



## **ANALYSIS OF INVESTMENT PREFERENCES OF VENTURE CAPITAL FIRMS**

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### **ABSTRACT**

*The paper is an attempt to analyze and understand the investment preferences of Venture Capital firms and further, the preferences of Venture Capitalists were tested to find whether it is homogeneous across different categories of Venture Capital firms. It is a common perception that Venture Capitalists are inclined towards investing in those industries, which have the potential to grow fast in a short span of time and hence their financing decisions are largely dependent on the ability of the firm to grow their business exponentially. The paper is based on primary data of a sample consisting of 15 Venture Capital firms operating in India.*

**Key Words:** Venture Capital, Venture Capitalist, Investment Preferences, Investment Process

### **Introduction**

There is a common perception that Venture Capitalists (VCs) prefer to invest in some selective industries and sectors. Moreover, they also have some reservations regarding stage of investment, investment size, financing instrument and geographical location within the chosen industry. In the paper, an attempt is made to probe this perception and an attempt is made to find whether the VC firms have any preference to invest in a particular sector or industry. The preferences of VCs towards other aspects of investment i.e. stage of investment, investment size and instrument, geographical and exit preferences have also been probed.

## Objectives and Methodology

In this study an attempt is made to understand and evaluate the investment preferences of selected VC firms. The opinion and preferences of a sample of 15 venture capital firms operating in India has been collected through a combination of Structured Questionnaire, personal interviews, discussions and deliberations. The respondents were primarily contacted in several mentoring sessions, networking sessions, seminars and conferences organized by TIE (The Indus Entrepreneur) and IVCA (Indian Venture Capital Association) followed by subsequent personal visits.

To analyze the effect of various demographic and organizational characteristics of the VC firms' towards their investment preferences the researcher attempted cross tabulation and computed contingency coefficient (C) and Chi- square statistics. The observations and findings are discussed below.

### 1.1 Sector/ Industry Preference

The fact that Venture Capitalists prefer certain sectors/ industries has been also confirmed in the paper. The top three sectors preferred by VCs are IT & IT Enabled services, Pharma, Healthcare & life sciences and Manufacturing. IT & ITES seems to be a the most favourite sector preferred by 80% (12) of the firms, followed by Pharma, Healthcare & life sciences preferred by 66% (10) and Manufacturing sector was preferred by 60% (9) of the respondents. The other sectors, which were also catching the attention of the VCs, are Engineering & Construction, Banking & financial Services & Insurance.

**Table 1.1 Sector/ Industry Preferences**

Sector/ Industry Type	Frequency	%
IT & IT Enabled Services	12	80.00
Manufacturing	9	60.00
Engineering & Construction	6	40.00
Banking, Financial Services & Insurance	6	40.00
Pharma / Healthcare & Life Sciences	10	66.70
Agriculture & Food Processing	0	0.00
Media & Entertainment	2	13.30

Education & Consultancy services	4	26.70
Retail	1	6.70
Other	2	13.30

It would be of interest to analyse whether industry preferences differ across different characteristic features of VCs. The industry preferences were tested across the different features to find any significant relationship. The observations and findings are explained below;

### 1.1.1 Location & Industry Preferences

The cross tabulation results revealed that there is no significant difference among the firms located in Delhi and outside Delhi regarding industry preference. It appears that all firms irrespective of their location have the same preference for various industry types. The only exception seems to be the Education & Consultancy Services, where it has been observed that the Delhi based VC firms does not prefer it. In contrast a majority (67%) of firms based outside Delhi prefer Education & Consultancy Services for funding.

