6.0 INTRODUCTION

Venture capital is basically a relationship among three major participants: investors, venture capitalists (VCs) and entrepreneurs. Investors – financial institutions, banks, insurance companies, pension funds, angel investors, NRIs – contribute to the pool of funds. Funds thus pooled from various investors are invested in business opportunities by VCs. Entrepreneurial teams that supply business opportunities to VCs are central players in venture capital process. It is the investment manager who aims at delivering superior returns to the investors by creating value in all investment life stages: deal sourcing, deal analysis, due diligence, deal structuring and investment, monitoring, and exiting.
6.1 VENTURE CAPITAL FLOW CHART

In this flow chart symbols are used to explain venture capital activities involved in the venture capital process. Table 6.1 is drawn to provide descriptive account of activities using symbols.

Table 6.1

Flow Chart Symbol Description of Venture Capital Process of APIDC

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Flow Chart Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Process</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Process linkage</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Process continuation</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Data</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>Record and internal storage of data</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Document</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Area of concern, improper or lack of documentation</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Multi-documentation</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Area of concern, improper or lack of multi documentation</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Decision box</td>
</tr>
</tbody>
</table>

Source: Field data
Following figure 6.1 presents various stages involved in venture capital process of APIDC VCL.

**Figure 6.1**

Venture Capital Process of APIDC VCL

Source: Field data

A brief summary of each of these stages of the process is given in what follows:

**6.2 FUND RAISING AND INVESTOR RELATIONS**

It is primary stage of venture capital process in which funds from various sources are raised from time to time for investing the same in the attractive business opportunities.
6.3 DEAL SOURCING

Venture capitalists to be destination sources of capital must learn to compete for the best deals. APIDC VCL pro-actively identifies both new investment projects and entrepreneurial teams through extensive linkages with financial and technical institutes in India, expatriate Indian alliances in the Western World. In the figure 6.2 below system overview of deal sourcing of APIDC VCL is presented.

Figure 6.2
Deal Sourcing in APIDC VCL: Systems Overview

Source: Field data

- Deal generation is multi-sourced. Senior management is actually involved in it by networking with prospective entrepreneurs as well as financial institutions, banks, others for a such as IITs, etc
- Business analysts in venture capital Company undertake business development for deal sourcing.
- Major alternative source for deal generation is informal channels such as e-mails
Deals having been generated pass through deal scrutiny. In this sub-stage the salient features of the proposal are recorded, analysed for further processing.

End-result of deal sourcing process is deal log or deal summary which is a mechanism that permits the general partners to scan the cogent elements of a large number of business plans in a relatively short period of time.

6.3.1 MODELS OF DEAL SOURCING

There are two models of deal sourcing in APIDC VCL: proactive and reactive models.

Its proactive model is shown in figure 6.3.

Source: Field data.
In this model –

- Business analysts go for proactive business development and deals generation.
- They identify potential sectors and enterprises and meet the entrepreneurs.
- If the entrepreneur requires equity funding and expresses interest, he is invited for further meetings.

APIDC VCL's reactive model is presented in figure 6.4

Source: Field data
Description of reactive model as follows:

- Senior management's network being one of the common sources of deal generation, entrepreneurs have first meeting with them.
- Outcome of the first meeting is not formally recorded.
- If the meeting is successful, the senior management forwards the contact to the concerned business analyst and also advises the entrepreneur to send the proposal to the business analyst along with the minutes of the first meeting with a copy marked to it.
- After discussing the proposal with the entrepreneurs, the executives of the company will decide on the viability of the proposal for further processing.
- If proposal is found to be attractive business proposition, the entrepreneur is invited for further meetings and presentation.

Areas of concern in this stage to APIDC VCL

- There are no proper records of first meeting of senior management and entrepreneurs.
- There are no clear instructions to the entrepreneurs attending first meeting with business analysts on business plan, other documents, and formalities.
- In deal log all aspects of the proposal are not properly recorded.
Many a time entrepreneurs go directly to APIDC VCL who is guided to meet vice-president or business analyst depending on their availability.

6.4 DEAL ANALYSIS

Venture capital is financial service industry and venture capital firms operate with a small contingency of staff who is knowledge employees. They are engaged in the deal analysis which precedes in-depth analysis, which saves on time, cost and effort. Fig.6.5 presents deal analysis.

