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Edit

It's advantage VC!

Finance Minister Yashwant Sinha's recent budget amendments have come in as a ray of hope for the industry at a time when dotcom companies are losing their m-cap and venture capitalists are feeling jittery about funding dotcom ventures. FM's move in extending various sops to the IT industry like relaxation on ESOP taxing, tax relief to FTZ, STP and export oriented units and setting aside a fund of Rs150 crore for R&D in knowledge based industries have been welcomed by the industry. But the best part of the amendment has been the tax exemption on distributed and undistributed funds of venture capital funding. The finance minister's announcement providing tax reliefs on the income generated on VC funding is sure to create a favourable atmosphere for the germination of innovative IT ventures.

However, all is not well on the dotcom front. The number of dotcom ventures mushrooming all over the country and the apparent fall of dotcom shares in stock markets across the globe have created confusion in the minds of the people about the future of dotcoms. Just a year ago, the success rate of dotcom ventures used to be one in fifteen. Presently, the success ratio is pegged at one in fifty. Industry observers predict that this ratio is soon going to get altered to only one in every 200 ventures. The fact is the market cannot absorb more than 5 to 6 players at any given point of time.

Encouraging venture capitalists by providing them a fair advantage in the Indian market has been on the top of the agenda for the present government and rightly so. This essentially means two things for India Inc.- encouraging self-employment and removing government controls over the industry. Creating a conducive atmosphere for the proliferation of independent ventures by removing government interference has been a clear focus of this government.

Several developments in the past few

weeks point towards the stabilisation of dotcom ventures around the globe thereby ensuring a better operating environment for VCs. Firstly the downslide of tech stocks on the bourses has effectively warded off speculators from creating volatility in the market. Secondly, the elimination of 'me-too' dotcoms that made their presence just to cash in on the buoyant market sentiments, has also created an uncluttered market place. Over and above these, the realisation that building strong fundamentals is the only way to sustain a dotcom business has brought a sea change on the dotcom scene.

Prospective ventures should take advantage of the favourable environment created by the government and develop workable and sustainable business models. VCs on their side should ensure that the business roadmaps put forward by prospective entrepreneurs makes business sense in the long run, though there is no readymade recipe for success of any venture, however innovative the idea maybe.

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They Said IT

"According to Nasscom's estimates, would bring in US\$3 billion of venture capital funding in India in next twenty four months."

Dewang Mehta, President, Nasscom.

"We would like the states to create the right environment for IT."

**Pramod Mahajan, Minister for IT
Government of India.**

"It will be safe to assume that in the next decade governments either embrace e-governance or cease to effectively govern."

**Suresh Kumar, Principal Secretary,
Information Technology, Government of
Maharashtra.**

we got mail

The front page article on Small Manufacturers... (DA April 29) was an interesting article, which gave insights into a whole new concept of ERP. I also liked the whole idea of Destination America which carried stories on the growing strategic business relations of Indian companies with the US. Carry more such articles in your forthcoming issues.

Madhavi Singbal, Goa

The special sections like Destination America and Portals dot com are providing specialised information on various developments on the IT front. They make interesting reading and I look forward to such sections every week. This innovative idea is beneficial to readers.

Radha Sawardekar, Mumbai

