READING A CAP TABLE

A capitalization table (cap table) shows who owns what in a company. As a deal lawyer, you need to read a cap table to understand ownership, control, and dilution. Here's how:

THE TRANSFORMATION: PRE-MONEY → POST-MONEY

BEFORE SERIES A INVESTMENT (Pre-Money)

Shareholder	Share Class	Shares Held	Ownership % (On a fully diluted basis)
Founder A	Equity	4,000,000	40.00%
Founder B	Equity	3,000,000	30.00%
Seed Investor	Series Seed CCPS	2,000,000	20.00%
ESOP Pool	Options	1,000,000	10.00%
TOTAL		10,000,000	100.00%

→ Company valuation: ₹100 Cr pre-money

→ Total shares: 10,000,000

→ Founders control 70% (A+B combined)

AFTER SERIES A INVESTMENT (Post-Money)

Shareholder	Share Class	Shares Held	Ownership % (on a fully diluted basis)
Founder A	Equity	4,000,000	32.00%
Founder B	Equity	3,000,000	24.00%
Seed Investor	Series Seed CCPS	2,000,000	16.00%
Series A Investor	**Series A CCPS**	**2,500,000**	**20.00%**
ESOP Pool	Options	1,000,000	8.00%
TOTAL		12,500,000	100.00%

→ New investor pays ₹25 Cr for 20% stake

→ Post-money valuation: ₹125 Cr (₹100 Cr + ₹25 Cr)

→ Total shares increased to 12,500,000

→ Founders now control 56% (down from 70%) (dilution)

WHAT LAWYERS NEED TO KNOW

DILUTION When new shares are issued, existing shareholders' percentages decrease even though they hold the same number of shares. Founder A still has 4 million shares, but the shareholding percentage dropped from 40% to 32%	**FULLY DILUTED BASIS** Ownership calculated assuming **ALL** convertible instruments (CCPS/options) are converted to equity. This shows the 'true' ownership picture
CONTROL THRESHOLD Look for who crosses 50% (majority control), 75% (special resolutions), or 25.1% (blocking minority). Founders went from 70% to 56% - so they still control the decisions, but not those decisions for which super-majority is required	**SHARE CLASSES** **Equity** = common shares **CCPS** = preference shares that convert to equity **Options** = employee pool Each class may have different rights (liquidation preference, voting)

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