ANNEXURES

I. QUESTIONNAIRE

II. LIST OF INFORMATION REQUIRED BY VENTURE CAPITALIST
ANNEXURE I

Questionnaire

Name: __________________________
Name of company: __________________________
Designation: __________________________
Contact number: __________________________
Rate the following on scale of four-point basis where-(1-4)
1. Irrelevant-Not a factor in decision-making
2. Desirable-A factor, which improves the likelihood of investment
3. Important-A factor, which must be present for an investment to take place, unless other factor specifically compensate for its absence
4. Essential-A factor, which must be specifically present under any circumstances for an investment to take place

Characteristics of entrepreneur

- Integrity _____
- Capable of sustained intense effort _____
- Critical competence _____
- Ability to evaluate and react to risk _____
- Long-term vision _____
- Attention to detail project _____
- Urge to grow _____
- Commercial orientation _____
- Amenable to suggestion and criticism _____
- Articulate to discussing venture _____
- Compatible personality _____
- Familiarity with target market _____
- Leadership ability in the past _____
- Track record relevant in venture _____
- Referred by trustworthy source _____
- Venture Capital Funds familiarity with entrepreneur’s reputation _____
- Well thought out strategy to _____
- remain ahead of competition _____
Characteristic of product

- High tech product
- Proprietary or otherwise Protected product
- Uniqueness of product
- Market acceptance of the product

Characteristics of market

- High market growth rate
- Little threat of competition during first three years
- Easy market accessibility
- Large size of market
- Product in market familiar to Venture Capital Funds
- Ability to create new market

Financial consideration

- Expected return equal to at least 10 times the investment in 5-10 years
- Expected return equal to at least 10 times the investment in at least 5 years
- Expected return over 25% in 5 years
- Expected return over 100% in 5 years
- Venture can be easily made liquid
- Venture Capital Funds will not participate in later round of investment

Characteristics of venture management team

- Technical skills
- Managerial skills
- Financial skills
- Marketing skills
- Balanced team

SIGNATURE
ANNEXURE II

List of information generally required

1. Executive summary of the project-
   - details of project.
   - product or service offered.
   - market expected
   - Financial details

2. Company and background information
   - Company history details
   - Profiles of promoters and key management team
   - Memorandum and articles of association along with printed literature including brochures about company
   - List of board of directors, major share holders
   - General industry outlook and prospects for business as perceived by management.
   - Advantages and disadvantages of current location of business.
   - Name of bankers, advisors, key consultants of the company

3. Human Resource
   - It is now widely being recognized that human resource is the key resource of any organisations. Investors are very interested in looking at how the management has planned to address the various issues in this area: They would generally like to see information on the following:
   - Organisation chart with number of employees and future plans to hire more employees.
   - Details of skills required to manage and operate the business and whether such skills are available in house or whether this would be outsourced.
   - Deficiencies in the team existing and plan to overcome this deficiency.
   - Details of salary levels for various employees.
   - Details of ESOPs and other schemes which are existing or planned.
• Details of any employee motivation schemes, cash and kind that are planned, if any. This may be in the form of ongoing training programmes, bonus payments or could take more innovative forms.

• Product/ service information and operational details

• The product or process should be described in detail to help the potential investor understand the business and the business environment. Some points which should be covered are:

• Details of product range/ process/ service provided by company.

• Technology and market for each product.

• The features of the project which give it an edge over competition, including technology edge, if any, may be highlighted, giving impact on the project, ie whether it makes the product cost effective or solves existing problems or results in a superior product etc.

• Whether there are any market trends or changes which will affect the project, either positively or negatively.

• Whether there are any barriers to prevent others from using or developing the project technology.

• Details of any technology developed in- house, explaining how it has been developed and stage of development, ie whether it is at the pilot stage or is ready to commercialise and whether additional development cost is to be incurred.

• Information about any patentable technology. If any patent is held or is applied for, details may be provided. If technology used is owned by others, it may be indicated whether the company has the right to use the same.

• Details of any intellectual property rights associated with the project.

• If technology is sourced from outside with collaboration, details of any Memorandum of Understanding (MoU) entered into or Agreement signed for the same. Preferably copies of these documents may be provided. Further additional information may be provided on.

• Information on the collaborators providing the technology may be provided, with justification for their selection and information on others who could have supplied the same or similar know-how.
• Details of any buy back arrangement, i.e. whether there is a firm commitment to buy back or whether any buy back is it conditional.
• Whether upgrade of technology is automatically being provided, or whether additional payments have to be made.
• Whether the technology provider is at liberty to sell the technology to others companies in India and/or globally and whether the same being sold to others.
• Details of any future development plans for the project.
• Details of major suppliers of raw material for the project.
• Whether key equipment will be bought or leased, and details of the suppliers.

4. Marketing

• The market is to be clearly understood. After all, there is no use having the best product in the world, if there is no one willing or able to buy it, whatever be the reason, whether price or requirement of the buyer or.... Information about potential or existing customers is to be given in the plan including:
• Market survey details, if available, giving details of how market has been defined, in terms of area, type of customers, price range, etc.
• List of customers, potential, existing and why they prefer or will prefer the company’s product to others.
• Details of other competitors, existing, potential or possibilities of others entering the field and strategies to address competition from them, whether in terms of price, quality, features, service etc.
• Projections for the next few years, preferably for five years, at least for three years.
• Marketing strategy, will sales be through agents, direct, licensed to others etc. Method followed for any overseas sales. Details of any firm tie-ups may be indicated.
• Form of advertisement to be used, hoardings, TV, print media or on the Internet or a combination of various methods.
• If warranty is being provided is this built in and how post sales issues are to be handled.
• Details of how the product is being manufactured, in-house or contracted or a combination.

5. Financial information

• Financial information provided is reviewed very carefully during the due diligence process. The investor will ultimately want a return on the investment and will therefore look closely at the funds spent and to be spent. The following is a brief outline of the financial information to be provided by the promoter:
  • Annual audited accounts for five years for existing companies (sometimes, investors may just look at the previous three years statements or less), along with the cash flow statements.
  • Details of initial promoters contribution, whether cash or kind.
  • Details of project cost proposed, sources and utilization of funds.
  • Firm commitments for finances at the time of preparing the business plan.
  • Details of debt financiers and bankers providing any working capital.
  • Projections for the next five years with justification for assumptions made.
  • Sensitivity analysis to be done for key elements, such as drop in sales, increase in raw material cost or salary cost. Worst case scenario is to be indicated.
  • Key ratios, break-even details and IRR of the project.

6. Other information

• Promoters may like to give some other information which is not included in the above sections. Some of these other items which are to be included in a business plan is:
  • The time schedule for completion of the project, estimated dates of commercialization and break-even.
  • Project implementation schedule, preferably in the form of a chart such as a bar chart.
- Details of any statutory compliance that have to be met and the status of clearances to be obtained from Government Authorities. This may even be in the form of a checklist.
- Details of whether any promoter, shareholder or officer has been involved in any legal or criminal proceeding.
- Last but not least, a SWOT (Strength, Weakness, Opportunities, and Threats) analysis of the project.