

Venture capital

- SEBI - ‘a fund established in the form of a company or trust which raises money through loans, donations, issue of securities or units as the case may be and makes or proposes to make investments in accordance with the regulations’.

WHY VENTURE CAPITAL?

- Commercialise research and scientific knowledge in the fastest mode
- Provide Risk Finance
- Management Expertise to first generation entrepreneurs
- Tap potential intellectual properties
- Promotion of Innovation and Entrepreneurship

THE POTENTIAL OF INDIAN VENTURE CAPITAL INDUSTRY

- Second Largest English speaking scientific and technical Manpower in the World**
- India has some of the best, globally recognised institutions of Management (IIMs) and Technical (IITs).**
- India graduates 200,000 engineers and over 40,000 managers, about 35,000 Agricos every year as quality human capital**

Angel Investors

- Typically a wealthy individual
- Often with a tech industry background, in position to judge high-risk investments
- Motivation:
 - Dramatic return on investment via exit or liquidity event:
 - Interest in technology and industry

Financial VCs

- Most common type of VC
- An investment firm, capital raised from institutions and individuals
- Often organized as formal VC funds, with limits on size, lifetime and exits
- Motivation:
 - Purely financial: maximize return on investment

Strategic VCs

- Typically a (small) division of a large technology company
- Examples: Intel, Cisco, Siemens, AT&T
- Corporate funding for strategic investment
- Help companies whose success may spur revenue growth of VC corporation
- Not exclusively or primarily concerned with return on investment

Advantages

- A solid capital base for future growth.
- The venture capitalist is a business partner, sharing both the risks and rewards.
- Provide practical advice and assistance to the company based on past experience
- Network of contacts in many areas that can add value to the company.
- May provide additional rounds of funding
- They can also facilitate a trade sale.

VCFs in India can be categorized into following five groups:

- 1) Those promoted by the Central Government controlled development finance institutions. For example:
 - IFCI Venture Capital Funds Ltd (IVCF)
 - SIDBI Venture Capital Ltd (SVCL)

2) Those promoted by State Government controlled development finance institutions.

For example:

- Punjab Infotech Venture Fund
- Gujarat Venture Finance Ltd (GVFL)
- Kerala Venture Capital Fund Pvt Ltd.

3) Those promoted by public banks.

For example:

- Canbank Venture Capital Fund
- SBI Capital Market Ltd

4) Those promoted by private sector companies.

For example:

- IL&FS Trust Company Ltd
- Infinity Venture India Fund

5) Those established as an overseas venture capital fund.

For example:

- Walden International Investment Group
- HSBC Private Equity management Mauritius Ltd