1.1 Introduction:

Capital is the most significant factor in any business. Besides money to attain goals, people carry
out duties and take responsibilities throughout creating ideas. To succeed in business, capital plays
an important role. Hence, for the business's growth and development business people's try to
collect the required amount of capital also gather skilled workforce with innovative business ideas.
At present Capital collection is more comfortable rather than past. By issuing share in the stock
market, debt from the bank, selling marketable securities in the money market well-known
companies may collect their capital. For a new business capital collection is more difficult because
it has a risk of uncertainty to succeed in the market and capability to pay back the amount or
transfer it when claimers claim it. Venture capitalists organizations have come forward to help
through venture capital financing in those businesses whose have a high possibility to grow in
future. Venture Capitalists expect a high return regarding their investment although they are aware
about their investment in new start-up businesses or middle stage companies which needs capital
to improve the business to grow and they are also aware about the risk involvement in investment.
Information technology-based firms or agro-processing firms have a high potentiality to grow and
venture capitalists invest and secure their funds into those sectors. Thus, the new firms' investment
capital generates a revolutionary change in the country's economy as they hope for a high return.
Venture capital financing also played a significant role in establishing many well-known
companies like Google, Microsoft, Facebook, etc. After 2000 the venture capital concept is

become more popular globally, although in Bangladesh it is not are not as strong as like other countries.. At present, 13 companies got registration for venture capital financing under the BSEC rules. Among them, BVCL & BD ventures are two leading venture capital firms in Bangladesh.

The main objective of Bangladesh Venture Capital Ltd (BVCL) is to generate an alternative investment opportunity for a business whose have high growth potential. In order to make the funds available to potential start-ups in Bangladesh, BVCL wants to promote a healthy investment ecosystem. By taking the advantage of equity financing they encourage entrepreneurs and businesses with high growth opportunities. By being a Bangladesh-based venture capital firm, BD venture limited provide financing for the new companies and businesses and they create a financial ecosystem for the start-up businesses to support their future and creative ideas.

1.2 Objective of the report

The main intention is to prepare this report by following the main objective and as well as supporting objective.

2.1 Venture Capital

Venture Capital is a financial company that provides newly integrated corporations and small companies with funding. Venture Capital generally focuses on the investment institution's long term growth prospects. In general, venture capital receives its own funds from founders, different investment banks, and other financial organizations. Venture Capital doesn’t quite generally offern financial assistance; strategic or administrative assistance may be provided.

2.2 Venture Capitalists

The person from the authority of the venture capital firm that deals with the newly founded business or start-up companies.He still looked for the individual with the latest business concept of the innovation and finished a careful research focused on the pertinent market.

2.3 Stages of Venture Capital Financing

In various stages, venture capital is given. The six key phases in the funding of venture capital are as follows:

- **Seed-stage**

Venture capital funding begins at the seed stage when the business is mostly nothing more than an idea for a product or service that can grow down the road into a profitable company.Entrepreneurs spend most of this time reminding investors that their innovations are a viable investment opportunity.In the seed process, funding sums are typically limited and are primarily used for items such as marketing analysis, product creation, and business growth, to develop a concept to draw additional investors in subsequent funding rounds.

- **Start-up stage**: Usually, when a business reaches this level, the businesses have accomplished their necessary research and innovation and established a business plan. They are now able to begin the advertisement and promotion of their product or service to attract distressed consumers.The business has a great proof of concept at this point and is still not selling its goods or services on the market. Start-up companies need a significant amount of cash at this point to fine-tune their goods and services, grow their staff, and conduct the requisite research to enter the market as an official company.

- **First stage:** At this point, the company is starting to sell its goods on the market.

Therefore, at this point, the funds come from investors and go directly to product addition to ensure sales.The investor funds come at that point, which is usually substantially higher than the previous levels.

- **Bridge stage**: This is the last phase of venture capital funding.It implies that the business is now mature stage.

2.4 Way of venture capital Financing

In one of the following ways, venture capitalists can invest venture capital:

- **Equity Financing**: Every venture capitalist provides funding for equity. As they need funds to expand, it becomes advantageous to start-up companies, but typically can not return to investors. Venture capital companies have a limit of 49 percent of the funds available as equity capital for equity financing.Typically, the promoters of start-up firms have real power and a large portion of company ownership. The venture capitalist holds

the gains and losses of the portfolio company's shares.If the company is successful, then capital gains are earned by venture capitalists.

- **Conditional loan**: Another type of venture capital funding that does not follow traditional loan features from the bank or financial organizations is a conditional loan. Interest and compensation do not need to be charged in conditional loans,but a revenue rate is set on the potential sales of goods or services by portfolio companies.The sum is required for the Venture Capital investors to pay a certain portion of the royalties from the sales. The royalty rate is calculated by external risk and cash flow trends.

- **Participating Debentures**: Another type of venture capital funding that provides three different interest rates on three different stages of the company is participating debentures.
If there is a start-up process of the portfolio business, so there is no interest.If it is in the initial phase of operation, then there is a low-interest rate.If a certain amount of activities has already been completed, venture capital companies ask for a higher rate of interest in the business.
- **Convertible loan**: Convertible loans are one form of loan with additional characteristics that can be transformed into equity if in the organizations realize, the payment of interest is not paid.
- **Income notes:** are another type of venture capitalist financing. It has preferential loans and conventional loans; therefore, a defined low-interest rate and a royalties amount on sales must be charged by start-up companies. The principal is returned at a stated time.

2.5 Term Sheets

Venture capital term sheets should provide a framework for venture capital investors and venture capital stakeholders to achieve an agreed commitment. Every party is open to share and communicate based on the vbnterms & conditions and compulsory regulations indicated in the term sheets.The clause associated with the terms sheet is formalized in a share subscription agreement is made. Then, by the signing of the term sheet, a binding arrangement is made by all parties.In order to finalize a venture capital deal between investors and potential venture firms, term sheets therefore play an important role. Provisions of the term sheet can be divided into

Control Terms & Economic Terms

Economic Terms:

The economic terms describe the rights and responsibilities of the share price, investment number,
and preferred share class.

Share value assessment:

The term sheets provide a detailed summary of the investment made by the venture capitalist in a
given round, the company's value, the amount of capital invested, the price per share and the
number of shares to be sold. The kind of protection to be provided for this round is also specifically
mentioned.