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Complaining about VCs shorter gestation periods?

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However, there is the other side to this story seen from investors' perspective. Prominent VCs spoke to *BioSpectrum* and here is what they have had to say:

ï‚§ Ms Padmaja Ruparel, president, Indian Angel Network

There is a need to understand the VC model. VCs raise money from investors in which they promise them returns in 'X' number of years - called the 'life of the fund'. In India, VCs have a life of 8 years and therefore by the 5th year they need to start exiting to adhere to their promise of 8th year closure. Hence they are restricted by their structure.

ï‚§ Mr Vishal Gandhi, founder & CEO, BioRx Venture Advisors (BVA)

Companies should appreciate VCs because they understand their prospective portfolio before investing. In fact, VCs are not investing their own money. They are investing the money from their partners, which is available for a limited time. Beyond 5-7 years it is a very difficult situation.

ï‚§ **Mr Rajeev Mantri, executive director, Navam Capital**

Venture capital firms have different return horizons. An early-stage investment firm like ours is willing to provide patient capital, and back companies over longer periods of more than 5 years.

There are later-stage investors who expect returns in shorter time frames. It never helps to play the blame game. It is up to entrepreneurs and investors to work together as partners in building a business, and companies should raise capital from firms which align with their visions and are willing invest for the time required to build a successful business.

ï‚§ **Mr Ashwin Raguraman, COO, India Innovation Fund**

It is true that companies in the Life Sciences space typically have longer gestation periods in providing quality returns. The approach of funds to life sciences firms therefore needs to be different. As a result, globally, funds invested in lifesciences are typically specialized or sector focused.

Start-ups need to understand that VC funds have its own investors, promising returns on certain time frame. Here, there is business dynamics that, if understood, will be appreciated by start-ups.

That still does not address the problem of requirement of patient capital in the life sciences space. I believe that this could be resolved only when a critical mass is reached in the number of lifesciences focused funds in India and the amount of capital they deploy.

ï‚§ **Mr Sanjib Jha, CEO, IntelleGrow**

Traditionally, healthcare services like hospitals, diagnostic and drug discovery centers have long gestation periods which may be longer than 4-5 years. Even operational break is typically witnessed between 24-36 months, post which business can be expected to deliver returns. In such businesses, there is a strong need for working capital in the early stages.

ï‚§ Ms Visalakshi Chandramouli, partner - Healthcare Fund (Private equity), Tata Capital

According to me, 4-5 years is fairly a reasonable period for VCs to start expecting returns from start-ups. During this period, it is significant for start-ups to deliver 'proof-of-concept' of the project thereby creating value for VCs.