NST FOUNDER LAB · WEEK 12 LAB · FOLLOW-ON LECTURE · 30 MINUTES

How to Read a Funding History

Five rounds of VayuKheti — what the record teaches.

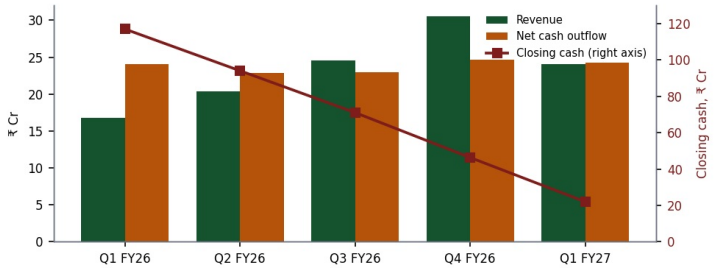
You just spent an hour inside a company's books.
This half hour is what to carry out of it.

DEBRIEF

Where did it actually break?

The fatal choices were minuted early: September 2023, then January 2025.

Cash zero in mid-September 2026 is where that arithmetic landed.



- Sep 2023: the fleet was bought to support a valuation step-up — capital locked into a fixed-cost anchor. Its own shortfall was only ≈₹0.4 Cr/yr.
- The ₹80.5 Cr FY26 operating loss is mostly the 8-state expansion and 340 headcount running ahead of utilisation — later rounds financed that growth spending and the debt service.
- By Q1 FY27: ₹22.0 Cr cash ÷ ₹8.1 Cr monthly burn ≈ **2.7 months** — cash zero around **mid-September 2026**.

A company ten weeks from zero cannot run a process. Whoever still has cash names the terms.

FRAMEWORK

The fuel ladder — cheapest money first

Rung	What it buys	What it costs
Grants & subsidies	Runway with no dilution	Time, paperwork, scope fit — and award is never certain
Incubation	Capability, technical access — and the doorway to grants	Little or no equity; patience
Angels / HNIs	Speed, first network, belief capital	Moderate dilution
Accelerators	A time-boxed sprint, a network, a demo day	Typically ~5–10% equity (programme-dependent; case terms in exhibits)
Venture capital	Large fuel for a *proven* engine	Dilution + terms + expectations
Venture debt	Assets without dilution	Repayment regardless of outcome, often plus warrants or fees
Strategic capital	Distribution, validation, a big cheque	An agenda — priced or not

Rule of thumb: match the instrument to the asset and the evidence — not to the headline valuation.

RUNG 1

Grants & subsidies: the door nobody opened

- **RKVY-RAFTAAR:** agri-startup grant-in-aid routed through recognised agri-business incubators (R-ABIs) — typically up to ~₹25 lakh at seed stage.
- **Startup India Seed Fund:** proof-of-concept grants around ₹20 lakh via approved incubators; larger support as debt or convertible.
- **SMAM:** 40–50% subsidy on farm machinery — including drones — bought by FPOs, custom hiring centres and farmers (higher for specified categories).

VayuKheti used zero non-dilutive money across five rounds — despite a documented route at nearly every stage.

The grant door almost always stands *behind an incubator*. Which is why the first decision mattered more than it looked.

RUNGS 2 AND 4

Incubation vs acceleration: what each actually sells

Incubation sells capability.

- Labs, pilot ground, scientists, test stations
- Time — 12 months, not 12 weeks
- The grant doorway

Don't join one when you can already build and test alone (capability), reach buyers directly (access), when the programme doesn't solve your blocker (fit), or when its cost in time, rights or equity outweighs what it gives (terms).

Acceleration sells a sprint.

- Milestones, pressure, a network, a demo day
- Worth it when you *know your bottleneck* and the sprint attacks it

In February 2020 VayuKheti's bottleneck was **technical validation and pilot access** — which the sprint did not sell. Both tests pointed to the incubator. They took the demo day.

PRICING THE SPRINT

What an accelerator really costs

₹40 lakh → 7% → diluted to ≈2.5% by Series C — a paper value of ≈ ₹18.7 Cr at that valuation, not a realised return.

- A ~47× paper mark-up for the accelerator — for a 3-month programme.
- That stake rides every later round until exit: dilution shrinks the percentage, not the claim.
- Before signing any fixed-equity programme: multiply the stake by the valuation you actually expect. That is the price of the network.

