

Report On

A Comparative study on venture capital financing
between Bangladesh Venture Capital Limited & BD Venture

By

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A thesis report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Masters of Business Administration (MBA)

BRAC Business School

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Declaration

It is hereby declared that

1. The thesis report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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LETTER OF TRANSMITTAL

September 26, 2020

Dr. Salehuddin Ahmed

Professor

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Subject: Submission of thesis report on “A comparative study on Venture Capital Financing between Bangladesh Venture Capital Limited & BD Venture Limited”.

Dear Sir,

It is my pleasure to submit my thesis report “A comparative study on Venture Capital Financing between Bangladesh Venture Capital Limited & BD Venture Limited”. I consider myself very fortunate that I have the opportunity to preparing the report under your guidance. I have tried to make the report a comprehensive one within the given time. I earnestly thank you for your guidance during the preparation of this report. While conducting the report, I have gathered lots of knowledge about the Venture capital financing in Bangladesh.

I therefore, request you to accept this report and give us proper suggestion to work in our professional life.

Yours faithfully,

Sanjana Binte Shahjahan

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Acknowledgement

First of all, I would like to thank Almighty Allah for giving me the strength and will power to complete this thesis report successfully.

I am very much grateful for the support given by my Academic Supervisor Dr. Salehuddin Ahmed who guided me while preparing the thesis report. Without his help it would have been nearly impossible to complete this report.

Furthermore, I would like to thank Syed Helal, who helped me with information so that I can accelerate completing the report.

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Executive Summary

This report is prepared as a requirement of the MBA program at BRAC University. This report focuses on the present condition of venture capital financing between Bangladesh Venture Capital limited & BD Venture trie. I tried my best to provide very clear data about the present scenario of the venture capital industry. New entrepreneurs do not always have access to capital in Bangladesh to put their thoughts into words or to put high growth potential into their innovations, particularly at their early stages. An acceptable flow of risky capital might play a role in accelerating upward entrepreneurial activity in our economy. This portion of risky funding for new ventures is usually generated by angel investors and venture capital firms.

In this report, I focused my visualization through the chapters. First part of this report is based on the introduction which includes topics like objective, methodology, and limitation of the study, the second part is focusing on the theoretical aspects of the Venture Capital industry. In the third chapter corporate profile BD Venture & Bangladesh Venture Capital Limited that is an organizational overview as the study required, fourth chapter includes the comparative analysis between Bangladesh Venture Capital Limited & BD Venture according to their investment position, risk management capability from different aspects.

At the end of the chapter, finding and suggests some recommendations which may be helpful for the company.

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Chapter 1

Introduction

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.

1.2.1 Primary Objective

To know about the present status of Bangladesh Venture Capital Ltd. Also comparison with BD venture Ltd is the main objective. Alongside how they impact venture capital financing in Bangladesh's economy.

1.2.2 Supporting Objective

- To gather a broad knowledge about the financial position of Bangladesh Venture Capital limited
- To evaluate the overall financial status of Bangladesh Venture Capital Limited and BD Venture LTD.
- To know the terms and conditions of BVCL and BD Venture which affect the financial performance
- To know about different theories and their differences compared to practices by working directly.

1.3 Scope of the study

This study considers Venture Capital financing, mainly Bangladesh Venture Capital and BD Venture Ltd. This study is determining the overall venture capital industry in Bangladesh about the present and near the future situation. This study will also help to find out the actual benefit of the venture capital financing and the effect of the venture capital financing on the organization's performance. It will also help the interested people to understand the present situation of the venture capital industry in Bangladesh. The entrepreneur will even know how venture capital is alternative financing and financing to carry their business. The report also helps to determine the problems of Bangladesh Venture Capital Limited that help them to take some corrective measures at present and it will help in future. This overall study will also help me in my future career.

1.4 Methodology

The methodology is an important part of the study. It is designed in a way so that it can meet the achievement the objects of the study. This study has been compiled from both primary and secondary sources.

1.4.1 Data Collection process

Data collection collects and evaluates the information clearly about specific variables, which then helps one answer relevant questions and analyze results. For this study, there are two ways to collect the data.

1) Primary sources

Major information needed to conduct the study comes from primary sources. These sources are:

- Phone conversation with the manager of Bangladesh Venture Capital Limited.
- Accounts personnel of BVCL

2) Secondary Sources

Secondary data used for preparing this report. Data is collected from different published materials, alike:

- BVCL office records
- Other Venture Capital companies website
- Bangladesh Bank Website
- Internal documents like annual reports
- Books, Manuals, and Journals relative to venture capital.
- Web portals.

