

## A STUDY ON VENTURE CAPITAL TRENDS IN INDIA

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### ABSTRACT

Venture Capital is finances high and new technology based enterprises where the banks there are a plenty of changes that an entrepreneur has to face. The startup capital for a business venture has always has been a bigger challenge for the enterprises. Venture Capital has long significant source of funding for startups. Venture Capital is financial assistance provided to startup companies potentially for achieving growth over a period of time and growth in the long run due to their unique business model. The Venture Capitalists and Venture Capital funds earn money by investing in the companies of their equity capital. Venture Capital funds will identify and provide their growth and financial assistance for successful execution of the business. Venture Capital is emerging vital sources for newly startup innovative business model with higher risk factor is associated with it. The study describes that to understanding the phenomena of Venture Capital in India.

**Keywords:** Venture Capital, achieving growth, business model

### 1. INTRODUCTION

The Venture capital sector is the most vibrant industry in the financial market today. venture capital is money provided by professionals who invest alongside management in young, rapidly growing companies that have the potential to develop into significant economic contributors. Venture capital is an important source of equity for start-up companies. Venture capital can be visualized as “your ideas and our money” concept of developing business. Venture capitalists are people who pool financial resources from high net worth individuals, corporate, pension funds, insurance companies, etc. to invest in high risk - high return ventures that are unable to source funds from regular channels like banks and capital markets.

#### MEANING

Capital is money made available for investment into research, development and marketing of new innovations, particularly in high technology areas where the potential for profit is great, but, likewise, risk of loss is considerable. Venture Capital is also sometimes referred to as "Risk Capital". Venture Capital funds are in the form of private equity, often exchanged for part ownership or shares in the new business, from professionals or institutionally-backed outside investors (Venture Capitalists), willing to back projects that are too risky for bank loans or standard capital markets.

#### DEFINATION

“According to Phil.B” a fund raising technique for companies who are willing to exchange equity in the company in return for money to grow or expand the business. Venture capital firms often want a high rate of return (20%+) and will finance the business with \$500,000 to millions. A venture capitalist differs from an angel investor in terms of wanting greater control of company and quicker return on investment.

### 2. REVIEW OF LITERATURE

#### ARTICLE: 1

**Title:** Trends in venture capital

**Author:** Neeraj Kumari

**Source:** Industrial Engineering Letters

#### Abstract:

The venture market could remain challenged in 2024 as excesses of years past continue to work through the system. Glimmers of hope seen in the IPO market early in Q3 quickly faded as market volatility increased and geopolitical tensions escalated. However, a phased reopening of IPO markets during 2024 could set the stage for a closer-to-normal market in 2025.

In the newest PitchBook-NVCA Venture Monitor report, Ginger Chambliss, Head of Research for Commercial Banking, and other J.P. Morgan experts explore the complex venture landscape and what founders and investors could see ahead. The article addresses several key topics, including:

- Lingering macro challenges
- IPO market receptivity
- The outlook for M&A markets
- Geopolitical uncertainties
- An evolving lending landscape

#### ARTICLE: 2

**Title:** Venture Capital Trends In India In 2023 And The Outlook For 2024

**Author:** THIRUVENKATRAJ T.R,

**Source:** International Journal of Business and Tehnopreneurship

#### Abstract:

India's economic landscape remains robust, showcasing a GDP growth hovering around 7%. The country's allure as an investment destination has strengthened, drawing attention from global investors eager to capitalise on the nation's economic potential.

While 2022 and a significant part of 2023 witnessed a sluggish pace in venture capital activity, recent indicators suggest a positive turn. The robust subscription rates of Initial Public Offerings (IPOs) and the buoyant stock market have injected optimism into the investment ecosystem.

In 2023, Indian venture capital saw a measured deployment of approximately \$10 Bn. This slowdown, however, played a pivotal role in instilling discipline within startups, putting an end to the funding bubble that had sustained weak business models.

The influx of capital in 2020 and 2021 may have exceeded the absorption capacity, leading to a more discerning investment environment.

#### RESEARCH GAP:

This study helps the organization to identify the area of problem and suggest way to improve the process of Venture Capital research carried out at Investleaf Management Solutions.

