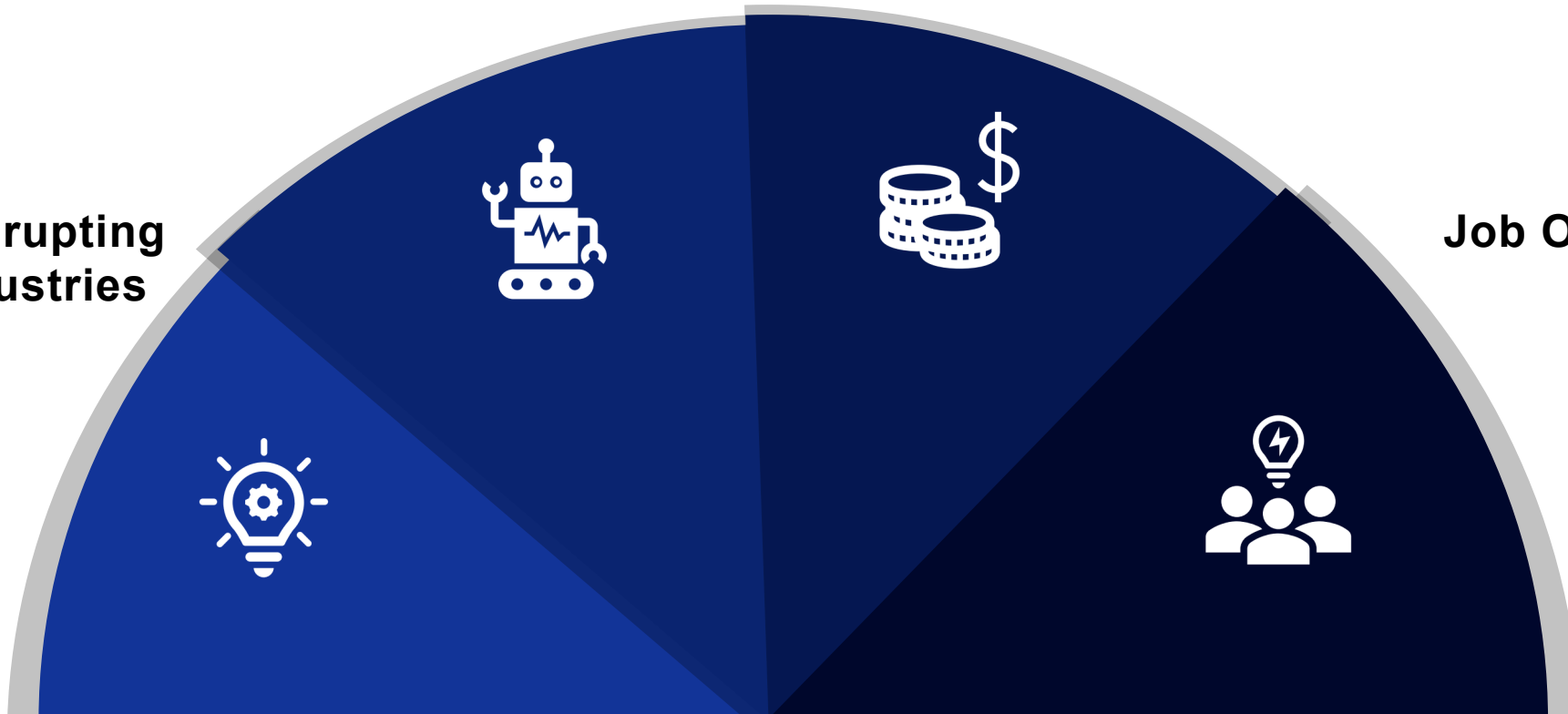
# How do Startups in India impact the economy and industries they operate in ?

**Introduce new technologies and business models**

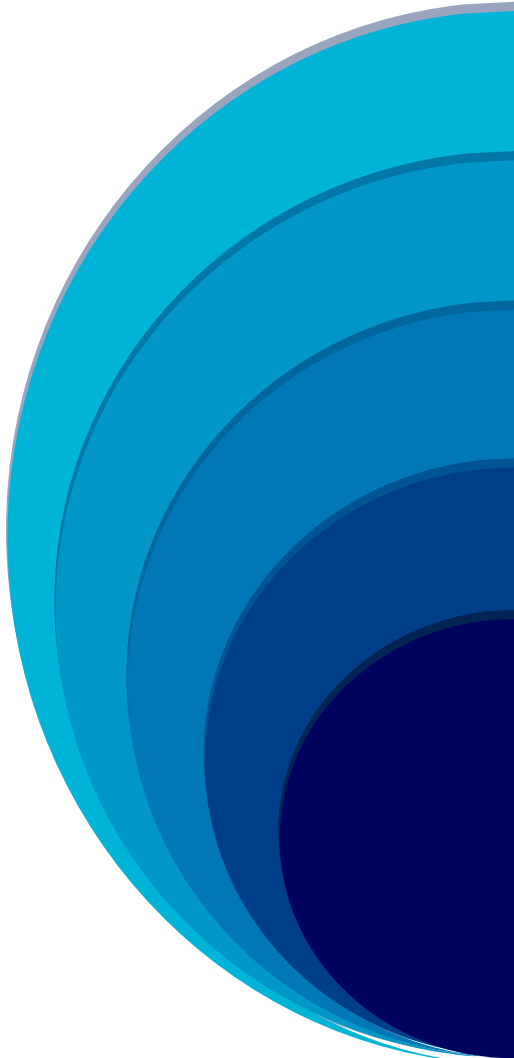
**Attract Investments**

**Job Opportunities**

**Innovation - Disrupting Traditional Industries**



# Stages of Startup Funding



## Series C

Late-stage funding to fuel large-scale expansion, acquisitions, or new product lines. Investors are more cautious as equity gets diluted further

## Series B

Indicates strong market acceptance. Funding is used to scale teams, improve infrastructure, and position the startup as a global competitor.

## Series A

Startups with traction raise funds to optimize their product, boost marketing, and expand into new markets. Focus is on growth and credibility.

## Seed Capital

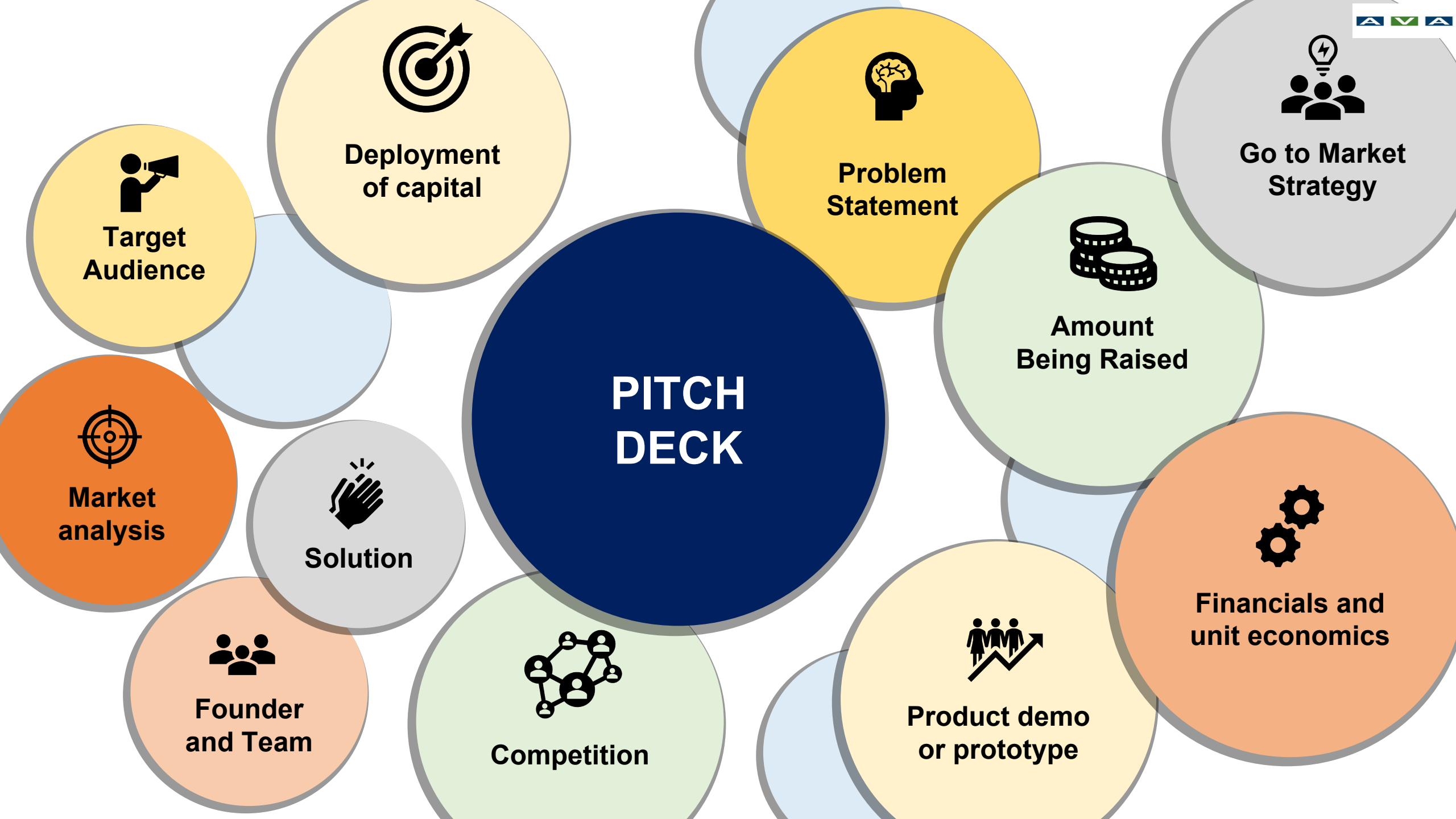
Initial external funding used to validate the idea, understand customer needs, and build a prototype. Raised from friends, mentors, or angel investors.

