



International Journal of Research Publication and Reviews

Journal Homepage: www.ijrpr.com ISSN 2582-7421

Financial Modelling and Investment Readiness Assessment in the Indian Startup Advisory Sector: A Process-Based Study of Advisory Practices

Selonika Sarraf

Student, School of Business, Indira University, Pune, India

ABSTRACT

For startups seeking growth capital, a convincing investment case requires more than an attractive business idea; it also requires financial credibility, structured evidence and documentation that investors can evaluate. Academic work on startup finance, however, has largely focused on venture-capital theory, portfolio performance and technology-based prediction models, while giving comparatively less attention to the operational work performed by advisory firms in converting a founder's initial business story into an investor-ready financing case. This study examines that operational gap through a process-oriented and theory-linked investigation of a boutique startup advisory firm in Pune, India, during June-August 2026. Eighteen academic and institutional sources covering information asymmetry, signalling, staged venture financing, young-company valuation, Indian regulatory conditions and AI-supported startup screening are used to interpret the observed advisory activities. The study follows the workflow from initial founder profiling and information collection to financial modelling, valuation, investment-readiness documentation and preparation of investor-facing materials. To demonstrate how the process may be analysed quantitatively without revealing confidential information, the paper also uses constructed hypothetical cases rather than actual client records. The observations suggest that assessment requirements vary according to the maturity of the company and the proposed financing instrument; the availability of historical revenue affects both valuation practice and processing time; and market-size and traction claims made initially by founders may be revised after structured review. Overall, the study interprets startup advisory work as an organised application of established finance and information-economics concepts and proposes practical measures for improving consistency and reducing avoidable processing delays.

Keywords: startup advisory; investment readiness; financial modelling; venture financing; discounted cash flow; information asymmetry; SAFE instruments; Indian startup ecosystem

1. Introduction

India has developed into one of the world's major startup markets when measured by deal activity. Inc42 (2024) reports that Indian technology startups attracted about US\$12 billion through 993 deals in 2024, representing roughly 20% growth over the previous year, while funding activity was expected to continue expanding into 2025. Many startups approaching external investors do not maintain a specialised internal finance team, particularly during the early and growth stages. This creates a practical role for boutique advisory firms that help founders organise financial information, develop valuation support, prepare investment documents and communicate the financing case to potential investors. Such services may be provided through fixed professional fees, success-linked arrangements or a combination of commercial structures.

Research provides substantial insight into venture-capital markets, investor behaviour and portfolio returns, but the operating sequence followed inside a startup advisory engagement has received much less direct attention. The gap remains visible in literature published through 2026. For example, Mishra (2004) examines the criteria used by Indian venture capitalists when assessing investment proposals, whereas Maarouf, Feuerriegel and Pröllochs (2025) investigate the use of large language models to predict startup outcomes from platform-based textual information. These contributions are valuable, yet they do not map the step-by-step advisory activities through which an individual founder's information is examined, refined and converted into investment-ready material. That operational setting is important because concepts such as information asymmetry, signalling and staged financing become visible through actual documentation, questioning, modelling and review practices. The present paper therefore studies a boutique startup advisory firm, identified only as the Organization to preserve confidentiality, and traces the process from initial founder interaction to final investor-facing documentation. Each stage is interpreted using relevant ideas from information economics, venture finance and valuation theory.

2. Review of Literature

The literature considered for this study consists of eighteen academic and institutional sources. They are organised around five connected areas: information asymmetry and signalling, staged venture financing, valuation of young firms, the Indian regulatory and institutional environment, and recent developments in AI-supported startup screening.

The theories of information asymmetry and signalling provide a useful explanation for the strong emphasis placed on evidence and documentation in early-stage financing. Akerlof (1970) demonstrates how markets can deteriorate when one side possesses substantially more information about quality than the other, unless credible mechanisms help distinguish stronger opportunities from weaker ones. Spence (1973) develops the signalling argument by showing how costly and credible signals can communicate otherwise unobservable quality. In a startup-financing context, detailed and verifiable financial information can perform a similar function. Stiglitz and Weiss (1981) further show that credit markets may rely on screening and rationing rather than simply increasing the price of capital, because higher prices can alter the risk profile of applicants. Myers and Majluf (1984) extend the information problem to corporate financing decisions, explaining why managers possessing private information may hesitate to issue equity when they believe external investors cannot correctly value the firm. For young ventures, this logic helps explain why founders may resist an early formal valuation when operating history and supporting evidence are still limited.

