NST FOUNDER LAB · WEEK 12 · REPLACEMENT LAB · 60-MINUTE CASE EXERCISE

The Five Rounds of VayuKheti

A funding-decision case: one company, five rounds, five capital choices. The record is in your hands.

NST Founder Lab · Entrepreneurship Minor · Student case paper · Time allowed: 60 minutes

FICTIONAL TEACHING CASE. VayuKheti Technologies Pvt. Ltd., every founder, investor, fund, NGO, competitor and every rupee figure in this paper is invented for classroom use. Where real Indian government schemes (RKVY-RAFTAAR, Startup India Seed Fund, SMAM, CSR Section 135, Section 80G) are referenced, only the general public structure of the scheme is real; all eligibility outcomes, amounts and company claims are fictional. This paper is for internal course use only.

Instructions

Read the company record (Part A) and the exhibits (Part B). Answer the seven questions in Part C in your groups. You may use a calculator. Some exhibits are directly useful; some are there because real company records contain material you must learn to set aside. Nothing in this paper hints at any answer. Where you make an assumption, state it.

Part A — The company record

A1. Founding (2019)

Arjun Deshpande spent seven years selling agri-inputs across Karnataka before he got tired of watching crop-dusting done by hand. In November 2019 he registered **VayuKheti Technologies Pvt. Ltd.** in Bengaluru with **Meera Iyer**, an agronomist, and **Raghav Menon**, a drone-systems engineer. The idea: drone-as-a-service for smallholder farmers — crop spraying and crop-health imaging, sold per acre through Farmer Producer Organisations (FPOs), so a two-acre farmer gets precision agriculture without owning anything. Karnataka and Maharashtra alone had over 15 million smallholder holdings; a spraying drone covers 25–30 acres a day versus 2–3 acres for a manual labourer.

A2. The first door (early 2020)

In February 2020, with a working prototype and eleven pilot acres sprayed, VayuKheti had two offers on the table, reproduced in **Exhibit 2**. The founders took Offer A within a week. "We wanted the network and the demo day," Arjun told a student audience in 2022. "The incubator felt slow. We were in a hurry."

A3. Seed and first scale (2021–2022)

By mid-2021 VayuKheti had 24 drones operating across 40 FPOs and revenue of ₹3.1 Cr in FY22. In June 2021 it raised a seed round (**Exhibit 1**). Meera argued in writing for a smaller raise combining available government support and a specialist agritech angel group (**Exhibit 6**); the board majority preferred a brand-name fund and a bigger cheque. The company's own fleet grew to 90 drones by March 2023.

A4. The big cheques (2023–2025)

Series A closed in March 2023 with venture debt alongside (**Exhibits 1, 4**). The company bought drones as its own capital expenditure — 310 in the fleet by FY26 — rather than enabling subsidised customer ownership, an option documented in **Exhibit 8**. Raghav left at the Series A close; his shares were bought by the incoming lead investor. Series B (August 2024) brought in a strategic corporate partner, Dhanvantari Agro, and with it the GramUrja arrangement described in **Exhibit 9**. Series C closed in February 2025 at a ₹750 Cr post-money valuation. The press release said "India's drone revolution has found its champion."

A5. The top and the turn (2025–2026)

With Series C money, VayuKheti expanded from two states to eight, and headcount from 85 to 340. Utilisation did not follow (**Exhibit 5**). FY26 revenue reached ₹92.3 Cr, but quarterly cash tells the real story (**Exhibit 7**). In May 2026 the CFO resigned (**Exhibit 10**). In July 2026 a Series D term sheet at ₹500 Cr pre-money arrived — below the Series C post-money — and the investor's diligence team asked questions about **Exhibit 9**. The term sheet was withdrawn in August. Since then the company has stayed afloat on stretched payables and deferred salaries — no new money has arrived. The only formal offer on the table is the bridge described in **Exhibit 4(c)**. It is October 2026. You are looking at the full company record.

