TiE IoT Day
Fundraising Workshop

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13th April 2019

TiE Bangalore
Fostering Entrepreneurship
Financing Options
Financing Options

- Founders’ savings
- Loans from Friends and Family
- Loans from Banks
- Kickstarter/Crowd sourcing
- Grants from Government/Trusts
- Incubators
- Angel investors
- Seed funds
- VC Funds
Founders’ criteria
Founders’ criteria

- Access to decision maker/disburser
- Speed of decision making
- Security/Collateral required
- Liability – financial and emotional
- Active operational support
- Non-financial perks
- Operational independence
- Mentoring
- Future fund raising involvement
## Relative marking

<table>
<thead>
<tr>
<th></th>
<th>Founder's savings</th>
<th>Family loans</th>
<th>Bank loans</th>
<th>Crowd Sourcing</th>
<th>Govt. grants</th>
<th>Incubators</th>
<th>Angels</th>
<th>Seed funds</th>
<th>VC Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to decision maker/disburser</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Speed of decision making</td>
<td>Green</td>
<td>Yellow</td>
<td>Yellow</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Security/Collateral required</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Liability – financial and emotional</td>
<td>Red</td>
<td>Yellow</td>
<td>Yellow</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Active operational support</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Non-financial perks</td>
<td>Red</td>
<td>Yellow</td>
<td>Yellow</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Operational independence</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Future fund raising involvement</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Green</td>
<td>Green</td>
<td>Green</td>
</tr>
</tbody>
</table>

**Legend:**
- Green: Favorable aspect
- Yellow: Neutral aspect
- Red: Unfavorable aspect
The VC checklist & how they ‘grade’ your pitch
The Setting

• Long odds:
  • Proposals received – 200 a year
  • Second meeting -- 40 a year
  • Due diligence undertaken – 12 a year
  • Deals done -- 1 a year

• First meeting: 1 hour
The think through

PROBLEM
• Do I buy into the problem?

SOLUTION
• Do I like the proposed solution?
  • Is it feasible?

MARKET
• Is there a paying customer?
  • How many?
THE TEAM

Do they jell well together?
Can I work with them?
# The Problem

- **Who all is it impacting?**
- **What is the extent of pain?**
- **What is the cause of pain?**
- **What is the benefit of relief?**

<table>
<thead>
<tr>
<th></th>
<th>Worst</th>
<th>Best</th>
<th>Scale (0-10)</th>
</tr>
</thead>
</table>
| 1 | Problem definition | Subjective | - Customer specificity  
|   | | | - Quantification of pain |
| 2 | Quality of data | None or anecdotal | Multiple sources |
| 3 | Customer validation | None or anecdotal | Data backed |
### The Solution

- **What is the approach mooted?**
- **What are other approaches feasible – why this one?**
- **What is the extent of relief?**

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<tbody>
<tr>
<td>1</td>
<td>Extent of relief</td>
<td>&lt; 20% better</td>
<td>&gt; 50% better</td>
</tr>
<tr>
<td>2</td>
<td>Validation with customers</td>
<td>Anecdotal</td>
<td>Data backed</td>
</tr>
<tr>
<td>3</td>
<td>Differentiation</td>
<td>None</td>
<td>Patent protected</td>
</tr>
<tr>
<td>4</td>
<td>Market insertion strategy</td>
<td>Large ecosystem changes required</td>
<td>Plug-and-Play</td>
</tr>
<tr>
<td>5</td>
<td>Simplicity of the solution</td>
<td>Multiple technologies / domain expertise</td>
<td>Small set of related domains</td>
</tr>
<tr>
<td>6</td>
<td>Solution risks</td>
<td>-Navigating through existing Patents</td>
<td>-Radically new approach</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Needs new standards / changes in regulation</td>
<td>-Conformance to existing standards</td>
</tr>
</tbody>
</table>
## The Market

- What is the addressable market size?
- What is the potential market share?
- What and why would the customer pay for it?
- How would the market be addressed?
- What is the competitive landscape?

