Unit -6: Organizing Business and Entrepreneurial Finance:

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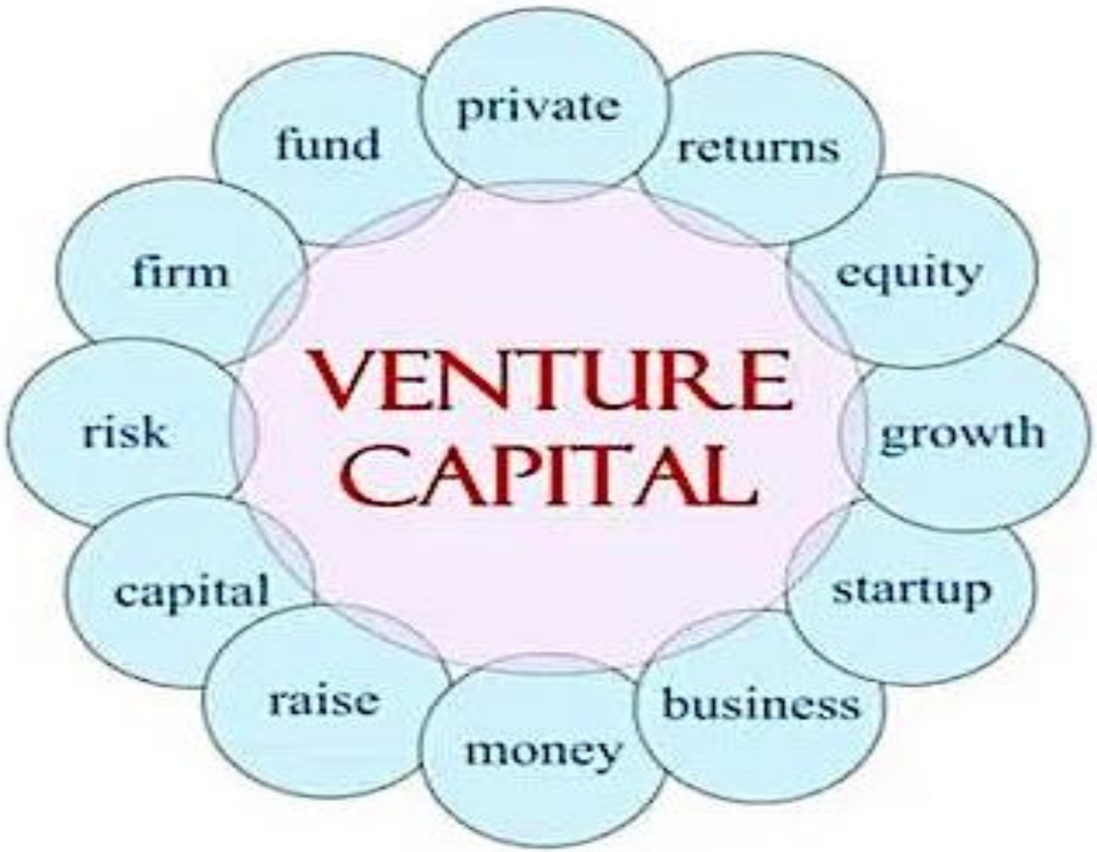
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What is Venture Capital?

It is a private or institutional investment made into early-stage / start-up companies (new ventures).

Ventures involve risk (having uncertain outcome) in the expectation of a sizeable gain.

Venture Capital is money invested in businesses that are small; or exist only as an initiative, but have huge potential to grow.

The people who invest this money are called venture capitalists (VCs).

The venture capital investment is made when a venture capitalist buys shares of such a company and becomes a financial partner in the business.

Venture Capital typically comes from institutional investors and high net worth individuals and is pooled together by dedicated investment firms.

It is the money provided by an outside investor to finance a new, growing, or troubled business.

Capital is invested in exchange for an equity stake in the business rather than given as a loan.

Venture capital funding is most widespread in the fast-growing technology and biotechnology fields.