## Bootstrap

Founders fund the startup through personal savings or support from friends and family. Best suited for early stages requiring minimal capital and flexibility.



# **PITCH DECK**

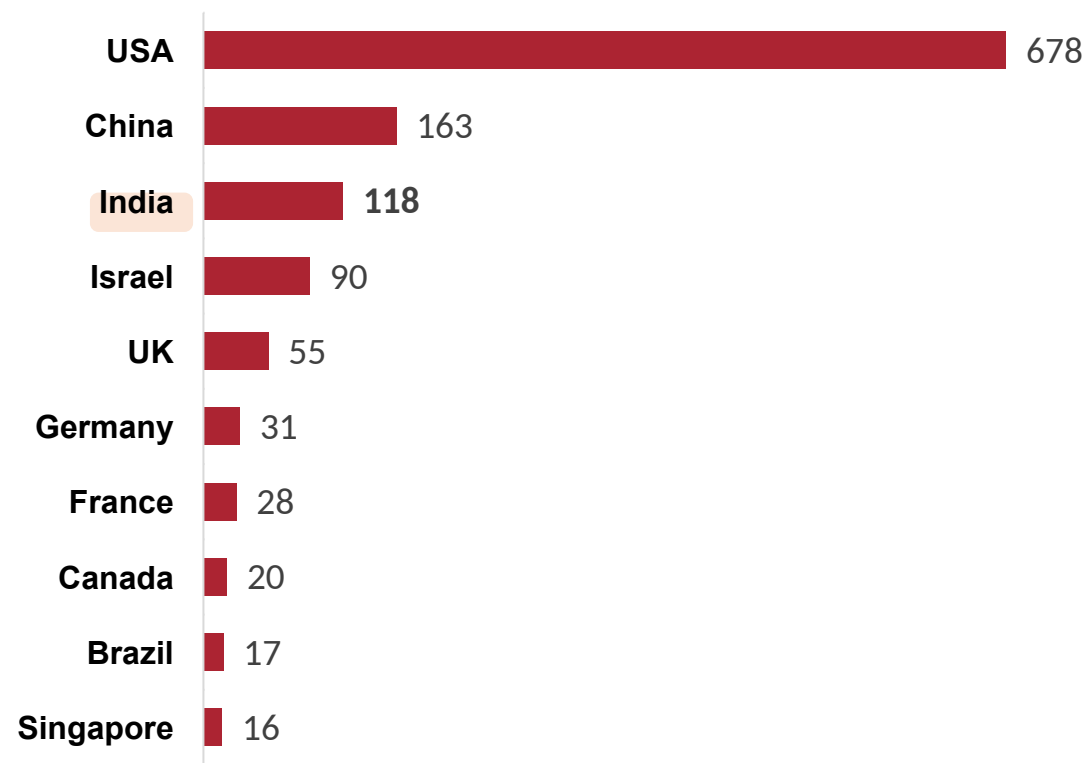




# UNICORN BOOM

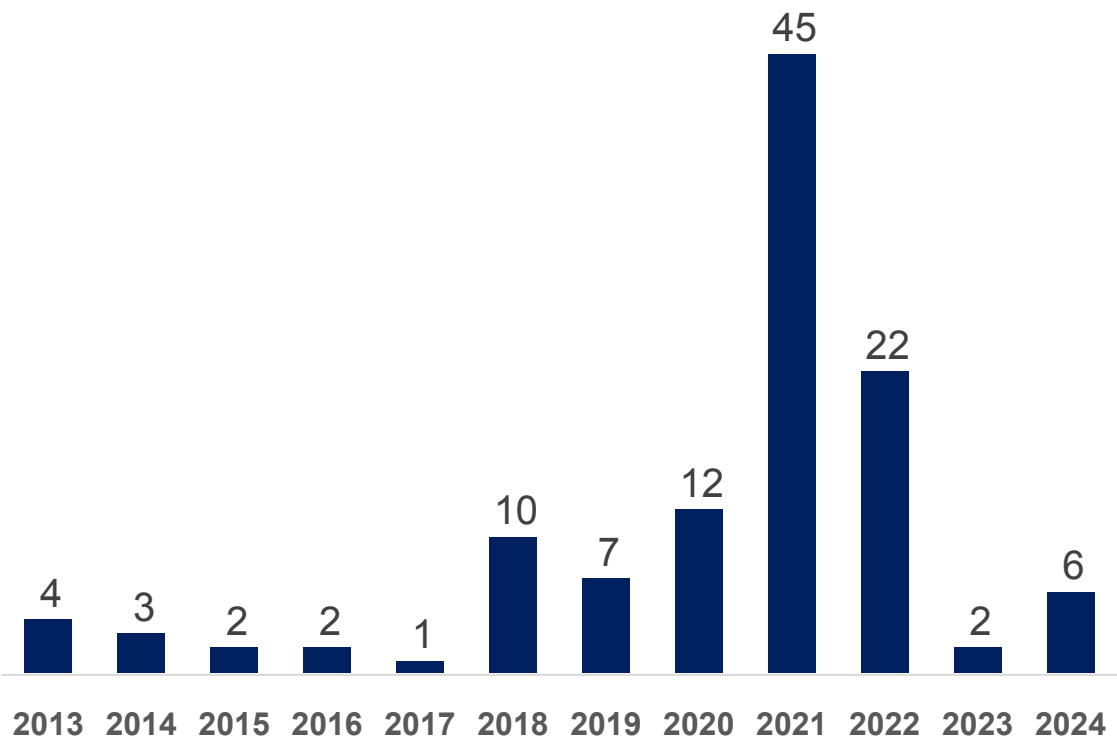
# Unicorn Boom: India's Rise on the Global Startup Map

*Country wise Unicorn count*



*India Has the Third Highest Number of Unicorns Globally*

*New Indian Unicorns Y-o-Y*



*Indian Startup Ecosystem Added Six New Unicorns In 2024*

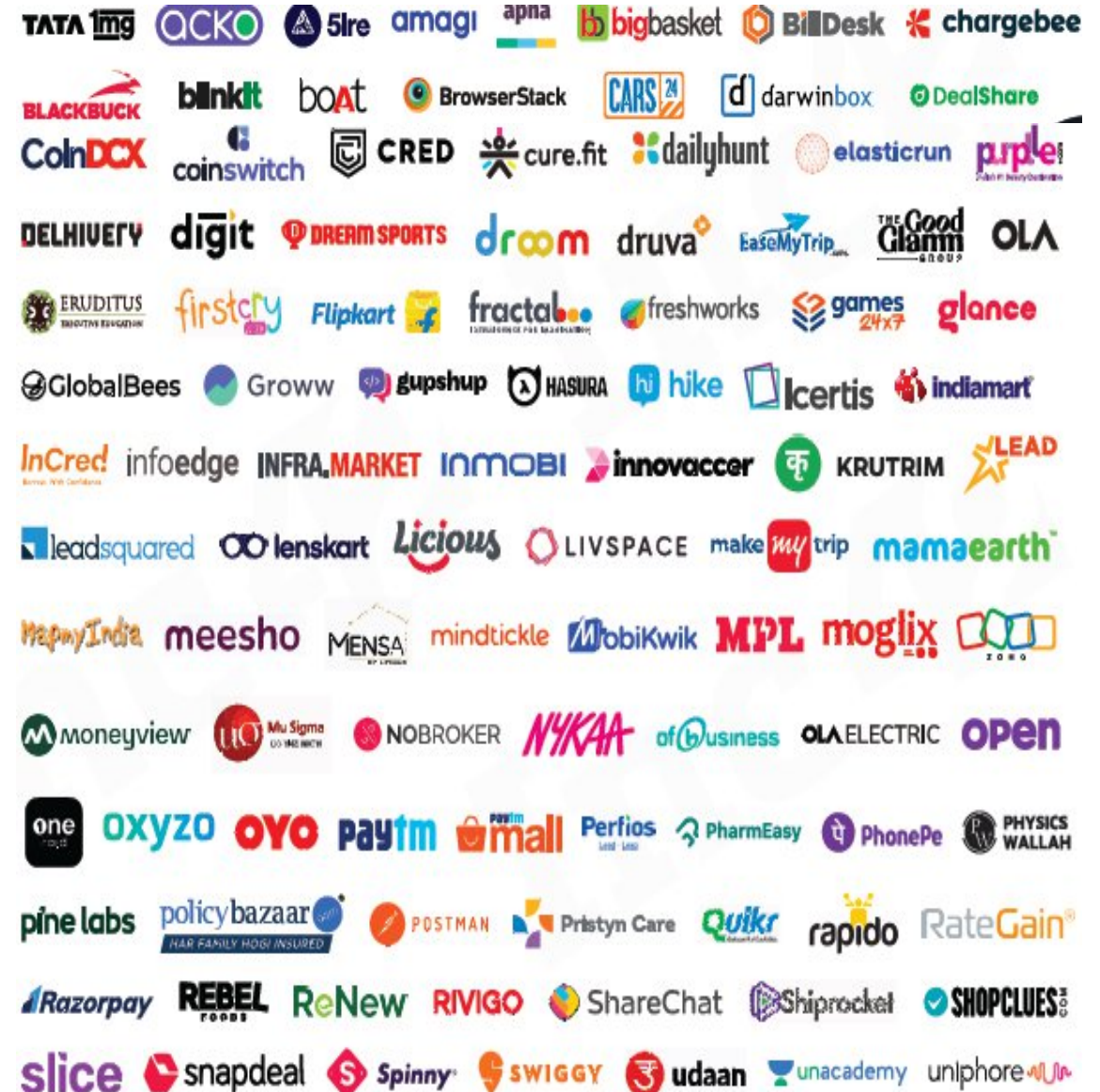


# Indian Startup Landscape

## Unicorn

A privately held startup company with a **valuation of \$1 billion or more**, typically before going public.