Sometimes it is worth it. **Price it first.**

RUNG 5

VC: size the cheque to the evidence

> "*Service margins on customer-owned drones will not support the valuation step-up we need for Series B.*"
> *— Series A director, September 2023*

- Read that sentence again: the fleet was bought to support a **valuation**, not because the economics required owning it.
- The ₹29.5 Cr fleet — financed by a mix of equity and ₹12 Cr of venture debt, not additive — ran at 62% of plan.
- VC fits when milestones, not research, define the spend. Institutional money ahead of evidence prices the company beyond its proof — and the price always comes due.

RUNG 6

Venture debt: match it to repayment you can see

- ₹12 Cr at 13.5%, drones hypothecated.
- Debt is repaid whether or not the plan works — it never shares your downside.
- Debt against an asset or receivables with visible cash can be sustainable; debt that is really runway financing turns a bad quarter into a default clock. Here it financed an anchor.
- And it quietly shortened the runway every quarter while the story still sounded good.

Never borrow against hope.

RUNG 7

Strategic capital: money with an agenda

- **Data exclusivity** for 6 years — the strategic's real prize, bought inside a funding round.
- **Right of first refusal** on any acquisition — an option on the whole company, granted for free.
- **A revenue hose** it can turn off: the CSR-routed contracts.

Ask of any strategic cheque: what does the blocker look like, and does this partner remove it?

VayuKheti's blocker was utilisation. Nothing in the Series B terms moved one more acre.

CLAUSE 1

The preference stack: who eats first

Layer	Preference	Amount
Series C (senior)	1×	₹150 Cr
Series B	1×	₹85 Cr
Series A	**2×**	₹76 Cr
Total stack		**₹311 Cr**

Sell the company at a price leaving ₹300 Cr of distributable proceeds for shareholders (after clearing the ₹9.6 Cr debt and costs):

- C takes ₹150 Cr. B takes ₹85 Cr. A takes ₹65 Cr of its 76.
- Founders' 23.8% — seven years of work — is worth **₹0**.

A 2× preference is not a detail. It is the difference between a bad exit and no exit.

CLAUSE 2

Anti-dilution: the clause that waits for a downturn

- **Full ratchet:** one down round re-prices the investor's *entire* position to the new low price.
- **Weighted average:** the re-price is spread — painful, survivable.
- VayuKheti's Series A carries the full ratchet — but the trigger is issuance below the Series A *per-share conversion price*, not a lower headline valuation. Whether the bridge's floor trips it is a diligence question: you need the conversion-price schedule and share counts. The board minute conflated the two.

When a full ratchet does trigger, founders pay for a downturn twice: once in the lower price, once in the re-priced shares.

When you negotiate anti-dilution in a good year, you are deciding who bleeds in a bad one.

CLAUSE 3

Control = shares × protective provisions

- Crestline held 33.4% — the largest single block after buying the departing CTO's shares.
- Plus: consent rights over the annual budget and any capex above ₹2 Cr.
- The founders "owned" 37.7% and could not approve their own fleet plan.

Ownership percentage is not control. Read the provisions.

Every term sheet is two deals: the money deal and the control deal. Founders usually negotiate the first and sign the second unread.

REVENUE QUALITY

Not all revenue is revenue

- For every material revenue line, ask: **who pays, why, and what do they get?**
- The loop: Dhanvantari's CSR budget → a foundation with two ex-Dhanvantari trustees → an identical ₹6.0 Cr contract back to VayuKheti, booked as revenue.
- One real rule, stated plainly: an **80G deduction belongs to the donor**. A management that tells investors "routing through an NGO gives *us* tax redemptions" is confused — or performing.
- The auditor's draft note asked the questions the investor update did not — the substance questions are open, and unverified revenue is not revenue you can bank.

Read the auditor's notes before the investor update.

CLOSE

What to carry out of this hour

They optimised every round for the biggest cheque and the highest price — and never once asked which money was cheapest.

- Fundraising is not validation. A ₹750 Cr post-money and 2.7 months of cash coexisted in the same company.
- Non-dilutive money is cheapest in equity terms — but price its time, restrictions and uncertain award too.
- No instrument is universally right: each has a stage and evidence level where its full cost — dilution, time, restrictions, opportunity cost — is lowest. Your job is to know which.

Homework hook: pick any one company from the Startup Graveyard. Pull its funding history. Mark the round where the clock started — and be ready to defend your mark next class.