The Five Rounds of VayuKheti — Worked Answers

Student answer key. VayuKheti and all figures are fictional teaching material. These are the best-supported readings of the case, not the only defensible ones: a counterfactual argued from the record's numbers and stated assumptions is a good answer.

Q1 — The map

Nine events, in order: (1) Feb 2020 accelerator, ₹40L / 7% — LaunchPad; (2) Jun 2021 VC seed, ₹9 Cr — Northgate; (3) Mar 2023 VC Series A, ₹38 Cr — Crestline; (4) Mar 2023 venture debt, ₹12 Cr — Meridian; (5) Aug 2024 strategic + VC Series B, ₹85 Cr — Dhanvantari + Crestline; (6) FY25–26 CSR-NGO contracts, ₹4.5 then ₹6.0 Cr booked as revenue — GramUrja; (7) Feb 2025 VC Series C, ₹150 Cr — Horizon Peak; (8) Aug 2026 Series D withdrawn; (9) Oct 2026 bridge offer, ₹40 Cr — Crestline. The catch: zero government or non-dilutive money appears anywhere — despite documented routes at pre-seed (Ex.2 Offer B), seed (Ex.6: SISFS + angels), Series A (Ex.6/8: subsidised customer ownership), and the withdrawn 2022 state pilot (Ex.8). Every stage had a non-dilutive door; they walked past all of them.

Q2 — The maps

(a)/(b) Round by round: Feb 2020 — prototype, 11 pilot acres, low maturity, low capital need: both maps point to incubation/grants; they took a generalist accelerator — mismatch. Jun 2021 — 24 drones, 40 FPOs, ₹3.1 Cr revenue: early evidence, modest need → angels/seed + grants/specialists; ₹9 Cr generalist VC at ₹36 Cr post is the right family but oversized and unspecialised — partial mismatch. Mar 2023 — capital intensity was still a design choice: the decision map says reduce intensity (asset-light, subsidised FPO ownership) before institutional VC; they took VC + venture debt asset-heavy — mismatch. Aug 2024 — high need, mixed evidence: institutional money is defensible, but the strategic fails the deck's "which partner solves that blocker" test — the blocker was utilisation, not data sales; exclusivity + ROFR bought nothing against it — mismatch in partner choice. Feb 2025 — capital fit says match the cheque to the evidence; management's own downside model said ₹80 Cr; the board took ₹150 Cr — mismatch in size. (c) In Feb 2020 every leg of the deck's "when NOT to join an incubator" test points to joining: they could not yet build and test alone (capability — 11 pilot acres), could not reach buyers directly (access — no FPO channel), the programme solved the actual blocker (fit — technical validation and pilot access: wet-lab, 40-acre pilot farm, ICAR scientists), and its cost was low (terms — 3% optional equity vs 7% for a generalist sprint). The "accelerator worth it" test also fails: the bottleneck was technical validation and pilot access, which a 3-month generalist sprint did not sell. Both tests point to Offer B.

Q3 — The cap table

(a) Founders combined: 67.0% → 50.3% → 37.7% → 29.7% → 23.8%. (b) The accelerator's 7.0% dilutes to 2.5% at Series C, worth 2.5% × ₹750 Cr ≈ ₹18.7 Cr for ₹40 lakh (~47×). Issue-day cost of the 7%: on the question's definition (Arjun + Meera), 67.0/0.93 = 72.0% → 67.0%, i.e. ≈5.0 pp; if Raghav is counted too, 81.9/0.93 = 88.1% → 81.9%, i.e. ≈6.2 pp. (c) Crestline: 33.4% after buying Raghav's secondary, plus the Series A director's consent rights over budget and any capex above ₹2 Cr (Ex. 4a) — the largest single holder with a veto over spending. Exhibits 3 and 4(a) together. Note: "who controls" is shares × protective provisions, not shares alone.

Q4 — The clock

(a) FY26 net burn: (24.1+22.9+23.0+24.7)/12 = 94.7/12 ≈ ₹7.9 Cr/month. Q1 FY27: 24.3/3 = ₹8.1 Cr/month. (b) Runway from 30 Jun 2026: 22.0/8.1 ≈ 2.7 months → cash zero around mid-September 2026. (c) Every counterparty can run the same arithmetic, so the company cannot credibly walk away from anything; a buyer of last resort names terms. The Chairman's "only remaining option" is defensible but overstated: in principle a distressed sale, a smaller insider note or a managed wind-down existed, yet every alternative needed time the 2.7-month runway did not allow, so no competitive process was possible.

Q5 — The fleet

Contribution per acre = 400 − 215 = ₹185. (a) Plan: 1,900 × 185 = ₹3.52 lakh/drone/season. Actual: 1,180 × 185 = ₹2.18 lakh. (b) Break-even: ₹4.5 lakh annual fixed ÷ ₹185 = 2,432 acres/yr = ≈1,216 acres/season. (c) Actual per-drone annual contribution = 2 × 2.18 = ₹4.37 lakh < ₹4.5 lakh fixed → the fleet misses covering its own fixed costs by ≈ ₹13,000 per drone per year → ≈ ₹41 lakh/year across 310 drones — including the specified HQ allocation inside the ₹2.6L, excluding other corporate costs. (d) The Sep 2023 minute admits the fleet was bought to support a valuation step-up, not because the unit economics required ownership. Keep the proportions straight: the fleet's own shortfall is only ≈₹41 lakh a year against an ₹80.5 Cr FY26 EBITDA loss — the operating loss is mostly the 8-state expansion and 340 headcount running ahead of utilisation. The fleet decision's real cost is strategic: ≈₹29.5 Cr of capital locked into depreciating assets, ₹12 Cr of debt raised with

future repayment and interest obligations, and a minute admitting the motive was a valuation step-up. On asset-light (Ex. 6): it removes the anchor and the capex, but the ₹185/acre contribution would not survive intact — an operator or service fee to the FPO owners would cut the per-acre margin by an amount the record does not supply.

