

Startup Due Diligence Readiness Index

Investors in India's tech ecosystem are enforcing stringent due diligence, demanding robust unit economics and structured data rooms before deploying capital. The era of high-velocity, low-diligence dealmaking has concluded, with evaluation periods expanding significantly.

Abstract

As Indian venture funding normalizes, registering US\$11.7 billion in FY 2025-26, institutional investors are adopting rigorous evaluation standards. The era of high-velocity, low-diligence dealmaking has definitively concluded. Venture capital firms are systematically extending evaluation periods to scrutinize business models, financial reconciliations, and product-market fit. This report synthesizes market intelligence, academic research on startup failures, and qualitative insights from the RaiseMoney incubation platform to outline the evolving requirements for startup due diligence readiness, emphasizing that preparation is now the primary determinant of successful fundraising.

Key findings

- Indian technology startups secured US\$11.7 billion in FY 2025-26, an 18% year-on-year decline, yet early-stage funding rose 33% to US\$4.8 billion (Tracxn).
- Investors spend an average of 3 minutes and 44 seconds reviewing a pitch deck, with maximum attention allocated to financials, team, and competition slides (TechCrunch).
- Comprehensive seed-stage due diligence requires two to six weeks of focused evaluation, with legal and corporate checks spanning up to 10 days (SeedForge).
- Lower due diligence intensity directly correlates with elevated investment volatility, prompting venture capitalists to prioritize extensive pre-investment evaluations (NBER).
- Qualitative assessments from RaiseMoney reveal that unorganized financial structures and unresolved intellectual property assignments frequently stall early-stage deal closures.

Capital Rationalization in the Indian Ecosystem

Despite global macroeconomic headwinds, the Indian startup ecosystem remains robust, officially crossing 2.23 lakh DPIIT-recognized entities by March 2026. However, capital deployment has shifted from late-stage mega-rounds to a broader base of early-stage

ventures. According to Tracxn, FY 2025-26 saw an 18% decline in total tech funding to US\$11.7 billion, while early-stage funding surged 33% to US\$4.8 billion.

Inc42 data from H1 2026 indicates that while deal volumes increased by 7% year-on-year, total funding slipped 9% to US\$5.2 Bn. This reflects a structural shift: investors are writing smaller checks but expanding their portfolios, simultaneously deepening their evaluation of unit economics, business models, and operational scalability.

The Return to Rigorous Diligence

The high-velocity investing environment of previous years, where term sheets were occasionally issued within 48 hours, has been replaced by a return to institutional rigor. Research indicates that a standard venture capital deal historically requires an average of 83 days to close, encompassing roughly 118 hours of dedicated due diligence and approximately 10 reference calls per transaction.

National Bureau of Economic Research (NBER) analysis from 2025 demonstrates that reduced due diligence is associated with hotter markets but leads to highly volatile investment performance. Consequently, venture funds are structurally enforcing thorough commercial, financial, and legal evaluations. SeedForge notes that dedicated seed diligence now spans two to six weeks, requiring comprehensive verification.

Initial Screening: Pitch Deck Analytics

Before formal due diligence commences, startups must survive the initial pitch deck screen. Analytics from DocSend and Harvard Business School reveal that investors spend an average of just 3 minutes and 44 seconds reviewing a deck. Successful decks average 18 pages, with venture capitalists consistently allocating the most time to the financials, team, and competition slides.

The data suggests that pitching the product without a cohesive commercial story hinders fundraising. Founders are evaluated on their capacity to construct a data-driven narrative that justifies the market opportunity and outlines clear revenue visibility. The initial review acts as a strict filtering mechanism before any technical or legal data room is opened.

Primary Catalysts for Venture Failure

Understanding historical failure patterns informs the focus areas of modern due diligence. Research from the Indian Institute of Science (IISc) highlights that tech startup failures are predominantly caused by poor market positioning, lack of product-market fit, and revenue shortfalls.

Additionally, structural issues such as conflicts with investors and lack of entrepreneurial experience significantly impact survival probabilities. By examining these factors during the diligence phase, investors attempt to mitigate structural risks. Startups that proactively address these vulnerabilities in their data rooms demonstrate mature

governance, thereby accelerating the evaluation cycle.

SEBI Alternative Investment Fund Landscape

The institutionalization of capital in India is further evidenced by the growth of Alternative Investment Funds (AIFs). According to SEBI data up to March 2026, total commitments raised by AIFs reached an impressive ₹16,94,262 crores, with Category I Venture Capital Funds raising ₹64,134 crores in commitments.