#### OBJECTIVES:

- To understand the concept of Venture Capital
- To understand the importance of Venture Capital in developing countries like India.
- To study the trend of Venture Capital deals in India over the last five years.
- To study the Top Sectors, Top Companies attracting Venture Capital in 2023 and review the major institutions providing Venture Capital in India.

### 3. RESEARCH METHODOLOGY

#### Need For The Study

- The venture capital industry in India has really taken off in.
- Venture capitalists not only provide monetary resources but also help the entrepreneur with guidance in formalizing his ideas into a viable business venture.
- Technology and knowledge based ideas set to drive the global economy in the coming millennium.
- To given the inherent strength by way of its human capital.

#### Scope Of The Study:

- The study of Venture Capital trends in India will be helpful in understanding.
- To the concept of Venture Capital and to understand the importance of Venture Capital
- To developing countries like India.

#### Methodology

#### Sources Of Information

The source s of information is two types they are

#### Primary data:

Primary data is refers to the data collected specifically for the purpose of research problem.

It is the first hand information collected by the research firm.

Primary data is not included in this study only secondary data is taken into account since. It is a portfolio analysis.

#### Secondary data:

Secondary data refers to the existing data that has been collected with and objective other then the research problem.

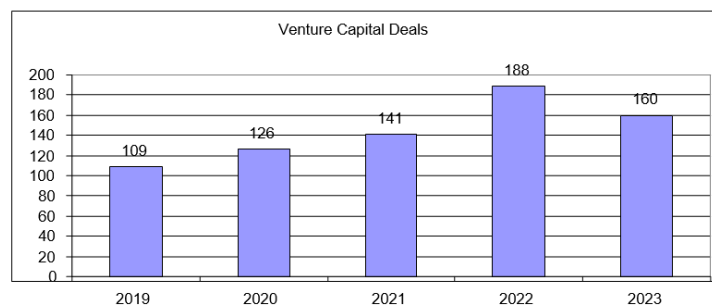
- Companies annual reports
- Information from internet
- Publications

## 4. DATA ANALYSIS & INTERPRETATION

### 1. Venture Capital Trends in India, 2019 – 2023

Table 1: Venture Capital Trends in India, Number Of Deals, 2019 – 2023	
Year	No. of Deals
2019	109
2020	126
2021	141
2022	188
2023	160
Source: Secondary Data	

Venture Capital Trends in India, Number Of Deals, 2019 – 2023

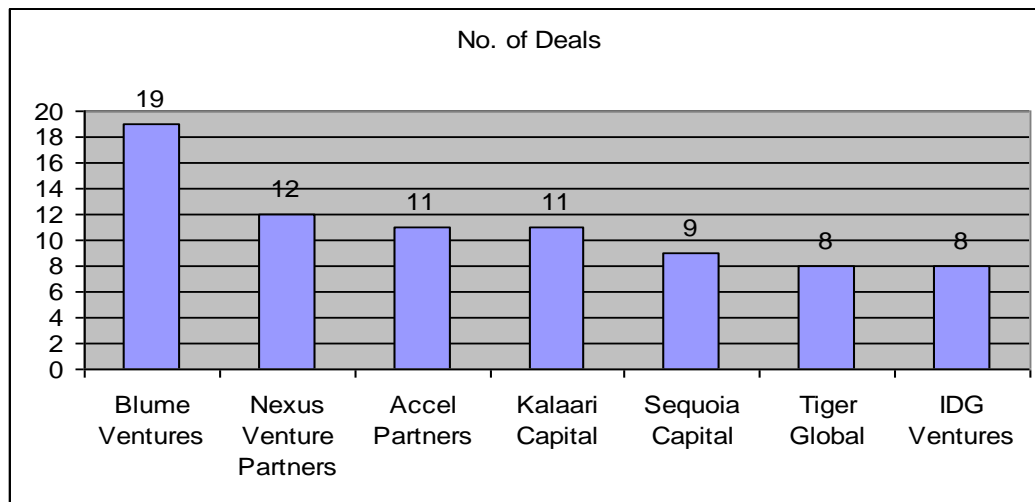


Interpretation: Venture Capital deals have witnessed a gradual increase in the number of deals over the last five years though it decreased marginally in 2023. 160 deals were reported in 2023 compared to 188 deals in 2022 and 109 deals in 2019