Part B — Exhibits

Exhibit 1 — Funding and support events, 2019–2026

Date	Event	Amount	Counterparty	Instrument class	Stated purpose
Feb 2020	Pre-seed programme	₹40 lakh	LaunchPad Global Accelerator	Accelerator (7% equity)	Programme, network, demo day
Jun 2021	Seed round	₹9 Cr	Northgate Ventures	Venture capital (equity)	Fleet build-out, first 40 FPOs
Mar 2023	Series A	₹38 Cr	Crestline Growth	Venture capital (equity)	Geographic expansion, fleet to 160
Mar 2023	Venture debt	₹12 Cr	Meridian Finance	Venture debt, 13.5% p.a., drones hypothecated	Drone capex
Aug 2024	Series B	₹85 Cr	Dhanvantari Agro (₹50 Cr) + Crestline (₹35 Cr)	Strategic corporate + VC	8-state plan, analytics platform
FY25–FY26	"CSR partnership"	₹4.5 Cr, then ₹6.0 Cr/yr	GramUrja Foundation (NGO)	Booked as revenue	Farmer training contracts — see Exhibit 9
Feb 2025	Series C	₹150 Cr	Horizon Peak Capital	Venture capital (equity)	National expansion, headcount 340
Aug 2026	Series D withdrawn	—	(undisclosed fund)	—	Withdrawn in diligence
Oct 2026	Bridge offer (unsigned)	₹40 Cr	Crestline Growth	Convertible bridge — Exhibit 4(c)	Survival

All entries fictional. The founders never took a government grant or subsidy application through to award: the only application ever filed — a 2022 state pilot programme (Exhibit 8) — was withdrawn before evaluation (board minutes, Exhibit 10).

Exhibit 2 — The two pre-seed offers, February 2020

	Offer A — chosen	Offer B — declined
Provider	LaunchPad Global Accelerator (private, sector-agnostic)	Charanka Agri Incubation Centre (recognised agri-business incubator, R-ABI network)
Money	₹40 lakh for 7% equity	₹25 lakh for 3% equity, after 6 months, at founder's option
Non-dilutive path	None	Incubation at a recognised agri-business incubator makes the company eligible to apply for government grant-in-aid schemes routed through such incubators (e.g. RKVY-RAFTAAR agri-innovation grants, typically up to ~₹25 lakh at seed stage)
Facilities	Shared office, Bengaluru; 3-month programme	Wet-lab and workshop access; 40-acre pilot-farm plot; 12-month residency
Network	Demo day with ~60 generalist investors	ICAR-affiliated scientists, 3 agri-university test stations, FPO introduction channel
Terms of note	Standard accelerator terms; no follow-on obligation	IP stays with company; incubator takes board observer seat only

Offer summaries reconstructed from founder correspondence (fictional). Scheme structures are real and stated at a general level; all outcomes are fictional.

Exhibit 3 — Cap table evolution (% ownership post each round)

Holder	Post-accelerator Feb 2020	Post-Seed Jun 2021	Post-Series A Mar 2023	Post-Series B Aug 2024	Post-Series C Feb 2025
Arjun Deshpande (CEO)	37.2	27.9	20.9	16.5	13.2
Meera Iyer (COO)	29.8	22.4	16.8	13.2	10.6
Raghav Menon (CTO)	14.9	11.2	—*	—	—
ESOP pool	11.1	8.2	6.2	4.9	3.9
LaunchPad (accelerator)	7.0	5.3	3.9	3.1	2.5
Northgate Ventures (seed)	—	25.0	18.8	14.8	11.9
Crestline Growth (A, B)	—	—	33.4*	35.0	28.0
Dhanvantari Agro (B)	—	—	—	12.5	10.0
Horizon Peak (C)	—	—	—	—	20.0

**Raghav's 8.4% was purchased by Crestline as a secondary at the Series A close for ₹3.2 Cr. Columns may not sum to exactly 100 due to rounding. Series A issued 25.0% new shares; Series B 21.25%; Series C 20.0%; Seed 25.0%.*

Exhibit 4 — Term sheet excerpts

(a) Series A (Crestline Growth, March 2023), key clauses:

- Liquidation preference: 2.0× non-participating on Series A shares, senior to all earlier classes.
- Anti-dilution: full ratchet. If the company issues shares below the Series A conversion price, the Series A conversion price resets to that lower price.
- Protective provisions: annual budget and any single capex above ₹2 Cr require the consent of the Series A director.