Source: Inc42





# Indian Startup Landscape

## Soonicorn

A startup that hasn't yet reached a \$1 billion valuation but is on track to become a **unicorn soon** based on its growth, funding, and market potential



# Indian Startup Landscape



## Indicorn

An Indicorn is a **profitable** Indian startup with ₹100+ crore revenue, founded within the last 15 years. Titan Capital has curated a list of 200+ such startups.

Credgenics

Traya.

Razorpay

ofbusiness

unicommerce



NYKAA

indifi

Minimalist

moneyview

OYO

DOT & KEY  
SKINCARE

B O U L T

Vitra.ai

Workex



INFRA.MARKET  
A BUILDING MATERIALS PLATFORM



AmpoSys



amvicart

CoinDCX

BEARDO

Easebuzz



digit

rentomojo

ambrane



PURE

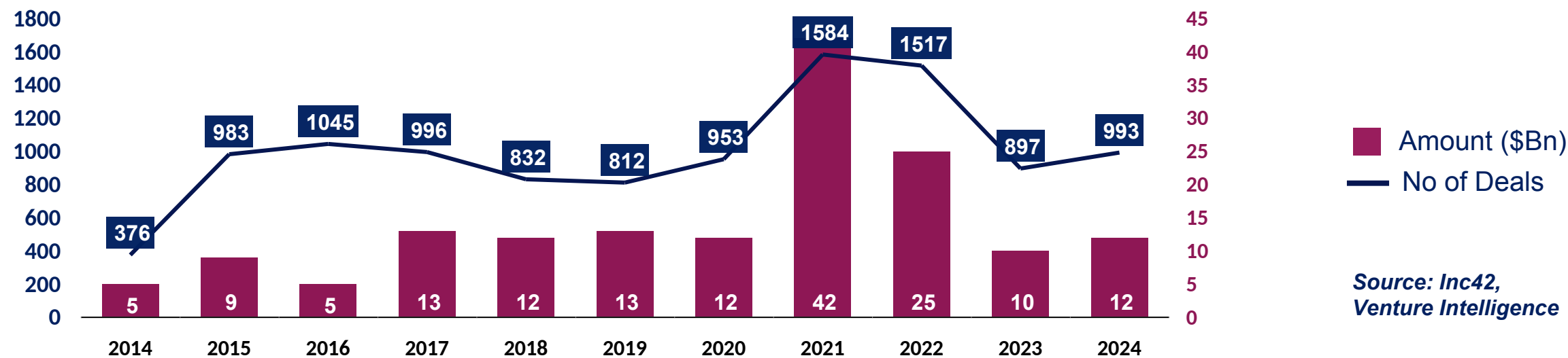
Alchemy

Astrotalk

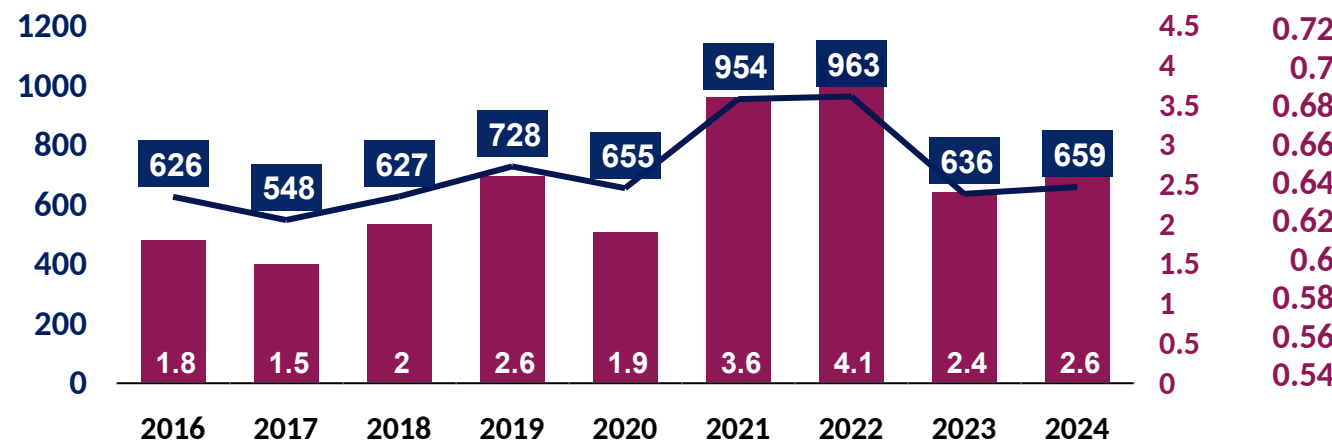


# Indian Startup Ecosystem Bounces Back with \$12 Bn+ Funding in 2024

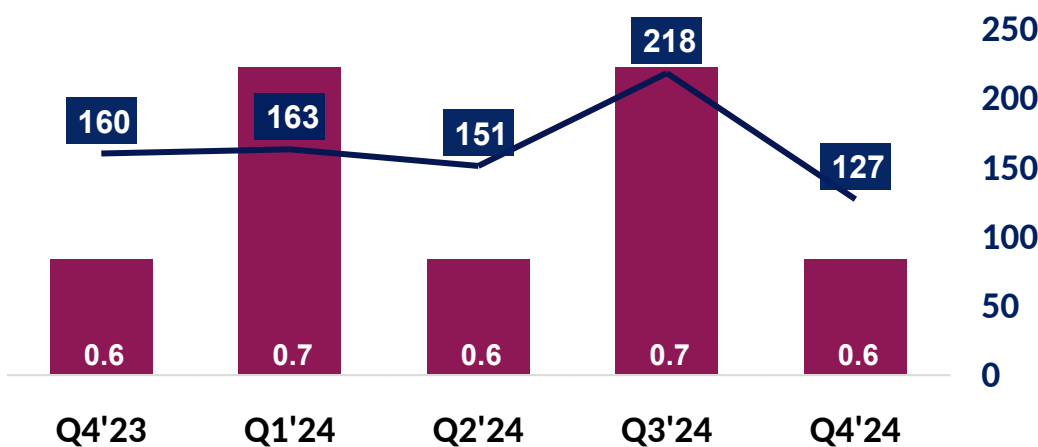
Six New Unicorns Emerge as Investment Rises 20% and Deal Count Grows by 11%



