

A STUDY ON ROLE OF ICICI VENTURES IN PROMOTION OF ENTERPRISES IN KARNATAKA

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ABSTRACT

Growth of any countries economy depends on industrialization, an industry generates employment opportunities, people will get employment, and employment increases the purchasing power as well as standard of living of the people. This is how economic development takes place. In this background present study made an attempt, to know the contribution of ICICI ventures in promotion of knowledge industries in the state of Karnataka by funding risky amount. The present study is found that ICICI Ventures Promoted more than 95 enterprises in the state of Karnataka from its inception by funding 1519.63 US \$ Million as on NOV 2012. Banking, Financial Service and Insurance sector (BFSI) is the largest beneficiary of ICICI Ventures with a share of 37.21% of its total investment. After BFSI, Health care and Life Science, is the second largest recipient with a total share of 13.24%. Manufacturing sector stood at third place with an investment of US \$ 109.83 Million, making it 7.23%.

Keywords: PE, ICICI Ventures

INTRODUCTION

Private Equity is a number of different types of investments that can be made with private money. These investments may be made to purchase a company, provide funding for a project, or simply make a private investment. Private equity firms generally focus on financial statements. They want to see what expertise they can bring to the income statement or balance sheet. These investors tend to emphasize the bottom line. They may propose operational changes or a comprehensive management restructuring to help the firm make more money. Capital structure, the amount and source of debt and equity a company has, may also be an area the private equity firm want to change. They are established investment bankers. Typically: Invest into proven/established businesses, Have “financial partners” approach, Invest between USD 5 –100 million

Profile of ICICI Ventures

ICICI venture is one of the largest and most successful alternative asset managers in India with funds under management of over US \$ 2 billion. It has been a pioneer in the Indian alternative asset industry since its establishment in 1988. ICICI ventures a wholly owned subsidiary of ICICI Bank, the largest private sector financial services group in India.

ICICI Venture has been at the forefront of driving entrepreneurship in India for over two decades, both as a partner and capital provider for individuals with a clear common objective, the passion to pursue business ideas in the quest for creating value for all stakeholders and for the larger good of the nation. Till date, various funds managed by the firm have invested in over 500 companies. ICICI Venture continues to remain committed to this mission. The firm has played a key role in establishing the foundation for several new age businesses in India, by providing growth capital funding to companies in sectors as diverse as Information Technology, Life Sciences and Healthcare, Media & Entertainment, Banking & Financial Services, Infrastructure, Retail, Aviation, Auto Components, Construction services, Real Estate, Biotechnology, Textiles, Fine Chemicals, Consumer Products, Logistics, etc. The firm played a pioneering role in the Indian Venture Capital industry during the 1990s but shifted focus to other alternative asset classes during the past decade in line with the evolution of Indian industry. Across sectors, the firm has helped in establishing several new business models to enable productivity improvements, technology up gradation and import substitution as a means of enhancing the competitive advantage of Indian industry in a rapidly changing global market environment.

The firm is widely regarded as a prime mover in the Indian alternative assets industry, having established a successful track record of investing and nurturing companies across economic cycles and across various classes of alternative assets such as Private Equity, Real Estate and Mezzanine Finance, with Infrastructure & Special Situations being the latest additions to its spectrum of activities. Going forward, the firm continues to explore new avenues within the alternative assets industry as a means of addressing funding requirements of Indian entrepreneurs and also as a means of offering a comprehensive alternative asset management platform to long term investors who are interested in participating in India's economic development.

ICICI Venture Business: ICICI Private Equity business currently manages three capital funds:

India Advantage Fund Series 1

India Advantage Fund Series 2

India Advantage Fund Series 3

These funds represent an aggregate original corpus of USD 1.45 billion. ICICI currently investing out of India Advantage Fund Series 3, which is a diversified, buyout and late-stage growth capital fund. ICICI investment philosophy is driven by the pursuit of transactions with established enterprises that are leaders or potential leaders in their respective markets. A clear proposition for value creation is a must.

Investment Themes: In the past, ICICI Venture's real estate investments have been focused across a wide range of asset classes and geographies, including investments in residential projects, integrated townships, IT parks/IT SEZs, retail malls and commercial properties in Mumbai, Hyderabad, Pune, Chennai and Central India.

ICICI latest fund, IAF RE S2, the investment theme will primarily centre on:

- Residential projects located within established as well as emerging locations of Tier I cities

- Entry at land acquisition stage to under-construction stage
- Shorter duration projects with a tenure of 3-4 years
- Partner with established developers in their respective micro-markets.