(b) Series B (Dhanvantari Agro, August 2024), key clauses:

- Liquidation preference: 1.0× non-participating, senior to Series A and earlier. Series C (Feb 2025) carries 1.0× non-participating, senior to all.
- Data exclusivity: all aggregated farm-imagery data licensed exclusively to Dhanvantari for 6 years.
- Right of first refusal on any acquisition of the company; ROFR on sale of the drone fleet outside the ordinary course.

(c) Bridge offer (Crestline, October 2026), headline terms:

- ₹40 Cr convertible at the next round's price, with a floor conversion price equal to the proposed (withdrawn) Series D price — i.e. conversion priced off a ₹500 Cr pre-money.
- Board minutes ask whether conversion at the floor would trigger the Series A full ratchet (clause (a)). The clause triggers on issuance below the Series A *per-share conversion price*; the papers do not state the current conversion price or per-class share counts, and a company-level valuation is not a per-share price. Left as a diligence flag on this record.

Excerpts fictional.

Exhibit 5 — Fleet unit economics (per drone, per 6-month spraying season)

	Plan (2023)	Actual FY26
Acres sprayed per drone per season	1,900	1,180
Revenue per acre	₹400	₹400
Variable cost per acre (pilot ₹95, energy ₹25, maintenance ₹40, consumables ₹20, logistics ₹35)	₹215	₹215

Fleet facts	
Drones owned (FY26)	310
Purchase price per drone (avg)	₹9.5 lakh
Depreciation (straight line, 5 years, per drone per year)	₹1.9 lakh
Insurance + software licence + HQ allocation per drone per year	₹2.6 lakh
Two spraying seasons per year	—

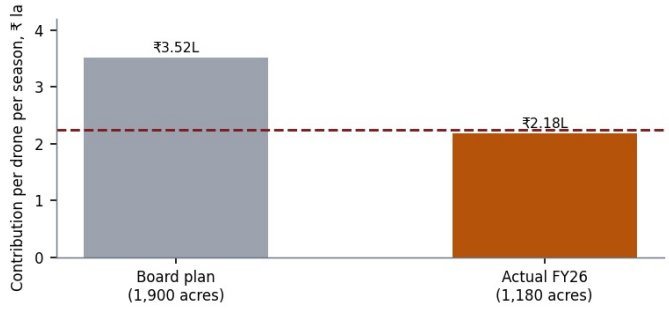


Figure C — Contribution per drone per season: board plan vs FY26 actual

Fictional. "Plan (2023)" is the Series A board-plan utilisation; actuals from the operations record.

Exhibit 6 — The alternatives register (what was on the table at each stage)

Stage	Documented alternative (not taken)	Terms available at the time
Pre-seed (Feb 2020)	Agri incubator + grant route	See Exhibit 2, Offer B
Seed (Jun 2021)	(i) Startup India Seed Fund application via an approved incubator (grants up to ~₹20 lakh; larger support as debt/convertible); (ii) "Deccan Agritech Angels" syndicate: ₹4 Cr at ₹20 Cr post-money, with FPO introduction network; (iii) combination of (i) and (ii)	Documented in Meera Iyer's memo to the board, 14 May 2021
Series A (Mar 2023)	Asset-light expansion: FPOs and Custom Hiring Centres purchase the drones themselves under central and state farm-mechanisation subsidy programmes (see Exhibit 8); VayuKheti sells per-acre service contracts and software on the customer-owned fleet	Modelled by the CFO, Jan 2023: subsidy support of 40–50% of drone cost available to FPO/CHC buyers
Series B (Aug 2024)	Decline the strategic; raise the same ₹85 Cr from two financial VCs without data exclusivity or ROFR	One term sheet on file: ₹85 Cr at ₹360 Cr post, standard 1× preference
Series C (Feb 2025)	Raise ₹80 Cr (not ₹150 Cr) and defer the 6-state expansion; management's own downside model showed FY26 burn falling ~30%	Horizon Peak offered both sizes; board chose the larger

Register compiled from board papers (fictional). "Available" means documented in company records as genuinely on offer, not hypothetical.

