

business bytes

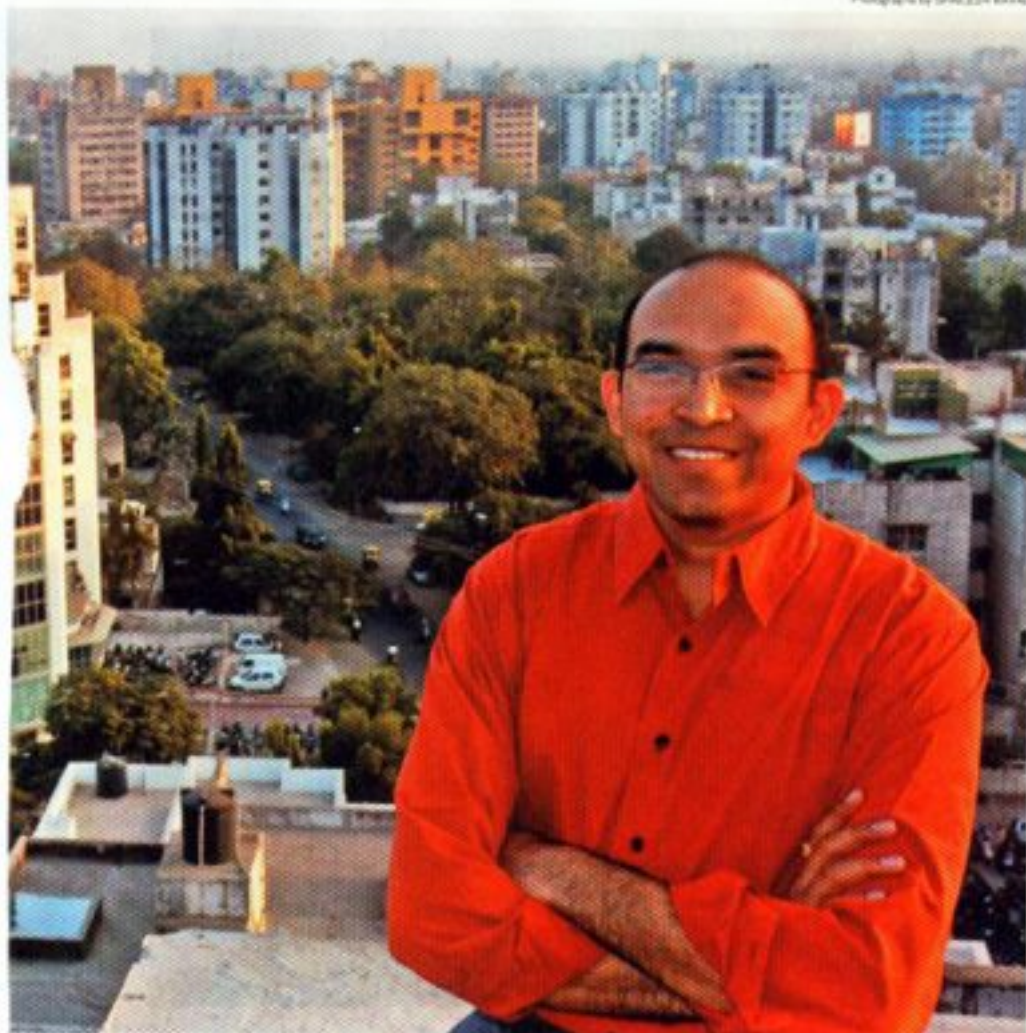
Gujarati's world over have reason to celebrate, what with the state's IT policy 2006-2011 announced this year and the MOUs signed during the IT summit forecasting Gujarat's future as a technology powerhouse. Considering the fact that Gujarat Venture Finance Ltd (GVFL) has been harvesting technology companies successfully since the '90s, the future seems near indeed. The company, founded in July 1990 recently announced its largest ever fund of Rs 100 crore for the small and medium enterprises and also the Gujarat Biotech Fund for the biotechnology sector.

The first five funds have been invested in 57 technology-based companies, many of them start-ups of first generation entrepreneurs, out of which GVFL has divested from 44 with a high rate of return. "This is considered a good success rate in the Venture Capital (vc) industry, specially for a company investing in young technology companies, a high risk sector," says Vishnu Varshney, CEO, GVFL.

