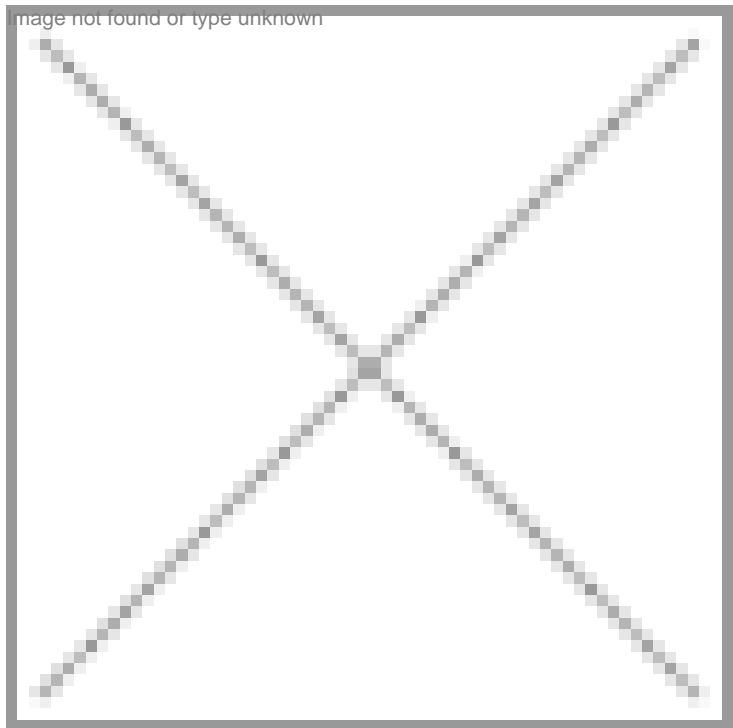


"We will consider an investment in the Rs 5-15 crore range" - Ajay Kumar Kapur, CEO, SIDBI Venture Capital Ltd

11 April 2005 | News



SME Growth Fund from SIDBI's NFSIT?

The Small Industries Development Bank of India (SIDBI) has been disbursing funds through its branch offices across India. In 1999, SIDBI set up a first national venture fund called National Fund for Software and IT Industry (NFSIT). This was the first sector-specific fund with a corpus of Rs 100 crore set by SIDBI in association with IDBI and the Ministry of Communications and Information Technology. SIDBI accounted for 50 percent of the total contribution, IDBI for 30 percent and the rest coming from the Ministry. This was a 10-year fund and we have invested in 25 software, ITES and IT companies. In October 2004, we launched another fund called SME Growth Fund. It is general fund with focus on growing sectors such as life sciences, clinical research, biotechnology, retailing, light engineering, food processing, information technology, infrastructure-related services, healthcare, logistics and distribution, other than IT and software. The fund has a targeted corpus of Rs 500 crore with a life of eight years. SIDBI has committed Rs 100 crore while other banks have committed Rs 375 crore. The banks include State Bank of India and Punjab National Bank (Rs 100 crore each), Bank of Baroda and Oriental Bank of Commerce (Rs 50 crore each), Corporation Bank, Bank of India and Union Bank (Rs 25 crore each). We will be closing this fund within a month's time and announce the total amount that has been raised for the SME Growth Fund shortly.

Have you earmarked funds for each of the sectors you noted for disbursement?

No, we haven't earmarked any specific amount for each of the focus sectors. We would look at as many opportunities as possible to these different sectors under the Growth Fund. Allocation of funds for individual sectors has not been attempted so far.

Some sectors like the biotechnology have longer gestation periods. Will such a sector get affected if you run out of funds?

It doesn't happen that way, as the fund (Rs 500 crore) will normally be invested over the next three-four years. So we wouldn't see such a situation wherein we run out of the venture capital funds. If we are in such a scenario, then instead of making the investments over four years, we may end up with two years and may look at increasing the fund or look at coming out with another fund. There is that flexibility and we will look at all opportunities that come up for consideration. Or it also could be the other way round.

What would be the average size of funding?

Our definition of a SME is one whose net investment in plant and machinery does not exceed Rs 10 crore. Though the government has defined SSIs, it hasn't strictly defined a SME. Some of the international definitions for SMEs are based on employment and turnover. SIDBI has been considering SME as an industry where the net investment in plant and machinery is not more than Rs 10 crore in terms of depreciation. We are looking at making an investment in the range of Rs 5-15 crore. But we haven't specified the minimum range. Even smaller investments would be considered, if we look at follow-on investments to happen. We may consider investments that are lesser than Rs 20 crore for the biotech sector.

Do you have any plans of funding R& D companies?

Pure R&D outfits will not be funded, as the SME Growth Fund is basically a venture fund. The investors seek return on investments. In biotechnology, there will always be some component of R&D. But if it is purely R&D, it will have to be commercialized subsequently. This relates to an early/seed stage requirement. We are into growth stage and are not investing in seed/early stage companies. We expect the revenue model to be clear. However, we will also look at companies that are expanding from early to growth stage.

Have you received any proposals from biotech companies?

We are looking actively at the biotechnology sector and have got about five-six enquiries from this space and about three-four proposals are under consideration. We are also in discussion with APIDC Biotechnology Venture to pursue investment in this space. We look forward to invest in many biotechnology companies.