What venture capitals look for in a new company

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If you're an entrepreneur who's looking to raise capital for your company or planning to branch out and wondering how to get fund for it, you're probably wondering about going to venture capitalist investors. It can be exhausting for an entrepreneur who's new in the game and hasn't gained much experience to contact these companies or doesn't know how to get to them. These early-stage investors can be hard to find but it's even harder to get investment money out of them.

It is important to consider the fact as an entrepreneur that these VCs or early-stage investors are taking enormous risks by investing in companies that have little or no sales. The startup could have the faintest real-life management experiences and the business plan could be based on a simple concept or a prototype. Even then, these companies decide to invest money in these startups with the hope that they will gradually transform into a successful venture. So, what exactly convinces them to take this leap of faith?

Great product/service with a competitive edge

Investors or VCs typically want to invest in a great product or service that has a promising business model. A product or service that solves a real, burning problem and is somewhat the first of its kind in the market could be a very good selling point in this case. They also look for a competitive advantage in the company so that it can generate a considerable amount of sales and profits before new competitors enter the market.

Efficient management

VCs generally invest in a management team with an ability to execute the business plan with executives who have successfully built businesses that have generated impressive numbers for them. To attract VCs, the company should provide a list of experienced and qualified people who will play a crucial role in its development. Talented managers could help in case of making sure the money flows in.

Assessment of risks

VCs typically take a lot of risks while investing in a startup so they prefer to invest in startups that have a clearly defined risk management plan. The considerations revolve around legal issues, the sustainability of the company, revenue model and the potential risks in the market for this particular service or product. So, before approaching any venture capitalist investor, be sure to give them a clear picture of your contingency plans and risk management strategies. They also need you to back up whatever you tell them with metrics and solid evidence.

Aligning with their investment philosophy

Some venture capitalist investors are strictly in it for the return. Some VCs have a strategic approach, looking to support startups that will benefit their parent companies. For example, some VCs could specialize by investing in green companies or some may only be interested in tech-based companies or social enterprises. As an entrepreneur, your job is to find out what their strategy is and if your startup is aligning with their company philosophy.

Get introduced

The right VCs can give your company a jumpstart it needs. A top-tier VC is inherently valuable because it can elevate your startup and the company culture as well.

The top five venture capitalist companies currently operating in Bangladesh are BD Venture Limited, SEAF Bangladesh Ventures, Midas Finance Limited, Startup Dhaka and Startup Chittagong. These companies have a very good relationship with the bankers who produce the IPOs. The best way to meet a VC is to get introduced by someone you know. And once you've been introduced, try to find a VC company who is the right fit for your startup and its values and objectives. Because this has the potential to become a long-term relationship.

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