OBJECTIVES OF THE STUDY

- To study the investment of ICICI Ventures
- To know the sector wise investment of ICICI Ventures
- To identify the portfolios of ICICI Ventures

SCOPE OF THE STUDY

The present study is confined to ICICI Ventures under the registration of SEBI and functioning in Karnataka

DATA COLLECTION AND SOURCES OF DATA

The data is collected for a period of 13 years from 1998 to Nov 2012, the fund which is registered under SEBI, functioning in Karnataka. Secondary data is gathered from venture intelligence, company website, company's magazines, and other relevant documents.

Table 1. Portfolio Units of ICICI Ventures

Sl. No.	Enterprises	Sl. No.	Enterprises
1	Medicorp Technologies	47	Microland
2	Prize Petroleum	48	Sangam India
3	Avesthagen	49	Metropolis Healthcare
4	PVR Cinemas	50	Baazee.com
5	Mars Restaurants	51	Baazee.com
6	RelQ Software	52	Updater Services
7	EasyBuyMusic	53	Shoppers Stop
8	Naukri.com	54	PVR Cinemas
9	Trinethra	55	MAS Financial Services
10	Infowavz	56	Star Health and Allied
11	Contests2win	57	Insurance Company
12	PVR Cinemas	58	RG Stone Urological Research Institute
13	e-Eighteen.com	59	Geometric Software
14	iNabling Technologies	60	Samtel Color
15	TV Today Network	61	NDTV
16	Action Construction Equipment	62	Sahyadri Hospitals
17	Mahindra Retail	63	VA Tech Wabag
18	Crossword Bookstores	64	Nagarjuna Construction Company
19	Mars Restaurants	65	Subhiksha Trading Services

20	Accel Frontline	66	Medica Synergie
21	Biocon	67	Welspun India
22	Subhiksha Trading Services	68	Vikram Hospital & Heart Care
23	Pizza Corner	69	Rubamin
24	Delta Corp	70	Electrotherm
25	i-mint	71	TeamLease Services
26	People Combine Avenues	72	Arch Pharmalabs
27	Arch Pharmalabs	73	Malladi Drugs and Pharmaceuticals
28	India Infoline	74	Tebma Shipyard
29	(Karvy Stock Broking)	75	Kalpataru Power Transmission
30	Infowavz	76	Ace Refractories
31	Indus League	77	Gateway Distriparks
32	PVR Cinemas	78	Star Health and Allied Insurance co.
33	Celstream Technologies	79	Mahindra Gears and Transmisson
34	Bharat Biotech	80	PVR Pictures
35	Subhiksha Trading Services	81	Firstsource
36	Air Deccan	82	Arvind Brands
37	Centurion Bank of Punjab	83	Devyani International
38	Perlecan Pharma	84	Tops Security
39	GMR Infrastructure	85	Sainik Mining and Allied Services
40	Shriram City Union Finance	86	TechProcess Solutions
41	Karvy Stock Broking	87	Traveljini.com
42	eOfficePlanet India	88	Transafe Services
43	Reliance Petroleum	89	Miditech
44	MCX	90	Metalcastello
45	RelQ Software	91	Indo Schottle Auto Parts
46	RFCL	92	Hungama
93	Arrow Textile	94	Metalcastello
95	Radiant Research		

Source: Venture intelligence

Interpretation:

The above table depicts the portfolios of ICICI Ventures, it means that enterprises promoted by ICICI Venture from its inception in the state of Karnataka. And it can also infer that this enterprise generated lakhs of employment opportunities and contributes for economic development.

Data Analysis

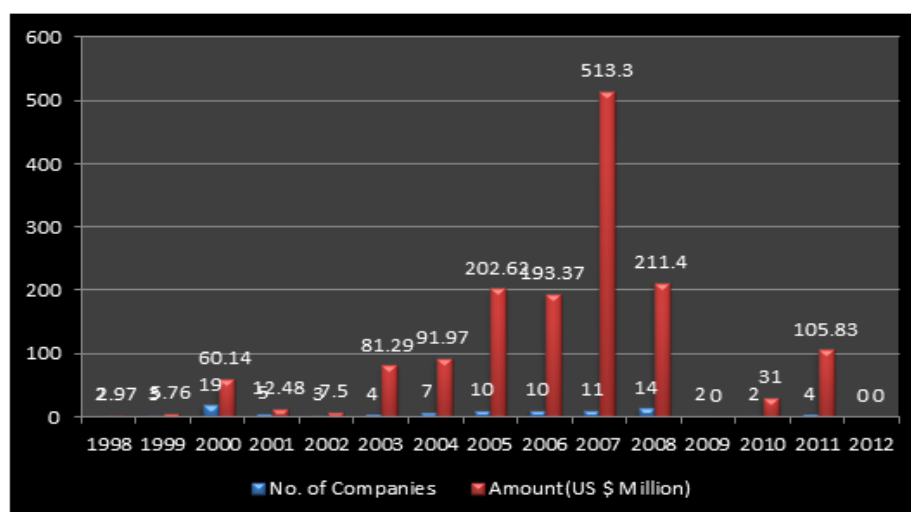
Table 2. Year - wise Investment of ICICI Ventures as on 31st Dec 2012