Exhibit 7 — Quarterly operating and cash report, FY26 and Q1 FY27 (₹ Cr)

	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Revenue	16.8	20.4	24.6	30.5	24.1
— spraying services	6.9	7.0	7.4	8.0	6.8
— imaging & analytics subscriptions	4.6	6.2	7.9	9.9	9.4
— institutional & CSR contracts (incl. GramUrja)	2.2	3.1	3.6	4.0	3.4
— hardware resale & other	3.1	4.1	5.7	8.6	4.5
EBITDA	−18.9	−19.8	−20.6	−21.2	−19.9
Capex, working capital & debt service	−5.2	−3.1	−2.4	−3.5	−4.4
Net cash flow	**−24.1**	**−22.9**	**−23.0**	**−24.7**	**−24.3**
Closing cash	**116.9**	**94.0**	**71.0**	**46.3**	**22.0**

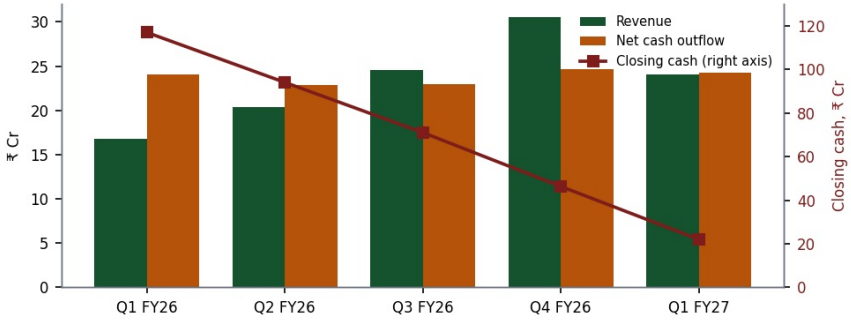


Figure B — Quarterly revenue, net cash outflow and closing cash

Fictional. Cash and equivalents were ₹141.0 Cr on 31 March 2025, after the Series C close and the FY25 expansion capex. Q1 FY27 = April–June 2026.

Exhibit 8 — The non-dilutive landscape the company documented but never used

Programme (real scheme, general structure)	What it offers (general)	VayuKheti's record (fictional)
RKVY-RAFTAAR agri-innovation grants	Grant-in-aid for agri-sector startups routed through recognised agri-business incubators (R-ABIs); typically up to ~₹25 lakh at seed stage, smaller at idea stage	Never incubated — declined Offer B (Exhibit 2). Fictional peer AgroSense Labs took the same incubator seat in 2020 and drew a ₹22 lakh grant
Startup India Seed Fund Scheme (SISFS)	Via approved incubators: grants up to ~₹20 lakh for proof of concept; up to ~₹50 lakh as convertible/debt for market entry	Never applied; board minutes note "grant timelines too slow for our runway plan" (Sep 2021)
Sub-Mission on Agricultural Mechanisation (SMAM) and state farm-mechanisation subsidies	Subsidies of 40–50% of machinery cost (higher for specified farmer categories) on farm machinery including drones, for FPOs, Custom Hiring Centres and individual farmers	Never structured customer purchases around it; company bought 310 drones itself (~₹29.5 Cr capex)
State agri-drone pilot programmes (Karnataka)	Funded pilot deployments in government-notified districts	Applied once (2022), withdrew before evaluation citing "paperwork"
CSR spending (Companies Act s.135) and Section 80G	Companies above prescribed size thresholds must spend 2% of average net profits on CSR. Separately, donations made *by a donor* to an 80G-registered fund or institution earn the donor a deduction, subject to conditions and limits	See Exhibit 9

Scheme names and broad public structures are real and described at a general level only; every company outcome, amount and eligibility result is fictional teaching material, not scheme guidance.

Exhibit 9 — The GramUrja arrangement

From the FY26 investor update (management's words): "Our CSR vertical with GramUrja Foundation delivers farmer training across 400 villages and contributes ₹6.0 Cr of annual recurring revenue. Because the funds flow through a registered NGO, this structure also delivers tax redemptions on the associated income, improving our effective margins."