Q6 — The road not taken

(a) Actual seed: 25% for ₹9 Cr. Alternative: ₹20L SISFS grant (0%) + ₹4 Cr at ₹20 Cr post = 20%. (The only grant amount the record supports is the SISFS proof-of-concept grant of ~₹20L, Ex. 6; the RKVY door required the incubation the company declined in Ex. 2, and stacking both schemes is not established.) Pre-seed holders keep 80% instead of 75% — a factor of 80/75 = 1.067 carried through every later round. Founders at Series C: 23.8% × 1.067 ≈ 25.4%, i.e. +1.6 pp ≈ ₹11.9 Cr of paper value at ₹750 Cr, plus ₹20L of grant cash the real company never took. Fair pushback: ₹4.2 Cr < ₹9 Cr buys less growth — the rebuttal is (b): the money went into a fleet the company never needed to own. (b) 60% × 310 = 186 drones × ₹9.5L = ≈₹17.7 Cr of capex avoided. (c) Partial sensitivity — later funding and spending held constant, so the Q4 burn of ₹8.1 Cr/month is unchanged: 22.0 + 17.7 + 0.2 = ₹39.9 Cr → 39.9/8.1 ≈ 4.9 months instead of 2.7. Do not count depreciation as a cash saving: ₹1.9L of the ₹4.5L per-drone fixed cost is non-cash; other operating effects of the counterfactual are unspecified, so the burn is held fixed by assumption. Full scenario: subtract the funding gap — ₹4.2 Cr raised instead of ₹9 Cr leaves ₹4.8 Cr less cash → ≈₹35.1 Cr → 35.1/8.1 ≈ 4.3 months, still conditional on the unchanged burn; how the smaller raise would change the operating cost base cannot be quantified from the record — students must state it as an open assumption. Either way runway roughly doubles and the company negotiates with time in hand; whether that alone changes the Series D withdrawal or the bridge is for students to argue.

Q7 — The memo

Reference verdict: pass (defer only with a forensic audit; invest is very hard to support on this record). Elements of a good memo: (i) six+ exhibits by name. (ii) Waterfall on ₹300 Cr of distributable equity proceeds (after clearing the ₹9.6 Cr venture debt and transaction costs): preferences rank newest-senior — Series C 1× ₹150 Cr, Series B 1× ₹85 Cr, Series A 2× ₹76 Cr = ₹311 Cr of preference against ₹300 Cr → C takes 150, B takes 85, A takes 65 of its 76, and founders' 23.8% is worth ₹0. (iii) Exhibit 9: CSR funds are Dhanvantari's statutory 2% spend, routed to an NGO with two ex-Dhanvantari trustees, which contracts the identical sum straight back as "revenue" — the auditor's draft note raises commercial-substance and related-party questions that are still open, so a diligence team treats the ₹6.0 Cr line as unverified revenue pending evidence, not as proven non-revenue; the "tax redemptions" line is wrong in structure — 80G benefits attach to the donor, never to VayuKheti — so the investor update carries a claim management could not support if asked; and Dhanvantari simultaneously holds data exclusivity, a fleet-sale ROFR and an acquisition ROFR — the strategic has the company's throat without ever buying it. (iv) Strongest counterfactual: the Series A own-fleet decision (Sep 2023 minutes) — ≈₹29.5 Cr of fleet, financed by a mix of equity and ₹12 Cr of venture debt (not additive), locked into a fixed-cost anchor at 62% utilisation. Keep proportions straight: the fleet's own operating shortfall was only ≈₹41 lakh/yr against the ₹80.5 Cr FY26 EBITDA loss — the decision's real damage is the capital and debt locked in, the valuation-step-up motive admitted in the minute, and the expansion-first pattern it set, not the fleet's operating loss alone. A second strong answer, with numbers: the pre-seed accelerator-over-incubator choice, which closed the RKVY-RAFTAAR/SISFS grant door and the pilot-farm proof base (Ex. 2, 8) and set the "equity is the only fuel" culture (Ex. 10). (v) The ratchet question is unresolvable on this record, and that is the point: the clause triggers on issuance below the Series A per-share conversion price, not below a headline valuation; the ₹500 Cr pre-money floor is a company-level number, above the Series A entry valuation, and without per-class conversion prices and share counts no one can say the ratchet fires. The settling document: the current cap table with per-class conversion-price schedule (or an explicitly negotiated ratchet clause inside the bridge itself). (vi) Capital vs revenue: ₹294.4 Cr raised (₹282.4 Cr equity + ₹12 Cr debt; Raghav's ₹3.2 Cr secondary was not company capital) against ₹92.3 Cr FY26 revenue — roughly ₹3.2 of capital per rupee of annual revenue — and Q1 FY27 revenue fell 21% sequentially (30.5 → 24.1) while burn held ~₹8 Cr/month: capital outran the revenue engine, the classic graveyard signature. Closing sentence — for example: "We raised ₹294 Cr and never once priced the full cost of any of it — the dilution, the time, the restrictions, the certainty. Cheapest is a comparison, not a rung on a ladder."