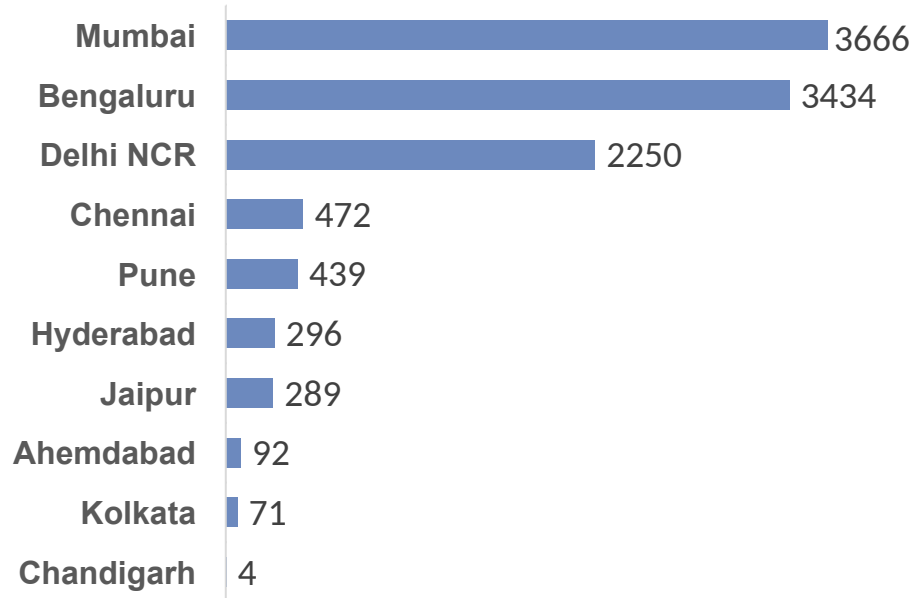
VC Investments in India



VC Investments by Quarter



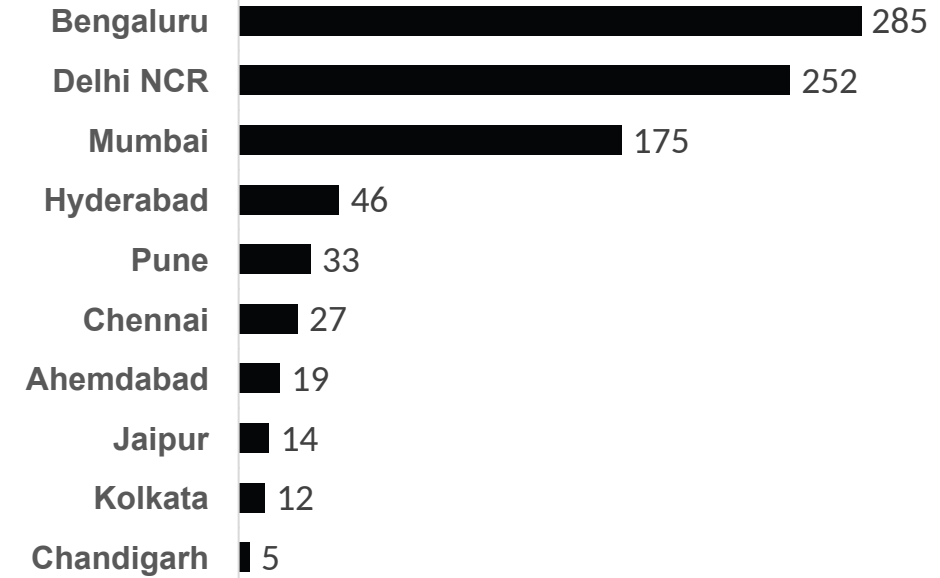
# Indian Deal Count and Funding Amount



## Top 10 Hubs (2024)

■ Funding Amount (\$Bn)  
■ Deal Count

Source: Inc42



### Angel Networks



### Family Offices & Funds



### VC & PE

#### Indian Origin



#### International Origin



### Accelerator & Incubators

#### Indian Origin



#### International Origin



### Corporate & CVCs

#### Indian Origin



#### International Origin





# The Startup Ecosystem – Pre-Transformer Vs. Post-Transformer (AI-Native)

	Pre – Transformer	Post – Transformer (AI-Native)
MVP Development	6-12 Months	2-6 Weeks
Cost	\$200k-\$500k	\$5k-\$50k
Talent Requirements	8-10 Engineers	2-4 Engineers
Infra Costs	GPU/Cloud costs for training + storage of models	Inference via API (OpenAI, Anthropic) or minimal infra for open-source hosting
Iteration Costs	High – retraining + model tuning	Low – change prompt or pipeline logic
Time to Market	12-18 Months	4–8 weeks for GenAI tools; 3–6 months for full product
Deployment Speed	Needs rigorous QA & infra setup	Cloud-first, containerized, API-based launch
GTM Motion	Slower, Sales-led	Community / Product - led, viral

# Equity Instruments



Particulars	Equity Shares	CCPS	CCD	Convertible Note
Allocation of Shares and Dilution to founders	Yes	Yes	No- Dilution only in Conversion	No- Dilution only on Conversion
Voting Rights	Yes	Generally non-voting but depends on specific terms agreed	Non-Voting	Non-Voting
Interest	Not Applicable	Not Applicable	Since CCD is a quasi-Equity Instrument the market practice is to have low interest rate lesser than 1% however in few cases interest of 5%-10% is also agreed	Generally no Interest rate
Conversion terms	Issued at Fixed Valuation	Issued at a Fixed Valuation excepting in case of Bridge round where there can be issuance at Valuation Cap and/or Discount	Issued with a Valuation Cap, or Discount or Both	Issued with a Valuation Cap, or Discount or Both
Conversion Tenure	Not Applicable	Maximum 20 years	Maximum 10 years	Maximum 5 years
Converted into	Not Applicable	Equity Shares	Preference and Equity Shares	Equity Shares
Liquidation Preference	Generally Pari Passu with Founder Shares	Higher Liquidation Preference ahead of Founder Equity	Higher Liquidation Preference ahead of Equity and preference shares	Higher Liquidation Preference ahead of all Equity, Preference and CCD
Valuation Required	Yes	Yes	Optional at the time of issuance or conversion	Not Applicable
Startup India	Good to have to avoid Angel Tax	Good to have to avoid Angel Tax	Not required	Mandatory
Cheque Size	As per negotiation	As per negotiation	As per negotiation	Minimum Rs. 25 Lacs in single tranche per investor

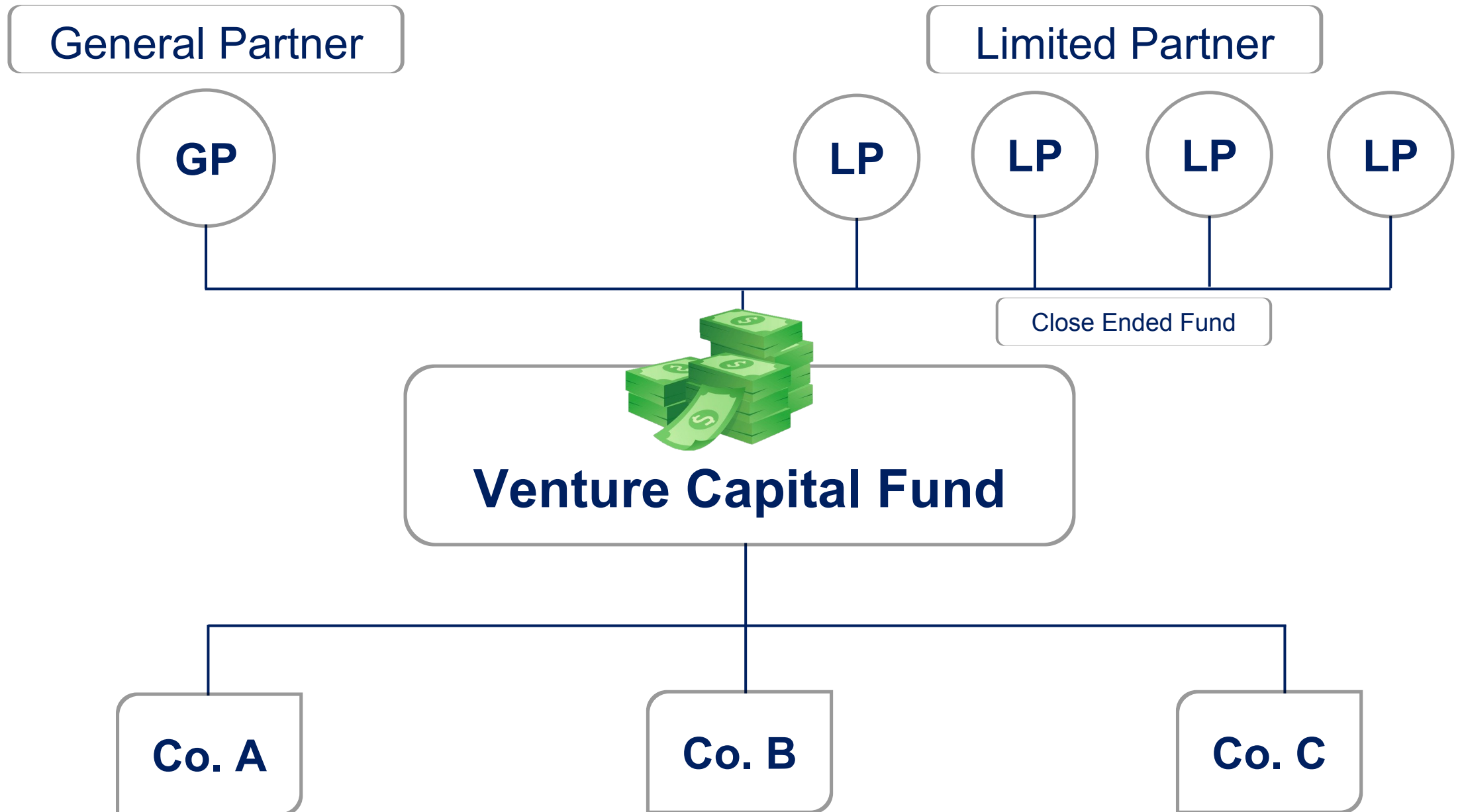
# Debt Instruments



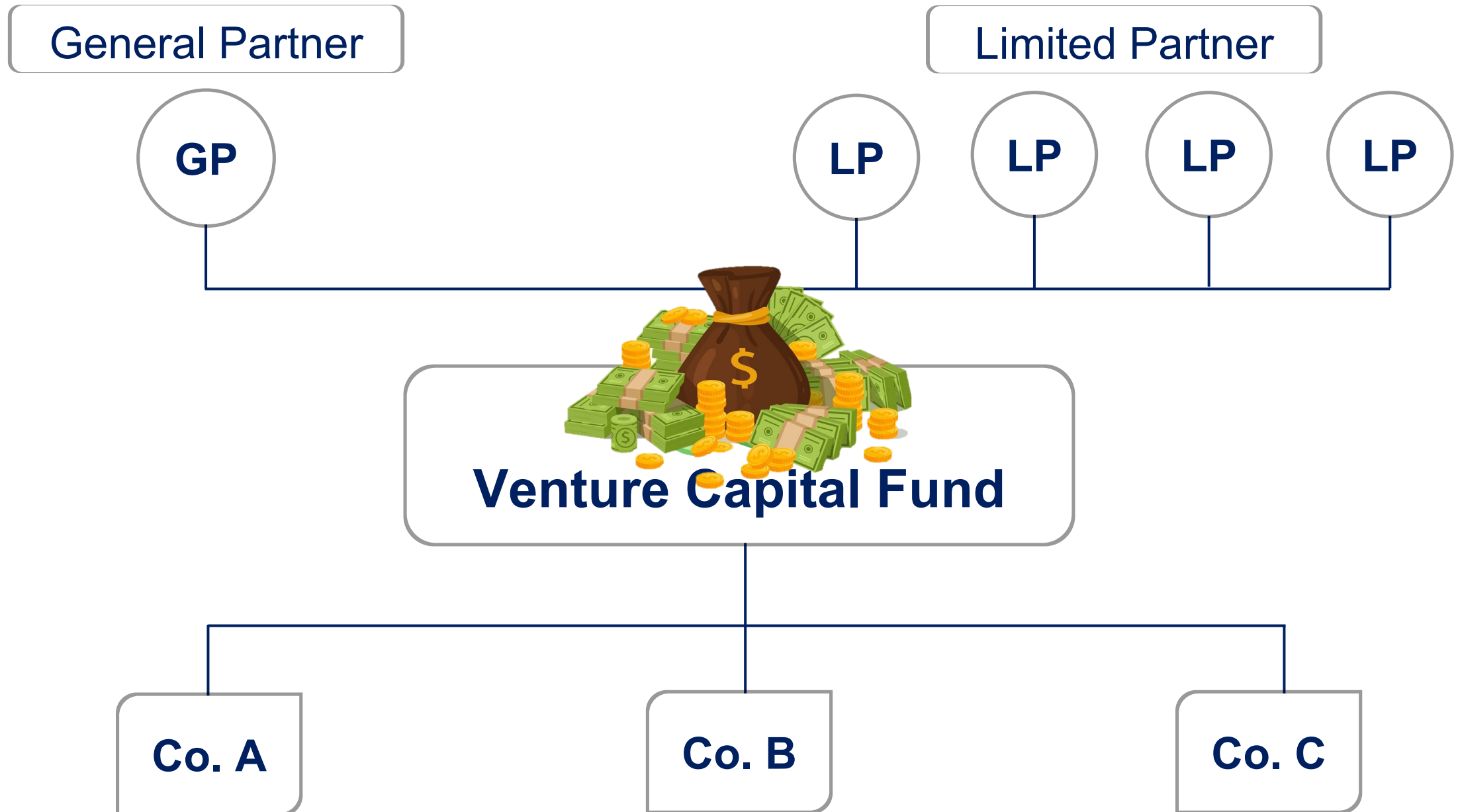
Particulars	Loan from Directors	Bank Loan	Venture Debt	NCD	Revenue based financing
Security	Unsecured	Secured except for instances of MSME loans upto a threshold	Unsecured	Mostly Secured	Unsecured however repayment linked to revenue
Compliance	Simple no filing required	Filing required for charge creation if any under Company Act	MGT14 and PAS3 required to be filed under Company Act	SEBI and Company law compliances required	MGT14 filing required
Conversion option	Can be converted into Equity based on shareholder consent	Not Applicable	Generally there is a conversion option with the investor based on certain events. Optionally convertible	Non-Convertible	Non-Convertible
Market Interest rates	0%-10% pa	MSME Loan - >8.75% pa Other loans – 10.5% pa~ 15%pa	12%~16% pa	11% XIRR ~ 14% XIRR	Upto 22% pa.
Repayment period	Depends on need and cash flow mostly long term	2~3 years	Upto 2 years	2-15 years	12~24 months
Credit Rating Required	No	In few cases	No	Yes, Mandatory	No
Liquidation Preference in case of closure of business	Last among unsecured creditors	Highest if secured	Pari Passu with unsecured Creditors	Highest if secured	Pari Passu with unsecured Creditors
Personal Guarantee from Founders	None	Yes	Representation, warranties and indemnification	Representation, warranties and indemnification	No personal Guarantee
Repayment terms	Flexible	Fixed	Fixed	Fixed	Flexible as per revenue