Year	No. of Companies	Amount(US \$ Million)
1998	2	2.97
1999	3	5.76
2000	19	60.14
2001	5	12.48
2002	3	7.50
2003	4	81.29
2004	7	91.97
2005	10	202.62
2006	10	193.37
2007	11	513.30
2008	14	211.40
2009	2	NA
2010	2	31.00
2011	4	105.83
2012	NA	NA
Total	96	1519.63

Source: Venture intelligence

Interpretation:

The above table represents the total investment made by ICICI Venture for the promotion of enterprises in Karnataka. It is apparent that 96 new enterprises are promoted by ICICI Venture by funding amount US \$ 1519.63 Million in Karnataka over a period of 15 years. Highest investment made by this firm in 2007 and 2008 with the amount of US \$513.3 and 211.4 Million respectively because of favorable market conditions for investment



Graph No. 1. Year - wise Investment of ICICI Ventures as on 31st Dec 2012

Inference:

The above graph depicts the Year - wise investment of ICICI Venture for the period of 15 years with number of enterprises promoted by company from its inception, since 1998 to 2012. Total investments are US \$ 1519.63 Million. Of which US \$ 513.3 is funded to promote 11 enterprises in 2007 and in 2008 company promoted 14 enterprises by investing an amount of US \$ 211.4 Million. So far 96 new enterprises are promoted by ICICI ventures in Karnataka.

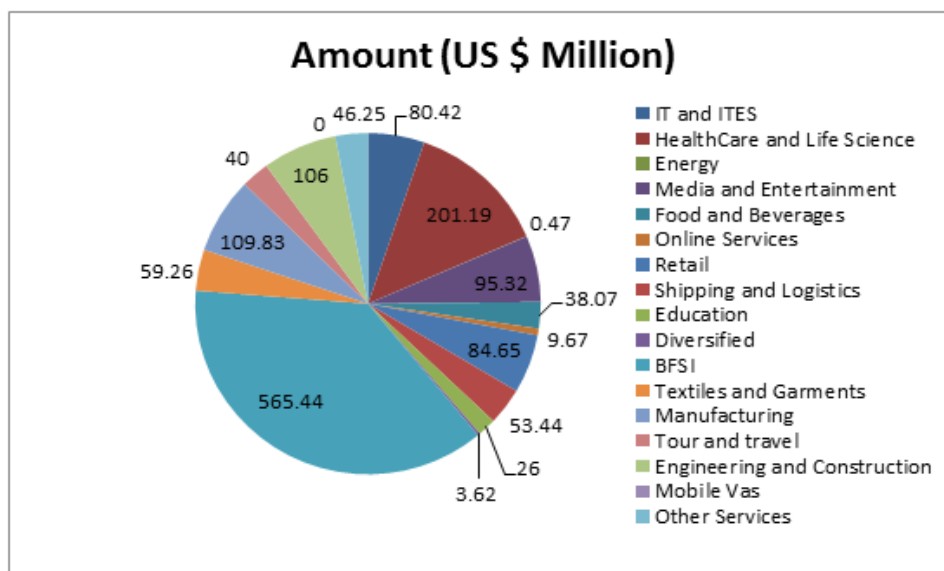
Table 3. Sector - wise Investment of ICICI Ventures Fund as on 31st Dec 2012

Sector	Amount (US \$ Million)	Percentage
IT and ITES	80.42	5.29
HealthCare and Life Science	201.19	13.24
Energy	0.47	0.031
Media and Entertainment	95.32	6.27
Food and Beverages	38.07	2.51
Online Services	9.67	0.64
Retail	84.65	5.57
Shipping and Logistics	53.44	3.52
Education	26.00	1.71
Diversified	3.62	0.24
BFSI	565.44	37.21
Textiles and Garments	59.26	3.89
Manufacturing	109.83	7.23
Tour and travel	40.00	2.63
Engineering and Construction	106.00	6.98
Mobile Vas	NA	NA
Other Services	46.25	3.04
Total	1519.63	100

Source: Venture intelligence

Interpretation:

The above table shows that Sector - wise investment of ICICI Ventures in Karnataka. Banking, Financial Service and Insurance sector is the largest beneficiary of Venture Capital with a share of 37.21%. After BFSI, Health care and Life Science, is the second largest recipient with a total share of 13.24%. Manufacturing sector stood at third place with an investment of US \$ 109.83 Million, making it 7.23%. Media and entertainment attracted 6.27% of the total share of ICICI Ventures.



