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From the Editor

Second to none!

Exactly a year ago, everything seemed rosy for India Inc. - booming stock markets, million dollar ventures, unhindered capital flow and a brand new industry that promised to usher in, for the first time, an era where India could feel proud of its capabilities. The massive 500-crore valuation of Indiaworld by Satyam in October '99 still fresh in people's minds, tech stocks on Indian bourses could head only one way - northwards. The impetus came with the FM's budget speech where VC funding norms were relaxed. Then came the downhill ride. Nasdaq got a bloody nose and BSE shed a massive 400 points, which set off a virtual roller coaster ride.

Shift scene to January 2001. Euphoria has given way to apprehension, tech stocks have taken a battering, VC funding is hard to come by and dotcoms that put Indians in the top bracket are no longer sought after. Companies are struggling to survive being denied second round funding by their VCs. Which brings us to the important question–have the VCs become risk averse? Have they stopped funding new economy ventures? Have funds dried up?

Indications, projections and the attitude of VCs show that there's no decline in venture funding nor is there any aversion to risk taking. Even at the peak of dotcom delight, VCs didn't invest the amount they committed due to a lack of workable business models. Out of a total of $5.8 billion committed in ventures in 2000 only about $1.3 bn were actually invested in India, taking into consideration India's total foreign investment at $3 bn.

Despite the dotcom doom, investments are expected to increase this year. But the nature of investments will be radically different. Dotcoms and portals of all kinds have been dumped. Sectors like software services, IT-enabled services, telecom software, biotechnology, and embedded software have found favor with VCs. In keeping with the changing trend, this month's cover story talks about the potential and opportunities in biotech.

The fact is that VCs today are waiting with moneybags keen to invest in solid ventures. Having realised the mistake of basing investments purely on valuations, VCs are now looking for stronger models. This, however, does not mean that those ventures struggling to get their second round going will be denied funding. Many of them have got the VC nod by redefining, reengineering and diversifying their operations into areas that are more relevant to the present times and less prone to obsolescence. But the harsh reality of today is that companies need to live with uncomfortable questions being asked and unreasonable demands being made on return on investment. Here's wishing a happy new millennium and a new lease of life for entrepreneurs!

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