# How a VC Fund Works?



# How a VC Fund Works?



# How a VC Fund Works?



General Partner

GP

Limited Partner

LP

LP

LP

LP

Carried Interest ~ 20%  
*Subject to Hurdle Rates*



**Venture Capital Fund**

# How to Approach a VC?



## 01 Finding the Right VC

- Look for investors who fund your stage (pre-seed, seed, Series A) and sector (SaaS, fintech, consumer, etc.)
- Scan for past investments. Are they backing similar or complementary businesses?
- Many VCs prefer startups based in or targeting specific regions (e.g., India-focused vs. cross-border).
- Ask existing portfolio founders about their experience — the best diligence is peer-led.

## 02 Preparing to Approach

- Tap into CA networks, angel investors, accelerators, or startup mentors to get an intro.
- Write a **short, well-crafted note** with your “why now,” traction, and what you’re solving.
- Don’t wait till you need funds — **share updates quarterly** to stay on their radar.

## 03 What VCs Expect to See

- **Clear Pitch Deck (10–12 slides)**
  - Market, problem, solution, team, traction, financials, and ask.
- **Functional Data Room**
  - Cap table, financial model, founder agreement, incorporation docs, IP assignments.
- **Founder Chemistry**
  - Passion + clarity + humility > jargon. Be authentic and sharp.

### Bonus Tips

- Ask VCs smart questions too – It’s a two-way evaluation.
- Don’t oversell or hide problems – They’ve seen it all.
- Practice the pitch — not just the deck – How you tell the story matters more than what’s on the slide.

### What is VC fundable startup?

1. Scalable and has a sizable TAM
2. Exit potential
3. Good Team
4. Innovative, especially if there are no entry barriers
5. Solves a problem for which customer is ready to pay for or has an impact

# What do VC's look out for before investing



Do you have a realistic shot at success with your current strategy?

Is the market large enough to build a big business (TAM)?

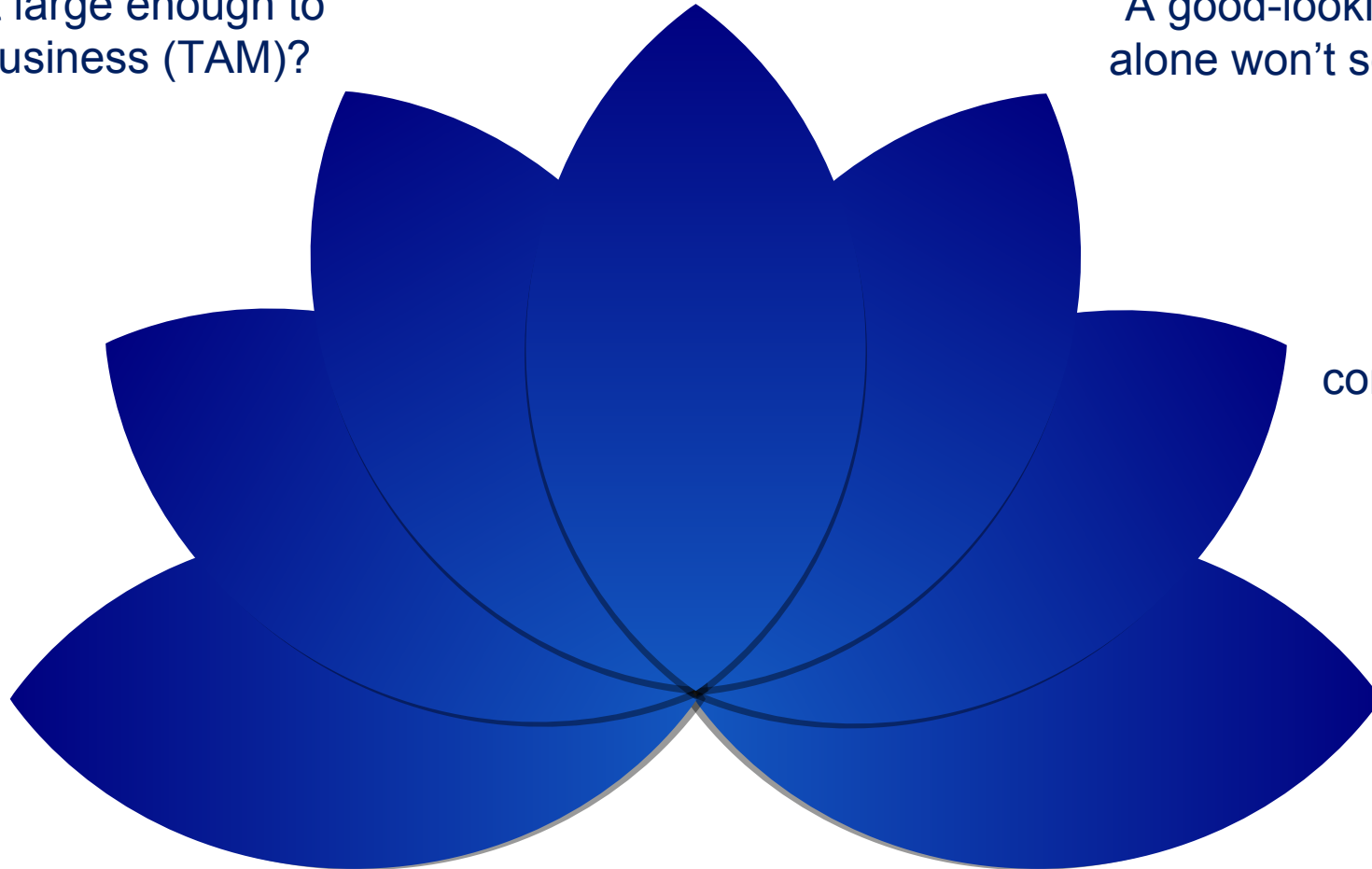
A good-looking pitch deck alone won't secure funding.

Global VCs don't prioritize pedigree (IIT/IIM) or age

How clearly do you understand your competition and what sets you apart?

Is the founding team truly solving a real and relevant problem?

AI may be the buzz, but buzz alone won't get you funded.



# US VCs Vs Indian VCs

Particulars	US VC	Indian VC
Risk	High Risk Takers	Moderate Risk Takers
Trust	Higher of Trust	Lower on Trust
Guidance in growth and network benefits	High including assisting in hiring senior positions, mentorship, industry insights, perks like AWS / Google Credits, peer support, global expansion support	Non-Convertible
Cheque size and Valuation	Higher in both cheque size & Valuation	Slightly lower valuation but this is slowly changing
Exit Terms	More flexible	Few have strong exit terms but all have best effort basis exit clause due to AIF structures in India which is a closed ended scheme

# **Key Terms and Rights in a VC Term Sheet**





## Section 1

Name of the Company, Investor and Founders

Investment Amount, Round Size and Valuation also whether this is single of multiple tranche

Investment subject to due diligence and Non-binding on Investor

Class of Shares to be allocated along with proforma cap table on effective and closing date

## Section 2

Liquidation Preference, Anti Dilution Rights, Dividends and Conversion Terms

Exit Rights, Board Seat, Information Rights, Pro-rata Rights, ROFR right, Tag along right and Drag Right

Affirmative Voting Matters, Audit and Inspection Rights

Founder Lock in, restriction on founder share transfer, Founder vesting schedule and effects of termination

## Section 3

Conditions to closing including due diligence

Representation, warranties and Indemnification from founder and company

Founder non compete, non hire and non solicit

Other covenants and consequences of event of default

## Section 4

Definitive agreements

Confidentiality and exclusivity with a clause for no shop

Clause related to expenses related to DD and legal costs

Validity, termination, governing law and dispute resolution

# Startup Valuation Methods



## Venture Capital Method

This method helps determine the ownership percentages for new and existing investors. It estimates the future exit value of a startup, and then discounts it back to the present using the expected rate of return.