A second body of literature explains why venture financing is commonly evaluated in stages rather than through a single irreversible decision. Sahlman (1990) describes staged capital commitments as an important governance mechanism that allows investors to link additional funding to progress and milestones. Gompers (1995) similarly interprets staging as an option-like monitoring mechanism that allows investors to reassess whether further capital should be committed as new information becomes available. Evidence on investment criteria also shows that the quality of the founding and management team is especially important during initial screening. MacMillan, Siegel and Subba Narasimha (1985) report this pattern among venture capitalists, while Mishra (2004) identifies a comparable emphasis on promoter and management quality in the Indian setting. Kaplan and Strömberg (2004), using actual venture-capital investment analyses, find that higher perceived risk is associated with stronger investor protections, control provisions and milestone-related conditions. These findings provide a theoretical basis for understanding why early-stage advisory cases may require different documentation and financing structures from more mature ventures.

The financial-modelling stage also draws on established valuation theory. Damodaran (2009) cautions that conventional discounted cash flow analysis can become particularly uncertain when applied to young, rapidly growing companies that have little historical operating evidence. A meaningful valuation therefore needs to connect the business story with realistic numerical assumptions and value drivers rather than relying mechanically on spreadsheet outputs. Damodaran (2012) provides the broader discounted cash flow and cost-of-capital framework used for this purpose. Alongside financial valuation, the business model and market opportunity must also be understood. Osterwalder and Pigneur (2010) provide a structured approach to business-model analysis, while the associated market-sizing logic helps move from a broad total market toward the portion that a venture can realistically address and obtain. These concepts support the market assessment conducted together with financial modelling in the advisory process examined here.

Advisory activity also operates within India's regulatory and institutional setting. SEBI's Alternative Investment Funds Regulations (2012) provide an important regulatory framework for domestic alternative investment structures, including funds participating in venture-capital and private-equity activity. Where investment involves a non-resident investor, the relevant foreign-investment route is influenced by the Reserve Bank of India's Foreign Exchange Management Act framework (RBI, 2026). In addition, the Startup India framework referenced through the Ministry of Corporate Affairs/Government ecosystem influences recognition, compliance and related conditions that startups may need to address while preparing for external capital. These institutional requirements form part of the wider environment in which advisory firms and founders prepare financing transactions.

Technology is beginning to change how startups can be screened, although it has not eliminated the need to understand the underlying advisory workflow. Maarouf, Feuerriegel and Pröllochs (2025), for instance, demonstrate that large language models applied to founders' platform descriptions can contribute to startup-outcome prediction. Such work reflects a broader movement toward data-driven and automated screening. At the same time, Inc42 (2024) documents the continuing scale of funding and deal activity in India's startup ecosystem. Taken together, the reviewed sources establish strong theoretical foundations for screening, financing and valuation, but they provide limited task-level documentation of how those ideas are implemented within an advisory engagement. The present study focuses specifically on that operational gap.

3. Research Objectives

Based on the research gap identified in the preceding sections, the study uses four objectives that correspond with the discussion of findings in Section 6:

1. To study how founders are profiled, what documentation is collected, and how assessment priorities change according to the startup's stage and the financing instrument under consideration.
2. To examine the financial-modelling tools used during investment-readiness work, including funding requirement estimation, revenue and cost forecasting, weighted average cost of capital, discounted cash flow valuation, TAM/TOM analysis, and financing structures such as SAFE and convertible notes.
3. To understand how founders, advisory personnel and internal decision-makers coordinate while transforming initial business information into structured, investor-ready documentation.
4. To map the complete investment-readiness workflow from initial founder intake to investor-facing output and to identify where turnaround time and process consistency differ across the sequence.

4. Research Methodology

A qualitative, process-oriented, single-organisation research design was adopted because the study is concerned with how advisory activities are performed and connected, rather than with estimating statistical relationships across a large population. Primary evidence was gathered during a nine-week period from June to August 2026 at the Organization. The researcher's involvement included participation in the preparation of Financial Documents and Investment Readiness Documents and observation of assessment cases as they progressed through the stages shown in Table 1. The study also drew on semi-structured discussions with the mentor and Directors regarding the purpose of different documents, changes in evaluation criteria across startup stages, and factors influencing turnaround time. In addition, internal process material and standard worksheet formats were reviewed. Confidential information belonging to founders, investors or clients was not extracted for the paper. Secondary information was drawn from the cited academic, industry and regulatory sources, including Inc42 and relevant SEBI, RBI and government publications.

