

Website:	www.hindubusinessline.com
Date:	April 25, 2005

Help's at hand - e-world supplement

Gaurav Raghuvanshi

These are start-ups with big ideas, growing fast in different sectors. But they all draw inspiration and hot cash from the same venture capital fund. A fund that nurtures small companies with some unique concept.



RUSHING out of office after work, Sunita remembers she had promised her son some chocolate. She goes to Cadbury's mobile phone-operated vending machine in her office complex, punches out some details on her cell-phone and a bar of `Dairy Milk' appears.

For Sunita, it was a very simple operation and she was able to keep her promise to her son. But behind the ease of operation, a fair amount of technology and a lot of innovation has gone into the vending machine, supplied by a Baroda-based company called E Cube India Solutions Ltd.

Bhavesh is engrossed playing the `Cricket Pandit' contest on his Idea mobile phone. He keeps accumulating `runs' for every quiz question he answers correctly and by using different services offered by his mobile operator. The contest is being managed by an Ahmedabad-based company called Net4Nuts.

A mobile phone manufacturer is developing a new handset and wants somebody to design certain elements of the chip and verify the entire chip.

It also wants someone to take care of the embedded systems for the handset before it goes into commercial production. It approaches another Ahmedabad-based company called eInfochips India Ltd, which specialises in chip design and

verification.

All these companies are small Indian IT firms that are growing at a rapid rate, trying to carve out a niche for themselves in their respective sectors.

Another common factor that binds them is that they have been funded by GVFL Ltd, a Gujarat Government and World Bank-promoted venture capital fund that has notched up an impressive record of creating successful small companies.

Of the 56 companies in which GVFL (formerly known as Gujarat Venture Finance Corporation) has invested, over 15 have turned out successful business ventures that now stand on their feet while several others are in the 'growth phase' with indications of turning profitable in the coming years.

Companies promoted by GVFL now employ nearly 8,000 people and the successful ventures reported an annual turnover in excess of Rs 60 crore last year.

That is a good record to boast of in an industry where, experts say, even a success rate of one in 10 is quite good.

"We believe in nurturing smaller companies that have some unique concept. You will find that each of our companies has something very different to offer. The support extended is not just financial. We also help them design the company's structure, develop a strategic business plan and help them find a market for their products," says Vishnu Varshney, CEO of GVFL.

Agrees Neerav Parekh, Vice-President (Operations) of Net4Nuts. "When we approached GVFL, all we had was an idea and the memorandum of association of our company. GVFL even provided us with office space for the first few months of our existence," says Parekh.

Net4Nuts was launched as a B2C (business-to-consumer) company at a time when the dotcom bubble was about to burst. Its flagship product, 'Avtaar', is an aggregation software and it was aimed at consumers who wanted to have information culled out from different sources on a single platform.

The dotcom bust showed that the B2C model was flawed and the company went into a rough patch within months of launch. But fortunately for Net4Nuts, the same package could be used for similar B2B (business-to business) applications and the promoter duo of Parekh and Chirag Shah had their Plan B ready.

Net4Nuts now boasts of clients such as Idea, Orange and Hutch. As the company faltered after a big-bang launch, before finally finding its feet, GVFL stood by its side, providing inputs ranging from market information to future strategy, Parekh says.

Similar views are echoed by Ashesh Shah, founder of E Cube, a company that specialises in mobile commerce applications through GSM or smart card technologies.

"GVFL has been involved with us right from the outset. They helped us prepare the corporate structure of the company, and draft a vision statement. We constantly use their expertise to develop new M-commerce applications. Whenever we get stuck, GVFL fills in the blanks," says Shah.

Another successful company in which GVFL has invested in is eInfochips, which is into ASIC chip design, verification and embedded software.

The company employs 280 people and logged a turnover of \$6 million (Rs 3 crore) last year. It has its sights on a much larger turnover, says its Founder CEO, Pratul Shroff.

Playing mentor

"The role of GVFL in my company has been that of a mentor who helps us decide what we should be doing and how we can plug any defects in our systems and procedures. I have frequent one-on-one sessions with Varshney.

Having an HR audit to know how strong our human resource policies is a recent example of the kind of ideas that emerge from these discussions," says Shroff.

"On the external side, GVFL helps us devise strategy and their team is an excellent sounding board for the ideas we generate.

The importance of networking cannot be over-emphasised and GVFL plays a major role in helping us reach out to prospective clients and business associates," he says.

The investment made by GVFL is generally under Rs 5 crore per company and it has already divested from some of the ventures it had funded.

As per current data, GVFL has fully divested from 36 companies and partly in another six. The fund invests in companies across various sectors and is not a pure IT fund.

In terms of the total corpus invested through four different funds managed by the company, it has already redeemed Rs 58.60 crore or 47.6 per cent of the total capital.

In the coming years, investors can look forward to sizeable profits from these investments, says Varshney.

While the performance of GVFL's funds has been in line with industry, two of its funds — GVCF-95 and GVCF-97 — have yielded better returns than the stock market.

In a classical VC fund, a bulk of the investments goes into seed or start-up stage companies. Nearly 90 per cent of GVFL's funding has gone to companies in their very early stages of existence and 85 per cent of these business entities are promoted by first generation entrepreneurs.

Recognising the emerging need for funding the bio-technology and pharma sectors, GVFL recently floated a Rs 50-crore 'Gujarat Bio-tech Fund'.

Varshney says GVFL is now in the process of identifying about half a dozen companies in western India in which investments would be made out of the new fund.

Ask Varshney to name the best company that GVFL has helped create and he gets emotional. "They are all like my children. How can I name who is best," he says.

Probably that is the spirit that drives these companies to succeed.