**Table 1.1.1 Location & Industry Preference**

Industry Type	X <sup>2</sup>	C	df	P
IT & IT Enabled Services	2.50	.378	1	.114
Manufacturing	0.185	.110	1	.667
Engineering & Construction	2.269	.362	1	.132
Banking, Financial Services & Insurance	0.417	.164	1	.519
Pharma / Healthcare & Life Sciences	.000	.000	1	1.000
Media & Entertainment	.096	.080	1	.756
Education & Consultancy services	8.182	.594	1	<b>.004</b>
Retail	1.607	.311	1	.205
Other	.096	.080	1	.756

*X<sup>2</sup> = Pearson Chi-Square, C = Contingency Coefficient, D = Degree of Freedom, P = Level of significance*

### 1.1.2 Firm type & Industry Preference

An attempt was made to test whether there is a significant relationship between a type of firm and preference for a certain industry. The result showed that there is a significant difference regarding preference to three industries namely; Manufacturing, Education & Consultancy Services and Retail. All the firms (100%) which are either affiliate of Bank / Financial Institutions or Govt. affiliated firms in comparison to only a few (33%) among private independent preferred the manufacturing industry. In case of education & consultancy services also, all Govt. affiliated firm preferred it but the rest of firms have shown little or no interest in it. The same was the case with Retail, only the Govt. affiliated firms (50%) preferred it.

**Table 1.1.2 Firm Type & Industry Preference**

Industry Type	X <sup>2</sup>	C	df	P
IT & IT Enabled Services	2.500	.378	2	.287
Manufacturing	6.667	.555	2	.036
Engineering & Construction	2.616	.385	2	.270
Banking, Financial Services & Insurance	2.616	.385	2	.270
Pharma / Healthcare & Life Sciences	1.625	.313	2	.444
Media & Entertainment	1.538	.305	2	.463
Education & Consultancy services	7.045	.565	2	.030
Retail	6.964	.563	2	.031
Other	2.981	.407	2	.225

### 1.1.3 Firm's Domicile & Industry Preference

There seems to be no significant relationship as far as domicile status and industry preference is concerned, except in case of Media & Entertainment; the domestic VC firms do not prefer it at all whereas some of the foreign VCs (33%) reported to consider it for funding.

**Table 1.1.3 Firm's Domicile & Industry Preference**

Industry Type	X <sup>2</sup>	C	df	P
IT & IT Enabled Services	2.500	.378	1	.114
Manufacturing	.417	.164	1	.519
Engineering & Construction	.185	.110	1	.667
Banking, Financial Services & Insurance	.417	.164	1	.519

Pharma / Healthcare & Life Sciences	.000	.000	1	1.000
Media & Entertainment	3.462	.433	1	.063
Education & Consultancy services	.227	.122	1	.634
Retail	.714	.213	1	.398
Other	1.538	.305	1	.215

#### 1.1.4 Form of Organisation & Industry Preference

It has been observed that the form of organization and industry preference do not have any significant relationship, all the firms with different form of organization were found to have more or less similar preference for the various types of industries.

**Table – 1.1.4 Form of Organisation & Industry Preference**

Industry Type	X <sup>2</sup>	C	df	P
IT & IT Enabled Services	2.500	.378	2	.287
Manufacturing	.741	.217	2	.690
Engineering & Construction	2.407	.372	2	.300
Banking, Financial Services & Insurance	1.667	.316	2	.435
Pharma / Healthcare & Life Sciences	1.400	.292	2	.497
Media & Entertainment	.385	.158	2	.825
Education & Consultancy services	.682	.209	2	.711
Retail	.714	.213	2	.700
Other	1.538	.305	2	.463

#### 1.1.5 Year of Establishment & Industry Preference

The firms under study based on their establishment were classified in three categories i) established during 1984- 1990 (Old) ii) 1991- 2000 (Mid age) and iii) 2001- 2005 (New). A significant relationship between age of the firm and industry preference has been found in case of IT & ITES and Pharma & Healthcare. The old and mid age firms have been found to have greater preference for these industries as compare to newly established firm. All the old and mid age firms preferred IT & ITES as compared to only 50% of the newly established firms. All the old firms preferred the pharma & Healthcare sector and a majority of the mid age firms (75%) as compared to only few (33%) of the newly established firms.

**Table – 1.1.5 Year of Establishment & Industry Preference**

<b>Industry Type</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
IT & IT Enabled Services	5.625	.522	2	.060
Manufacturing	1.250	.277	2	.535
Engineering & Construction	2.986	.407	2	.225
Banking, Financial Services & Insurance	2.986	.407	2	.225
Pharma / Healthcare & Life Sciences	5.625	.522	2	.060
Media & Entertainment	1.298	.282	2	.523
Education & Consultancy services	.256	.129	2	.880
Retail	2.946	.405	2	.229
Other	3.462	.433	2	.177

**1.1.6 Fund Size & Industry Preference**

The relationship between the size of the fund and industry preference was probed and it has been found that only in case of IT & ITES there is a significant difference across the firms with varying size of funds. All the firms with small and large size of fund reported their preference for this industry as compared to only some (40%) of the firms in medium fund size category.