1.5 Limitation of the study

The report prepares in a very comprehensive and well-organized format but it may not perfect and flawless. Some limitations that I face given below:

- Time constraint is a significant limitation of the study. I get only one month for this study as part of my academic requirement, which is insufficient to conduct a study with proper research tools.
- There is a shortage of availability of articles and research on Venture Capital financing.

- Some employees did not help provide some information.
- To make this report I had lack of experience.
- For information confidentiality which is also not available in the market.

Chapter 2

Theoretical Aspects

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 offer 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 terms & 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.

Preferring liquidity:

It is stated in this provision that preferred stockholders would have priority over any form of the distribution received for any sort of specified liquidity event, such as a strategic buyer's acquisition, a merger, or the company's liquidation. In returning capital, preferred shareholders tend to return capital to common shareholders first.

Anti-dilution activity

Anti-dilution clauses secure the right of earlier investors when portfolio companies collect capital from another source again at a lower investment rate than the previous valuation, i.e. earlier from previous investors at the time of fundraising. The anti-dilution clause ensures that prior holders do not face any dilution, but rather receive additional shares based on adjustment to the portfolio companies current valuation and early valuation. Only preferred shareholders get this anti-dilution incentive.

Employee Stock Ownership Plan

To recruit, reward, and retain highly skilled employees, ESOP fixes a specific amount of portfolio companies' shares in the form of stock options that can be issued to a non-founding employee. The term sheet includes a detailed explanation of the number of shares reserved for the employee stock ownership scheme, the strike price, the period, and the expiration dates of the shares.

Conversion Rights: The right to redemption clause guarantees that all preferred shareholders have the right to convert their shares from preferred shares to common shares. The rate of conversion is also clearly stated in the term sheet. The 1:1 exchange rate of ordinary shares to equity shares is widely used. Investors normally swap their equity before the takeover or sale

Control Terms:

While venture capitalists are major shareholders, they generally ask for some exclusive control rights to track the growth of portfolio companies and play an important role in strategic decisions.

Some of the provisions on control terms are given below

Committee description

Venture capitalists want to be on the Board of Directors (Investee Firm) of the portfolio company.

The number of board members will be verified from the investor's side on the basis of the agreements between the investors and the Investee Company.

Drag-along protections

The drag-along clause guarantees that majority shareholders are able to place stress on some other shareholders to sell their stock in a deal with a third party. This encourages the largest shareholders obtain a full separation after selling their shares from the partnership with the portfolio companies .Around the same time, the tag-along clause allows minority shareholders the right to offer their stock to the major investors in a third party deal

Preventive requirements

The right to vote of venture capitalists play a key role in the initiatives of the investment firm. Some particular activities require at least half of the total preferred stockholders to receive approval from the venture capitalists or negotiation.Actions can modify the number of ordinary shares issued, a settlement on the selling of assets and mergers, certificate of formation alteration. In certain events, such as an IPO, new equity funding, or any rise in ESOP, risk capitalists will submit their veto rights.

Rights to Information:

Access control state in depth the obligation to provide preferred shareholders with certain financial and operating information at a specific period. The details given to shareholders, on a traditional basis, includes at least unaudited monthly or annual financial statements.

Transfer options and new issue regulations

In the term sheet for venture capital, It is claimed that if any current shareholders want their shares to be sold, then instead of purchasing it from the new shareholders, other existing shareholders get the bid first to purchase it.

2.6 Factors were considered for a plan for investment

In venture financing, there are usually four main components. These are the—

Management : The people in the executive team need to have the expertise, professionalism, and strength; they also need to have an amply experienced, professional working understanding of the product.

Economic Benefit probability: The rate of return depends on the market cycle, where resources are more structured. Generally speaking, venture investors want to retain between 32-40% of the return rate.

Reasonable financial conditions and forecasts: Venture capitalists need a reasonable knowledge of the overall situation of the company for potential forecasts about the nature, existence, and success of the company.

The financial stake of the owners: The business owner owned and carried out financial capital in the company. Venture capitalists should maintain a positive attitude on them, as shareholders play a critical role.