For explanatory purposes, Section 7 uses a constructed set of hypothetical cases based only on broad parameter ranges encountered during the study. These examples are clearly separated from the observational findings and should not be interpreted as actual engagement data. The research is limited to one boutique advisory organisation located in Pune, Maharashtra, and to the nine-week study period. Consequently, the findings are intended to provide analytical insight into comparable advisory settings rather than statistical representation of India's startup-advisory market. No client-level financial dataset is used in the analysis.

5. Theoretical Framework

Four related theoretical perspectives are used to organise the analysis. The first is an adapted five-pillar investment-readiness framework that resembles the logic of the traditional five-Cs approach to credit assessment. The pillars are: Team and Governance, covering founder credibility and management capability; Market Opportunity, covering TAM/TOM and the addressable opportunity; Business Model and Traction, covering the revenue model and operating indicators; Financial Performance and Projections, covering assumptions, payroll, projected statements and related financial schedules; and Deal Structure and Conditions, covering the choice between a priced equity round and instruments such as a SAFE or convertible note. The emphasis on founders and management is consistent with the screening evidence reported by MacMillan et al. (1985) and Mishra (2004). The second perspective is information-asymmetry and signalling theory (Akerlof, 1970; Spence, 1973; Stiglitz & Weiss, 1981), which helps explain why structured questions and verifiable documentation are necessary when investors and advisers possess less information about a business than its founders.

The third perspective concerns valuation. The standard discounted cash flow relationship used as the analytical reference is:

$$\text{Value} = \sum [\text{FCF}_t / (1 + r)^t] + [\text{Terminal Value} / (1 + r)^n]$$

In this expression, FCF_t represents free cash flow in year t , r denotes the discount rate, and n represents the explicit forecast horizon; the terminal value captures cash flows expected beyond that horizon. In the setting examined, the discount rate is considered through a weighted-average-cost-of-capital approach that incorporates a risk-free benchmark linked to Indian government securities, an equity risk premium and an additional adjustment for company-specific early-stage risk. Because a young company's estimated value can change substantially when discount-rate or terminal-growth assumptions change, Damodaran (2009) emphasises that valuation should be supported by a credible and tested business narrative rather than treated as an exact mechanical result. The fourth perspective is staged and option-like venture financing (Sahlman, 1990; Gompers, 1995). This perspective helps explain why a SAFE or convertible note may be considered for very early-stage ventures: instead of fixing a potentially unreliable valuation before sufficient operating evidence exists, the instrument can postpone formal pricing until a later financing round when more information is available.

6. Findings and Discussion

The advisory workflow observed during the study can be represented as the eight-stage sequence in Table 1. The discussion that follows is organised around the four research objectives and links the observations with the theoretical ideas discussed in Sections 2 and 5.

Stage	Activity	Primary Actor(s)
1	Initial founder intake and basic company profiling	Founder, Advisory desk
2	Structured assessment discussion using the Startup and Investor Readiness Questionnaire	Analyst, Founder
3	Preparation of an internal assessment brief for management review	Analyst, Directors
4	Decision on client onboarding	Directors
5	Preparation of the Financial Document, including assumptions, payroll, operating costs, comparable companies and funding sources	Analyst

Stage	Activity	Primary Actor(s)
6	Preparation of projected statements, valuation analysis and selection of financing instrument (priced round or SAFE/convertible note)	Analyst, Director
7	Preparation of the Investment Readiness Document and investor One-Pager	Analyst
8	Mentor/Director review, finalisation and preparation for investor-facing delivery	Mentor, Director

Source: Prepared from the Organization's process material and the researcher's participant observation (2026).

