

"GVFL would invest in early start-up companies" - Vishnu Varshney, CEO, GVFL

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Ahmedabad-based Gujarat Venture Finance (GVFL) Ltd announced the setting up of Rs 50-crore Gujarat Biotechnology Venture Fund (GVBF). The GVBF was launched during Vibrant Gujarat 2005. This is a 12-year close-ended state biotech fund. The state government provided the initial seed funding of Rs 5 crore. GVFL Ltd will mobilize the remaining fund from institutional investors like SIDBI, UTI, banks, corporate entities and high net worth individual. Vishnu Varshney, CEO GVFL Ltd, spells out GVFL's plans.

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How many biotechnology companies have so far approached GVFL and what is the status of the proposals?

We have received five to six good proposals till date, which we are looking into. Though we keep receiving at least two or three proposals every week, most of them do not fit into our investment criteria.

Is this fund reserved only for the companies based in Gujarat?

The main operations of the company have to be based in Gujarat. The company may then have units outside Gujarat.

What are the criteria considered for funding?

The two things that we would be mainly looking for are technology and scalability. While the technology has to be innovative, the business has to be scalable. These are followed by other criteria like promoters' experience and exit option to GVFL.

What is the maximum and minimum amount that GVFL will disburse to a company?

We would be considering a maximum investment of Rs 5 crore in one company. As far as the bottom limit is concerned, anything below Rs 50 lakh would not be a fit to our investment portfolio.

Don't you feel that the 12 years is too long a period for a Rs 50-crore fund? Do you intend to increase the size of the fund?

GVFL's focus would be to invest in early start-up companies. If you look at the long gestation period of biotech companies, I do not think 12 years would be too long a period. Statistics show that it takes more than 10 years just to enter the Phase II trials in drug development. Depending upon the quality of proposals we receive, we may increase the size of the fund.

What is the total funding requirement you foresee for the biotech sector in India?

If you look at the figures, the Indian government in its tenth five-year plan (2002-07) has allocated Rs 1,800 crore for the biotech sector. Combine this with the number of VC-firms that have come up with biotech-focused funds. I am sure the figure would cross Rs 3,000 crore.

What are the exit options before the VCs in the case of biotech investments?

With a relatively long gestation period for a biotech start-up, Initial Public Offer (IPO) as an exit route looks a little far-off option. Also, SEBI regulations require meeting some minimum criteria before you can approach the market. In these scenarios, strategic tie-up and strategic sale seem to be the most viable options.

What should the government do to support the biotech growth in India?

We believe that the government has a much greater role to play in the growth of biotechnology in India. Besides developing a robust regulatory framework and setting up biotech parks, an incubation fund for the early entrepreneurs can be started to whet their technology and processes before these entrepreneurs can approach a VC for a larger fund.

Narayan Kulkarni