

## ***When to Raise Money?***

It's a question that exercises the mind of every CFO, when is the best time to raise money, how will I get the best value for the shares that I sell? Historically finance theory states that one should raise money when you need it and raise equity or debt based on the proposed utilization of funds. We however say, "raise money when you can and not when you need it". Why are we saying something that goes against theory, well read on further?

Experience has shown that firms have difficulty in raising capital from the markets when the markets are down. IPO's have possibility of devolving, right issues have to be priced very conservatively, and its virtually impossible for small and mid sized to enter the markets for listings. In such scenario small and medium firms have no choice but to look at private equity for funding, and for the money they give, the private equity funds take their pound of flesh. On the other hand when the markets are buoyant even marginal firms manage to raise capital from the markets.

If you are a start up with a great idea but no money; when is it most likely you get funding; when the global economy is hot and people are investing in private funds or when there is a recession? The answer is obvious, people are willing to risk more at times when optimism abounds rather than when things look gloomy.

The truth therefore is that you raise money when optimism is ripe, the economy is buoyant and the markets on fire, finance theory may however state otherwise.

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