From the company record:

- GramUrja Foundation was registered in March 2023. Two of its three trustees are former Dhanvantari Agro employees. Dhanvantari's CSR committee pays GramUrja ₹6.0 Cr per year; GramUrja signs "farmer training contracts" with VayuKheti for the same ₹6.0 Cr.
- VayuKheti books the full ₹6.0 Cr as operating revenue (FY25: ₹4.5 Cr, part-year). Delivery cost of the training programmes: ₹1.1 Cr per year.
- Independent auditor's draft observation (June 2026): "Revenue recognition on contracts with GramUrja Foundation is under review pending evidence of commercial substance. Disclosures of related-party relationships involving the counterparty are incomplete."
- Dhanvantari holds a right of first refusal on any acquisition of VayuKheti (Exhibit 4(b)).

All entities and claims fictional.

Exhibit 10 — Board minutes (excerpts)

> *September 2021 — "The Board resolved that grant and subsidy applications divert management bandwidth from revenue. The seed plan proceeds as presented. Ms. Iyer's memo (14 May 2021) was noted and set aside."*

> *September 2023 — "The Series A director stressed that the plan requires fleet ownership: 'Service margins on customer-owned drones will not support the valuation step-up we need for Series B.' Fleet target raised to 300."*

> *January 2025 — "The Board approved the 8-state expansion and the ₹150 Cr Series C. The CFO's downside model (burn reduction of ~30% at the ₹80 Cr raise) was noted and set aside."*

> *May 2026 — "The CFO tendered his resignation, citing 'irreconcilable differences with management over revenue presentation.' The Series A director asked whether the bridge was 'the only remaining option.' The Chairman replied that it was."*

Fictional excerpts.

Exhibit 11 — Annual summary P&L and balance sheet (₹ Cr)

	FY22	FY23	FY24	FY25	FY26
Revenue	3.1	11.4	29.7	58.6	92.3
EBITDA	−6.8	−16.9	−34.2	−61.5	−80.5
Net loss (after depreciation, interest, other income)	−6.8	−16.9	−35.1	−63.3	−82.6
Headcount (year end)	22	58	85	214	340
States of operation	1	1	2	5	8
FPOs under contract	18	40	96	230	390

Balance sheet, 31 Mar 2026	**₹ Cr**		**₹ Cr**
Fixed assets (net; fleet ₹24.1)	26.2	Share capital + securities premium	282.4
Receivables	17.9	Less: accumulated losses	(204.7)
Cash	46.3	**Net worth**	**77.7**
Other current assets	12.1	Venture debt outstanding	9.6
		Payables	13.8
		CSR advances received	1.4
Total assets	**102.5**	**Total equity & liabilities**	**102.5**

Exhibit 12 — Market and competitor data (for context)

Company (all fictional except where noted)	Model	Capital raised	Status (fictional)
VayuKheti	Own-fleet drone services	₹282.4 Cr equity + ₹12 Cr debt	Bridge decision pending
AgroSense Labs	Incubator-born, grant-first, asset-light software	₹31 Cr equity + ₹1.6 Cr grants	Profitable FY26, Series B at ₹210 Cr
DroneKisan	Marketplace: FPO-owned fleets, software layer	₹58 Cr equity	Operating, 4 states
KrishiAir	Own-fleet, strategic-funded	₹96 Cr equity	Acquired 2025 by input major at ~1.2× invested capital

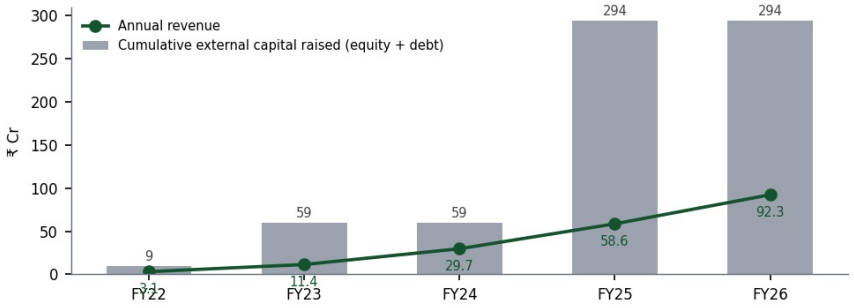


Figure A — Cumulative external capital raised vs annual revenue, FY22–FY26

Fictional peers, invented for comparison. The Indian drone-services market was estimated at ₹1,400–1,800 Cr (2025) in company-commissioned research; treat market-size claims as directional.

