

A STUDY ON SECTORWISE VENTURE CAPITAL INVESTMENT DURING 2010-2014 IN INDIA

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Abstract

Venture capital is a subset of risk capital, in which the risk taken by the investor is offset by participation in the future success of the firm as part owner. The concept of venture capital as a source of investment has probably been around as long as there have been people prepared to put part of their wealth at risk for a potential gain.

Venture capital is not the only source of finance for start-up firms. When seen in relation to other financing options and the total amount of capital invested in all firms, then venture capital as an asset or equity class becomes marginal. Furthermore, many firms start up without the need for venture capital. There are many sectors of the economy that are ready for venture capital investors like IT, Retailing, Manufacturing, Pharmacy, and many more.

The reason why venture capital has attracted such attention is mainly due to the important impact it has on young firms' high growth potential, as evident with many new technology based firms.

In 2010 -2014 totally 33,134 \$M funds rose by 19 companies from different sectors through Venture Capital and Corporate VC. The companies collected the fund in various numbers of deals. The researcher has three major objectives with respect to this paper.

- To understand the sector wise funding done by VC during 2010-2014
- To understand factors affected for the investment
- To verify the total number of deals and deal size in various sectors
- To study the top 10 most active VC investors in India

Keywords: *Venture capital, Corporate VC, Deals, Sector, Risk Capital.*

INTRODUCTION

Venture capital is a subset of risk capital, in which the risk taken by the investor is offset by participation in the future success of the firm as part owner. The concept of venture capital as a source of investment has probably been around as long as there have been people prepared to put part of their wealth at risk for a potential gain.

Venture capital is not the only source of finance for start-up firms. When seen in relation to other financing options and the total amount of capital invested in all firms, then venture capital as an asset or equity class becomes marginal. Furthermore, many firms start up without the need for venture capital. There are many sectors of the economy that are ready for venture capital investors like IT, Retailing, Manufacturing, Pharmacy, and many more.

Venture capitalists prefer to invest in "entrepreneurial businesses". This does not necessarily mean small or new businesses. Rather, it is more about the investment's aspirations and potential for growth, rather by current size. Venture capital investors are interested in companies with high growth prospects, which are managed by experienced and ambitious teams who are capable.

The reason why venture capital has attracted such attention is mainly due to the important impact it has on young firms' high growth potential, as evident with many new technology based firms.

The VC and Corporate VC have funded in 20 different sectors amounted to 274452.59 \$ Million in 27675 Deals during the last 5 years.

Year	Funding	No. of Deals
2010	33133.71	3837
2011	47590.1	4966
2012	52276.02	5537
2013	50514.45	6326
2014	90938.31	7009
Total Amount Funded	274452.59	27675

OBJECTIVES

1. To study the top 10 most active VC investors in India
2. To understand the sector wise funding done by VC during 2010-2014
3. To understand factors affected for the investment
4. To verify the total number of deals and deal size in various sectors

India's most active top 10 Venture Capitalists since 2010

Rank	Investor
1	Blume Ventures
2	Accel Partners
3	Sequoia Capital India
4	Intel Capital
5	Helion Venture Partners
6	Nexus Venture Partners
7	Inventus Capital Partners
8	Kalaari Capital
9	500 Startups
10	Qualcomm Ventures

