



# A game of investments and START-UPS

**MEHRIN MUBDI CHOWDHURY**

*Fasten your seatbelt and embrace the process. Be optimistic and have fun with it. Remember, you will never fail – you will either succeed or learn.*

—Alejandro Cremades, Co-founder and Executive Chairman, OneVest

Almost every budding investor in the world dreams of a successful start-up story. Gone are the days when promising entrepreneurs spent hours working on other's achievements. Today, they focus on their own success stories and achievements. Their ideas often become worldwide phenomena, simply because of the new wave of the global start-up culture. And this is no different in Bangladesh, where the fire has already spread, like elsewhere in the world.

To find out the current situation of the start-up scenario in Bangladesh, we spoke to Mustafizur Khan, Founder and CEO of Startup Dhaka. The incubator guru seemed very positive, because he was quick in pointing out that the ecosystem was faring well, and in 2020, had stepped into a more mature stage in terms of investment. According to Khan, the deal flow had also increased, especially in the seed stage investment, and quite a few angel investors became active, where there was almost none even a few years ago.

One example Khan provided was that of Bangladesh Angels — the first network of its kind in Bangladesh for angel investments. While speaking to The Daily Star, Khan also stated a report from Frontier Incubator: there are currently 34 support programmes in Bangladesh which impacts entrepreneurship developments.

“Even though there has been so much advancement, we are still continually finding entrepreneurs facing challenges in scaling and managing growth of their businesses,” said Khan.

To get a deeper understanding of the start-up ecosystem, a more in-depth look is needed into how the incubator companies like Start-up Dhaka helped in the build-up process. To this, Khan was very clear in explaining that Startup Dhaka was a platform that helped connect entrepreneurs to tech talents

start-ups,” revealed the start-up magnate.

According to Khan, Startup Dhaka helps in both getting investments for pre-seed and prototype stage companies, sometimes the owners even make their personal investments as angel investors, or arrange for syndicated investments from several angel investors, since the balancing act of the whole ecosystem is majorly based on networking.

“Last December, we arranged an investment event in Singapore to speak about tech investment opportunities in Bangladesh. We partnered with one of our portfolio company, Light Castle Partners, and Accelerating Asia. In that event, we

firm has done several investments in 2019, and one follow-on funding. SBK tech ventures, founded by Sonia Bashir Kabir, was launched in 2019, and focused on the South Asia market. They have 12 portfolio companies, some of which are well-known in the market. On the side of impact investment, there are Build Bangladesh and Maslin Capital, who are actively raising funds from the market. We also heard of Anchorless, a new VC coming to market in 2020,” explained Khan.

Khan also mentioned that IDLC VC fund 1 secured permission from BSEC, and additionally, a significant number of



showcased a few local tech companies, namely Bongo, Netflix of Bangladesh, and Intelligent Machine,” said Khan.

A lot has been discussed about incubator programs and the current scenario of the start-up ecosystem, but what do the investors actually look for in a company?

Khan was prompt with his answer, saying, “Local angel investors are risk averse and like to invest in post revenue companies, where founders have been able to remove market risk. Risk appetite of local investors is low, and they are mostly concerned with company profitability, in terms of breakeven points. They are driven by short term goals, and lack the patience that early stage investors need to have.”

Khan also reiterated that this was part

companies had applied for VC license. So, based on his expectations, the ecosystem was hopeful to be introduced to new VC companies in the market with new funds. However, the investment expert was also optimistic about foreign investments and funds inflow; since even with the new listings, local opportunities were still limited.

This brought us to the next topic of discussion: getting foreign funding, which seems to be all the rage at the moment. The biggest and the most successful startup stories that we hear today in Bangladesh had gotten significant amounts of investment from foreign companies, and with such massive investment opportunities, brought the start-up ecosystem to limelight.



A good example could be of Pathao and Shohoz; these companies have really sketched a mark for Bangladesh on the map, and Khan feels we need more companies to do the same so that the whole ecosystem benefits from the exposure.

On the matter of capital market policies in Bangladesh, and its associated undertakings with start-ups, Khan said, “The existing capital market is not designed for start-up investment at the moment, as they are asset light and does not support the traditional valuation methods like DCF. The small cap board at Dhaka Stock Exchange will go live in the near future. Major start-ups like Sheba, Chaldal etc., raising series, A and B funding will then have the option of raising further capital from the local market and also provide a channel for early investors to exit. With the recent saving rates being lowered, it could encourage investors to look into equity investment even though the risk is higher.”