Exhibit 13 — The two Week 12 Day 1 frameworks, restated for this case

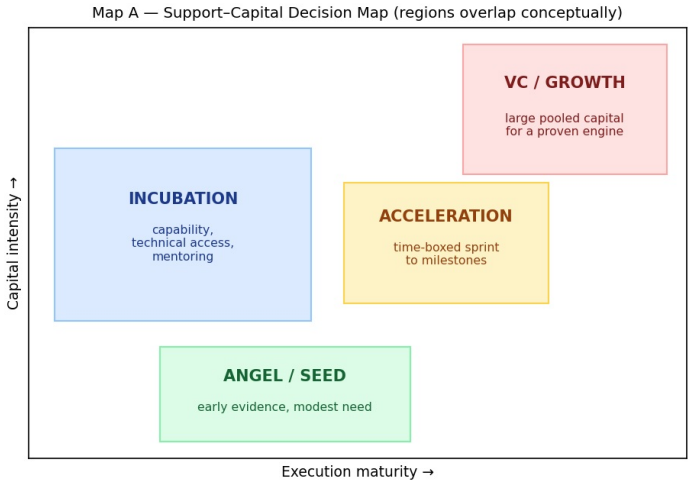


Figure D — Map A: the Support–Capital Decision Map, axes as on the Week 12 Day 1 deck

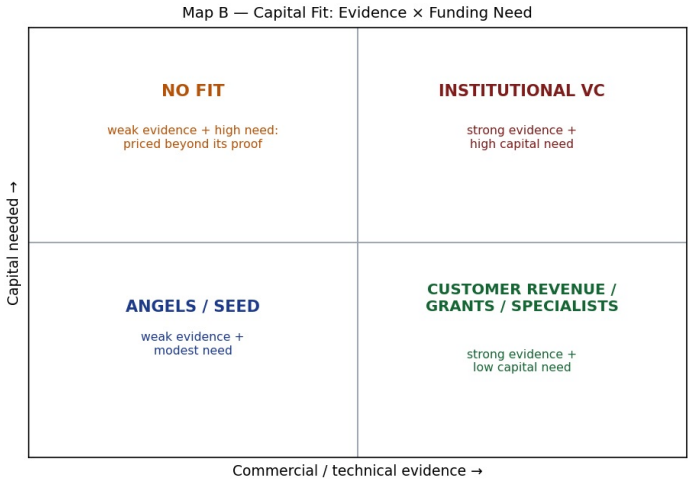


Figure E — Map B: Capital Fit, evidence × funding need

The two programme tests from the deck: *When NOT to join an incubator* — you can already build and test on your own (capability); you can already reach buyers directly (access); the programme does not solve your actual blocker (fit); or its cost in time, rights or equity outweighs what it gives (terms). *When an accelerator is worth it* — you know your bottleneck (baseline); the sprint works to milestones against it (sprint); the network offered is relevant to that bottleneck (network); you can demonstrate outcomes at the end (proof).

Frameworks as taught in the Week 12 Day 1 deck, restated compactly so this paper stands alone.

Part C — Questions (answer all seven; 60 minutes)

Q1 — The map. (4 minutes) From Exhibits 1 and 6, list every external funding or support event in the company's life in order: date, amount, counterparty, and instrument class (accelerator / incubator / angel group / VC / venture debt / strategic / grant / subsidy / CSR-NGO). Then mark: at which stages did the company take *no* government or non-dilutive support of any kind even though a documented route existed?