The vc industry is said to have grown in USA during the '40s and '50s when wealthy people venture-backed enterprises to yield returns on their investments. The World Bank initiated the spread of the vc industry to developing countries and one of the organizations selected in India was Gujarat Industrial and Investment Corporation (GIC). "A very progressive decision taken by GIC was to create an autonomous vc company, GVFL, which would be independently board-managed to fi-

one of the pioneers of the venture capital industry in the country, Gujarat Venture Finance Ltd., is incubating young infotech and biotech companies in Gujarat, a phenomena that could lead to a revolution throughout the state.





have experienced the complete cycle of fund raising investments and divestments including a consistent track record of payback to its investors. The divestment rate, according to Varshney, has been much higher than the normal VC industry standards. Venture-backing startups, seed stage and early stage technology companies requires not just the ability to spot high growth potential in an innovative idea of entrepreneurs but also the tenacity to see it through.

An Electrical Engineer from IIT Kanpur who received his MS and an MBA from Louisiana State University, USA, Varshney went through an internship with Hambro International Equity Partners and attended training programs in the USA. He

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chirag patel, Net4Nuts



nance technology ventures across India,” says Varshney, adding proudly, “out of the many VC companies created by World Bank’s efforts, we are among the few that have survived. And while there are now many deep-pocketed VC companies in India, capital for tech start-ups is still hard to come by as most venture capitalists prefer to get involved in late stage deals which are less risky.”

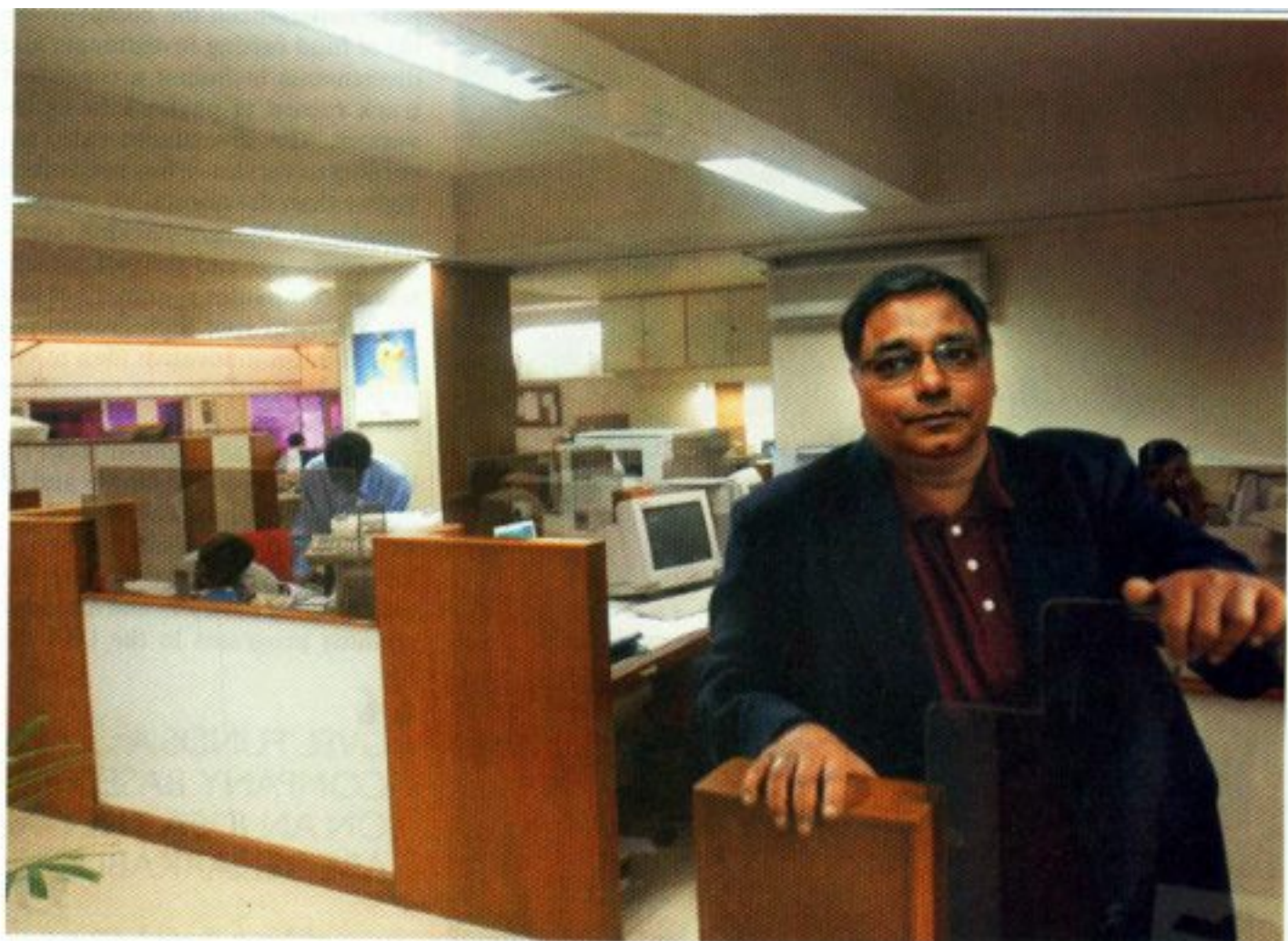
The USP of GVFL, according to Varshney, has been their consistent investment in technology oriented start-up companies. It is one of the few venture capital firms in India to