2.7 Venture Capital funding features

- ❖ **Management participation:** In addition to capital, investment companies can provide entrepreneurs with managerial skills, while conventional financiers or banking can not do the same.
- ❖ **lack of liquidity:** Liquidity will be a major issue since the project is supposed to run over many years at the start-up level.
- ❖ **High-risk opportunity to invest:** Since management, goods & operations are synonymous with risk, they aim to achieve high returns on risky ventures.
- ❖ **Equity involvement & capital gain:** In terms of equity, venture firms fund their money. If the project is efficient, which is their key advantage, a capital gain occurs; instead, they Wouldn't look for any gain.
- ❖ **Lengthy-term investment:** Venture capital takes a long-term time to liquidate investments in securities.

2.8 Investment Process in venture capital

Financial firms invest their money in the market, but the investment in venture capital differs from them. This investment is conducted out through other mechanisms that are:—

Deal Organization

Screening

Evolution

Structuring the Contract

Post investment activity and exit

Deal Organization: They are working with the organization, which is their first funding process.

The first step is the funding of venture capital by contacting the company with an agreement.

Deal can be raised in various forms, such as the active quest system, middlemen,

referral, and a major source of deal among them is the referral system.

Screening: After dealing with the company, the company is screened for venture capital based on certain parameters such as the concept of innovation, management team, product, the viability of the capacity to expand the market, which would be the second phase of the financing process. They also think about the scale of the investment, the specific company's geographical position.

Evolution: Looking at its place compared to the third stage of funding after screening the organization's venture capital. In this process, venture capitalists see the company's business strategy for its efficacy. They also analyze business, product, and information quality.

Deal structuring: For both the venture capitalist and the business, deal structuring is important because here, both the party's deal on the nature and conditions of the contract, which also includes the sum, form, and value of the investment. The venture capitalist's right to manage the undertaking. The agreement shall, if necessary, amend its purchasing agreements, acquisition, initial public offerings (IPOs), if necessary,

Post Investment Activities: The capitalist takes on a collaborator and a partner when the agreement is concluded. In the execution of the course of the commitment, he is connected.

Exit: Venture capital sees how they exit or finish the transaction at the exit stage; Besides, they play a constructive role in managing the business towards withdraw ways. Initial Public Offering (IPO), cross-purchase of venture capitalist share, Purchase of third party venture capitalist share, takeover by another company are several exit routes.

Chapter 3

Background of the Company

3.1 Bangladesh Venture Capital Limited:

Bangladesh Venture Capital Limited is one of Bangladesh's most prominent venture capital firms. It is such a company where start-up business get eco-friendly investment. In order to expand their business binder across Bangladesh, acceptance investment decision is not only start-up business but also real successful corporations. To contribute to the overall economy, BVCL wishes to encourage entrepreneurs to grow creativity and development.

3.2 Portfolio:

(A) Some Bangladesh Venture Capital start up firms:

(1) GREEN SHADE

(2) Digital Manush

(3) G-ROBOTICS

(4) Econ Private. Ltd

(B) Particular Bangladesh Venture Capital Investment Companies:

(1) APNARE.Com

(2) OVAL Furniture

(3) AMAR Drinking Water

(4) PRIMAX

(5) SECURE You

3.3 Services

Venture capital firms provided a different type of services. Such as

1) Alternative investment

2) Value Added Service

- Negotiator of the Fund
- Strategic Guidance
- Forcible sterilization of Start-Up
- Administration & AccountSupport