**Table – 1.1.6 Fund Size & Industry Preference**

<b>Industry Type</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
IT & IT Enabled Services	7.500	.577	2	.024
Manufacturing	.000	.000	2	1.000
Engineering & Construction	1.667	.316	2	.435
Banking, Financial Services & Insurance	1.667	.316	2	.435
Pharma / Healthcare & Life Sciences	.600	.196	2	.741
Media & Entertainment	1.154	.267	2	.562
Education & Consultancy services	.682	.209	2	.711
Retail	2.143	.354	2	.343
Other	4.615	.485	2	.099

### 1.1.7 SEBI Registration & Industry Preference

The significant relationship between the SEBI registration status and industry preference have found only in case of Media & Entertainment. None of the firms registered with SEBI preferred it whereas some (40%) of the non-registered firms expressed interest in it.

**Table – 1.1.7 SEBI Registration & Industry Preference**

Industry Type	X <sup>2</sup>	C	df	P
IT & IT Enabled Services	1.875	.333	1	.171
Manufacturing	1.250	.277	1	.264
Engineering & Construction	1.250	.277	1	.264
Banking, Financial Services & Insurance	1.250	.277	1	.264
Pharma / Healthcare & Life Sciences	.600	.196	1	.439
Media & Entertainment	4.615	.485	1	.032
Education & Consultancy services	.682	.209	1	.409
Retail	.536	.186	1	.464
Other	1.154	.267	1	.283

## 1.2 Investment Preference

The VCs generally are not only focused on some industries as discussed above but also have some reservations regarding various other aspects of investments like stage of investment, size of investment in a venture, financing instrument (debt/ equity or hybrid), geographical location of the venture, and exit related issues. In the study, these dimensions have been explored and the observations and findings are discussed in the following paragraphs.

### 1.2.1 Stage preference

VCs are selective about the stage of investment in funding matters. This is evident in the study, the First and early stage is found to be most preferred as reported by 87% (13) of the respondents followed by Second/ Later stage, preferred by 67% of the firms. Only seven (47%) firms preferred the seed / Startup stage and six (40%) firms preferred the PIPE (Private Investment in Public Enterprises) deals.

**Table – 1.2 Stage of Investment Preferences Reported by the VCF**

N = 15		
Stages of Investments	Frequency	Percentages
Seed / Startup	7	46.7
First / Early stage	13	86.7
Second / later stage	10	66.7
Expansion	5	33.3
Turnaround	0	0
PIPE	6	40

### 1.2.2 Investment Size preferences

In the study, an attempt is made to find the range of investments preferred by VCs. It has been observed that the size of investment reported by the VC firms varies from less than a million US Dollars to more than US\$ 20mn. Majority of the firms (60%) prefer to invest up to US\$ 5mn, a range of investment between US\$ 5 mn – 15 mn were preferred by 27% of the respondents and there were only two firms which prefer to invest more than US\$ 15mn.

**Table – 1.2.2 Investment Size Preferences**

N = 15		
Investment Size (Million US \$)	Frequency	Percentages
<1	5	33.3
1 – 5	4	26.7
5 – 10	2	13.3
10 – 15	2	13.3
15 – 20	1	6.7
>20	1	6.7



### 1.2.3 Investment Instrument preference

There are different types of instruments being used in VC funding ranging from equity and equity linked hybrid instruments to debt instruments. In the present study majority (60%) of the firms reported to prefer equity and equity related instruments, the rest of the firms equally prefer redeemable preference share (20%) and convertible debt (20%).

