

A Study on Venture Capital of SBI Venture Capital IDBI Venture Capital

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Abstract: In India venture capital plays a vital role in the development and growth of innovative entrepreneurship. Prior to 1997, the private equity (PE) market was very small and mostly based on official funding from the government and multilateral agencies such as World Bank. The actual growth was observed during early days of dotcom boom with entry of Foreign Institutional Investors (FIIs) (Adilakshmi and Jampala, 2007). Subsequent to IT bubble, the seed stage funding declined substantially. However, the market started recovering during 2004. The study aims at analysing the financial performance of venture capital firms using ratio analysis, common size financial statement and comparative balance sheet. It is concluded that the financial performance of both SBI venture capital fund and IDBI venture capital fund is found during the study period.

Keywords: Venture Capital, Start-ups, Employment Growth, Selection Bias, Evaluation.

1. Introduction

Venture capital is a form of funding for a new or developing enterprise. It commonly comes from undertaking capital firms focusing on constructing high hazard monetary portfolios. With mission capital, the undertaking capital company gives investment to the startup corporation in change for fairness in the startup. Startup or growth equity capital or loan capital provided with the aid of private investors (the undertaking capitalists) or specialized financial institutions (development finance houses or challenge capital firms). Also known as danger capital.

2. Review of literature

A Study on Determinants of Investment Decisions: Venture Capitalist's Perspective by Prashant T. Patil, V. N. Sayankar, and Madhulika A. Sonawane. (2016), Venture Capital industry in India is growing faster due to favourable economic conditions and conducive business environment. Entrepreneurial background, idea/product viability, business sustainability and competition are the major determinants on demand side considered by venture capital firms in screening of proposal for investment. And finally the study also reveals that investors are looking for managerial control in the venture where they are going to invest as their investments are at risk in early and growth stage of investments.

Viren Chavda (2014), in a paper "An Overview of Venture

Capital Financing in India" concluded that there is an urgent need for encouragement of risk capital in India, as this would widen the industrial base of high tech industries and promote the growth of technology.

Rani and Katyal (2015), in a paper "Venture Capital in India: Sector-Wise Analysis" concluded that Venture Capitalists in India are biased toward technology companies with 68% of investments made in this sector. Other sectors include healthcare and education accounting for 9% and 7% of total investments respectively. The venture capital industry in India somewhat frustrating run. With too much money chasing too few deals, Indian venture capital is struggling.

Sabrinathan (2017) in a paper "Venture Capital and Private Equity Investing in India – An Exploratory Study" concluded that the venture capital industry has grown in terms of breadth, depth as well as sophistication in fund management practices. Venture capital has the capacity to support enterprises across a range of sectors that have the potential and promise by providing funding across their various stages of development. Venture capital industry has evolved into being a source of growth financing for innovative and technology led businesses. The analysis also revealed that the market for managing Venture capital funds is highly competitive with fairly high rates of entry and exit of fund management entities.

Shetty (2017), in a paper "A Comparative Study on Impact of Venture Capital Financing on Startups in India" concluded that when compared to venture financing in USA and China, Indian venture capital sector performance is relatively less but taking the Indian economy as whole there is substantial growth and rapid investment momentum mainly in the consumer technology sector.

3. Objectives of the study

- To analyze the financial performance of the select venture capital.
- To offer suitable suggestions to improve the financial performance of venture capital with regard to SBI venture capital and IDBI venture capital.

4. Scope of the study

The study deals with the analysis of venture capital of SBI

venture capital of India and IDBI venture capital of India. It does not cover other venture capital providing loans and advances.

5. Research methodology

- This study is mainly based on secondary data.
- Secondary data were collected from journals, dailies, annual reports, magazines, literature and websites of selected venture capital.

A. Period of the study

The study covers a period of nine years from 2014 to 2018.

B. Data analysis

Secondary data collected were analyzed using

- Ratio analysis,
- Common-size statement analysis.
- Comparative statement analysis.

C. Limitations of study:

The sources of data for the study are secondary in nature, which provides only limited information.

D. Ratio analysis

Ratio analysis is a commonly used tool of financial statement analysis. Ratio is mathematical relationship between one number to another number. Ratio is used as an index for evaluating the financial performance of the business concern.

Table 1
Current ratio

Year	SBI venture capital ratio	IDBI venture capital ratio
2014	8.29	7.93
2015	6	10.81
2016	6.72	12.08
2017	5.14	9.02
2018	1.51	6.83
Mean score	5.5	9.33

Source: calculated

Formula:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Interpretation:

From the table 1, it is inferred that IDBI venture capital has high mean score of liquidity ratio of 9.33 compared with SBI venture capital. The ratio is more than the standard ratio of 2:1. Hence, it is concluded that the liquidity position of SBI venture capital fund and IDBI venture capital fund is good.

