

Stages of Startup Funding



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What is Startup ?

Investopedia defines a startup as

- A young company that is just beginning to develop
- Its seeds are sown and sprouted either because the founder(s) has come up with a **unique solution**
- to **erase a complicated problem**
- or because they have found a more **efficient way to distribute something that was already there.**

Indian Startup Facts

- India has the **3rd largest startup ecosystem** in the world
- **1300 new tech startups** were born in 2019 alone implying **2-3 tech startups born every day.**
- Startups in the country have been able to create an estimated **40,000 new jobs over the year**, taking the total jobs in the start-up ecosystem to **1.6-1.7 lakh**
- Most number of start-ups are the **Finance industry, Insurance and Real Estates.**

Pre-Seed Funding

Commonly know as bootstrapping

Startup Stage

- Exploring Feasibility of Building Idea into product / service
- Market Testing
- Develop Marketing and Sales Plan for the Product Launch

Potential Investors

- Startup Owners
- Friends and Family Members

Approx. Funding – 10 Lacs – 30 lacs



Seed Funding

During this stage, a Startup receives help in determining its final products and demographics

Startup Stage

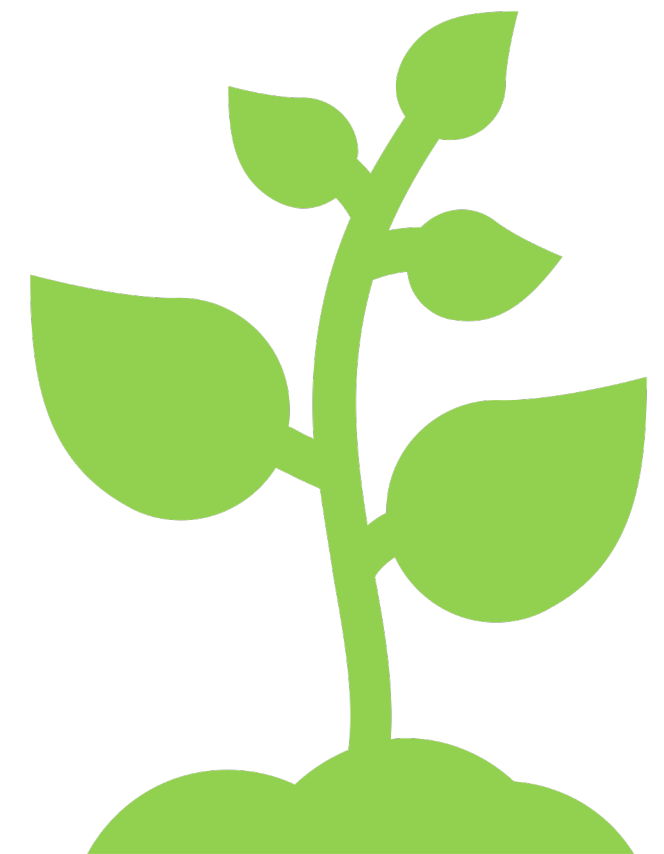
- Launch of product & Build Traction until revenue comes in
- Hiring Team members
- Product Development for the market

Potential Investors

- Angel Investors
- Micro VC, Crowd Funding

Approx. Funding – 1 Mn USD

Valuation - 7 Mn USD



Series A

It is first round of VC funding

Startup is set in terms of product development and provide preferred stock to investors

Startup Stage

- Working Business Model
- Key Team in place
- Scalable Market Blueprint

Potential Investors

- Accelerators
- Venture Capitalist (VC)

Approx. Funding – 13 Mn USD

Valuation – 22 Mn USD



Series B

This stage allows Startup to grow so that they can meet demands of customers

Startup Stage

- Scaling Up
- Increasing Market Share & Outlive Competitors
- Building High Quality Team

Potential Investors

- Late Stage VC's
- Venture Capitalist (VC)

Approx. Funding – 32 Mn USD

Valuation – 58 Mn USD



Series C

Startup raise more funds to raise build new product, new market and acquire start-ups

Startup Stage

- Expansion
- Increase Market Share
- IPO Track

Potential Investors

- Late Stage VC
- Private Equity Firm
- Hedge Funds & Banks

Approx. Funding – 55 Mn USD

Valuation – 115 Mn USD



IPO Stage

IPO is process of offering corporate shares to general public

Startup Stage

- Growth Oriented Team
- Stable Financial Stat.
- Good Corporate Governance
- Positive Market Sentiments

Potential Investors

- General Public
- Institutional Investor





FAQ



How much amount to be raised in each round ?

According to Paul Graham, CEO of Y Combinator, in order to determine the funding required for your startup, you must apply this simple formula.

Multiply the number of people you want to hire, times \$15,000 times 18 (months).

For example, if you need to hire 5 employees, you can apply the aforementioned formula as:

$5 \times \$15000 \times 18 = \$1,350,000$ is the funding you need for the next 18 months of your startup.

How to get Seed Money ?

If you're about to or have recently launched your startup, the potential investors for your startup idea will be none other than yourself and the three classical Fs – Fools, Friends & Family.

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