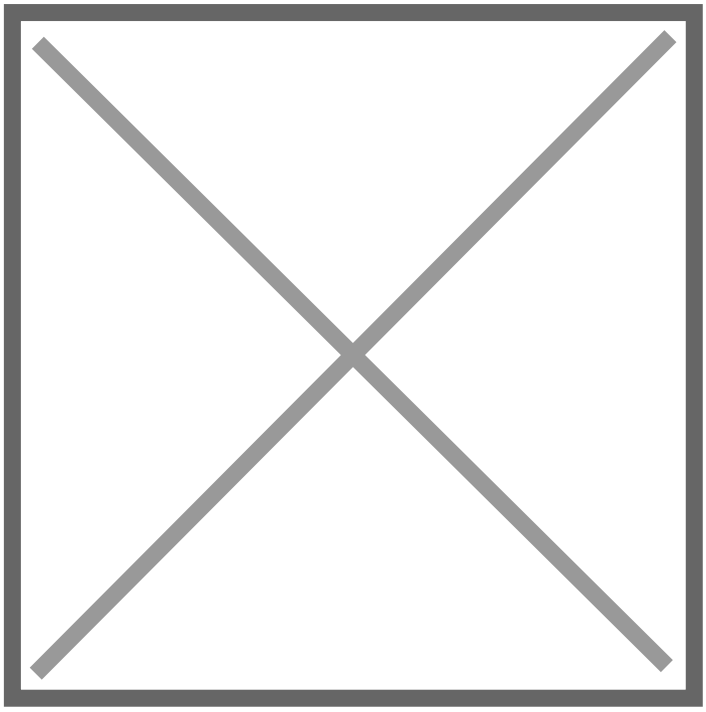
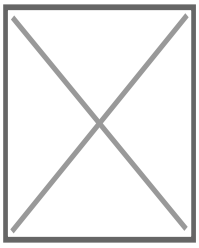
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Funding the BT boom

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Funding the BT boom



The biotech community will be watching with bated breath the performance of Biocon's much-awaited Initial Public Offer (IPO) of 10 million shares. For, the interest level is very high in the first IPO offering from a pureplay biotech company. Its success will give the confidence to other players who may be tempted to test their luck with the investor community to fund ambitious growth plans.

Apart from regulatory hurdles, availability of venture capital has been the most discussed issue in almost all the biotechnology industry forums in recent times. National policy makers have been relentlessly bombarded by appeals from the industry to set up adequate venture financing to support early stage companies. The central government and Andhra Pradesh government have so far come to the rescue of the industry to some extent. The Technology Development Board (TDB), the New Millennium India Technology Leadership Initiative (NMITL), TIFAC and the biotechnology fund of the APIDC have to some extent met the funding requirements of the industry. Among the professional VCs, only ICICI Ventures has been the most supportive of the requirements of the industry. Other VCs have been watching the industry from the sidelines, mostly unwilling to commit themselves to the biotech industry's needs. It is partly driven by the "play safe" attitude of the financial community due to the long gestation periods, which is the norm with this sector. The other major reason is the lack of clear understanding of the long-term potential of the biotech sector among the VC community.

This is the most surprising part of the whole issue. At most industry forums, VCs have taken pains to urge biotech entrepreneurs to market themselves better, keep knocking at the doors of the VCs, and sell their stories to make them open their purse strings. Stung by the dotcom bubble, VCs have turned too cautious. By and large, the biotech industry consists of first time entrepreneurs with strong academic backgrounds and it may take a while before these people learn the glib art of marketing.

For the good of this emerging industry as well as for their own sake, VCs should come down from their high horses. After all they too have a job to do: to look for potential winners of the future. There is no guarantee that every biotech venture will be a money spinner. But at the same time, the ones who will make it, will become really big in this technology that touches the human lives intimately. The hit ratio may not be any different from other such promising sectors.

After struggling for the last two years, a Bangalore-based biotech hot shop has managed to attract substantial VC funding. The most surprising part of this is the fact that after reading about this company's strong patent portfolio, a farmer from rural Karnataka chose to invest over Rs 1.25 crore in this company's equity. And learning about this, more of his farmer friends too want to do the same. The funds committed by these farmers are almost in the same range as that of some of the country's leading VCs. This makes one wonder why are our professional VCs so tight fisted. Fear? It is time they are helped to

overcome this fear factor. What better way than more chats across the table to reassure the financial community. The industry should take the lead, for its own good. Fast.