### Active VC Firms by Number of Deals - 2023

Table 3: Active VC Firms By Number Of Deals – 2023	
VC Firms	No. of Deals
Blume Ventures	19
Nexus Venture Partners	12
Accel Partners	11
Kalaari Capital	11
Sequoia Capital	9
Tiger Global	8
IDG Ventures	8
Source: Secondary Data	

#### Active VC Firms By Number Of Deals – 2023



Source: Secondary Data

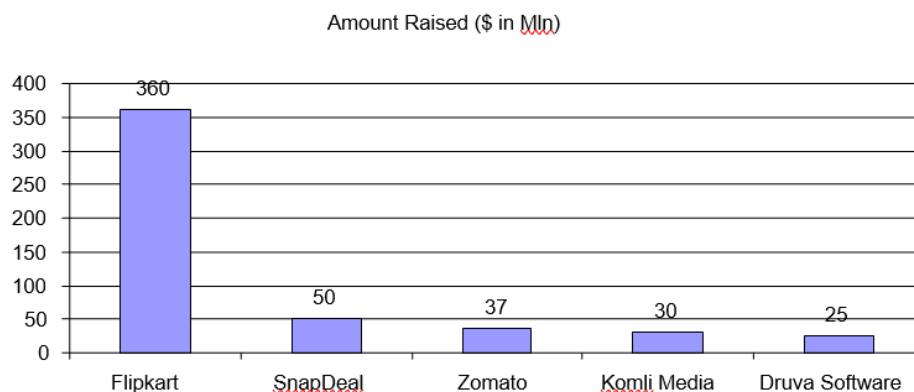
**Interpretation:** It was a year of consolidation, as venture capital (VC) firms focused on portfolio management and slowed down the pace of investments in India. But 2023 also witnessed some mega deals in the industry (read Flipkart) and a landmark multi-bagger exit for a group of VCs (including backers of redBus). In short, Kalaari Capital joined the list of most active venture capital investors in 2021 while Inventus Capital Partners dropped out.

#### Top 5 Venture Capital Deals - 2023

Table 3: Top 5 VC Deals – 2021	
Portfolio Company	Amount Raised (\$ in Mln)
Flipkart	360
SnapDeal	50
Zomato	37
Komli Media	30
Druva Software	25

Source: Secondary Data

#### Top 5 Venture Capital Deals – 2021 (\$ in Mln)



Source: Secondary Data

#### Interpretation:

Consumer internet continues to get most of the venture capital dollars, with two e-commerce firms and a classifieds player occupying the first three spots. Flipkart continued with its fundraising spree, followed by Snapdeal, another e-tailer. Digital food guide Zomato also surprised the consumer internet market with its large round of funding. These was followed by online ad network Komli and data protection software provider Druva.

## 5. CONCLUSIONS

The Indian Venture Capital (VC) industry is just about a decade old industry as compared to that in Europe and US. In this short span it has nurtured close to 1000 ventures, mostly in SME segment and has supported budding technocrat /professionals all through. The VC industry, through its investments in high growth companies as well as companies adopting newer technologies backed by first generation entrepreneurs, has made a substantial contribution to economy. In India, however, the potential of venture capital investments is yet to be fully realized.

The Indian venture capital industry is dominated by public sector financial institutions. A few private sector venture capital firms have been set up recently. VCFs in India are not pure venture capitalists. They pursue both commercial as well as developmental objectives. Venture finance is made available to high-tech as well as non-tech businesses. About two-thirds of the venture capital is invested in non-tech businesses. A large number of high-tech ventures financed by VCFs are in thrust areas of national priority such as energy conservation, quality upgradation, advanced materials, bio-technology, reduced material consumption, environment protection, improved international competitiveness, development of indigenous technology etc. Yet another feature of venture financing in India is that it is not readily available for development of prototypes or setting up of pilot plants at the laboratory stage.

## 6. REFERENCES

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