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<tbody>
<tr>
<td>1</td>
<td>Total addressable market per year</td>
<td>&lt; $10 million</td>
<td>&lt; $1 billion</td>
</tr>
<tr>
<td>2</td>
<td>Industry growth rate</td>
<td>&lt;10%</td>
<td>&gt;33%</td>
</tr>
<tr>
<td>3</td>
<td>Barrier to competition</td>
<td>Operational difference</td>
<td>Technology and Business process IP</td>
</tr>
<tr>
<td>4</td>
<td>Customer readiness</td>
<td>No contact</td>
<td>Provisional order in hand</td>
</tr>
<tr>
<td>5</td>
<td>Expected market share</td>
<td>&gt;80%</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>6</td>
<td>Barrier to entry</td>
<td>&lt;6 months</td>
<td>&gt;3 years</td>
</tr>
<tr>
<td></td>
<td>WORST</td>
<td>BEST</td>
<td>SCALE (0-10)</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------</td>
<td>-----------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>1</td>
<td>No. of Co-founders</td>
<td>&lt;2 or &gt;6</td>
<td>2 to 5</td>
</tr>
<tr>
<td>2</td>
<td>Ex-colleagues</td>
<td>&lt; 6 months</td>
<td>&gt; 5 years</td>
</tr>
<tr>
<td>3</td>
<td>Collective work experience</td>
<td>&lt;10 years</td>
<td>&gt;20 years</td>
</tr>
<tr>
<td>4</td>
<td>Relevant experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Team balance</td>
<td>All similar profile</td>
<td>Each different + understudy</td>
</tr>
<tr>
<td>6</td>
<td>Start-up experience</td>
<td>None</td>
<td>2 stints with 1 as founder</td>
</tr>
<tr>
<td>7</td>
<td>Interplay between members</td>
<td>Tyrant!</td>
<td>• Consensus building leader</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• I among equals</td>
</tr>
<tr>
<td>8</td>
<td>“Idea” vs. Goal</td>
<td>No detailing</td>
<td>• Meticulous detailing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Good risk assessment</td>
</tr>
</tbody>
</table>
## Opportunities and Threats

- **Other potential applications for the product**
- **Other by-products**
- **Other possible markets**
- **Risks of time and cost**
- **Market risks**
- **Legal risks**

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<td>Regulated market: licenses required</td>
<td>Yes, AND no scheme in place</td>
<td>No</td>
</tr>
<tr>
<td>2</td>
<td>Monopoly vendor or client</td>
<td>All</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>“Gorilla” competitor</td>
<td>Many</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>Time-To-Market</td>
<td>&gt;4 years</td>
<td>&lt; 1 year</td>
</tr>
<tr>
<td>5</td>
<td>Potential Application across multiple domains</td>
<td>No</td>
<td>Yes and more than 3 domains</td>
</tr>
</tbody>
</table>

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**Artimian Ventures**

**BANGALORE**

**Fostering Entrepreneurship**
## Financials

- Cash Flow: milestone based
- ROI
- Expected market share

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<tr>
<td>1</td>
<td>Spend outlay</td>
<td>&gt; 70% front-ended</td>
<td>&gt; 70% is post beta</td>
</tr>
<tr>
<td>2</td>
<td>Expected ROI</td>
<td>&lt; 4X</td>
<td>&gt; 10X</td>
</tr>
<tr>
<td>3</td>
<td>Costing assumptions in Financial Plan</td>
<td>All ‘lump-sum’</td>
<td>Quotes in hand for top 10 items</td>
</tr>
</tbody>
</table>
Some Tips

• If you don’t know some of these answers, say so- that is better than assumptions or ducking the issue.
• Provide many data points and all from credible III parties
• Go through the VC’s website to check whether there is alignment—before contacting them.
• Keep ready both a 2 page executive summary AND a detailed Business Plan
About Artiman

- US – India; ‘concept-stage’ fund
- Assets Under Management - $1.3 B
  - 35 companies, 7 from India
- Current fund size (raised in Feb’07) - $230 m

- Investment philosophy
  - White spaces
    - Large opportunities with no identifiable competitors
    - Significant market or technology lead
How to DATE a VC
THE FIRST TRUISM
The First Truism

The need is MUTUAL!

It just takes time for both to find the right match
VC pressures

• Fund’s resolve to commit investment in a particular time frame
• VC’s performance measured by funds deployed & returns thereof, not funds raised
THE SECOND TRUISM
Some people are already taken

Check out for wedding bands before you make your approach

• Very early stage or early stage or mid stage or late stage?
• Investment charter (Bookworm or Sporty type?)
• Conflict of interest (Jealous lover)
• Current fund liquidity (not right now, but..)
• First impressions (looks, clothes, style of speaking)
THE THIRD TRUISM
It’s a long night

Remember that for an early stage venture, the VC will stay invested and will be on the board from 4 to 7 years

• Check body chemistry
• Check previous relationships (CEOs of portfolio companies)
• Check degree and quality of involvement
Cruising spots

No, it’s not the Golf course!

• Check out forums where the organizers are both entrepreneurs and VCs: TIE is a good one

• Industry meets
Matchmakers

• Investment Bankers
• Consulting firms
• Lawyers specializing in startups
• Accountants
• Former/current entrepreneurs
Pickup lines

BAD

• I have got other options(dates) waiting for me
• First tell me you are keen, then I will tell you what my plan is
• I don’t need the money (date) really, just dropped by (to tell you what you are missing?)

GOOD

• A 2page executive summary
Thank You

Contact

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