

"Govt should encourage VCs for seed capital investments"

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Vishnu Varshney, CEO, GVFL

The Gujarat Venture Finance Ltd (GVFL) received the initial funding of Rs 5 crore in January 2006 from the Gujarat government for a 12-year close-ended Rs 50-crore fund to boost biotech in Gujarat and also received a fund commitment from Zydus Cadila. Vishnu Varshney, CEO, GVFL and ex-chairman of India Venture Capital Association (IVCA), who recently bagged the Asia Pacific Venture Capital Association 2006 inaugural award for his contribution to the venture capital and private equity industry in Asia, spoke to BioSpectrum about GVFL's biotech fund and investments.

The Gujarat government had announced the setting up of a biotech fund in 2005 itself but it became operational only in January 2006. Why the delay?

GVFL had announced the setting up of the Rs 50-crore biotech fund subject to the receipt of initial seed capital of Rs 5 crore from the government of Gujarat. Now that we have received the fund from the government and have also got commitments from private corporates and banks, we looking forward to making investments in biotech companies and consolidate our fund-raising efforts.

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During the previous interview with BioSpectrum in April last, you had mentioned that GVFL had already received 5-6 good proposals. What is the present status of these proposals?

As per the regulations, the fund is required to have a minimum corpus of Rs 5 crore before starting any venture capital activity. GVFL had received a few good proposals since the announcement of the biotech fund but we were waiting for the initial commitment from the government to conduct due diligence on the proposals. Currently there are about 7 proposals in the pipeline which we are reviewing and would soon be announcing investments under the biotech fund.

How many new proposals has the GVFL received in general and from Gujarat in particular for funds?

GVFL has received more than 10 proposals mostly from Gujarat-based companies.

What are the processes involved in finalizing a proposal? How much time will the GVFL take to clear/defer a proposal?

It takes at least 2 months to make an investment. An in-house team evaluates the proposal looking at the current and future industry trends and how the company would be able to take best advantage of the same. A detailed due diligence is then conducted for promoters, market, scalability and more importantly, exit to GVFL.

You also noted that although you receive 2-3 proposals a week, they don't fit into your criteria. What are the criteria you look for in a proposal?

We look at various things such as management, strong ideas that can sell, qualification and a minimum of 10 years experience of an individual and also the background of a person. Besides we look for companies operating in biopharma, industrial biotech, agri-biotech and contract research and manufacturing sectors, which are in a growth stage.

Besides Zydus Cadila, who else is the GVFL discussing with to raise the biotech fund? Why will corporate banks invest in biotech fund? And when will GVFL make its first investment?

As you are aware, Zydus Cadila has already made commitments to the fund and the size of the investment also may go up in the future. We have approached a few other corporates and banks and the response is positive. We are planning an initial closure of Rs 10 crore by this March end.

How do you look at biotech investments in Asia Pacific countries?

The governments in Hong Kong, Malaysia, Singapore, and Taiwan are making good investments in biotech. The biotech investments in these countries have increased as compared with investments in India. The government should encourage VCs who are providing seed capital to entrepreneurs by taking initial risks by funding the biotech companies at the grass root level.

What are your recommendations to the India Venture Capital Association?

The Indian economy is vibrant now. Funds are moving towards private equity. The VCs are looking at biotechnology as an area of investment. The India Venture Capital Association should try to lobby with the government for more seed capital so as to make investments in upcoming biotechnology companies.

Narayan Kulkarni