Figure 6.5
Deal Analysis in APIDC VCL

Source: Field data

- Deals having been logged, are considered for further processing.
- The team analyses the attractiveness of the deal, and decides whether the proposal should be taken-up for further processing and eventual investment.
If the proposal is rejected, it is communicated to the entrepreneur. If accepted in this stage, the entrepreneur is invited for further presentation.

Areas of concern

- Initial scrutiny of the proposals received is not systematically done.
- Stage of progress in processing of proposals is not communicated to entrepreneurs.
- Time limit is not in the system either for consideration or rejection of the proposal.

6.5 DUE DILIGENCE

Once the proposal passes through initial screening, it is subjected to due diligence process which is a rigorous analysis, and investigation into, the deals received by venture capitalists. Due diligence analysis examines the enterprise, entrepreneurial talent, the product/s or service/s, and the chances of market success. It is time-consuming process, running into several weeks, sometimes months. It involves verifications, references, background checks on management, market potential of the product/s or service/s through systematic study of suppliers, customers, competitors. Overview of due diligence is shown in figure 6.6.
Figure 6.6
Due Diligence Process in APIDC VCL: System Overview

Deal Selection

Due diligence Process: Stages

Immediate outcome: Reports

Ultimate outcomes

Preliminary deal Selection for Investment

Analysis of
- Promoters
- Uniqueness
- Operations
- Markets
- Competition
- Legal
- Financial
- Other areas

Transaction Reports

Summary Reports

Control Reports

Notes

Correspondence with senior management

Due diligence report

Source: Field data
Diagramatic presentation of the due diligence process is in figure 6.7

Presentation by the entrepreneur

Submission of detailed business plan

Analysis of the plan

Has all information provided by the client to the satisfaction of the analyst/have all doubts been cleared?

Yes

Call for internal meeting

No

Meeting/Correspondence with entrepreneur

Does the analyst have doubts/remarks on any aspect of the business?

No

Yes

Meeting/Correspondence with senior management and experts

Contd..
Procedural steps in the due diligence process are as follows:

- Starting point in due diligence is presentations by entrepreneurs.
- Subsequent to the presentation the entrepreneur is required to submit a detailed business plan.
- Concerned business analyst studies deeply the business plan so as to understand entrepreneur's business.
- Business analyst meets/corresponds with the entrepreneur, seeking information till he satisfies himself with all aspects of business.
- To clarify his doubts on various aspects of business, business analyst also seeks guidance from the senior management and advice them the industrial experts.
Internal assessment completed, the senior management and business analyst team take a final view as to whether the proposal has any pitfalls or should be taken-up for investment.

On a favorable outcome of the meeting, a letter of interest is issued to the entrepreneur, and due diligence report is drafted by the concerned business analyst.

Areas of concern

Proceedings of the meetings with the entrepreneur and his team during the due diligence process are recorded in individualistic methods/styles of the respective business analysts.

Minutes of internal meeting and of meetings with experts and reasons for rejection of proposal, are not properly recorded.

6.6 DEAL STRUCTURING AND INVESTMENT

Venture having been evaluation as viable, the venture capitalist and investee company are engaged in negotiation to strike the deal and determine its terms viz., the amount, form and price of the investment. This process is shown in figure 6.8.

Taking into consideration the summary of the internal meeting and the due diligence report, the senior management decides the term-sheet of the investment.

Subsequently the company presents its due diligence report and proposed term-sheet to the investment committee for its deliberation and approval.

Proposal having been cleared by the investment committee, it is put up to the board for its final approval.

After the board's approval, the investment is made by the company/venture capital fund into the project/enterprise under consideration.

Term-sheet, minutes of investment committee and board are important documents in the process.
Figure 6.8
Deal Structuring and Investment in APIDC VCL: Systems Overview

Summary of internal meetings on proposal

Due diligence report

Inputs → Through puts → Immediate outputs → Ultimate outputs

Data structure and Investment

- Senior management meetings
- Investment committee meetings
- Board meetings
- Investment

Term sheet

Minutes of investment committee meeting

Minutes of board meetings

Source: Field data
Fig. 6.9. presents deal structuring and investment in APIDC VCL

**Figure 6.9**
Deal Structuring and Investment in APIDC VCL

1. **Senior management meeting**
2. **Draft term sheet**
3. **Meeting with promoter/ review of internal assessment**
4. **Investment committee meeting**
5. **Minutes**
6. **Board meeting**
7. **Minutes**
8. **Has the Board cleared the proposal?**
   - Yes: **Investment process**
   - No: **Has the investment committee cleared the proposal?**
     - Yes: **Board meeting**
     - No: **Communicate the rejection to promoter**

*Contd.*
Area of concern

- The project implementation schedule of the prospective portfolio enterprise does not form part of the deal agreements.