“OUR KEY STRENGTH IS OUR TECHNICAL BACKGROUND.”

chirag mehta, Icenet.net Ltd

lobbied to get VC the status of an industry and invited the foreign funds to become members of the Indian Venture Capital Association. He also started the practice of publishing the VC Industry database. “You will find that each of our companies has something very different to offer. The support extended to the entrepreneur is not just financial but our hands-on approach extends to business planning, strategy formulation, corporate governance, recruitment, networking, negotiations and tie-ups of GVFL investee companies,” says Varshney.

One of the examples of a turnaround achieved by a GVFL investee company was Deccanet Designs Limited. GVFL decided to invest in this Bangalore-based software services company because they believed in them. The first GVFL fund in 1990 was targeted at start-up companies based on new and untried or closely held technologies, innovative products or processes and services. It



had a corpus of Rs 240 million and a life span of 17 years, and invested in 26 start-up companies all over India. Five years later, the second fund of Rs 550 million with a duration of 14 years shifted focus towards funding new as well as small to medium sized companies with a sustainable competitive edge.

The IT fund started in 1997 with Rs. 200 million and a life span of 12 years. Among GVFL's investee IT companies are success stories like Neilsoft, a Pune-based IT and Engineering services to technology driver companies worldwide, and SCICOM Infotech, a software company focused on scientific and technical application solution with development centres in Noida.

"GVFL invested Rs 4 Crores in equity of IceNet after the dotcom bust. Vishnu Varshney saw us as a smart ISP," says Chirag Mehta of Icenet.net Limited. "Our key strength is our technical background as we also own Eclipse Mi-

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cro Computer, an IT consulting firm in USA founded in 1993 that provides hi-tech services to Wall Street majors," he adds. "Our current rates for internet telephony overseas will revolutionise communications in Gujarat, a state that has a sizable share of Indians abroad," Mehta goes on to say.

Chirag Patel, Founder & Managing Director of Net4Nuts believes that GVFL is remarkable. "They fund a company based on an idea. GVFL even provided us with an incubator for the first few months of our existence," says Patel. Launched as a B2C (business-to-consumer) company providing

services to make obtaining information on the internet more user-oriented, they shifted to B2B (business-to business) applications with GVFL. Today they provide inputs ranging from market information to future strategy. He is most excited about their Mobile e-mail solution which allows a SMS-enabled mobile handset to access mailboxes, receive and send e-mails. Another GVFL partner is E Cube, a company founded by Ashesh Shah that specialises in mobile commerce applications through GSM or smart card technologies including providing turnkey solutions for smart card based applications, multi application solutions, access control, loyalty-based programs, etc.

As IT investments flood the state, the BPO and KPO sector cannot be far behind. With enterprising people, industry-friendly policies and GVFL's funds, a revolution could well be underway in Gujarat. **■ by Anil Mulchandani**