DATA ANALYSIS

1. Year wise Percentage Investment in 20 Sectors

Year	Percentage Investment
2010	12%
2011	17%
2012	19%
2013	18%
2014	33%

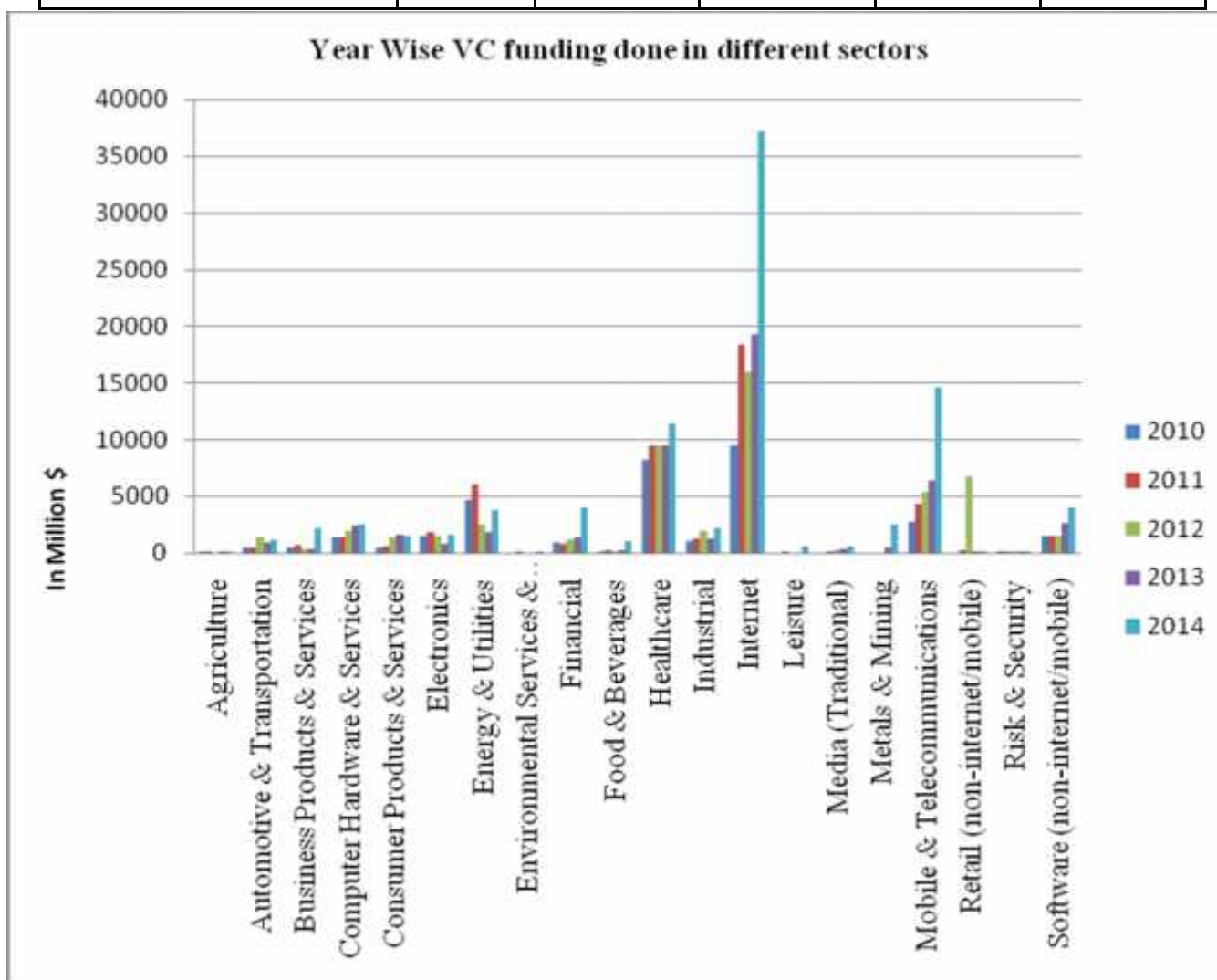
Interpretation: In 2014 maximum investment is done in different sectors in comparison with other 4 years. It is amounted to 90938.3 \$ million.

2. Sector wise VC & Corporate VC Investment in last 5 years

In \$ Million

Sector/Year	2010	2011	2012	2013	2014
Agriculture	107.21	81.31	50.31	126.26	164.52
Automotive & Transportation	452.85	465.83	1367.78	926.58	1122.34
Business Products & Services	475.23	679.21	427.48	445.96	2125.88
Computer Hardware & Services	1317.15	1322.25	1933.22	2421.95	2473.35
Consumer Products & Services	442.81	585.39	1367.55	1628.03	1519.67
Electronics	1541.64	1812.77	1468.27	835.3	1541.17
Energy & Utilities	4696.71	6042.15	2488.08	1882.75	3718.72
Environmental Services & Equipment	50.02	95.4	40.12	54.66	107.57
Financial	862.69	784.69	1228.24	1371.58	4002.84
Food & Beverages	160.91	276.54	210.39	234.09	1027.59
Healthcare	8166.61	9440.1	9490.08	9489.44	11370.5