3) Mentorship

- Supervision
- shared office room
- Maker area

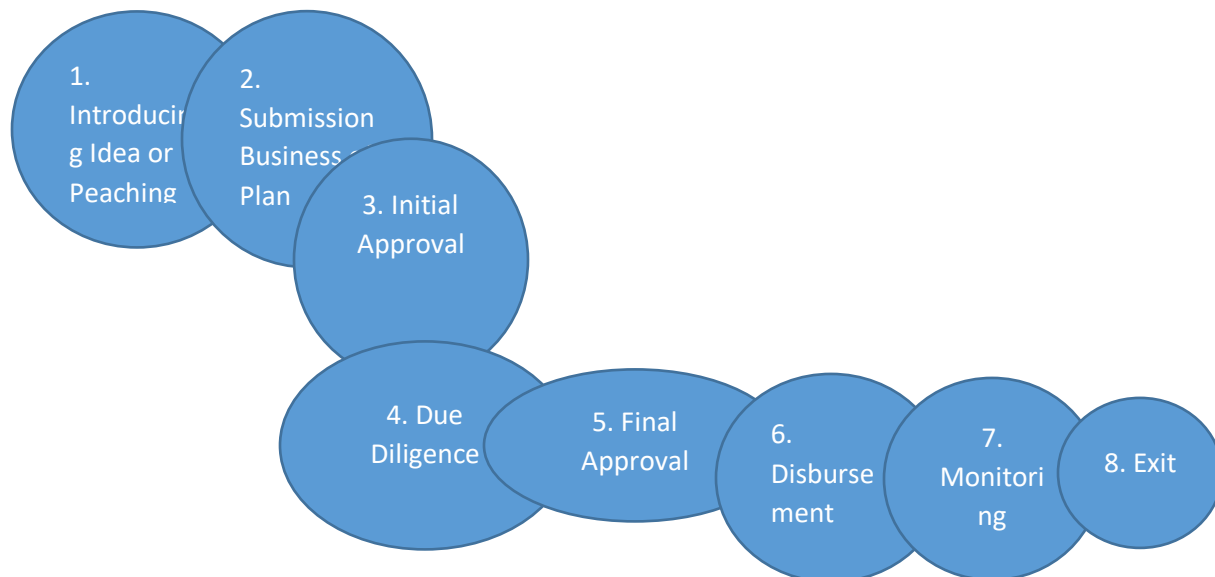
3.4 Area of Investment Interest

- Data mining and Machine Learning
- IT and ITES
- Blockchain, Big Data, and Data Administration
- Augmented Reality and Virtual reality
- Edu tech and health
- Agritech and Food processing

3.5 Investment Requirements

- Size of financing: 3 million BDT to 30 million BDT
- Investment Boundary Time: 5years
- The estimated IRR of the company need to be at least 20-25%
- Shareholdings: Under 10% and highest 49%.

3.6 Investment Process:



3.7 BD Venture

Obtaining capital is one of the greatest challenges most entrepreneurs would have to tackle. Online crowd revenue-raising smaller amounts of money from different supporters-has to become an extremely frequent way to solve this issue as it allows entrepreneurs and innovative businesses to reach along to a wide range of potential shareholders just one. They can be encouraged to prove their greater mission through their innovation when financing is easy for new entrepreneurs. BD Venture carries a deep leadership lineage to build companies across the different arena. It gives

full commitment to its investee companies. Organizations such as National Bank Limited, Mutual Trust Bank Limited, Bangladesh General Insurance Company Limited, Green Delta Insurance Company Limited, and Asia hold 80 percent of their shares.

(A) Some BD Venture Initiative

(1) DOCTORALA. Com

(2) SPL

(3) BRAIN STATION 23 LTD

(4) BEETLES

(5) INTERACTIVE artliface

(6) Handy Mama

3.8 Value-added Services

A collaboration with a BD venture assists any enterprise from the following value-added services.

(I) Enterprise Institutionalization: BD Venture offers the required company incorporation assistance and mentoring, completing the required legal and administrative formalities, and securing the partner/investor organizations' necessary approvals. Our experts assist the entrepreneurs in institutionalizing their company by implementing the necessary juridicial process.

(ii) Strategic Consulting and Supporting Services: As a business partner, we provide businesses with ongoing strategic, operational, and financial advice. Usually, we will have a member named to the board of the company, who will also be closely associated with its strategic strategy. BD

Venture provides mentoring to secure subsequent funding from banks in the form of debt & / or equity.

3.9 Major Areas

Primarily BD Ventures invest in the following industries. Such as the following:

(1) Information and IT-enabled services such as technology, BPO, Digital Achievement & database management system, integration of data, etc.

(2) Food processing

(3) Light engineering

(4) Education

(5) Health Services

(6) Agro-Processing Service

(7) Renewable technology, energy-efficient technology, and recycling industries.

(8) Tourism

3.10 Terms of Investment

(1) Maximum limit – BDT 30 million

(2) BD Venture 's earnings is between 10-49 percent of the shareholding firm..

3.11 Forms of Investment

BD Venture Limited invests mainly in the following modes of investment:

(1) Equity

(2) Equity-linked instruments, i.e., quasi-equities such as fully or partially converted or exchangeable preferred stock, and debt financing issues.

3.12 Eligibility Criteria

Management: It is important to have an effective and dedicated management team with an excellent record and integrity.

Market: Strong market growth opportunity that the investor company is attempting to represent.

The market with growth opportunities, particularly in emerging areas addressed by global markets, will need to be qualitatively big.