6.7 MONITORING PORTFOLIO ENTERPRISES

The purpose of this stage is to avoid losses by seeing red flags well in advance that signal and warn impending dangers. "Monitoring" refers to the collection and use of specific information by management committee on critical events associated with project operation, while the "nurturing" is a comprehensive term that encompasses provision of guidance and skills for the management of the venture. In figure 6.10 is shown systems overview of monitoring.
Monitoring is undertaken, taking into account the conditions of the deal, targets agreed to in the various agreements, compliance to statutes applicable to the respective portfolio enterprises.

It specifically looks at the company performance, focusing on its operations, finances, attainment of targets agreed upon, and legal compliance.
Graphic account of monitoring process in APIDC VCL is presented in fig.6.11.

**Figure 6.11**

**Monitoring Process in APIDC VCL**

1. Place requisition seeking information for monitoring performance
2. Has all the information requested, been received
3. Yes: Record and store the information
4. No: Attend board meetings of portfolio companies

**Source:** Field data

- Business analysts place requisitions for information from portfolio enterprises so as to monitor the latter's progress.
On non-receipt of information, requisitions are repeated with reminders.

Received information is recorded and stored in the company.

Senior management and analysts attend regularly meetings of portfolio companies.

Areas of concern

- Systematic monitoring is absent.
- Progress from meeting to meeting with portfolio company is not recorded and analyzed.
- Collection of requisite information from portfolio company is found difficult.
- Effective interaction between senior management and business analysts is lacking.

6.8 EXIT

Asset manager works with the investee company to create market value for the latter by taking it to the public in the most profitable manner. The investee company can obtain high valuations by selling a partial stake to a larger company having synergy with the former. Typically, such sales are not preferred by the promoter/entrepreneur. Asset manager sets the initial expectations right on the value of offered stake and proceeds in a manner amicable to the promoter/entrepreneur. Figure 6.12 shows the exit process in APIDC VCL.
The primary objective of venture capital company is to invest in attractive business ventures exit with high returns.

High return-generation exits would allow venture capital company to provide attractive returns to the investors.

Exit decision is a critical one taken by senior management, taking into account the market and industry conditions and time-frame of investment.

Usually forms of exit are initial public offer (IPO), strategic sale or mergers and acquisitions (M&As).

Graphic presentation of exit process is shown in fig.6.13.
It is the senior management that takes informed decision on the timing and mode of exit.

The senior management team meets with portfolio company to take their latter’s consent for the exit decision by the former.

Portfolio company failing to provide exit to the venture capital company at the required rates of return, the latter explores alternative exit routes as per the investment agreement.

**Area of concern**

- Pro-active analysis of sectors the portfolio companies are operating in, is not done.
PERCEPTIONS OF PORTFOLIO ENTERPRISES

6.9 SOURCES OF INFORMATION

Sources of information and approaches/routes to APIDC VCL are shown in table 6.2. Out of five possible sources of information about APIDC VCL, six portfolio enterprises used only two sources, personal sources of investee companies being a major source used by four companies followed by VCF organization used by another two portfolio companies. Owing to approaching APIDC VCL, personal route was followed by five portfolio enterprises followed by financial analysts, advisors and consultants' route used by one portfolio company. From the above analysis it can be concluded that personal contacts were dominant sources of information and approach as well.