This method is ideal for startups anticipating significant growth and planning to exit (via sale or IPO) sometime in the foreseeable future.

### How to Calculate Valuation with the Venture Capital Method

- **Estimate the terminal value:** Use multiples based on relative valuation (competitors' market value) to determine the startup's estimated exit value. This requires an estimate of revenue or earnings in the exit year, based on current financials.
- **Discount the terminal value:** Use the investor's expected return on investment (ROI) as a discount factor.

**Example:** If, Exit Value: \$100M; Expected ROI: 10x;  
Investment Amount: \$1M  
Then, Post Money Valuation =  $\$100\text{M} / 10 = \$10\text{M}$

## Berkus Method

The Berkus Method, or Checklist Method, values early-stage startups based on qualitative factors, not financial forecasts.

### How to Calculate Valuation with the Berkus Method

The Berkus Method assigns a value ranging from \$0 to \$500,000 to each of five key factors, leading to a maximum valuation of \$2.5 million:

- Sound Idea (Basic Value and Product Risk)
- Prototype (Technology Risk)
- Quality Management Team (Execution Risk)
- Strategic Relationships (Market Risk)
- Product Rollout or Initial Sales (Production Risk)

**Example –** Assuming a startup scores the following for each factor:

- ✓ Sound Idea: \$400,000
- ✓ Prototype: \$300,000
- ✓ Quality Management Team: \$500,000
- ✓ Strategic Relationships: \$200,000
- ✓ Product Rollout: \$100,000

The total valuation would be all the values added up, which is \$1.5 million.



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- **Discount the terminal value:** Use the investor's expected return on investment (ROI) as a discount factor.

**Example:** If, Exit Value: \$100M; Expected ROI: 10x;  
Investment Amount: \$5M  
Then, Post Money Valuation =  $\$100\text{M} / 10 = \$10\text{M}$

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# Valuation Trends

Sector	Primary Driver	Early Stage (Indicative)	Growth / Late Stage (Indicative)
D2C (Consumer Brands)	EV / Revenue	2x – 4x	5x – 10x (with brand strength)
SaaS (B2B/Vertical)	EV / ARR, CAC:LTV, NRR	6x – 10x	12x – 25x (global scale, low churn)
GenAI / AI-First	IP defensibility + Revenue	8x – 20x	20x – 40x (core infra or embedded AI)
EV / Clean Mobility	EV / Revenue, Order Book	3x – 5x	6x – 12x (infra alignment)
Health Tech	EV / Revenue, Unit Economics	4x – 6x	8x – 15x (regulatory + IP)
Space Tech	Strategic Contracts & IP	5x – 12x	20x – 30x (global dual-use potential)
Deep Tech	Patent/IP + GTM readiness	6x – 15x	15x – 30x (dual-use or R&D-backed)
Gaming (Mobile, eSports)	MAU, ARPDAU, Retention, Time Spent	MAU > 1M: \$10–30M valuation	10x–15x annualized revenue; Premium if strong IP/publisher network
Quick Commerce (10-min delivery, Grocery, etc.)	Monthly Orders, Take Rate, CAC Recovery, Burn Ratio	GMV multiple: 0.5x – 1x; Take Rate > 10%; Burn < 1.2x; CAC recovery < 2 months	City-level profitability; <15 min delivery; >85% fill rate; High repeat rate (3x+/month)

# Liquidation Preference

## Non Participatory Vs Participatory

Non Participatory Liquidation Preference		INR
Investment received from Investors		10,00,00,000
Sales Consideration/ Liquidation Proceeds		1,00,00,00,000
Total Number of Shars fully diluted		10,000
Nos of Shares held by Investor		2,000
<b>Higher of</b>		
a) 1X pro-rata ( $100 \text{ Cr} / 10,000 * 2,000$ )		20,00,00,000
b) Investment Amount		10,00,00,000
<b>Liquidation Proceeds to Investor</b>		<b>20,00,00,000</b>
Non Participatory Liquidation Preference		INR
Investment received from Investors		10,00,00,000
Sales Consideration/ Liquidation Proceeds		1,00,00,00,000
Total Number of Shars fully diluted		10,000
Nos of Shares held by Investor		2,000
<b>Aggregate of</b>		
a) Investment Amount		10,00,00,000
b) 1x Pro-rata on balance proceeds ( $((100\text{cr}-10\text{CR})/10,000 * 2,000)$ )		18,00,00,000
<b>Liquidation Proceeds to Investor</b>		<b>28,00,00,000</b>
Liquidation Proceeds to Investor basis Non Participatory rights		20,00,00,000.00
Liquidation Proceeds to Investor basis Participatory Rights		28,00,00,000.00
Excess distribution to Investor under Full Ratchet		8,00,00,000.00

**Its best to have Non Participatory Liquidation Preference**

## Higher than 1x

Non Participatory Liquidation Preference 1X		INR
Investment received from Investors		10,00,00,000
Sales Consideration/ Liquidation Proceeds		1,00,00,00,000
Total Number of Shars fully diluted		10,000
Nos of Shares held by Investor		2,000
<b>Higher of</b>		
a) 1X pro-rata ( $100 \text{ Cr} / 10,000 * 2,000$ )		20,00,00,000
b) Investment Amount		10,00,00,000
<b>Liquidation Proceeds to Investor</b>		<b>20,00,00,000</b>
Non Participatory Liquidation Preference 2X		INR
Investment received from Investors		10,00,00,000
Sales Consideration/ Liquidation Proceeds		1,00,00,00,000
Total Number of Shars fully diluted		10,000
Nos of Shares held by Investor		2,000
<b>Higher of</b>		
a) 2X pro-rata ( $100 \text{ Cr} / 10,000 * 2,000$ )		40,00,00,000
b) Investment Amount		10,00,00,000
<b>Liquidation Proceeds to Investor</b>		<b>40,00,00,000</b>
Liquidation Proceeds to Investor basis 1x Non Participatory rights		20,00,00,000.00
Liquidation Proceeds to Investor basis 2x Non Participatory rights		40,00,00,000.00
Excess distribution to investors		20,00,00,000.00

**Negotiate for 1x non-participatory Liquidation Preference**

**Take Away**

# Anti Dilution

## Broad Based Weighted Average

Particulars	Amount	Remarks
Previous Post Money Valuation	24,61,51,875	
Current Pre Money Valuation	12,73,30,000	
Current Investment	16,31,70,000	
Pre-Money Valuation	12,73,30,000	
Post-Money Valuation	29,05,00,000	
Dilution	56.2%	
Total CCPPS	28,256.0	
No. of new CCPPS to be issued	15,871	
New CCPPS price	10,281	
OCP	19,875	Earlier Issuance Price
CSO	12,385	the aggregate of Securities outstanding immediately prior to the Down-round reckoned on a Fully Diluted Basis
CSP	8,210	Current Investment / OCP
CSAP	15,871	Number of Securities (on a Fully Diluted Basis) actually issued in the Down-round
NCP	14,486	$OCP * ((CSO + CSP) / (CSO + CSAP))$
Conversion Ratio	1.3720	OPC/NCP
Number of Shares issued on Earlier Round	3,000.00	
Number of Shares post applying Anti Dilution Protection	4,116.00	

## Full Ratchet

Particulars	Amount	Remarks
Previous Post Money Valuation	24,61,51,875	
Current Pre Monet Valuation	12,73,30,000	
Number of Shares issued on Earlier Round	3,000	
New CCPPS price	10,281	
OCP	19,875	Earlier Issuance Price
Conversion Ratio (OCP/ New CCPS Price)	1.9332	
Number of Shares issued on Earlier Round	3,000.00	
Number of Shares post applying Anti Dilution Protection	5,800.00	
Number of Shares post applying Broad Based Weighted Average	4,116.00	
Number of Shares post applying Full Ratchet	5,800.00	
Excess Shares allocated for Full Ratchet	1,684.00	

**Take Away - Its best to have Broad based Weighted Average Anti Dilution protection as opposed to Full Ratchet**



# Exit Rights

Ensure that the exit right are limited to Lead/ Major/ VC investors only and not extended to an angel investor, also try to negotiate a threshold where such exit right is only available if the investor holds more than X % (generally >5%)

Few investor may ask for a XIRR return on exit clause this is non-standard do not agree for XIRR construct for any investor in any stage or else the next investor will also ask for the same

Ensure that the exit rights are only on best effort basis also this is only limited to providing opportunity and not worded as providing exit

Ensure the price of exit is determined by the board of the Company and not by select investors

Try to negotiate to restrict the best effort basis exit only for the Company and not founder

Ensure that there is no Put option under the exit clause





# Other Clauses



## Favourable clause to negotiate



The Lock in for founder should be limited to 4 years and monthly vesting, further even withing lock-in the founder should be allowed to sell 5% for liquidity needs



Negotiate definition of Cause such that there is appropriate framework where mere allegations does not lead to termination



For Founder share transfer instead of ROFR negotiate for ROFO, also full tag to be avoided



Have transfer restriction like ROFO on investor selling shares along with transfer restriction on sale to competitor



Unallocated ESOP pool on occurrence of Liquidation event should be allocated to continuing founder



Upton Occurrence of Liquidation Event founder shares shall fully vest

## Unfavourable clause to avoid



Avoid clause in the employment agreement for Removal for without Cause



In case of removal without Cause negotiate for unvested shares being transfer at fair value