**Table – 1.2.3 Investment Instrument Preferences Reported by the VCF**

N = 15		
Financing Instrument Preferred:	Frequency	Percentages
Equity	9	60
Redeemable Pref. Share	3	20
Convertible Debt	3	20

### 1.2.4 Geographic Preference

The geographic preference too has been an important issue in VC investment preference. In the study it has been observed that a good number of the firms (47%) prefer to invest on all India level whereas some of them (27%) reported to have a global outlook and are ready to invest in any part of the world. among the rest, two prefer to invest in Asian subcontinent and two reported to invest only in a selected Indian region.

**Table – 1.2.4 Geographic Preferences for Investment Reported by the VCF**

N = 15		
Geographic Preference:	Frequency	Percentages
Within a particular Indian Region	2	13.3
All India	7	46.7
Within Asia	2	13.3
Worldwide	4	26.7

### 1.2.5 Exit preference

Exit issues are the most crucial part of the VC investment process. With the booming stock market, the IPO (Initial Public Offering) is reported to be the most sought after exit route reported by a majority (67%) of the firms. The second option was Merger & Acquisitions reported by 27% of the firms.

Over the exit period, issue there was a sort of consensus as 80% of the firms reported to prefer a period of 3 – 5 years and the rest (20%) preferred a longer period of 5 – 7 years.

**Table – 1.2.5 Exit Preferences Reported by the VCF**

N = 15		
	Frequency	Percentages
<b>Exit Route Preference:</b>		
IPO	10	66.7
Merger & Acquisitions	4	26.7
Sale through Stock Exchange	1	6.7
<b>Exit Period Preference:</b>		
3- 5 years	12	80
5- 7 years	3	20

### **1.2.6 Non- Disclosure Agreement issues**

Among the VCs, the willingness to sign the Non Disclosure Agreement (NDA) is found to be very low as most of the respondents (60%) made it clear that they would not like to sign the NDA. The rest (40%) are of the view that it is not a big issue and they may sign if it is essential.

**Table – 1.2.6 Investment Preferences Reported by the VCF**

N = 15		
Stages of Investments	Frequency	Percentages
<b>Willingness to Sign the Non Disclosure Agreement</b>		
No	9	60
Doesn't matter/ May Sign	6	40

An attempt was made to test the investment preferences of VCs to examine whether it differs across the various characteristic features of VCs. The observation and findings are discussed below;

### **1.2.7 Location & Investment Preferences**

No significant difference has been found between the VC firms based in Delhi & NCR and other locations regarding their investment preferences, However in case of stage of investment in second and later stage only it has been found that all (100%) firms not based in Delhi preferred it whereas only some (44%) of Delhi based firms expressed their interest in it.

**Table – 1.2.7 Location & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	.045	.054	1	.833
<i>First / Early stage</i>	1.538	.305	1	.215
<i>Second / later stage</i>	5.000	.500	1	.025
<i>Expansion</i>	.000	.000	1	1.000
<i>Turnaround</i>				
<i>PIPE</i>	.185	.110	1	.667
<i>Other</i>				
Investment Size Preference	2.708	.391	5	.745
Financing Instrument Preference	1.111	.263	2	.574
Geographic Preference	3.839	.451	3	.279
Exit Route Preference	1.875	.333	2	.392
Exit Period Preference	2.500	.378	1	.114
NDA Signing preference	2.963	.406	1	.085

### 1.2.8 Firm Type & Investment Preferences

All type of firms seems to have similar preference with reference to stage of investment as no significant difference has been found between the type of firms and investment preferences. However, regarding geographic preference the private independent firms have had a global outlook whereas most of the affiliate of bank/ financial institutions (75%) preferred firms within India and all the Govt. affiliated firms prefer to invest in a selected region only as they are established with the same objective.