Q2 — The maps. (8 minutes) Use the two framework charts in Exhibit 13 (Figures D and E). (a) For each of the five funding events (Feb 2020, Jun 2021, Mar 2023, Aug 2024, Feb 2025), place the company on *both* maps using its stage facts from Part A, and name the region each framework pointed to. (b) In which rounds did the instrument actually chosen match the region, and in which did it not? (c) Apply the deck's "when NOT to join an incubator" and "when is an accelerator worth it" tests to Exhibit 2: on the company's own facts in February 2020, which offer do the tests point to, and why?

Q3 — The cap table. (7 minutes) Using Exhibit 3: (a) state the founders' combined ownership (Arjun + Meera) after each round. (b) The accelerator's ₹40 lakh became 7.0%. What is that stake worth at the Series C valuation, and how many percentage points did issuing the 7% cost Arjun and Meera (the continuing founders) the day it was issued? (c) At the Series A close, who actually controlled the company — and which exhibit tells you that?

Q4 — The clock. (7 minutes) From Exhibit 7 and Figure B: (a) compute average monthly net cash burn for FY26 and for Q1 FY27. (b) Compute runway from 30 June 2026. In which month does cash reach zero if nothing changes? (c) What does that date do to the company's bargaining power on the bridge — and is the Chairman's answer in the May 2026 minutes supported by the record?

Q5 — The fleet. (11 minutes) From Exhibit 5 and Figure C: (a) compute contribution per drone per season (revenue minus variable costs) at plan utilisation and at actual FY26 utilisation. (b) Annual fixed cost per drone is ₹4.5 lakh (depreciation + insurance/software/HQ). Compute break-even utilisation in acres per season. (c) At FY26 actuals, did the 310-drone fleet cover its own fixed costs? Show the number. (d) What does your answer imply about the Series A fleet-ownership decision in the September 2023 board minutes?

Q6 — The road not taken. (10 minutes) Using Exhibits 2, 6 and 8: (a) At seed, the company took ₹9 Cr for 25% from a VC. The documented alternative was a Startup India Seed Fund grant of ₹20 lakh plus ₹4 Cr from the angel syndicate at ₹20 Cr post. Quantify the dilution difference, and compound it to the Series C date — how many percentage points of the company, worth how much at ₹750 Cr post-money, did the choice cost the founders? (b) At Series A, quantify the capex that would have been avoided if 60% of the FY26 fleet had been owned by subsidised FPOs/CHCs instead of the company. (c) As a partial sensitivity — holding the company's actual later funding and spending constant — add (b)'s avoided capex and the ₹20 lakh grant to the Q1 FY27 closing cash, and compute the runway. Then name one adjustment a full scenario needs: the seed alternative raised ₹4.8 Cr less cash than the actual seed (₹4.2 Cr vs ₹9 Cr), so what assumption about the later cost base or growth must accompany it? What does either answer do to the bridge negotiation?

Q7 — The memo. (13 minutes) You are the investment committee of the fund that withdrew the Series D term sheet. Write your one-page memo: **pass, defer, or invest** at ₹500 Cr pre-money with the Crestline bridge signed. You must: (i) use at least six exhibits, named; (ii) compute who gets what if the company is sold today at a price leaving ₹300 Cr of distributable proceeds for shareholders (after clearing the ₹9.6 Cr venture debt and transaction costs), given the preference stack in Exhibit 4; (iii) assess the revenue presentation and the "tax redemptions" claim in Exhibit 9 — what would a diligence team make of them, and what does the arrangement tell you about the strategic investor; (iv) close with the counterfactual: the *single* funding-source decision — pre-seed accelerator vs incubator, seed VC vs grants-plus-angels, or Series A own-fleet vs subsidised customer ownership — that would most change the October 2026 outcome, with numbers; (v) state whether the Series A full ratchet (Exhibit 4(a)) is necessarily triggered by the bridge conversion in Exhibit 4(c), and name the one document that would settle it; (vi) set cumulative capital raised (Exhibit 1, Figure A) against FY26 revenue and the Q1 FY27 revenue dip (Exhibit 7, Figure B) and say what that ratio tells you; and one sentence on what the founders should tell the next batch of founders at a demo day.

End of paper. VayuKheti and all related names and figures are fictional. Real schemes are referenced at a general structural level only; this paper is not financial, legal, or tax advice.