



Venture Capital Financing in India

By J C Verma

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Venture Capital Financing in India, the book under review, consists of two parts; the first on venture capital practices and procedures, and the second providing a profile of Indian venture capital companies and funds. It contains about 140 tables, more about them later.

Part one begins with definitions of venture capital and distinguishes between venture capital and other financing options (such as development capital and seed capital). The growth of venture capital in India is reviewed followed by a summary of global experiences. This summary covers venture capital financing in the US and in the UK in depth, and briefly covers ven-

ture capital elsewhere.

The author gives a detailed description of how venture capital firms in India operate, and of practices and procedures. While written primarily from the venture capital firm point of view, there is also a brief section on how an entrepreneur should go about selecting a venture capital firm.

The regulatory framework covers the Securities and Exchange Board of India regulations, as well as central government guidelines [no longer in force], and touches on self-regulation aspects. The chapter on legal framework and documentation primarily addresses issues related to documentation.

The chapter on investment monitoring and portfolio valuation briefly covers hands-on versus hands-off monitoring and concentrates on valuation. Part one also includes a quick summary of the economy and of government policies and guidelines for overseas investors.

Part two is designed not to bore the reader. The profiles of thirteen venture capital companies and funds are presented with each profile organised uniquely. Thus, the GVFL profile tells one what the project profile to be submitted by a potential investee is; the APIDC profile provides statistics on 11 individual companies to whom venture capital was sanctioned; SIDBI branch office addresses are provided, and so on. One cannot but con-

clude that whatever information was available about a company was gratefully accepted and put to print.

Finally the tables. Like the text it is not that they are not informative, if anything they tell the reader too much and a great deal of what they say is repeated in the text. Table 4.5 [A] gives the industry-wise investments by VCCs/VCFs [as on 31.12.95] listing the VCCs/VCFs row-wise and 11 industries column-wise with Table 4.5 [B] giving the same information but listing the VCCs/VCFs [as on 31.12.95] column-wise and 12 industries row-wise.

The book also contains some management mysteries. The definition of liquidity ratio as total assets/total liabilities is not likely to have too many takers.

A reader who wants information about venture capital in India would be grateful for the book. Whether it is statistics or the full text of SEBI regulations or guidelines on valuation it is all there. If the reader wants analysis s/he perforce has to carry it out him/herself. For instance, the guidelines on valuation are simply not the last word in good valuation.

- R Srinivasan

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