**Table – 1.2.8 Firm Type & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	.045	.054	2	.978
<i>First / Early stage</i>	1.538	.305	2	.463
<i>Second / later stage</i>	1.500	.302	2	.472
<i>Expansion</i>	.375	.156	2	.829
<i>Turnaround</i>				

<i>PIPE</i>	2.616	.385	2	.270
<i>Other</i>				
Investment Size Preference	12.917	.680	10	.228
Financing Instrument Preference	2.407	.372	4	.661
Geographic Preference	16.652	.725	6	.011
Exit Route Preference	3.938	.456	4	.415
Exit Period Preference	.590	.195	2	.744
NDA Signing preference	3.542	.437	2	.170

### 1.2.9 Firm's Domicile Status & Investment Preferences

Some differences have been observed between the firm's domicile status and their investment preferences. A majority of domestic firms (67%) reported greater preference for seed/ startup stage funding in comparison to very few foreign firms (16%). An overwhelming majority of foreign firms (83%) as compare to few domestic firms (11%) mostly preferred PIPE Deals. In terms of geographic preference the domestic firms are confined to investing within India whereas foreign firms are ready to invest in firms anywhere in the world. In exit route preference most of the domestic firms (88%) preferred IPO whereas a majority of foreign firms preferred M&A (67%) and some of them preferred IPO (33%).

**Table – 1.2.9 Firm's Domicile Status & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	3.616	.441	1	.057
<i>First / Early stage</i>	.096	.080	1	.756
<i>Second / later stage</i>	1.250	.277	1	.264
<i>Expansion</i>	.000	.000	1	1.000
<i>Turnaround</i>				
<i>PIPE</i>	7.824	.585	1	.005
<i>Other</i>				
Investment Size Preference	6.458	.549	5	.264
Financing Instrument Preference	2.963	.406	2	.227
Geographic Preference	15.000	.707	3	.002

Exit Route Preference	8.333	.598	2	.016
Exit Period Preference	1.111	.263	1	.292
NDA Signing preference	2.269	.362	1	.132

### 1.2.10 Form of Organisation & Investment Preferences

The investment preferences of the firms seems to be similar irrespective of the form of organization of the firms as no significant difference has been observed between the forms of organization of the firms and their investment preferences.

**Table – 1.2.10 Form of Organisation & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	1.250	.277	2	.535
<i>First / Early stage</i>	1.538	.305	2	.463
<i>Second / later stage</i>	1.400	.292	2	.497
<i>Expansion</i>	.600	.196	2	.741
<i>Turnaround</i>				
<i>PIPE</i>	2.407	.372	2	.300
<i>Other</i>				
Investment Size Preference	13.067	.682	10	.220
Financing Instrument Preference	6.519	.550	4	.164
Geographic Preference	6.500	.550	6	.370
Exit Route Preference	2.700	.391	4	.609
Exit Period Preference	5.278	.510	2	.071
NDA Signing preference	.741	.217	2	.690

### 1.2.11 Year of Establishment & Investment Preferences

The age of firms and their investment preferences were found to be independent across various investment parameters. Only in case of expansion stage where it was observed that most of the mid age firms (75%) prefer to invest at expansion stage in comparison to very few of the new firms (33%) and the older firms do not prefer it at all.

**Table – 1.2.11 Year of Establishment & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	1.138	.266	2	.566
<i>First / Early stage</i>	3.462	.433	2	.177
<i>Second / later stage</i>	.225	.122	2	.894
<i>Expansion</i>	5.625	.522	2	.060
<i>Turnaround</i>				
<i>PIPE</i>	1.319	.284	2	.517
<i>Other</i>				
Investment Size Preference	12.588	.675	10	.248
Financing Instrument Preference	3.278	.423	4	.512
Geographic Preference	7.884	.587	6	.247
Exit Route Preference	2.263	.362	4	.688
Exit Period Preference	2.292	.364	2	.318
NDA Signing preference	.625	.200	2	.732

### 1.2.12 Fund Size & Investment Preferences

The investment preference of firms and the size of funds they are managing do not have any significant relationship except in case of geographic preference. A majority (80%) of the firms with large size of funds have had a global approach towards investment whereas the small and mid size firms prefer to invest within India only.

**Table – 1.2.12 : Fund Size & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	2.143	.354	2	.343
<i>First / Early stage</i>	1.154	.267	2	.562

<i>Second / later stage</i>	.600	.196	2	.741
<i>Expansion</i>	.600	.196	2	.741
<i>Turnaround</i>				
<i>PIPE</i>	5.000	.500	2	.082
<i>Other</i>				
Investment Size Preference	13.800	.692	10	.182
Financing Instrument Preference	4.667	.487	4	.323
Geographic Preference	17.143	.730	6	.009
Exit Route Preference	5.400	.514	4	.249
Exit Period Preference	2.500	.378	2	.287
NDA Signing preference	5.000	.500	2	.082

### 1.2.13 SEBI Registration & Investment Preferences

A majority the firms (80%) not registered with SEBI were found to prefer PIPE deals than the SEBI registered firms (20%). Similarly, an overwhelming majority of the non-registered firms (80%) have had a global preference for investment whereas the registered firms prefer to invest within India only.