Table 2
Reserve and surplus ratio

Year	SBI venture capital ratio	IDBI venture capital ratio
2014	11.90	6.38
2015	9.06	8.63
2016	10.26	9.61
2017	5.71	6.76
2018	0.73	4.92
Mean score	7.53	7.26

Formula:

$$\text{Reserve and surplus ratio} = \frac{\text{Reserve and surplus}}{\text{Current liabilities}}$$

Interpretation:

From the above table 2, it is concluded that IDBI venture capital has less mean score of reserve and surplus ratio of 7.26 compared with SBI venture capital.

Table 3
Tangible assets ratio

year	SBI venture capital ratio	IDBI venture capital ratio
2014	9.60	0.01
2015	0.007	0.01
2016	0.08	0.02
2017	0.06	0.01
2018	00006	0.02
Mean score	1.94	0.014

Source: calculated

Formula:

$$\text{Tangible assets ratio} = \frac{\text{Tangible assets}}{\text{Total assets}}$$

Interpretation:

From the table 3, it is concluded that SBI venture capital has more tangible asset when compared to IDBI venture capital.

Table 4
Intangible asset ratio

Year	SBI venture capital ratio	IDBI venture capital ratio
2014	5.97	2.09
2015	0.003	1.36
2016	0.002	6.74
2017	0.003	4.95
2018	0.001	2.60
Mean score	1.20	3.55

Source: calculated

Formula:

$$\text{Intangible assets ratio} = \frac{\text{Intangible asset}}{\text{Total asset}}$$

Interpretation:

From the above table 4, it is concluded that IDBI venture capital has more intangible asset ratio when compared to SBI venture capital.

Table 5
Fixed assets to total assets ratio

year	SBI venture capital ratio	IDBI venture capital ratio
2014	0.18	0.04
2015	0.26	0.08
2016	1.58	0.07
2017	1.65	0.07
2018	1.53	0.06
Mean score	1.04	0.064

Source: calculated

Formula:

$$\text{Fixed assets to total assets ratio} = \frac{\text{Fixed asset}}{\text{Total assets}}$$

Interpretation:

From the above table 5, it is concluded that, SBI venture capital has more fixed assets when compared to IDBI venture capital.

Table 6
Share capital to total liabilities ratio

Year	SBI venture capital ratio	IDBI venture capital ratio
2014	0.74	4.39
2015	0.54	5.88
2016	0.58	6.65
2017	0.27	4.62
2018	0.03	3.37
Mean score	0.43	4.98

Source: calculated

Formula:

$$\text{Share capital ratio} = \frac{\text{Share capital}}{\text{Total liabilities}}$$

Interpretation:

From the above table 6, it is concluded that IDBI venture capital has more share capital when compared to SBI venture capital.

E. Common size statements

Under this method, financial statements are analyzed to measure the relationship of various figures with some common base. Accordingly, while preparing the common size profit and loss account, total sales are taken as common base and other items are expressed as a percentage of sales.

Table 7
Common size financial statement of SBI venture capital as on 31.03.2017 & 31.03.2018

S.No.	Particulars	Year 2017	2017 %
	ASSETS		
1	Intangible assets	443	0.30
2	Long-term loans & advances	9520	6.46
3	Current investments	2088	1.42
4	Trade receivables	33604	22.83
5	Cash & cash equivalents	25629	17.41
	Total assets	71284	100
	LIABILITIES		
1	Share capital	5803	4
2	Reserves and surplus	119029	81
3	Other long-term liabilities	90	0.06
4	Long-term provisions	1438	0.10
5	Short-term borrowings	2406	2
6	Trade payables	10881	7.52
7	Other current liabilities	4976	3.28
	Total liabilities	147195	100

Source: Calculated

Table 8
Common size financial statement of SBI venture capital as on 31.03.2018 & 31.03.2019

S.no.	Particulars	Year 2018	2018 %
	ASSETS		
1	Intangible assets	24	0.01
2	Trade receivables	20189	9
3	Investments	186490	86
4	Investment property	6907	3.19
5	Cash & cash equivalents	3218	1.48
	Total assets	328742	100
	LIABILITIES		
1	Borrowings	30032	14.47
2	Other financial liabilities	3342	2
3	Provisions	1086	0.52
4	Other non-financial liabilities	4363	2.10
5	Equity share capital	5803	3
6	Other equity	162921	78
	Total liabilities	328742	100

Source: Calculated

Table 9
Common size financial statement of IDBI venture capital as on 31.03.2017 & 31.03.2018

S.No.	Particulars	Year 2017	2017 %
	ASSETS		
1	Tangible assets	670	1.95
2	Intangible assets	170	0.50
3	Long-term loans & advances	230	0.67
4	Trade receivables	7388	21.54
5	Cash & bank balances	12698	37.01
	Total assets	34306	100
	LIABILITIES		
1	Share capital	12810	37.34
2	Reserves & surplus	18727	54.96
3	Trade payables	2121	6.18
4	Other current liabilities	413	1.204
	Total liabilities	34306	100

