What is Venture Capital?

1. Definition

Venture Capital (VC) is a form of private equity financing that investors provide to startups or small businesses that have high growth potential but also high risk.

It helps **new and innovative companies** (especially in technology, space, biotech, etc.) get the **early funding** they need to develop their products, expand operations, and enter markets.

2. Key Features

Feature	Explanation
Type of Investment	Equity (ownership) - investors take a share
	in the company.
Stage of Funding	Usually early-stage or growth-stage
	startups.
Risk Level	High – because startups may fail, but
	returns can be huge if they succeed.
Investor Involvement	Venture capitalists often mentor, guide, and
	help in management decisions.
Time Horizon	Medium to long term (5-10 years)

3. Who Provides Venture Capital?

- Venture Capital Firms (specialised investment firms).
- Government-backed funds (like SIDBI Venture Capital Limited).
- Corporate Venture Funds (large companies investing in startups).
- **High Net-worth Individuals (HNIs)** or **Angel Investors** sometimes invest early and are later joined by VCs.

4. Purpose of Venture Capital

- To support innovation and entrepreneurship.
- To fund startups that traditional banks consider too risky for loans.
- To **develop new industries** (like space tech, clean energy, AI, biotechnology).
- To **generate high returns** through ownership in successful companies.

5. Process of Venture Capital Funding

- 1. **Startup Proposal** A company presents a business plan.
- 2. **Screening & Evaluation** VC firm assesses potential.
- 3. **Due Diligence** Detailed review of business, market, and technology.
- 4. **Investment Agreement** VC invests in exchange for equity (ownership stake).
- 5. **Mentorship & Monitoring** VCs guide the startup toward profitability.
- 6. **Exit Strategy** VCs recover and profit through:
 - IPO (Initial Public Offering)
 - Sale to another company (merger/acquisition)

6. Advantages

- Encourages innovation and entrepreneurship.
- Provides expert guidance and mentorship.
- Helps build high-tech, job-creating industries.
- Attracts foreign and domestic investment into emerging sectors.

7. Challenges

- **High risk of failure** (many startups don't survive).
- Limited availability for small towns or non-tech sectors.
- **Exit uncertainties** if stock markets are not favourable.

.

• 8 Example (India Context)

- The ₹1,000 crore IN-SPACe-SIDBI Venture Capital Fund aims to:
 - Provide early-stage funding to space startups.
 - Help companies build satellites, launch vehicles, and space data services.
 - Promote self-reliance in space technology

under Atmanirbhar Bharat

- The Indian National Space
 Promotion and Authorisation
 Centre (IN-SPACe) and the Small
 Industries Development Bank of
 India (SIDBI) have jointly
 launched a ₹1,000-crore Venture
 Capital Fund.
- Objective: To strengthen India's private space sector, support startups, and boost innovation in the rapidly expanding space economy.
- This marks a major step toward realising India's vision of an "Atmanirbhar" (self-reliant) and inclusive space ecosystem.

Background and Policy Context

- India's space sector has been liberalised in recent years to enable greater private participation.
- Establishment of IN-SPACe
 (2020) under the
 Department of Space
 (DoS) was a landmark
 reform, aimed at facilitating
 private entities to engage in
 activities previously
 dominated by ISRO.
- The Union Cabinet
 (October 2024) approved
 this fund to provide
 structured financial support
 to space startups and
 SMEs, in alignment with the
 National Space Policy
 2023 and Atmanirbhar
 Bharat Mission.

Facebook

<u>Instagram</u>

Youtube