

Understanding Angel and Venture Capital Funding - What is there for Early Stage innovator & Entrepreneurs

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FAQS FOR CAPITAL RAISE

1. *What is Angel investing?*

Angel investing is, in simple words early stage investing. The company acts as a facilitator and undertakes secretarial functions on behalf of the Angel Network members.

2. *Who are Angel Network members?*

Angel Network members are successful entrepreneurs and business professionals who want to invest in early stage companies and also support them with their expertise and networks.

3. *When do the investors meet to discuss potential investment options?*

At Lead Angels currently operates chapters in Mumbai, New Delhi, Hyderabad, Bangalore and Ahmedabad. These meetings are conducted once a month. Bangalore, Mumbai and Delhi Chapters meet on first, third and last Saturdays of the month. Hyderabad and Ahmedabad chapters meet on the first and last Fridays of the month respectively.

4. *Does an Angels Charge any fees?*

Every Angel Network has their own rules and guidelines but Lead Angels charges a management fees from the company post investment from the funds raised. In case Lead Angels Network investors sign a mutually agreed term-sheet, the company will have to bear the cost of Legal & Financial due-diligence and also the cost of preparing the documents. The agencies will be identified by Lead Angels but the payment will be made by the company. These charges/ fees normally do not exceed Rs. 150,000. Please note that the payment will have to be made irrespective of the outcome of the due diligence.

5. *Do Angels or Network members sign a NDA before receiving company information?*

Again for every network its depends as per their guidelines but Lead Angels and its members see a large number of business plans and it is not possible to sign NDA's with

each startup. Entrepreneurs are advised not to share such confidential information that may impact their business.

6. *Are there guidelines for presentations and business plans?*

Yes, there are guidelines for presentations. Once the company is shortlisted to present to the network members the guidelines are explained to the founders.

7. *What is the valuation to expect for our company?*

While valuations are largely based on negotiations here is some information, the average valuation for angel networks is Rs. 10 crores post money. In case your company is pre-revenues or has revenues less than Rs. 10 lakhs the valuations are usually below this mark. Companies with substantial revenues or with a team with strong domain experience a higher valuation can be expected.

8. *What is the maximum money I can raise from An Angel Network?*

The typical raise that Lead Angels members together can support is around Rs. 100-150 lakhs. However, in association with other angel networks this figure could go upto Rs. 300 lakhs. Timeframes for companies raising more than Rs. 150 lakhs could be higher.

9. *What is the timeframe for investment?*

The typical timeframe for angel investments is around 3-4 months from the date of the first presentation. These could however vary depending on the amount to be raised, the time spent on negotiation, due diligence and legal documentation.

10. *What are the typical terms of investment?*

The typical terms of investment include an appointment of a board observer from one of the investors whose confirmation is required for certain decisions made by the company. They also include a clause to ensure that the investors receive a certain minimum return on their investment in case of acquisition before other shareholders can receive their share of the proceeds.

11. *What are the processes involved in an investment?*

Post the presentation if there is sufficient interest, one or more members undertake a business due-diligence of the company to understand the business better and its future plans. After this stage the investment terms are finalized with the company. In the following meeting(s) of investors within the next thirty days, the findings are presented to all members. At this stage each member takes a decision to invest and if yes the quantum of investment. Thereafter a term sheet is issued to the company and if accepted by the company this is followed by a legal and financial due diligence. If the company passes this stage then the documents relating to the investment are executed between the company and each individual investor.

12. *Do we need to engage a lawyer?*

This is a decision the company has to take. However, since the terms are fairly standard and keeping the legal costs in mind, the company could take help from friends to understand the implications of the legal clauses if required.

13. Any other expectations from the companies

We expect companies shortlisted for presentation to provide information to the best of their knowledge in their own interest. If at any point of time it is found that the information submitted is incorrect then the investment process is likely to be cancelled. Companies should also share any material change that occurs during the process of the investment or due diligence that may affect the investment. In case they are also engaging with other investors, companies should keep the LA team informed of such developments.

14. What is the support Lead Angels provide post investment?

LA members and team take the support function for startups very seriously. Post investment LA team works with the startup to assist it key areas like future capital raise, business connections, PR and talent search.