6.10 PERCEPTION OF VENTURE CAPITAL

Perceptual responses of portfolio enterprises are presented in table 6.3 as to what is meant by venture capital. Focusing on the extreme right column of the table, it can be seen that most popular perception of VC is that it is risk capital (ranked one) followed by perception of VC as investment in innovative projects (rank two), investment to commercialize unexploited ideas (rank three) and investment in high-tech projects only (rank four).
Table 6.2
SOURCES OF INFORMATION ABOUT AND APPROACHES TO APIDC VCL BY PORTFOLIO ENTERPRISES
(N=6 Enterprises)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sources of information</th>
<th>Approaches</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Financial analysts, advisors and consultants</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other VCFs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personal</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Development financial institutions</td>
<td>01 (50.00)</td>
<td>01 (50.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[100.00]</td>
<td>[20.00]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02</td>
<td>[33.33]</td>
</tr>
<tr>
<td>2</td>
<td>Beneficiaries of VC funds</td>
<td>01</td>
<td>01 (100.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[100.00]</td>
<td>[20.00]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02</td>
<td>[33.33]</td>
</tr>
<tr>
<td>3</td>
<td>Financial analysts, advisors and</td>
<td>01</td>
<td>01 (100.00)</td>
</tr>
<tr>
<td></td>
<td>consultants</td>
<td>[100.00]</td>
<td>[20.00]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02</td>
<td>[33.33]</td>
</tr>
<tr>
<td>4</td>
<td>Development financial institutions</td>
<td>01</td>
<td>01 (100.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[100.00]</td>
<td>[20.00]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02</td>
<td>[33.33]</td>
</tr>
<tr>
<td>5</td>
<td>Personal</td>
<td>01</td>
<td>01 (100.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[100.00]</td>
<td>[20.00]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02</td>
<td>[33.33]</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>01</td>
<td>01 (100.00)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[100.00]</td>
<td>[20.00]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>02</td>
<td>[33.33]</td>
</tr>
</tbody>
</table>

Notes: 1. Figures in parentheses are percentages to row totals
2. Figures in flower brackets are percentages to respective column totals.

Source: Primary data.
Table 6.3
WEIGHTED PERCEPTUAL SCORES OF PORTFOLIO ENTERPRISES AS TO WHAT IS VENTURE CAPITAL
(N = 6)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Venture Capital means</th>
<th>No. of Enterprises that</th>
<th>Total</th>
<th>Weighted Aggregate Score</th>
<th>Weighted Average Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
<td>7 (3 to 6)</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>1.</td>
<td>Risk capital</td>
<td>04</td>
<td>–</td>
<td>01</td>
<td>01</td>
<td>06</td>
</tr>
<tr>
<td>2.</td>
<td>Investment in hi-tech projects only</td>
<td>01</td>
<td>01</td>
<td>01</td>
<td>03</td>
<td>06</td>
</tr>
<tr>
<td>3.</td>
<td>Investment to commercialize unexploited ideas</td>
<td>–</td>
<td>03</td>
<td>01</td>
<td>02</td>
<td>06</td>
</tr>
<tr>
<td>4.</td>
<td>Investment in innovative projects</td>
<td>01</td>
<td>02</td>
<td>03</td>
<td>–</td>
<td>06</td>
</tr>
</tbody>
</table>

Note: Weights assigned to strongly agree, agree, disagree and strongly disagree are 4, 3, 2 and 1 respectively.
Source: Primary Data.
6.11 STAGE OF APPROACH

In which stages of VC financing portfolio enterprises approaches APIDC VCL, is captured in table 6.4. Of six portfolio enterprises, two approached APIDC VCL in two stages, and the rest of the four only in one stage. Of 8 times portfolio enterprises approached VCL, 4 times were in stage-2, start-up, 2 times in stage-4, Mizzanine, 1 time each in stage-1, seed, and stage-6, turnaround. Based on the preceding analysis, it can be concluded that portfolio companies approached APIDC VCL for VC in all stages, exception being stage-3, expansion. For start-up VC (stage-2) many a time the portfolio enterprises approached VCL.

6.12 INTERFACE BETWEEN VCL BOARD-PORTFOLIO ENTERPRISES

Perceptions of portfolio enterprises about VCL board-enterprise' interface are set out in table 6.5. Confining to ranks presented in the last column of the table, it can be seen that three dimensions of interface – VCL serving as a sounding board, monitoring operating performance, and monitoring financial performance – are ranked one. VCL’s help in strategy development is assigned second rank, rank three is given to interface with investor group.
### Table 6.4
STAGE OF APPROACHING APIDC VCL BY PORTFOLIO ENTERPRISES