The saddest part of the current rage of start-ups is that they are mostly Dhaka based, so a farmer's child who generates the idea of pollination via drones, or discovers an innovative waste disposal method doesn't know who to contact, and in time, these ideas get lost. To these people, Khan provided some hope.

“It's true that most of the start-up related events are centred around Dhaka city, but Startup Bangladesh, an initiative by our ICT Ministry, has hosted events around Bangladesh to create awareness about entrepreneurship. Upskill, our learning platform, also organises online session on topics related to start-up businesses on a regular basis. Besides our platform, people can also access free content on start-ups in YouTube and other international learning platforms like Coursera and Udemy. In this day and age, almost all information is available on the internet, so people should do research online to find help. I'll also suggest using LinkedIn to reach out to mentors,” assured Khan.

This in-depth look into the ecosystem with the start-up expert helped bring quite a few important aspects to light.

For one, it encourages everyone with a sustainable idea to share their concept with society, reaping its benefits, while also giving back to welfare, with the help of those brilliant ideas.

No longer is it expected from any hopeful kid, even from the remotest peripheries of the country, to just sit on a valuable idea, thinking he was too poor to make it work. The start-up ecosystem is improving by the day in Bangladesh, so as to make every worthy idea count.

However, as they say in old finance books, “A fool and his money are soon parted.” Hence, one must be extremely

cautious in every single step of the investment process, cossetting the world of funds only when absolutely necessary, that too with a clear depiction of future possibilities.

Photo Courtesy: Startup Dhaka

## IMPORTANT START-UP VOCABULARY

**Angel Investors:** An investor primarily involved in early start-up investment. Often, a one-off investment, made by family or friends, to help a start-up founder get a project up and running, or a cash injection to help a business weather through a difficult period.

**IPO:** Known as an initial public offering, an IPO is the first share offer made by a company to the public. This involves listing stock/shares on a stock exchange, where the public can buy a portion of a company for an agreed price. This price varies based on market forces on a daily basis.

**Series Investments:** A naming convention of investment rounds (Series A, Series B, etc.) Each round can fulfil a different function. Earlier rounds will be focused on establishing a company, while later rounds will revolve around expanding a company, brand, product, or service.

**Seed Funding:** A model of funding where investors provide money to seed a business, giving it enough to operate for a short period of time; if it shows promise, subsequent investments may be offered.

**Venture Capitalist:** An investor who supplies capital to small companies and start-ups in order to help them grow into profitable businesses. In some cases, this will be carried out as a venture capitalist fund (or group) in which, many venture capitalists have collected their money together into a pool in order to reduce the risk.

**Common Stock:** Represents company ownership. Shares allow their owners to vote on corporate policy and to have a say on serving directors. If liquidation or a sale should occur, common stock owners are paid an amount only after bond owners and preferred stockholders.



in the field to investors via networking sessions, events, online community creations, and venture acceleration programmes.

“Startup Dhaka was the operating partner of Grameenphone accelerator programme for two-and-a-half years. In order to create greater awareness, in 2018, we created a web series called Tiger Cage, which also facilitated investment for the showcased start-ups. Over the last five years, our company has arranged 200 plus pitches, hosted over 35 major start-up events, and arranged funding for over 68

of the learning curve, being quite hopeful that with time, the propositions would change for the better.

Discussions on investment opportunities by angel investors naturally encourages queries about other forms of investment opportunities and hence, it is easy to wonder more about Venture Capital (VC) investments and its scope in the startup ecosystem, foreign investment opportunities, and the capital market prospects in Bangladesh. Khan's answer for this was also equally informative. “BD Venture, the country's first VC

“All the well-known start-ups who have raised serious money from institutional investors are listed outside of Bangladesh, for example Chaldal, Shohoz, Pathao, Deligram, etc. Some of the start-ups are also joining regional accelerators to connect with smart money. And I personally believe this is good because these investments are making news within the international investor circle, which, in turn, is encouraging other investors to consider Bangladesh as an investment destination,” explained Khan.