1. Founder profiling, documentation and variation in assessment criteria. The information requested from a startup and the relative importance of different evaluation factors change with the company's maturity. When a venture has little or no meaningful revenue history, greater attention is placed on the founding team, governance and the size and credibility of the market opportunity. Once a company has an operating record, financial performance, unit economics and evidence of traction become more important. This pattern is consistent with MacMillan, Siegel and Subba Narasimha (1985) and Mishra (2004), who highlight the importance of management quality in early investment screening. It is also consistent with information-asymmetry theory because structured questioning and supporting documents help advisers and investors evaluate claims that cannot be verified from the founder's narrative alone (Akerlof, 1970; Stiglitz & Weiss, 1981). During the engagements observed, founder-provided TAM and TOM estimates were at times reduced after additional market research and questioning. In signalling terms, the stronger estimate is the one that can withstand verification and be supported by defensible evidence (Spence, 1973).
2. Financial modelling, valuation and financing instruments. The estimated funding requirement, revenue assumptions, cost base and financing sources are brought together within the financial model and ultimately influence the estimated value of the company. Under a discounted cash flow approach, valuation is affected not only by forecast revenue but also by the level of risk incorporated into the discount rate. Two startups with similar headline revenue projections can therefore produce different valuation outcomes when their risk profiles differ. This follows directly from the valuation relationship presented in Section 5. For very early-stage ventures, multi-year forecasts may be less dependable because little operating history is available. In such situations, the Organization often considered a SAFE or convertible note rather than immediately fixing the value through a priced equity round. Deferring the pricing decision until more information becomes available reflects the staged-financing logic described by Sahlman (1990) and Gompers (1995).
3. Coordination between founders, the advisory desk and internal decision-makers. Producing an investor-ready case requires information to move through several connected workstreams. The assessment questionnaire captures the founder's initial inputs, the Financial Document converts those inputs into structured financial assumptions and projections, and the Investment Readiness Document brings the wider business and investment case together. Director review is involved before key onboarding and finalisation decisions. In practice, the Directors therefore act as an important review and coordination point across activities that otherwise appear sequential. This is compatible with the broader monitoring logic discussed by Kaplan and Strömberg (2004), where greater uncertainty and risk lead to stronger review, control and contingent arrangements. In an advisory setting, concentrated review serves a similar purpose by directing senior attention toward cases in which uncertainty is higher.
4. End-to-end workflow and turnaround time. The observations indicate that delays are most likely to arise when required information is incomplete at the founder-intake stage or when a case is waiting for final senior review. These points affect the speed of the entire workflow because later activities depend on the completeness and approval of earlier work. AI-supported screening may eventually reduce some of this processing burden. Maarouf, Feuerriegel and Pröllochs (2025), for example, show how large language models can extract predictive information from founder-generated text, although such tools were not part of the Organization's workflow during the period studied. Across the four objectives, the evidence suggests that the advisory process is a structured sequence rather than a collection of unrelated tasks. Much of the practical variation in turnaround appears to arise from coordination and documentation quality across stages. A standard stage-specific document checklist, together with a concise reference guide for financing-instrument selection, could improve consistency and reduce avoidable delays without changing the Organization's underlying assessment approach.

7. Illustrative (Hypothetical) Data Analysis

The numerical material in this section is created solely for academic illustration. It does not reproduce client engagement records and should not be interpreted as empirical evidence.

To demonstrate how genuine engagement data could later be analysed, an illustrative sample of thirty-five hypothetical cases is constructed using broad ranges encountered during the study. Approximately 55% of the cases are treated as seed to pre-Series A companies and 45% as Series A to early-growth companies. The hypothetical sector distribution is concentrated in technology-enabled marketplaces, retail and distribution, and industrial services. Around 65% of the cases are represented as fully priced equity rounds, while approximately 35% use a SAFE or convertible note, with deferred instruments concentrated among earlier-stage ventures. For demonstration, the assumed weighted average cost of capital ranges from 22-30% for seed-stage companies and 16-20% for growth-stage companies, reflecting the company-specific risk adjustment described in Section 5. Table 2 provides a

constructed capital-source mix, while Table 3 presents a constructed operating-cost mix. Neither table is derived from the financial records of an individual client.

Capital Source	Illustrative Share of Capital Raised to Date
Founder / promoter equity	45%
Friends and family round	15%
Angel investment	25%
Institutional seed capital	10%
Debt / other instruments	5%

Table 2: Hypothetical capital-source composition for academic illustration (constructed data, not empirical findings).

Cost Head	Illustrative Share of Operating Expenditure
Payroll	35%
Marketing and sales	28%
Technology and product	15%
Administrative and legal	12%
Other operating costs	10%

Table 3: Hypothetical operating-expenditure composition for academic illustration (constructed data, not empirical findings).