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Portfolio Enterprises</th>
<th>Stage-1 Seed</th>
<th>Stage-2 Start-up</th>
<th>Stage-3 Expansion</th>
<th>Stage-4 Mezzanine</th>
<th>Stage-5 Buyout</th>
<th>Stage-6 Turnaround</th>
<th>Total No. of Ticks (Score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CK (IT)</td>
<td></td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>2.</td>
<td>MSCT (IT)</td>
<td>√</td>
<td></td>
<td>7</td>
<td>8</td>
<td></td>
<td></td>
<td>02</td>
</tr>
<tr>
<td>3.</td>
<td>EPIAC (PC)</td>
<td></td>
<td>5</td>
<td>6</td>
<td>7</td>
<td></td>
<td></td>
<td>01</td>
</tr>
<tr>
<td>4.</td>
<td>GP (PC)</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>01</td>
</tr>
<tr>
<td>5.</td>
<td>DD (PP)</td>
<td></td>
<td>9</td>
<td>0</td>
<td></td>
<td>1</td>
<td></td>
<td>01</td>
</tr>
<tr>
<td>6.</td>
<td>OS (SS)</td>
<td>2</td>
<td></td>
<td>1</td>
<td></td>
<td>8</td>
<td></td>
<td>02</td>
</tr>
<tr>
<td>Total no. of ticks (score)</td>
<td></td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data.
Table 6.5
PERCEPTIONS OF PORTFOLIO ENTERPRISES ABOUT VCL BOARD – ENTERPRISE INTERFACE

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Board- Enterprise Interface Dimensions</th>
<th>Portfolio Enterprises perceiving</th>
<th>Aggregate weighted score</th>
<th>Average weighted score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very Good</td>
<td>Good</td>
<td>Fair</td>
<td>Poor</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>1.</td>
<td>VCL serving as a sounding board</td>
<td>02</td>
<td>03</td>
<td>01</td>
<td>–</td>
</tr>
<tr>
<td>2.</td>
<td>Interface with investor group</td>
<td>01</td>
<td>03</td>
<td>02</td>
<td>–</td>
</tr>
<tr>
<td>3.</td>
<td>Monitoring operating performance</td>
<td>03</td>
<td>01</td>
<td>02</td>
<td>–</td>
</tr>
<tr>
<td>4.</td>
<td>Monitoring financial performance</td>
<td>03</td>
<td>01</td>
<td>02</td>
<td>–</td>
</tr>
<tr>
<td>5.</td>
<td>Assistance to tide over short-term crisis</td>
<td>01</td>
<td>–</td>
<td>03</td>
<td>02</td>
</tr>
<tr>
<td>6.</td>
<td>Provision of contacts with the key customers/prospects</td>
<td>01</td>
<td>01</td>
<td>02</td>
<td>02</td>
</tr>
<tr>
<td>7.</td>
<td>Help in strategy development</td>
<td>02</td>
<td>02</td>
<td>02</td>
<td>–</td>
</tr>
<tr>
<td>8.</td>
<td>Helpful in debt-finance sourcing</td>
<td>01</td>
<td>–</td>
<td>03</td>
<td>02</td>
</tr>
<tr>
<td>9.</td>
<td>Helpful in equity finance sourcing</td>
<td>01</td>
<td>01</td>
<td>02</td>
<td>02</td>
</tr>
<tr>
<td>10.</td>
<td>Helpful in recruitment/replacement of Board members</td>
<td>–</td>
<td>01</td>
<td>02</td>
<td>03</td>
</tr>
</tbody>
</table>

Note: Weights assigned to very good, good, fair and poor are 4, 3, 2 and 1 respectively.
Source: Primary data.
6.13 ROLE OF APIDC VCL

Role of APIDC VCL as perceived by portfolio enterprises are recorded and analyzed in table 6.6. Highlighting ranks allotted in extreme right column of the table to various dimensions of its role, it can be seen that rank one is assigned to its role as receptive to innovative ideas, rank two to prompt financing and proactive role in project promotion, and contribution to A.P. economy, and rank three to VCL rating as business partner.

6.14 SELF-PERCEPTIONS ABOUT VENTURE PERFORMANCE

Self-perceptions of portfolio enterprises about the performance of their venture companies are ingrained in table 6.7. Taking into account ranks assigned to various dimensions of venture performance as shown in the last column of the table, it can be concluded that market share and cost effectiveness in production were ranked one, followed by sales (rank two), and cost-effectiveness in marketing (rank three).