Avoid Super Pro-rata to investor also restrict pro-rata pre-emptive only to VC investor

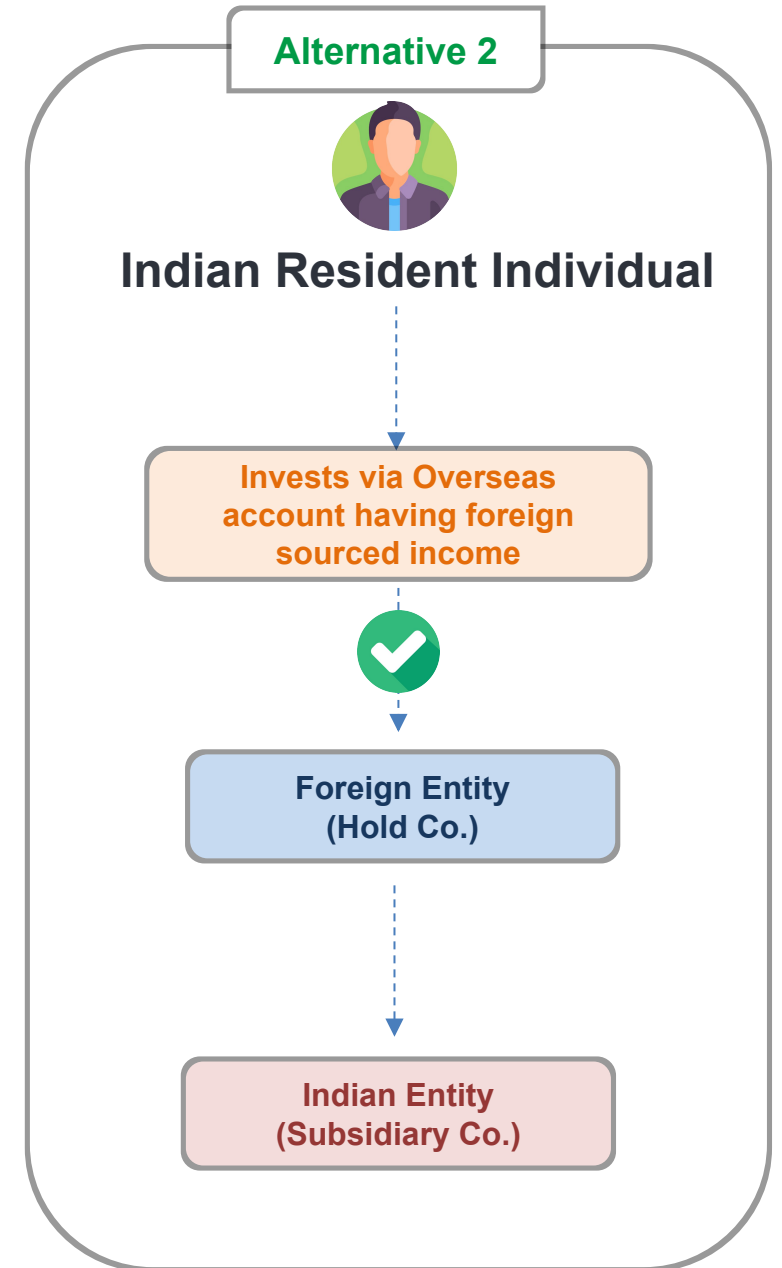
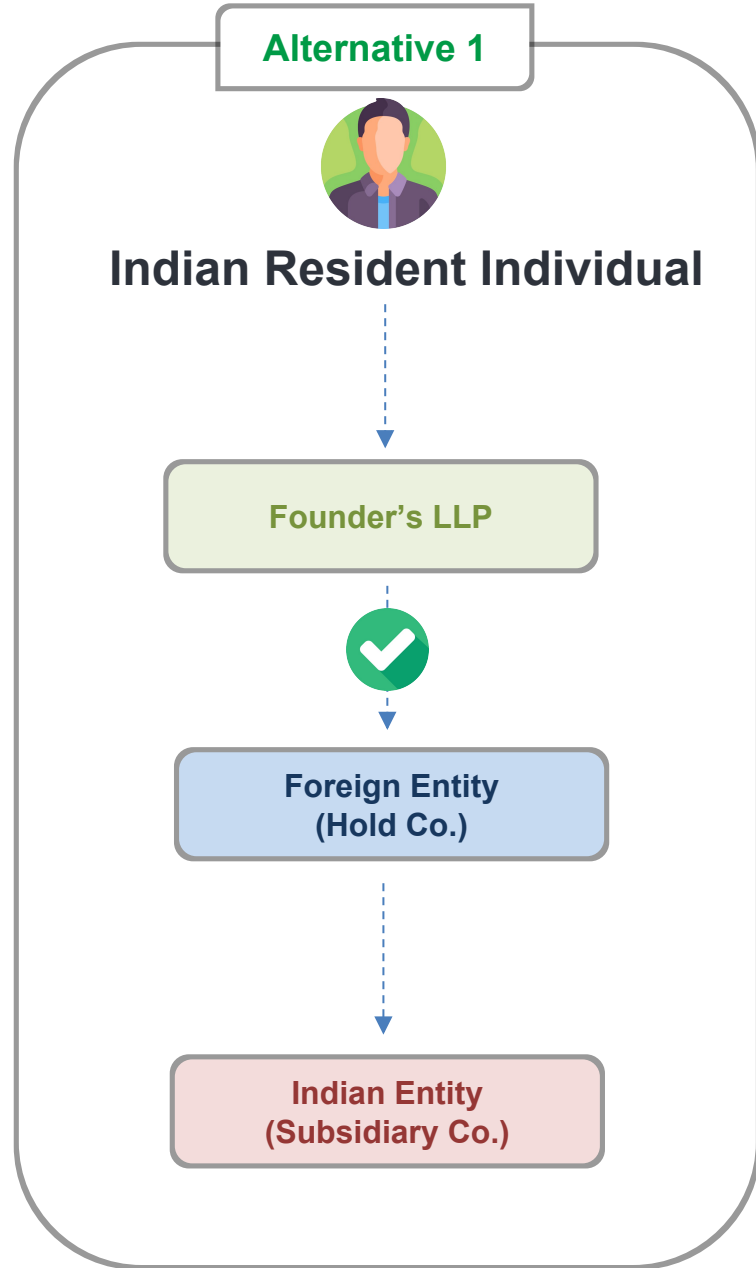
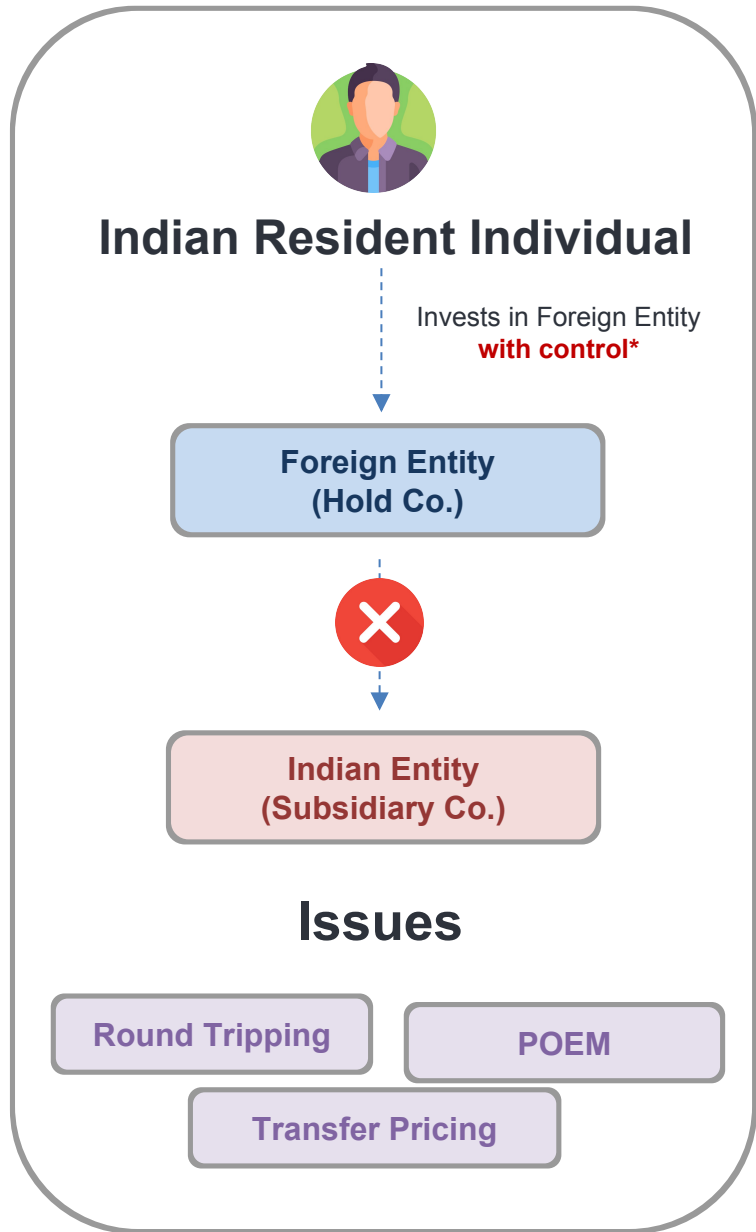


Avoid Reserved Matter/ Affirmative Vote Matters for operating matters



Indemnification should be restricted to Company also not to extend to Non defaulting founder, there should be time and value limits. Also founder assets should not be involved