Return on Investment: A fair and transparent exit mechanism should be accessible for investors who offer an attractive capital appreciation of above-average profitability.

Competitiveness: The investee business should have the capacity to build and maintain a competitive edge over the long term through technology.

Type of organization: Private Limited Companies (If the business is not registered as a private limited company, before the investment is made, it must be registered as a private limited company.

Age of Business: Minimum of six months

Chapter 4
Analysis & Discussion

4.1 Secondary Data Analysis:

The following results are based on our analysis by using a database of BVCL & BD ventures.

	BANGLADESH VENTURE			BD VENTURE		
	2017	2018	2019	2017	2018	2019
Seed	4.42	8.42	4.63	8.83	9.96	10.42
Commercialization	25.22	45.41	20.01	25.03	35.81	33.81
Expansion	3.92	22.02	21.63	1.72	5.43	3.92

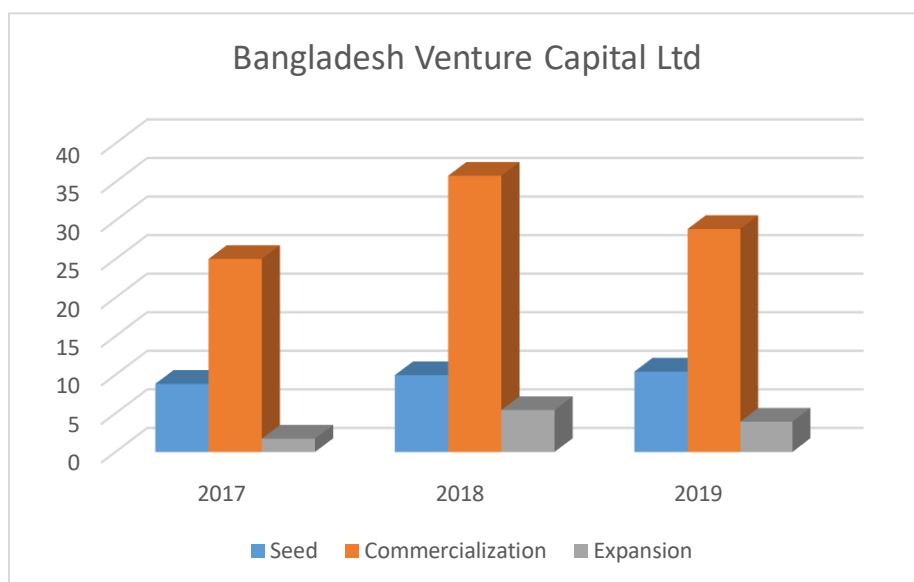


Figure1: Different stages of BVCL.2017-1019

Figure 1 shows the financing stages of Bangladesh venture capital Ltd were seed-stage financing has been increasing from 2017 to 2019. At the expansion stage, investment rose dramatically in 2018, over six times compared to 2017. The commercial stage has been steady one between 2017, 2018 but the amount shrunk to the lowest point of BDT 20.01 million in 2019. According to the figure of BD ventures, its invested capital increased gradually, which indicates economic recovery.