Graph No 2. Sector - wise Investment of ICICI Ventures Fund as on 31st Dec 2012

Inference:

The above diagram states that BFSI attracted the highest share of Venture Capital during 1998 to 2012 followed by Health Care and Life Science. Manufacturing and media and entertainment sector were the most preferred sector for investment after above mentioned sector by ICICI Ventures. Because BFSI, Health care and Life Science including media and entertainment are growing industries so these industries are benefited by ICICI Ventures.

Table 4 . Stage - wise Investment of ICICI Ventures Fund as on 31st Dec 2012

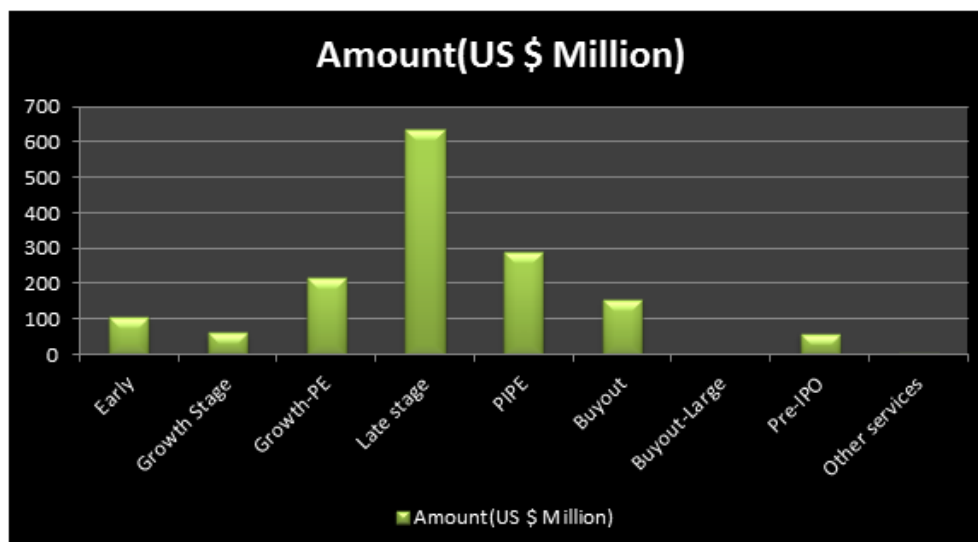
Stage	Amount(US \$ Million)	Percentage
Early	103.42	6.81
Growth Stage	61.77	4.10
Growth-PE	214.30	14.10
Late stage	634.38	41.75
PIPE	290.02	19.08
Buyout	155.38	10.22
Buyout-Large	NA	NA
Pre-IPO	58.16	3.83
Other services	2.20	0.14
Total	1519.63	100

Source: Venture intelligence

Interpretation:

The above table reveals that, the Stage at which ICICI Ventures funded for promotion of new enterprises, it is observed that ICICI funding more at Late stage of the enterprises for

expansion and diversification of the existing business, out of its total investment 41.75% is financed at late stage of the business. Later is preferred to invest during PIPE stage, as it offers better financial stability.



Graph No. 3. Stage - wise Investment of ICICI Ventures Fund as on 31st Dec 2012

Inference:

The above graph depicts that ICICI venture preferred to invest in late stage of the enterprises. Total investment made by ICICI Venture is US \$ 634.38 Million since inception in late stage of the enterprises. Later it shows more interest to fund at PIPE (Public Investment in Private equity) stage. Third place witnessed to growth-PE stages by ICICI Ventures with an amount US \$ 214.3 Million.

CONCLUSION

ICICI ventures a wholly owned subsidiary of ICICI Bank, the largest private sector financial services group in India. From present study it is found that ICICI ventures promoted more than 90 knowledge intensive industries in the state of Karnataka.

At last it can be conclude that, the task performed by the ICICI ventures is commendable in the field of promotion of new enterprises for economic development.

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