

Start-ups face Series A funding crunch



TOUGH TIMES

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- The first four months of this year saw a total of 35 Series A deals with total value of \$112.43 million as against \$330.36 million invested in the corresponding period of 2015

T E NARASIMHAN & GIREESH BABU
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Series A funding, crucial to the growth of a start-up, has seen a gradual decline in the first four months of 2016. The number of deals has come down to four in April 2016, hitting the lowest in six years, according to VCCEdge.

The first four months of this year saw 35 Series A deals, with a total value of \$112.43 million, a decline of 66 per cent in value from the first four months of 2015. Sources say that this could also be a time for course-correction, which will bring more financial prudence among start-ups.

“Series A funding broke a six-year record in April in terms of transactions. Venture capital investors, who are sitting on a pile of funds and are yet not investing for want of right candidates, see it as a course-correction and argue that the cash crunch will bring in much-needed financial prudence among start-ups,” said VCCEdge, which has come up with the data.

In 2015 there were 264 deals worth \$986.71 million. Sanjeev Krishan, leader, private equity, PwC India, said Series A funding had not dried up though it would not be available for “me too” platforms.

“Softening valuations overseas have led to softening

of valuations in the private market. New funding cannot come at the previous valuation,” he added. However, this was more true of later stage funding.

For businesses seeking recurring funding, the flow has stopped. Investors have become conservative about spending funds well rather than trying to create a customer base by just going into the market.

However, there is enough funding for ideas and technology. If a start-up is trying to monetise itself, funding will possibly slow down. If the money is to stabilise operations or to be able to look at any new technology, funding is available.