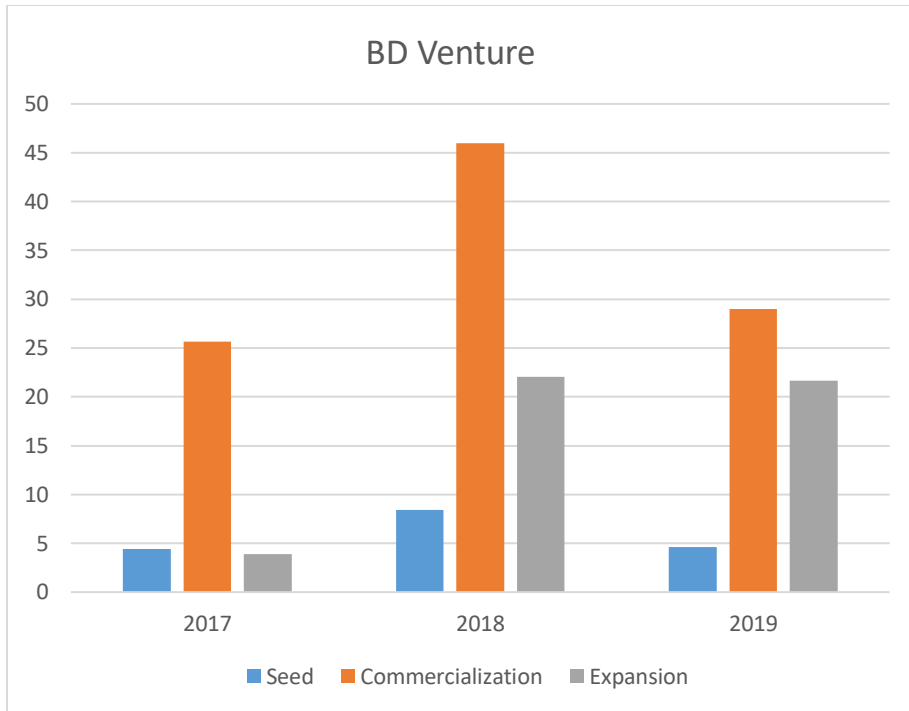


Figure 2: Different stages of BD Venture .2017-1019

As figure 2 shows, the financing stages of BD venture where seed-stage financing has been increased 2017, 2018 but the amount shrunk to the bottom level of BDT 2 million in 2019. At the expansion stage, investment increased dramatically in 2018 over seven times compared to 2017. Commercial stage investment has been steady one over the last three years. According to the figure of BD, ventures indicates that which contribute to the national economy

4.2 BVCL & BD Venture primarily focus on the following industry:

	BANGLADESH VENTURE Capital Ltd.	BD Venture
Information Technology	62%	60%
Fin Tech	28%	15%
Bio Tech	8%	15%
Leisure & Lifestyle	2%	10%

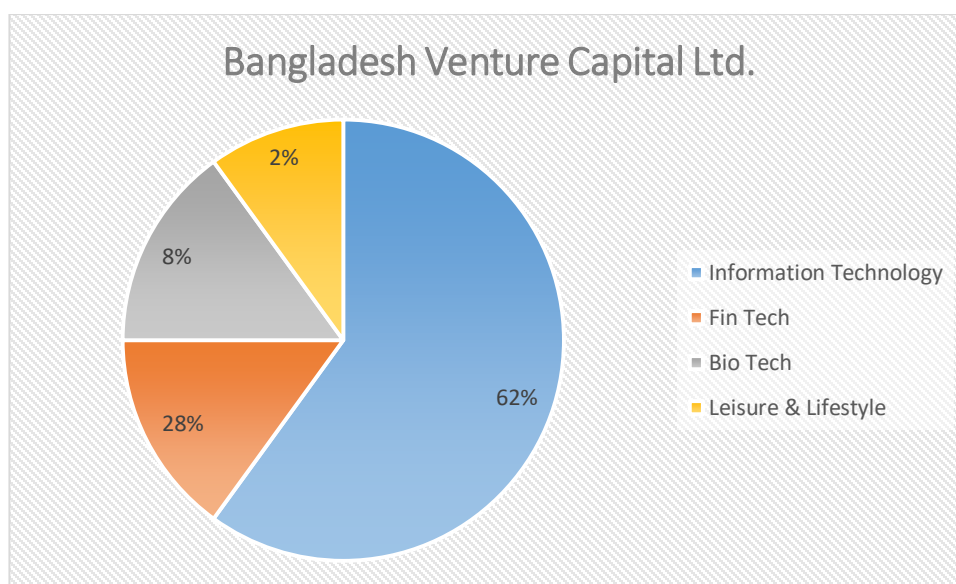


Figure 3: Investment by BVCL in different segments

A venture capitalist invests in markets that are more competitively forgiving than the entire economy. Bangladesh's venture capital limited focuses on Information Technology. Almost 62% of venture capital investments went to the IT industry. Significantly, the capital flow has moved rapidly to Fintech 28%, Biotech 8%, Leisure & Lifestyle 2%, mainly IT Industry.