The illustrative financing mix and discount-rate assumptions are intended to demonstrate the analytical logic described earlier, not to establish a client-specific pattern. Their implications follow from the financing and valuation concepts discussed in Section 5. With access to anonymised engagement-level information in future research, the same framework could be used to test whether comparable patterns are actually present in advisory cases.

8. Limitations and Conclusion

Several limitations affect the interpretation of this study. It examines only one advisory organisation in one geographic location and relies on a qualitative observation period of nine weeks. The results should therefore be viewed as analytical insights into an advisory process rather than as statistically generalisable evidence for the entire Indian startup-finance market. The numerical examples in Section 7 are deliberately constructed and do not represent observed client outcomes. Confidentiality requirements also prevent disclosure of founder identities or client-specific financial figures, while final valuation decisions in individual engagements remained the responsibility of the Organization's senior leadership rather than the researcher. Future studies could compare workflows across several advisory firms and cities, use properly anonymised engagement-level datasets to replace the illustrative analysis with empirical testing, extend the AI-based approach of Maarouf, Feuerriegel and Pröllochs (2025) to advisory-generated information, and examine whether automation changes the information-asymmetry and screening dynamics identified in this paper.

This study maps and interprets the investment-readiness process followed within a boutique startup advisory setting in India. It contributes at the operational level by connecting the day-to-day sequence of founder profiling, document collection, financial modelling, valuation, financing-instrument consideration, investment-readiness preparation and internal review with established theories of information asymmetry, signalling, staged financing and young-company valuation. The analysis indicates that advisory work is organised around a connected series of screening and documentation activities, while differences in startup maturity and information availability influence the emphasis placed on particular stages. It also identifies incomplete initial documentation and coordination around review as practical sources of processing variation. Within the limits of a single-site qualitative study, two low-cost improvements emerge from the observations: a standardised documentation checklist tailored to company stage and a simple internal reference for financing-instrument selection. These measures could make the workflow more consistent while preserving the professional judgement required in startup assessment.

References

- Akerlof, G. A. (1970). The market for "lemons": Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84(3), 488–500.
- Damodaran, A. (2009). *The dark side of valuation: Valuing young, distressed, and complex businesses* (2nd ed.). FT Press.

- Damodaran, A. (2012). *Investment valuation: Tools and techniques for determining the value of any asset* (3rd ed.). Wiley Finance.
- Gompers, P. A. (1995). Optimal investment, monitoring, and the staging of venture capital. *Journal of Finance*, 50(5), 1461–1489.
- Inc42. (2024). Indian tech startup funding report, 2024 [Industry report]. Inc42.
- Kaplan, S. N., & Strömberg, P. (2004). Characteristics, contracts, and actions: Evidence from venture capitalist analyses. *Journal of Finance*, 59(5), 2177–2210.
- MacMillan, I. C., Siegel, R., & Subba Narasimha, P. N. (1985). Criteria used by venture capitalists to evaluate new venture proposals. *Journal of Business Venturing*, 1(1), 119–128.
- Ministry of Corporate Affairs, Government of India. (2026). Startup India initiative. Retrieved August 2026, from <https://www.startupindia.gov.in>
- Mishra, A. (2004). Indian venture capitalists (VCs): Investment evaluation criteria. *ICFAI Journal of Applied Finance*, 10(7), 71–93.
- Maarouf, A., Feuerriegel, S., & Pröllochs, N. (2025). A fused large language model for predicting startup success. *European Journal of Operational Research*, 322(1), 198–214.
- Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, 13(2), 187–221.
- Osterwalder, A., & Pigneur, Y. (2010). *Business model generation: A handbook for visionaries, game changers, and challengers*. John Wiley & Sons.
- Reserve Bank of India. (2026). Foreign Exchange Management Act (FEMA) regulations. Reserve Bank of India.
- Sahlman, W. A. (1990). The structure and governance of venture-capital organizations. *Journal of Financial Economics*, 27(2), 473–521.
- Sarraf, S. (2026). Financial analysis and investment potential assessment of startups using financial modelling: An analytical study of a startup advisory firm [On-the-job training report]. School of Business, Indira University.
- Securities and Exchange Board of India. (2012). SEBI (Alternative Investment Funds) Regulations, 2012. Securities and Exchange Board of India.
- Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics*, 87(3), 355–374.
- Stiglitz, J. E., & Weiss, A. (1981). Credit rationing in markets with imperfect information. *American Economic Review*, 71(3), 393–410.