Start up

- Any company that falls into the below list of categories will be called “Startup” and eligible to be recognized by the DPIIT to avail the benefits from the Government of India.
- **Age of the Company:** The Date of Incorporation/registration should not exceed 10 years
- **Type of Company:** The Company should be incorporated as a private limited company (as defined in the Companies Act, 2013)
- or registered as a partnership firm (Partnership Act, 1932) or
- a limited liability partnership (Limited Liability Partnership Act, 2008) in India.

Start up

- **Annual Turnover –** Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs.100 crore rupees.
- **Innovative & Scalable –** Entity should be working towards innovation, development, or improvement of products or processes or services or a scalable business model with a high potential for employment generation or wealth creation.

Business Incubators

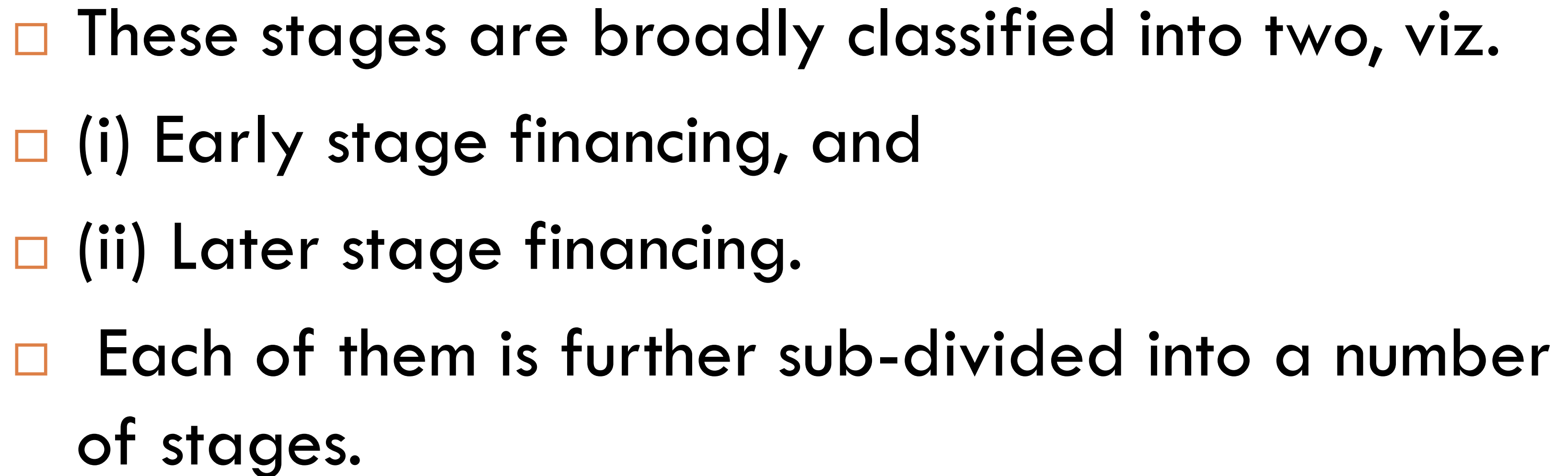
- Buding Incubators are the companies that assist and empower new-age entrepreneurs and startup owners with the necessary support.
  From management training to office space to final assistance, incubators offer the launching pads to the new businesses.

Business Incubators

- it can be said that business incubators are basically just organizations which are offering certain type of operational spaces for the businesses and startups .

Venture Capital

- Venture Capital may be broadly defined as long-term investment in business, which has potential for significant growth and financial returns.
- This is usually provided in the form of equity apart from conditional loans and conventional loans. Venture Capitalists is thus not a financier only, but bears the risk as well. His return from the enterprise depends upon the extent of the success achieved by it


These stages are broadly classified into two, viz.
(i) Early stage financing, and
(ii) Later stage financing.
Each of them is further sub-divided into a number of stages.

- Early Stage Financing includes:
- (i) Seed capital stage,
- (ii) Start-up stage,

  (iii) Second round financing
- Later Stage financing
- 1.Expansion finance , 2.replacement finance , 3.turnaround and 4.buyout deals

- Seed Capital Stage: This is the primary stage associated with research and development.
- The concept, idea, process pertaining to high technology or innovation are tested on a laboratory scale.(Generally, the ideas developed by Research and Development wings of companies or scientific research institutions are tried.) Based on laboratory trial, a prototype product development is carried out. Subsequently, possibilities of commercial production of the product is explored.