**Table – 1.2.13 : SEBI Registration & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	2.143	.354	1	.143
<i>First / Early stage</i>	1.154	.267	1	.283
<i>Second / later stage</i>	.600	.196	1	.439
<i>Expansion</i>	.600	.196	1	.439
<i>Turnaround</i>				
<i>PIPE</i>	5.000	.500	1	.025
<i>Other</i>				
Investment Size Preference	9.375	.620	5	.095
Financing Instrument Preference	2.000	.343	2	.368
Geographic Preference	12.750	.678	3	.005
Exit Route Preference	4.425	.477	2	.109

Exit Period Preference	1.875	.333	1	.171
NDA Signing preference	1.250	.277	1	.264

#### 1.2.14 IVCA Membership & Investment Preferences

The membership of IVCA and the investment preference have not found to have any significant relationship. Both the members as well as non-members expressed similar preferences towards various investment related issues.

**Table – 1.2.14 IVCA Membership & Investment Preferences**

<b>Investment Criteria</b>	<b>X<sup>2</sup></b>	<b>C</b>	<b>df</b>	<b>P</b>
Investment Stage				
<i>Seed / Startup</i>	.268	.132	1	.605
<i>First / Early stage</i>	1.298	.282	1	.255
<i>Second / later stage</i>	.000	.000	1	1.000
<i>Expansion</i>	.000	.000	1	1.000
<i>Turnaround</i>				
<i>PIPE</i>	.069	.068	1	.792
<i>Other</i>				
Investment Size Preference	5.625	.522	5	.344
Financing Instrument Preference	1.111	.263	2	.574
Geographic Preference	1.384	.291	3	.709
Exit Route Preference	1.875	.333	2	.392
Exit Period Preference	.417	.164	1	.519
NDA Signing preference	.069	.068	1	.792



### 1.3 Conclusion

It has been observed that VCs are inclined towards investing in those sectors/ industries, which have the potential to scale up quickly. The top three sectors, which are attractive to VCs, were IT & IT enabled services, pharma & healthcare services and manufacturing. Further, the industry preferences of VCs were statistically tested to find whether the industry preference is uniform across different characteristics of VCs.

The result obtained with statistical analysis showed some significant difference across different category of VC firms towards industry preferences, which were explained earlier. The major differences observed were; The VC firms, which are affiliate of Banks / Financial Institutions and Govt. affiliated, are more inclined to invest in the manufacturing sector as compare to the private independent firms. Similarly, in case of education & consultancy services only Govt. affiliated firms prefer to invest while others have little or no interest. The It & ITES sector and Pharma & healthcare sector has attracted the old and mid age firms whereas the newly established firms were not much interested in them. The media and entertainment industry has failed to convince the SEBI registered firms as none of them was interested in this sector whereas some of the non registered firms shown interest in it. The IT & ITES industry and the Engineering & Construction sector were preferred by the only those firms which are IVCA members.

The significant issues regarding preferences and reservations of VCs towards the various aspects of investment observed in the study are; Most of the VC firms were interested in investing in either first/ early stage or second/ later stage. Majority of the VC firms prefer to invest up to US\$ 5 mn in a venture. Regarding instrument of financing majority of the VCs preferred equity and equity related instruments. The exit issues are one of the most significant aspects of VC investment. The preferences of VCS towards two important exit issues i.e. exit route and exit period were questioned. It has been found that VCs prefer IPO as the most preferred exit route and a time span of 3 – 5 years reported as the preferred period for exit. Most of the VCs were found to be reluctant to sign the non-disclosure agreement. Thus, the present study has also confirmed the fact that venture capitalists have some sort of leaning to a particular sector/ industry in terms of their investment preferences.

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