# Flip



# Comparison between Countries



Parameter	Singapore	USA	UAE
Tax Rate	17% with various exemption	>21% (Federal plus state taxes)	9% & 0% if Free zone
Capital Gains	Exempt, except for as provided under 10L	Taxable	Any gains on disposal of capital assets would form part of taxable income subject to participation exemption
Dividend	Exempt	Taxable	Exempt subject to participation exemption
Local Director	1 Local Director required	Not Required	Mainland entity may require local partner upto 51% as per business requirement
Audit	Required if threshold met	Not Applicable for unlisted entity	Required in Freezone
Incorporation Time	2-3 Days	1 Day	2-3 weeks
Incorporation Cost	Moderate	Low	High
Time Required to open bank account	Upto 15 Days	3-4 Days	Upto 2 Months
Requires travel for bank account	No	No	Yes

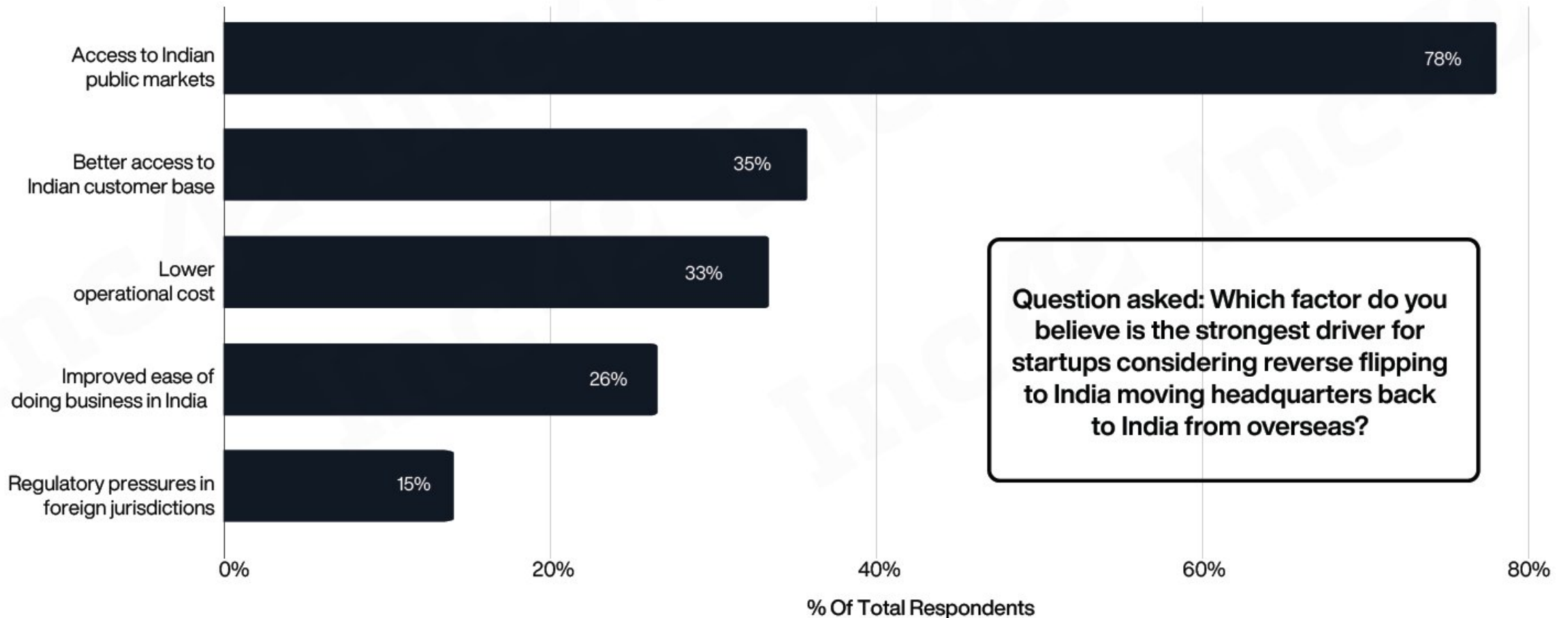
# Reverse Flipping: Why Indian Startups Are Moving

ETPrime

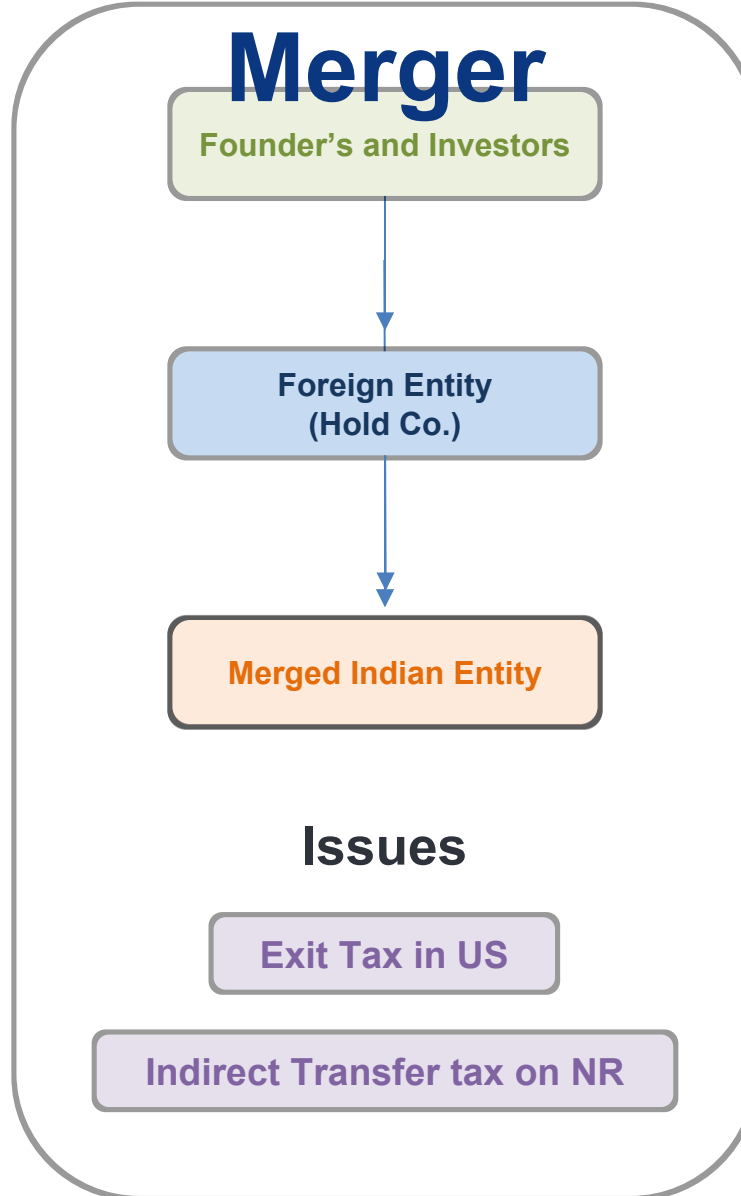
Startups 'reverse flip': Pine Labs, Zepto, Meesho in queue for India return

FINTECH

Desh Wapsi: Groww Moves Back Domicile To India



# Reverse Flip Structure – Inbound



04

03

02

01

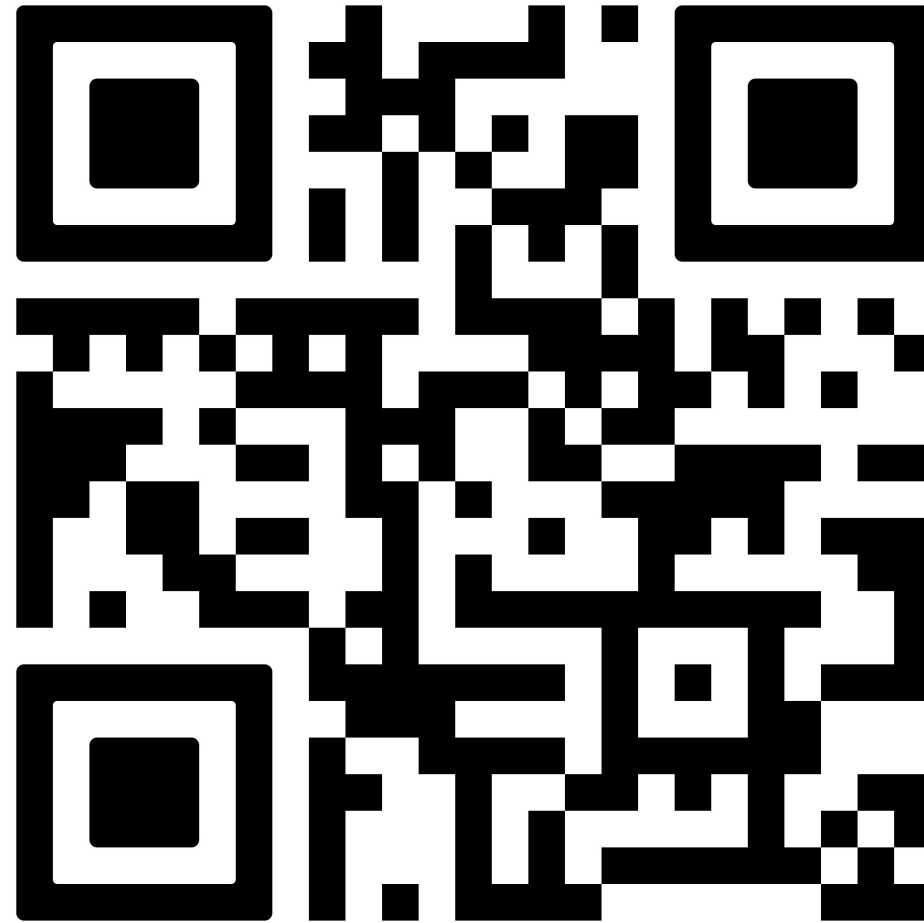
# Common Mistakes



**Astio.**



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# Thank



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