Source: Calculated

Table 10
Common size financial statement of IDBI venture capital as on 31.03.2018 & 31.03.2019

S.No.	Particulars	Year 2018	2018 %
	ASSETS		
1	Tangible assets	731	2.07
2	Intangible assets	92	0.26
3	Long-term loans & advances	185	0.52
4	Trade receivables	7332	21
5	Cash & bank balances	13734	39
	Total assets	35256	100
	LIABILITIES		
1	Share capital	12810	36.33
2	Reserves & surplus	18656	53.92
3	Trade payables	2955	8.44
4	Other current liabilities	587	1.66
	Total liabilities	35256	100

Source: Calculated

Table 11

Comparative balance sheet of SBI venture capital for the year 2016-2017

Particulars	2016	2017	Increase (+) or Decrease (-) AMOUNT	Percentage
ASSETS				
Cash and bank balances	25403	25629	226	0.88
Other current assets	980	945	(-)35	(-)3.57
Non-current investment	13598	14476	878	6.75
Fixed assets	11736	9595	(-)2141	(-)18.24
Long-term loans & advances	7888	9508	1620	20.53
Total assets	134048	147195	13147	9.81
LIABILITIES				
Share capital	5803	5803	-	-
Reserves and surplus	108312	119029	10717	9.89
Other current liabilities	4532	4976	444	9.79
Short-term provisions	3988	2572	(-)1416	(-)35.51
Total liabilities	134048	147195	13147	9.81

Source: Calculated

Table 12

Comparative balance sheet of SBI venture capital for the year 2017-2018

Particulars	2017	2018	Increase (+) or Decrease (-) AMOUNT	Percentage
ASSETS				
Cash and bank balances	25629	160456	(-)134827	(-)526.07
Other current assets	945	767	(-)178	(-)18.84
Non-current investment	14476	23373	8897	61.46
Fixed assets	9595	8884	(-)711	(-)7.41
Long-term loans & advances	9520	9854	334	3.51
Total assets	147195	328742	181547	123.34
LIABILITIES				
Share capital	5803	5803	-	-
Reserves and surplus	119029	136585	17556	14.75
Other current liabilities	4976	14583	9607	193.07
Short-term provisions	2572	2906	334	12.97
Total liabilities	147195	328742	181547	123.34

Source: Calculated

Table 13

Comparative balance sheet of IDBI venture capital for the year 2016-2017

Particulars	2016	2017	Increase (+) or Decrease (-) AMOUNT	Percentage
ASSETS				
Cash and bank balances	11829	12693	864	7.30
Other current assets	170	177	7	4.12
Non-current investment	8654	8051	(-)603	(-)6.97
Fixed assets	961	906	(-)55	(-)5.72

Long-term loans & advances	198	230	32	16.16
Total assets	33229	34306	1077	3.24
LIABILITIES				
Share capital	12810	12810	-	-
Reserves and surplus	18495	18727	232	1.25
Other current liabilities	316	413	97	30.67
Short-term provisions	149	235	86	57.72
Total liabilities	33229	34306	1077	3.24

Source: Calculated

Table: 4

Comparative balance sheet of IDBI venture capital for the year 2017-2018

Particulars	2017	2018	Increase (+) or Decrease (-) AMOUNT	Percentage
ASSETS				
Cash and bank balances	12698	13734	1036	8.16
Other current assets	177	194	17	9.60
Non-current investment	8051	8102	51	0.63
Fixed assets	906	845	(-)61	(-)6.73
Long-term loans & advances	230	185	(-)45	(-)19.57
Total assets	34306	35256	950	2.76
LIABILITIES				
Share capital	12810	12810	-	-
Reserves and surplus	18727	18656	(-)71	(-)0.38
Other current liabilities	413	587	174	42.13
Short-term provisions	235	248	13	5.53
Total liabilities	34306	35256	950	2.76

Source: Calculated

6. Findings

- Liquidity position of SBI venture capital and IDBI venture capital are good.
- SBI venture capital is maintaining high reserves and surplus when compared to IDBI venture capital.
- SBI venture capital has more tangible assets when compared to IDBI venture capital.
- IDBI venture capital has more intangible assets when compared to SBI venture capital.
- SBI venture capital has more fixed assets when compared to IDBI venture capital.
- IDBI venture capital has attracted more equity share capital when compared to SBI venture capital.

7. Conclusion

Based on the financial statement analysis using financial ratios, it is concluded that the short term solvency position, long-term solvency position and profitability position are good for both SBI venture capital and IDBI venture capital.

References

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