Venture Capital, Islamic Finance and SMEs

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Venture Capital, Islamic Finance and SMEs

Valuation, Structuring and Monitoring Practices in India

Mansoor Durrani and Grahame Boocock

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*Success comes only from Allah, the Mighty, the Wise
(Qur'an, 3: 126)*

To those who strive to establish a just and fair economic order.

Mansoor Durrani

To Clare, Chris and Alex for their patience and understanding.

Grahame Boocock

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Preface

This book grew out of the PhD studies of Mansoor Durrani, the first doctoral research ever undertaken on the subject of VC in India. Whilst working on his thesis, Mansoor met Grahame Boocock, an academic with longstanding research interests in the areas of risk capital and the financing of small and medium-sized enterprises (SMEs). Grahame had previously spent a year at University Utara Malaysia. This book represents the fruits of their collaboration at Loughborough University, a highly rated University in the East Midlands of England.

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Currency Exchange Rates

As at 31/12	US\$/Indian Rupee	As at 31/12	UK£/Indian Rupee
1994	31.37	1994	48.27
1995	31.58	1995	48.62
1996	35.60	1996	55.12
1997	35.75	1997	57.49
1998	43.16	1998	69.82
1999	43.42	1999	69.46
2000	45.90	2000	68.79
2001	47.12	2001	68.04
2002	48.55	2002	74.64
2003	45.87	2003	73.11
2004	46.31	2004	84.67

Source: Datastream

Glossary

ACOST	Advisory Council on Science and Technology
ADB	Asian Development Bank
AMT	Advanced Manufacturing Technology
ARD	American Research and Development
AVCJ	Asian Venture Capital Journal
BPO	Business Process Outsourcing
BVCA	British Venture Capital Association
CAGR	Cumulative annual growth rate
CBDT	Central Board of Direct Taxes
CCPPO	Cumulative convertible participating preferred ordinary share
CEO	Chief Executive Officer
CVC	Corporate venture capital
DCF	Discounted cash flow
DFI	Development finance institution
DTI	Department for Trade and Industry
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and/or before depreciation and amortization
EQ	Emotional Quotient
ESOP	Employee Stock Options Programme
EVCA	European Venture Capital Association
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Growth Equity Market
HBS	Harvard Business School
HR	Human resources
HRM	Human resources management
ICICI	Industrial Credit and Investment Corporation of India
IDBI	Industrial Development Bank of India
IFCI	Industrial Finance Corporation of India
IP	Intellectual property
IPO	Initial Public Offering
IQ	Intelligence Quotient
IRR	Internal rate of return
IT	Information Technology

ITMT	IT, media and telecommunications
IVCA	Indian Venture Capital Association
KLSE	Kuala Lumpur Stock Exchange
LGS	(Small Firms') Loan Guarantee Scheme
LP	Limited partnership
MBA	Master of Business Administration
MIT	Massachusetts Institute of Technology
MoI	Multiple of investment
NBFC	Non-banking finance company
NEA	New Enterprise Associates
NPL	Non-performing loan
NPV	Net present value
NRI	Non-Resident Indian
NSE	National Stock Exchange (of India)
OECD	Organization for Economic Co-operation and Development
OTCEI	Over The Counter Exchange of India
P&L	Profit and loss
PBUH	Peace be Upon Him
PLS	profit and loss sharing
R&D	Research and development
RBI	Reserve Bank of India
SBA	Small Business Administration
SBRC	Small Business Research Centre (Cambridge University)
SEBI	Securities and Exchange Board of India
SIDBI	Small Industries Development Bank of India
SMEs	Small and medium-sized enterprises
SOE	State-owned enterprise
SPSS	Statistical Package for Social Sciences
SQ	Spiritual Quotient
SSIs	Small scale industries
STPI	Software Technology Parks of India
SVC	Social venture capital
TDICI	Technology Development and Information Company of India
TPIC	Technology Policy Implementation Committee
TQM	Total quality management
TTMM	Two-Tier <i>Mudarabah</i> Model
USM	Unlisted Securities Market
UTI	Unit Trust of India
VC	Venture capital
WIIG	Walden International Investment Group