Appendix 1: Questionnaire

1. **PROFILE OF THE COMPANY:**
   
   a) Name of the firm:

   b) Year of Establishment:

   c) Preferred fields of investment:

   - IT
   - PHARMA
   - TELECOMMUNICATION
   - HOSPITALITY
   - INFRA.
   - OTHER (PLEASE SPECIFY)

   d) Kindly provide the names of any two IT firms and their locations in which you have done the investment through venture capital:

<table>
<thead>
<tr>
<th>Name of the IT Company</th>
<th>Location of the Company</th>
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</table>

   e) Years of experience in business:

   f) Years of experience in VC industry:

   g) Age of VC firm / institution / fund (years since founding):

   h) Preferred investment horizon (exit within X years):

   i) Expected average rate of return on investment:

   Tick your preference

   - > 5%
   - 5%-10%
j) Type of compensation for the VC management team:

Tick your preference

<table>
<thead>
<tr>
<th>Management Fee</th>
<th>10%-20%</th>
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</thead>
<tbody>
<tr>
<td>Returns</td>
<td></td>
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<tr>
<td>Growth in Investment</td>
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<tr>
<td>Equity Stage</td>
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<tr>
<td>Others</td>
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</table>

k) Location of Headquarter:

l) Total employees working in company:

2. In order of deciding a firm for investment, how do you give the importance for following factors? Kindly rate the factors or criteria of decision making process on a scale of:-

1 = Unimportant,
2 = little importance,
3 = moderately important,
4 = Important
5 = Very important.

(Please mention any other criteria that may come to your mind.)

g) **Entrepreneur's Personality**

- □ Capable of sustained intense effort
- □ Able to evaluate and react to risk well
- □ Articulate in discussing venture
- □ Attends to detail
- □ Personal compatibility to me

h) **Entrepreneur's Experience**

- □ Familiarity with market targeted
- □ Demonstrated leadership ability
- Track record relevant to venture
- Entrepreneur referred by trustworthy source
- Familiar with entrepreneur's reputation
- Demonstrated managerial capabilities in general business

  i) **Characteristics of Product or Service**
  - Product is proprietary
  - Product has market acceptance
  - Product has been developed to prototype
  - Product is "high tech"
  - Product has raw material availability
  - Product has high profit margin capability

  j) **Characteristics of the Market**
  - Market has significant growth rate
  - Venture will stimulate existing market
  - Familiarity with industry
  - Little threat of competition in first three years
  - Venture will create a new market
  - Venture provides exit strategies

  k) **Financial Considerations**
  - Required return of 10 times investment
  - Required liquidity and taken public
  - Required return of 10 times investment in less than 5 years
  - No expectation of subsequent investment

  l) **Environmental Threats**
  - Freedom or min regulation from outside agencies
  - Protection from barriers to entry by competition
  - Resistance to economic cycles
  - Protection from obsolescence due to changing technology
3. In order to make an investment, what are the commonly used financial instruments that you choose for raising fund for making investment available (kindly specify the percentage of investment also)

<table>
<thead>
<tr>
<th>Instrument Name</th>
<th>Kindly tick your preference</th>
<th>%age</th>
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<tbody>
<tr>
<td>I Equity capital</td>
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<tr>
<td>ii Convertible debt</td>
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<td>iii Shareholders’ contribution</td>
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<td>iv Loans with separable option</td>
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<tr>
<td>V Preferred stock</td>
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<tr>
<td>vi Participating loan</td>
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<tr>
<td>vii Other instrument</td>
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</tbody>
</table>

4. In order to decide company’s main investment objectives, doing the valuation process of IT firms, evaluating the risk in investment and choosing IT firms as an investment option, how do you give the importance for following factors? Kindly rate the factors or criteria of decision making process on a scale of:-

1 = Unimportant,  
2 = little importance,  
3 = moderately important,  
4 = Important  
5 = Very important.

<table>
<thead>
<tr>
<th>Company’s investment objectives</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>a) Returns</td>
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<tr>
<td>Own return</td>
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<tr>
<td>Investor return</td>
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<tr>
<td>Target an ownership position in the investee firm to achieve desired appreciation on the proposed investment</td>
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<tr>
<td>b) Social objectives</td>
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<td>Promoting entrepreneurs and their projects or firms</td>
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<tr>
<td>Employment generation</td>
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<td>Growth and regional development</td>
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<td>Attract new businesses and investors</td>
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<tr>
<td>c) Economic objectives</td>
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<tr>
<td>Capable of high profit margin</td>
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<tr>
<td>Tax incentives</td>
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<tr>
<td>Fixed compensation</td>
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## Valuation Process

### aa) Profitability
Evaluate future revenue and profitability
Forecast likely future value of the firm based on experienced

### bb) Solvency
Market capitalization
Capitalized maintainable earnings (P/E multiple
Recent transaction prices for acquisition in the sector
Capitalized maintainable earnings (EBIT multiple)

### cc) Accounting valuation process
Discounted value of free cash flows
Capitalized maintainable earnings (P/E multiple – historic basis)
Payback period
Industry’s special rule of thumb pricing ratio (e.g. turnover ratios)
Discounted future cash flows
Historic cost book value
Liquidation value of assets (orderly sale)

### d) Evaluation of risk in investment
risk of losing entire investment
risk of being unable to bail out, if necessary
risk of failure to implement the idea
competitive risk
risk of management failure
Risk of leadership failure

### IT firms as an investment options

### e) Qualitative aspects of owner of the firm
Future plans
Market potentiality and links
Resources and capabilities
Qualification
Risk taking capacity
Leadership style

### f) Qualitative aspects of the firm
High profit margin
IT sector as a growing sector
Projects offered to company
Competitive strategy of the firm
Potential capabilities
Structure of functional area like R&D, design, marketing, etc.
Sustainability of the firm

5. What is common mechanism used by your company to choose an exit plan for your investment?

i. Initial Public Offering (IPO):
ii. Acquisition (or trade sale):
iii. Secondary sale:
iv. Buyback or MBO:
v. Reconstruction, liquidation
vi. Any other mechanism, please specify__________________________________

6. During the process of selecting the decision of investment, how do you decide the pattern of investment? Kindly provide your opinion on the basis of venture capital stages of investment:

a) Choice of Stage:

   Kindly Tick your preference

   Seed Stage
   Startup Stage
   Expansion Stage
   Replacement Stage
   Exit Stage

b) Size of investment:

   Seed Stage
   Startup Stage
   Expansion Stage
   Replacement Stage
   Exit Stage
Appendix 2: Summary of Research Design Used in Study

<table>
<thead>
<tr>
<th>Summary of Research Design</th>
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<tbody>
<tr>
<td><strong>Sampling Frame</strong></td>
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<tr>
<td><strong>Sampling Method</strong></td>
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<tr>
<td><strong>Sampling Area</strong></td>
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<tr>
<td><strong>Sample Size</strong></td>
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<tr>
<td><strong>Respondents</strong></td>
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<tr>
<td><strong>Response Rate</strong></td>
</tr>
<tr>
<td><strong>Data Analysis Tools</strong></td>
</tr>
</tbody>
</table>
NOTES AND REFERENCES

End Notes

References


Nadkarni, Kiran. (2000). Personal interview by Rafiq Dossani.” (September 27). Nadkarni is co-founder of the first large ($55m) international venture capital firm to operate in India, Draper International.


**Publications Out of the Work**

<table>
<thead>
<tr>
<th>S. NO.</th>
<th>Publication Details</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td><strong>Journal Publications</strong></td>
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</tbody>
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