

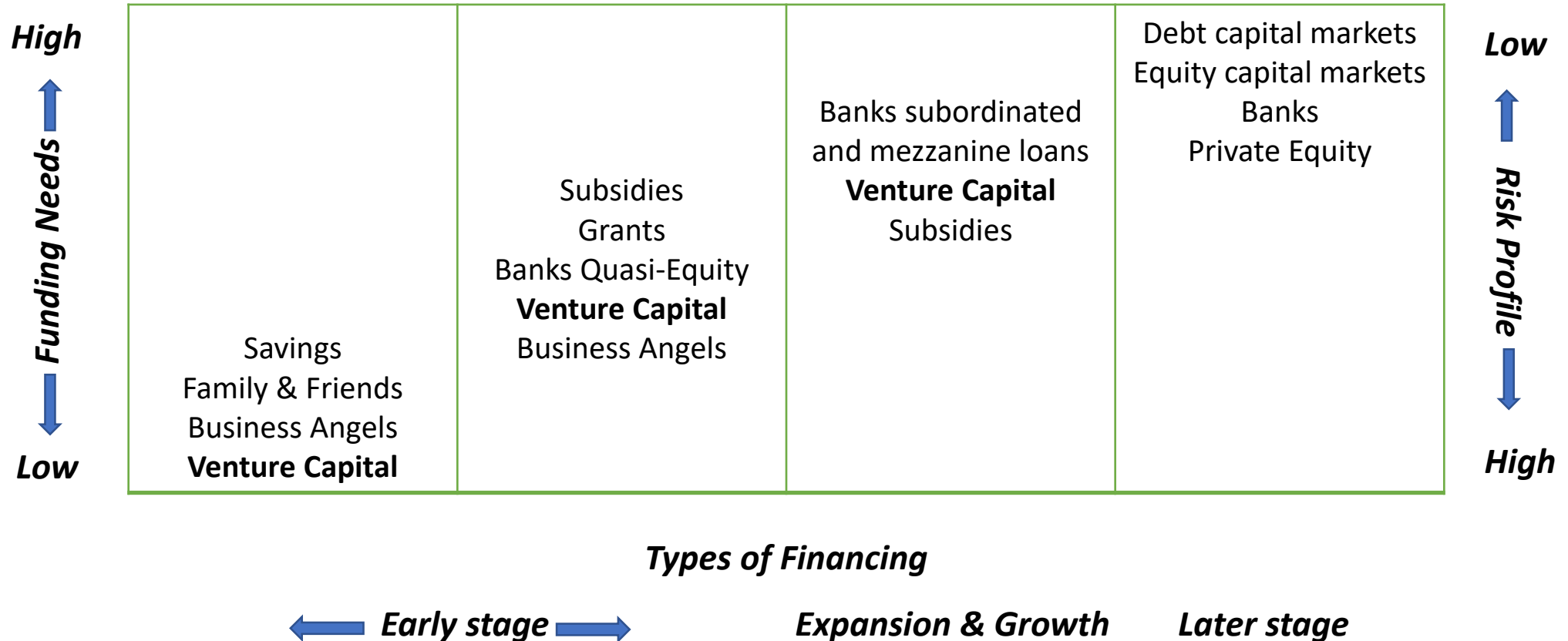


SARMAYACAR

Startup Funding

Financing phases for a startup

Type of financing depends upon the company's development phase along with the funding needs and risk profile



Why is Venture Capital needed?

- Venture capital's niche exists because of the **structure and rules of capital markets**.
 - Entrepreneurs—and their friends and families—usually **lack sufficient funds and/or risk appetite** to finance startups.
 - Banks will only finance a new business to the extent that there are **hard assets securing the debt**.
 - Investment banks and public equity are both **constrained by regulations and operating practices** geared towards the public investor.
 - **Venture capital fills the void** between sources of funds for innovation (meant to be corporations, government bodies, and the entrepreneur's friends and family) and traditional, lower-cost sources of capital available to ongoing concerns.
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So, what exactly is Venture Capital?

- **Definition:** Start-ups with growth potential need investment capital to grow. Investors like to invest their capital in such businesses with a long-term growth perspective. This capital is known as Venture Capital (VC) and the investors are called Venture Capitalists (VCs).
- **High risk – high return:** Venture capital investments are usually high risk, but offer the potential for above-average returns. In fact, VC is the costliest form of private capital typically available for companies.
- **Types of risk:** Investor expectation of above-average return is driven by the need to compensate for the following risks:
 - Management
 - Market
 - Product
 - Operation / Execution
 - Follow-on Financing / Exit

How is Venture Capital made available to startups?