- The risk perception of investment at this stage if quite high and only a few venture capital funds invest in the seed capital stage of product development.
- Such financing is provided to the innovator in the form of low interest bearing personal loans

- Start-up Stage: Venture capital finance is made available at the start-up stage of the projects which have been selected for commercial production.
- (A start-up refers to launching or beginning a new activity which may be the one taken out from the Research and Development stage of a company or a laboratory or may be based on transfer of technology from abroad.) Such product may be an import substitute or a new product/service which is yet to be tried.
- But the product must have effective demand and command potential market in the country.
- The entrepreneurs who lack financial resources for undertaking production, approach the venture capital funds for extending funds through equity.

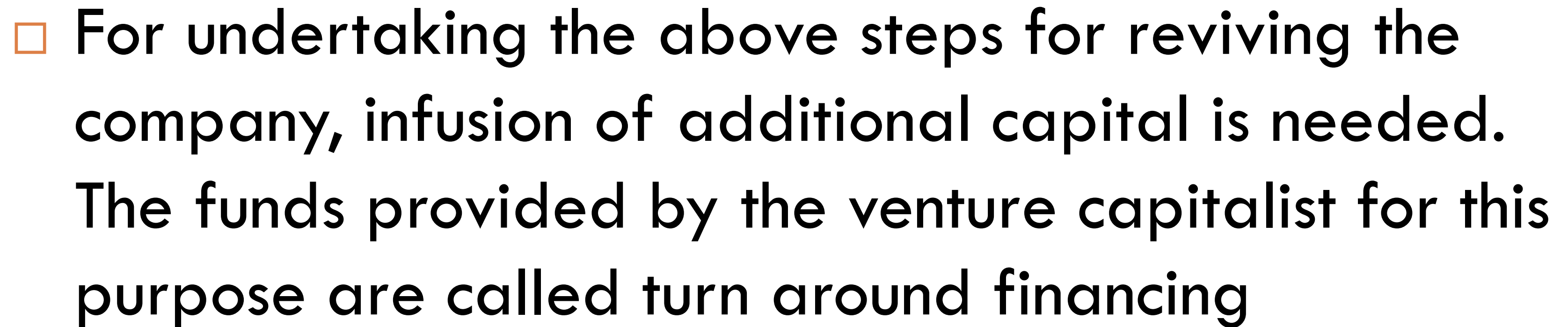
Stages of VC

- Second Round Financing: After the product has been launched in the market, further funds are needed because the business has not yet become profitable and hence new investors are difficult to attract. Venture capital funds provide finance at such stage, which is comparatively less risky than the first two stages. At this stage, finance is provided in the form of debt also, on which they earn a regular income

- Later Stage Financing: Even when the business of the entrepreneur is established it requires additional finance, which cannot be secured by offering shares by way of the public issue. Venture capital funds prefer later stage financing as they anticipate income at a shorter duration and capital gains subsequently. Later stage financing may take the following forms

- Replacement Finance: In this form of financing, the venture capitalist purchases the shares from the existing shareholders of the company who are willing to exit from the company.
- Such a course is often adopted with the investors who want to exit from the investee company, and the promoters do not intend to list its shares in the secondary market, the venture capitalist perceives growth of the company over 3 to 5 years and expects to earn capital gain at a much shorter duration

- Turn Around: When a company is operating at a loss after crossing the early stage and entering into commercial production, it may plan to bring about a change in its operations by modernising or expanding its operations, by addition to its existing products or deletion of the loss-making products, by reorganising its staff or undertaking aggressive marketing of its products, etc.


For undertaking the above steps for reviving the company, infusion of additional capital is needed. The funds provided by the venture capitalist for this purpose are called turn around financing

- Buyout Deals
- : A venture capitalist may also provide finance for buyout deals. A management buyout means that the shares (and management) of one set of shareholders, who are passive shareholders, are purchased by another set of shareholders who are actively involved in the operations of the organisation. The latter group of shareholders buyout the shares from the inactive shareholders so that they derive the full benefit from the efforts made by them towards managing the enterprise. Such shareholders may need funds for buying the shares, venture capitalist provide them with such funds.