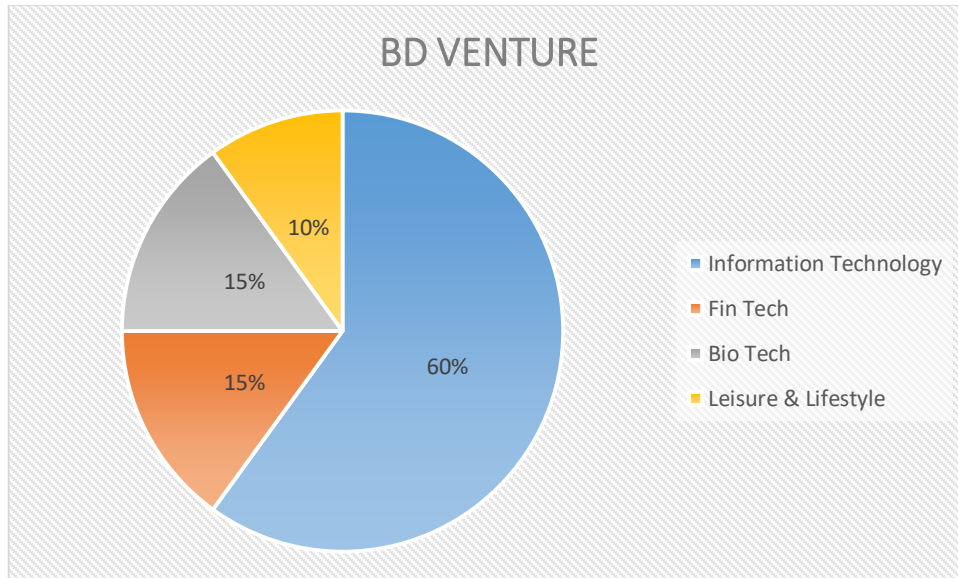


Figure 4: Investment by BD Venture in different segments

BD ventures focus on Information technology 60% as well as Health Technology 15% and in small quantities investment on Agro-processing 15% Renewable energy 10%.

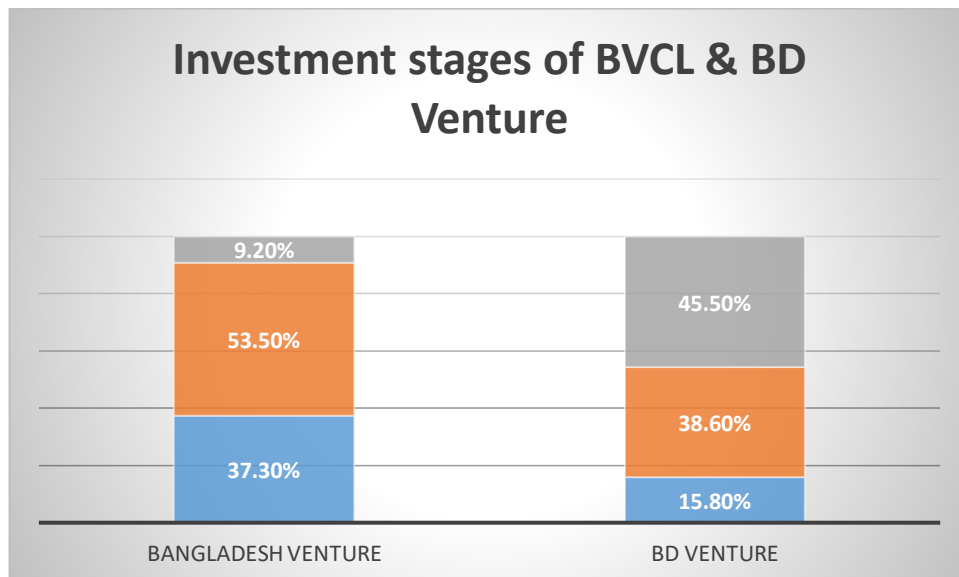


Figure 5: Investment stages of BVCL & BD Venture

The above pictures show the investments made by Bangladesh Venture Capital Ltd & BD ventures at different stages. Most BD VCs stayed at the commercialization and expansion stage, which comprises 38.6% and 45.5% of the total investment sum, respectively. BD venture capital ltd fell into the commercialization stage, and a small amount contributed to the stage of growth. The percentage of seed-stage investments from Bangladesh Venture Capital Ltd. is more than the doubled percentage from BD Ventures.

4.3 Ownership and syndication

Syndication means that two or more venture capitalists are interested in funding on a specific venture. The adoption of syndication raises the probability of making a better investment decision (Lerner, 1994), while reducing private VCs' risks, especially BVCL & BD venture. The business could manage to coordinate its operations on the regulatory side with the controlled agency. That is what they term; it's a proactive strategy. Lerner (1994) points out that the equity issuance mechanism is an enduring aspect of collaboration between financial institutions.

An equity syndicate comprises many venture capitalists having an equity interest in an investment. The share of BD Venture will be about 10-49 percent of the investor business. The shareholding of BVCL minimum 10% to a maximum of 49%.