By June 2025, CafeMutual reported that total AIF commitments crossed ₹14.18 lakh crore, growing 20% year-on-year. This vast pool of domestic and foreign institutional capital is subject to strict regulatory and fiduciary oversight, mandating that fund managers execute exhaustive due diligence before deploying capital into unlisted startup securities.

Qualitative Observations: The Readiness Gap

Based on qualitative, non-statistical assessments of applications and mentor feedback within the RaiseMoney incubation platform, a significant readiness gap exists between founder expectations and investor requirements. Many early-stage founders initiate fundraising without a populated data room, leading to severe friction once a term sheet is signed.

RaiseMoney mentors observe that common bottlenecks include absent intellectual property assignments, unresolved co-founder vesting schedules, and un-reconciled financial statements. Startups that self-report higher confidence in execution often underestimate the rigorous documentation required by legal counsel during the final confirmatory phase.

Due Diligence Readiness Checklist

A framework mapping key diligence dimensions to investor expectations and common startup pitfalls.

- **Commercial & Market** — investors check: Verification of market size, customer retention, and proof that traction claims match reality.. Common gap: Extrapolating Total Addressable Market (TAM) without bottom-up validation or documented customer contracts.
- **Financial Health** — investors check: Reconciliation of pitch deck projections with actual bank statements, invoices, and burn rate.. Common gap: Discrepancies between stated revenue and recognized accounting revenue, or missing historical cash flow data.
- **Legal & Corporate** — investors check: Clean capitalization table, founder vesting schedules, and explicit intellectual property assignments.. Common gap: Core technology or domain names held in a founder's personal name rather than the corporate entity.

- Technical & Product — investors check: Codebase security, scalability, and confirmation that the product performs identically to the demo.. Common gap: Lack of architectural documentation, security vulnerabilities, or reliance on unscalable third-party dependencies.

Methodology & disclosure

- Sample size: Not applicable (Meta-analysis of secondary market reports)
- Data collection period: 2015 - 2026
- Respondent profile: Venture capital investors, startup founders, and incubation mentors
- Geography: India (with global context on due diligence practices)
- Startup stage: Early-stage to Growth-stage
- Methodology: This report synthesizes secondary market intelligence from Tracxn, Inc42, DPIIT, and SEBI to map macro funding trends. It integrates academic research from the NBER and the Indian Institute of Science on venture capital evaluation and startup failures. Finally, it incorporates non-statistical, qualitative observations from the RaiseMoney platform regarding founder readiness and data room preparation.
- Self-reported responses: RaiseMoney mentor observations and applicant readiness patterns are entirely self-reported and qualitative.
- Limitations: The report relies on disparate secondary sources with varying methodologies and definitions of venture stages. Pitch deck viewing metrics are derived from global platform averages and may not perfectly reflect localized Indian investor behavior. RaiseMoney's first-party insights are strictly anecdotal and should not be interpreted as statistically representative of the entire ecosystem.
- Date of publication: 2026-08-04

Sources for every numerical claim

Each claim below links back to its original published source.

- India tech startups raised US\$11.7 billion in FY 2025-26 — US\$11.7 billion (Tracxn, 2026-05-26; FY 2025-26, India, n=Not disclosed)
- Indian startups raised US\$5.2 billion across 501 deals in H1 2026 — US\$5.2 billion (Inc42, 2026-06-30; H1 2026, India, n=501 deals)
- Total recognized startups crossed 2.23 lakh by March 2026 — 2.23 lakh (Press Information Bureau (Ministry of Commerce & Industry), 2026-04-17; Cumulative to March 2026, India, n=Not disclosed)
- VCs spend an average of 3 minutes and 44 seconds on pitch decks — 3 minutes 44 seconds (TechCrunch, 2015-06-08; Not disclosed, Global, n=200 pitch decks)

- A typical VC deal took 83 days to complete with 118 hours of due diligence — 118 hours (TDK Ventures / 6Pages, 2024-04-01; Nov 2015 - Mar 2016, Global, n=700 VC firms)
- Less due diligence is associated with more volatile investment performance — Qualitative (National Bureau of Economic Research, 2025-07-01; Not disclosed, Global, n=Not disclosed)
- Seed due diligence usually takes two to six weeks of focused work — 2 to 6 weeks (SeedForge, 2026-07-13; 2026, Global, n=Not disclosed)

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