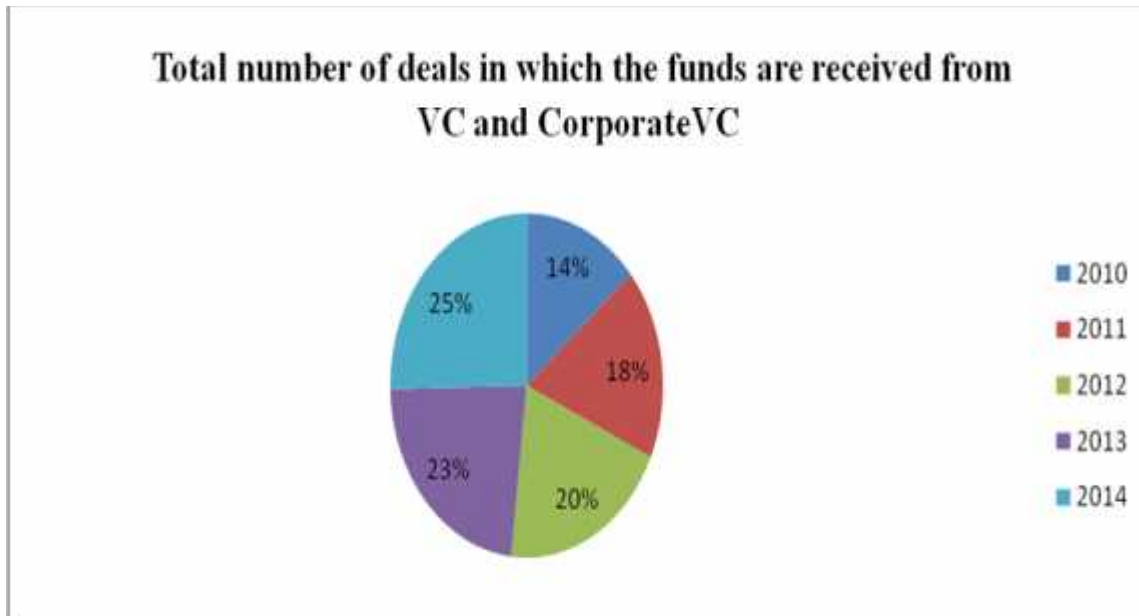
Industrial	994.26	1313.24	1938.84	1299.45	2167.73
Internet	9471.41	18355.7	15995.9	19290.1	37142.2
Leisure	7.6	122.72	66.93	75.47	555.72
Media (Traditional)	12.25	140.9	291.85	431.98	554.51
Metals & Mining	4.57	3.07	42	523.05	2479.8
Mobile & Telecommunications	2751.8	4282.93	5412.83	6436.57	14631
Retail (non-internet/mobile)	56.2	209.67	6772.13	141.23	131.65
Risk & Security	92.24	75.1	188.17	215.92	127.12
Software (non-internet/mobile)	1469.55	1501.13	1495.88	2684.09	3974.41
Total Amount Funded by VC	33133.71	47590.1	52276	50514.5	90938.3



Interpretation: Out of all different 20 sectors Internet, Mobile and Telecommunications, Healthcare are in top 3 positions for Venture capital and Corporate VC funding in last 5 Years. Percentages of deals were increase from 45 % to 60% in Internet sector, from 10 % to 71.88 % in Mobile and telecommunications sector.

3. Total number of deals in which the funds are received from VC and Corporate VC

Year	No. of Deals	Percentage Deals
2010	3837	14%
2011	4966	18%
2012	5537	20%
2013	6326	23%
2014	7009	25%
Total Deals	27675	100%



Interpretation: In 27675 deals in which the funds are received during last 5 years. Out of which maximum 7009 deals were done in 2014.

CONCLUSIONS

- Major funding is received in Internet, Mobile & Telecommunication sector in last 5 years out of 20 different sectors.
- Top 10 VC investors are investing in Expansion and Turnaround Stage being already the risk is minimized compared to earlier seed and start up stages.
- Maximum number of deals have been taken place in 2013 and 2014 because of more technological and government policy changes.
- The growth of number of deals was increased from 45 % to 60% in Internet sector, from 10 % to 71.88 % in Mobile and telecommunications sector during 2013 & 2014.

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