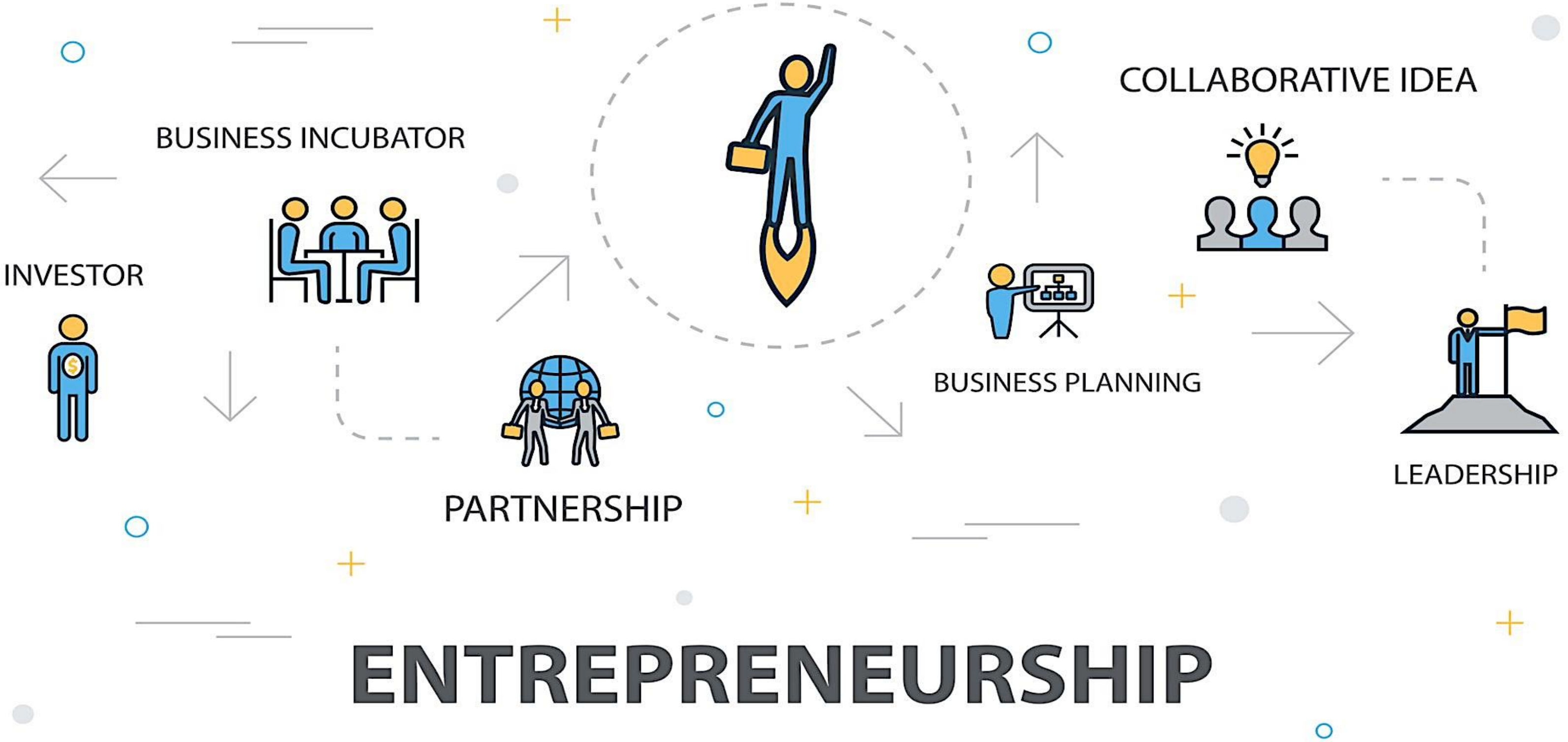
Features of Venture Capital investments

- High Risk
- Long term horizon
- Equity participation and capital gains
- Venture capital investments are made in innovative projects
- Suppliers of venture capital participate in the management of the company

The venture capital funding procedure gets complete in **six stages** of financing corresponding to the periods of a company’s development

- **Seed money:** Low level financing for proving and fructifying a new idea
- **Start-up**: New firms needing funds for expenses related with marketing and product development
- **First-Round:** Manufacturing and early sales funding
- **Second-Round**: Operational capital given for early stage companies which are selling products, but not returning a profit
- **Third-Round**: Also known as Mezzanine financing, this is the money for expanding a newly beneficial company
- **Fourth-Round:** Also called bridge financing, 4th round is proposed for financing the "going public" process

Policy Initiatives



POLICY INITIATIVES

‘Make in India'

This Initiative was launched on 25th September, 2014, to facilitate investment, foster innovation, building best in class infrastructure, and making India a hub for manufacturing, design and innovation. The development of a robust manufacturing sector continues to be a key priority of the Indian Government. It was one of the first **'Vocal for Local'** initiatives that exposed India's manufacturing domain to the world. The sector has the potential to not only take economic growth to a higher trajectory but also to provide employment to a large pool of our young labour force.

Startup India:

Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem that is conducive for the growth of startup businesses, drive sustainable economic growth and generate large-scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

Benefits of DPIIT Registration (Department for promotion of Industry and internal Trade) Startup recognition-

The DPIIT recognized startups can get the following benefits under the Startup India Initiative

•Self-Certification

•Startups shall be allowed to self-certify compliance for 6 Labour Laws and 3 Environmental Laws through a simple online procedure.

•Startup IPR and Patent Registration

•Fast-tracking of Startup Patent Applications:

•A panel of facilitators to assist in the filing of IP applications:

•Government to bear facilitation cost:

•Rebate on the filing of application:

Tax Exemption under Section 56

- Exemption under Section 56(2)(VIIB) of the Income Tax Act
- Investments into eligible startups by listed companies with a net worth of more than INR 100 Crores or turnover more than INR 250 Crores shall be exempt under Section 56 (2) VIIB of the Income Tax Act
- Investments into eligible Startups by Accredited Investors, Non-Residents, AIFs (Category I), & listed companies with a net worth more than 100 crores or turnover more than INR 250 Crore, shall be exempt under Section 56(2)(VIIB) of Income Tax Acts
- Consideration of shares received by eligible startups shall be exempt up to an aggregate limit of INR 25 Crores

Easier Public Procurement Norms

Opportunity to list your product on Government e-Marketplace: Government e-Marketplace (GeM) is an online procurement platform and the largest marketplace for Government Departments to procure products and services. DPIIT Recognized Startups can register on GeM as sellers and sell their products and services directly to Government entities. This is a great opportunity for startups to work on trial orders with the Government.

•**Exemption from Prior Experience/Turnover:** In order to promote startups, the Government shall exempt Startups in the manufacturing sector from the criteria of "prior experience/ turnover" without any compromise on the stated quality standards or technical parameters. The Startups will also have to demonstrate a requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

•**EMD Exemption:** DPIIT recognized startups have been exempted from submitting Earnest Money Deposit (EMD) or bid security while filling government tenders.

THANK YOU