6.15 CONCLUSION

APIDC VCL venture capital process involves six steps beginning with deal sourcing and ending with exit. Deal generation is multi-sourced. There are two models of deal sourcing viz., pro-active and reactive models. Deal analysis is preceded by deal analysis. After the proposal passing through initial screening, it is subjected to due diligence process. It is a critical stage of venture capital process. Deal structuring and investment follows due diligence. Subsequent stage in
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Dimensions of APIDC VCL Role</th>
<th>No. of Enterprises that</th>
<th>Total</th>
<th>Weighted Aggregate Score</th>
<th>Weighted Average Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>Strongly Agree</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>1.</td>
<td>Receptive to innovative ideas</td>
<td>Strongly Agree</td>
<td>03</td>
<td>03</td>
<td>03</td>
<td>03</td>
</tr>
<tr>
<td>2.</td>
<td>Prompt financing</td>
<td>Strongly Agree</td>
<td>01</td>
<td>04</td>
<td>01</td>
<td>04</td>
</tr>
<tr>
<td>3.</td>
<td>Rendering managerial services, besides investment</td>
<td>Strongly Agree</td>
<td>03</td>
<td>03</td>
<td>03</td>
<td>03</td>
</tr>
<tr>
<td>4.</td>
<td>Pro-active role in new project promotion</td>
<td>Strongly Agree</td>
<td>02</td>
<td>02</td>
<td>02</td>
<td>02</td>
</tr>
<tr>
<td>5.</td>
<td>Ranks above other venture capitalists</td>
<td>Strongly Agree</td>
<td>01</td>
<td>01</td>
<td>04</td>
<td>04</td>
</tr>
<tr>
<td>6.</td>
<td>Acts as business partner</td>
<td>Strongly Agree</td>
<td>01</td>
<td>03</td>
<td>02</td>
<td>02</td>
</tr>
<tr>
<td>7.</td>
<td>Contribution to A.P's economy</td>
<td>Strongly Agree</td>
<td>01</td>
<td>04</td>
<td>01</td>
<td>01</td>
</tr>
</tbody>
</table>

**Note**: Weights assigned to strongly agree, agree, disagree and strongly disagree are 4, 3, 2 and 1 respectively.

**Source**: Primary Data.
### Table 6.7

**SELF-PERCEPTIONS OF PORTFOLIO ENTERPRISES ABOUT VENTURE PERFORMANCE**

(N = 6)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Dimensions of venture performance</th>
<th>Portfolio Enterprises perceiving</th>
<th>Aggregate Weighted Score</th>
<th>Average Weighted Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very Good</td>
<td>Good</td>
<td>Fair</td>
<td>Poor</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>1</td>
<td>Sales</td>
<td>01</td>
<td>02</td>
<td>03</td>
<td></td>
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<tr>
<td>2</td>
<td>Market share</td>
<td>01</td>
<td>03</td>
<td>02</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Cost effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Production</td>
<td>01</td>
<td>03</td>
<td>02</td>
<td></td>
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<tr>
<td></td>
<td>(b) Marketing</td>
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<td>02</td>
<td>01</td>
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<td></td>
<td>(c) General administration</td>
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<td>03</td>
<td>02</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Profits</td>
<td></td>
<td>02</td>
<td>02</td>
<td>02</td>
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<td>5</td>
<td>ROI</td>
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<td>03</td>
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<td>03</td>
</tr>
</tbody>
</table>

**Note**: Weights assigned to very good, good, fair and poor are 4, 3, 2 and 1 respectively.

**Source**: Primary data.
the process is monitoring portfolio enterprises. The last step in the process is exit.

Entrepreneurial responses of portfolio enterprises reveal source of information to APIDC VCL was mostly personal contacts. Weighted perpetual scores of portfolio enterprises reveal that venture capital fund was mostly treated as risk capital and least treated as investment in high-tech projects. Most of the sample enterprises approached APIDC VCL for start-up investment financing. Perceptual scores of portfolio enterprises reveal that in APIDC VCL board and enterprise interface, the first rank was accorded to three dimensions viz., APIDC VCL serving as sounding board, monitoring operating and financial performance. As to role of APIDC VCL first rank was accorded to its respective role to innovative business ideas. Self-perceptions of portfolio enterprises reveal that three factors- market share, cost-effective production, and cost-effective general and administration- were top rank indicators of their performance.