4.4 Liquidity Requirements

There is no real difference in IRR between BVCL & BD ventures. Closed-end funds like a traditional venture capital fund have embraced IRR as a common performance metric for their purposes, and angels have inherited VCs' IRR habit. Generally, those who use it as a decision-making method need an average IRR of 20%, which does not vary from investments made in other fields. The IRR of BVCL should be at least 25%. IRR to encourage the growth of local businesses. Differences in regional regulations and guidelines give different investor profiles.

4.5 Risk Characteristics

The risk characteristics are closely linked to the investment analysis so that both BVCL & BD ventures also refer to risk. Being aware of all risk factors and the own risk ideology of investors plays an essential part in the decision-making process. On the other hand, the investor approach may be focused on recognizing the various risk factors. Being aware of the risks often means steps that must be taken to keep the risks as low as possible.

Technology risk

The technology risks are acknowledged to be spread out all investment stages before the investor exits. Investments in the early stages are deemed riskier as the technology is unproven. It is more important to see consumer potential in the product or service itself as VCs. Several devoted customers are seen as showing that the product can be competitive on the market. Our findings showed that investors need a lot of technology experience to mitigate the risk. Like other sectors, the technology risk that faces BVCL & BD Venture requires high capital demand. Start-up businesses often face technology risk in data protection issues, internet theft threats, and other technological risks that affect large data volume. Investors often need to create a plant factory to do test runs for the product, which rarely occurs in other sectors, such as the software industry.

Business Risk

Business risk is a very broad concept that encompasses different issues such as the market, duration, possibilities for exits, as well as regulatory changes. In venture capital financing, all these risks in BD venture & BVCL since special conditions exist. Venture capital investment usually takes a long time. The average period of investments in 5-7 years, according to our survey.

Management Risk

Investors believe that a strong team is crucial to their assessment. They have to see the opportunity in the entrepreneurs they could handle a successful business. Look for entrepreneurs who share the same values. Nilsson & Pattersson (2010) indicated that, from entrepreneurs' perspective, the relationship between VCs and entrepreneurs is great importance that they need to demonstrate good features to VCs in looking for funding (Nilsson & Petternson, 2010, p.63). Our research results showed that a good management team could also solve VCs' technology challenges and business risks. A good product or a good idea needs to stick to the qualified personnel to be competitive on the market.

Chapter 5

Finding, Recommendations & Conclusion

5.1 Findings

To prepare this report, I tried to find out the problem and prospects of BVCL & BD venture

- In terms of seed investment, the BD venture is quite good than BVCL. But in commercialization & expansion, BVCL is quite well than the BD venture.
- Bangladesh's venture capital focuses on the IT industry rather than the Biotech or leisure industry. On the other hand, BD venture maximum investment in the IT and health industry.
- Both companies are thinking they focus on technology, but they do not reach fruition or take much time than expected
- Lack of liquidity is a common issue for a start-up company and, as a start-up company, investors start from a basic level so that a lack of liquidity problems can occur at any time. In this type of situation, the Bank plays a vital rule most of the case.
- Another big problem is equity participation. Shareholders should be a loyal, trustworthy individual for any type of venture company
- A new entrepreneur needs a lot of paperwork and paper to take out the loan and the processing period of the loan is very long and very high interest.

5.2 Recommendations

- Bangladesh Venture capital should focus on seed investment, whereas the BD venture focuses on commercialization & expansion.
- Both companies concentrate on the agriculture sector and the renewable energy sector besides Information technology.
- A start-up business, especially IT, needs an extended time but has a huge chance to profit. Both sides have to be patients for their work.
- The company owner must think about its future liquidity from the seed stage because liquidity is essential to build a better future.
- In their work, both sides have to be honest as they work together for a bright future. They have to retain equity shares for better market. Honesty and equity would make their business more powerful
- Bangladesh bank needs to ensure a new entrepreneur's loan system and make sure that the interest is smaller than the other one.

5.3 Conclusion

Venture Capital is one of the largest small-scale enterprises in a country that is a non-bank operation. The venture capital financing concept is new in our country, so it is not as strong as other countries of the world. The end of the analysis found that the current market performance of BVCL was not good compared to the BD venture because their initial investment was not up to the mark. But two companies have enough potential to grow in the future. Both are doing multiple businesses and working with a unique project to decrease liquidity as consideration of cash for better financial results. Both companies would find out a good investment project with efficient business control.

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