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.

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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.

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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.

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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.
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        - ### 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**.

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