

Encouraging Entrepreneurship



CAMPUS CAPITALISTS: Students of IIM, Ahmedabad, 'ideating' at the campus

Entrepreneurship has emerged as the buzzword in India, as venture capital firms, government R&D institutions and top B-schools seek out the 'entrepreneurial spirit' among the young, points out **N.B. Rao**.

FINAL year students of engineering and management programmes at premier institutions like the Indian Institutes of Technology (IITs) and the Indian Institutes of Management (IIMs) – especially during March-April every year – are usually busy at the placement bureaus in the campus, interacting with their faculty, visiting executives and head-hunters, evaluating the various offers.

But a bunch of young graduating men at IIT, Kharagpur, are not concerned this year about prospective job offers. They are busy doing their own thing, which is setting up an exciting new Web 2.0 technology to provide an e-learning platform. Intinno, their new venture, focuses on developing applications using data mining and information retrieval techniques to harness the power of

the web. Arpit Jain, Joy Deep Nath, Mayank Jain and Udit Sajjanhar, the four final year students of the department of computer science engineering at IIT Kharagpur (all aged between 22 and 23), decided to set up their own company instead of taking up lucrative job offers on campus.

Mentoring them is Prof Pabitra Mitra, and they are supported by the department of computer science and engineering at IIT Kharagpur. The four IITians are among a growing tribe of young, well-qualified and skilled Indians, who are increasingly seeking to kick-start careers by starting their own enterprises at an early age.

And lending them a helping hand are their universities and institutions, research organisations and also government departments.

Entrepreneurship has indeed emerged as the buzzword in India, as venture capital firms, government R&D institutions and top B-schools seek out the 'entrepreneurial spirit' among the young.

B-school graduates are turning down plum, quarter-million-plus dollar pay packages – from international and Indian companies – and venturing out on their own. Fortunately, for them, their institutions are encouraging them by formulating fall-back policies that would enable them to return to the placement route in case their foray fails.

IIT Kharagpur and the Vinod Gupta School of Management are the latest among the crop of top institutions that have come out with innovative deferred placement programmes (DPP), providing

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ENCOURAGING ENVIRONMENT: These days many institutions are offering courses in entrepreneurship

a safety net to students willing to take a plunge and dabble in entrepreneurship.

At IIT Kharagpur, graduates wanting to set up their own business are allowed to defer participating in the campus placement programme for up to two years.

Similarly, the Indian School of Business (ISB), Hyderabad, is offering a two-year placement holiday for those wanting to venture out on their own. Says M. Rammohan Rao, dean, ISB: "This is the perfect set-up for entrepreneurs, as there are many opportunities available. It will become popular over the coming days."

Placements 2008 at ISB saw about 20 students setting out on their own. An average international salary at ISB this year added up to \$144,812, while the average domestic salary (offered by domestic firms) was \$47,650.

Of course, while online ventures appear to be popular among graduates seeking to set up their own businesses, many also opt

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for other sectors. Ankit Singh and two of his classmates at the ISB are establishing a financial analytics firm in Mumbai, while Sanjana Rao and Pradeep Machineni have set up Photowave Technologies, a nano-technology firm. Another ISB graduate has gone in for a healthcare knowledge process outsourcing firm.

IIM, Ahmedabad, has seen nearly a dozen students opt out of the placement race this year, preferring to set up their own ventures in areas as varied as advertising, agro-processing, finance, IT, logistics and manufacturing. Two students refused offers topping \$250,000 a year from investment banks, choosing to go their own way. The premier management school finds the trend, among its graduates, of taking the road less travelled becoming stronger.

A few years ago, IIM, Ahmedabad, established the Centre for Innovation, Incubation and Entrepreneurship (CIIE), to

foster innovation-driven entrepreneurship through incubation, research and dissemination of knowledge. The CIIE is supported by the Government of Gujarat and the Department of Science and Technology, Government of India.

Since its inception, a host of organisations, professionals, academicians and networking partners within India and across the globe have been closely associated with the initiatives of CIIE. Some of the ongoing projects are being backed by the Union Ministry of New and Renewable Energy, the Wadhvani Foundation, the Piramal Foundation and Microsoft.

One such successful venture is Ants Ceramics, an advanced ceramic shaping company, engaged in developing and manufacturing ceramic components for atomic, space, defence and industrial applications. Recently, the firm supplied

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samples to atomic reactors at Kalpakkam for its plutonium reprocessing unit. It manufactures and develops high alumina dense castables and porous ceramic components using technologies developed at IIT Kharagpur and IIT Mumbai. The company was started by fresh IIT graduates, guided by faculty members at IIT and incubated by IIM-Ahmedabad.

Another excellent initiative was launched by PanIIT's 'Entrepreneurship Movement.' Former President Dr A P J Abdul Kalam launched it on January 26, 2008, with 225 IITian mentors and 1,020 entrepreneurs in 16 cities joining in. Each mentor volunteered four-and-a-half hours of time to mentor the entrepreneurs.

A growing number of students at other IIMs and IITs are also seeking out opportunities in new ventures. IIM Lucknow recently saw six graduates start their own

THERE IS A TIDE IN THE AFFAIRS OF MEN...

IT is known as TIDE, short for Technology Incubation Development of Entrepreneurs. The department of information technology (DIT) in the Union Ministry of Communications and Information Technology, recently launched a \$6.25 million fund to promote entrepreneurship.

TIDE is being set up to enhance innovations and encourage development of products and packages in the area of electronics and information technology. It aims to assist institutions of higher learning to strengthen their technology incubation centres and enable young entrepreneurs to initiate technology start-up companies for commercial exploitation of technologies.

"We will pilot test this in institutions offering M.Tech and PhD programmes, which already have a culture of incubation and where professors can act as mentors," says Dr. A.K. Chakravarti, an adviser to the DIT.

The programme is actually a scale-up of an earlier one called Technology Incubation Promotion Programme. The DIT had launched a project on 'Framework for National Entrepreneurs support Programme' for IT at six premier

institutes. About 30 start-up companies have been supported at the IITs at Mumbai, Kanpur, Delhi, Kharagpur and Chennai, besides the IISc Bangalore. The thrust areas of these start-ups include next generation wireless technologies, structural analysis simulation, RFID (Radio Frequency Identification) technology and Inertial Navigation Systems. Some of the companies have been able to get next stage funding from venture capital funds and financial institutions. Project proposals for TIDE funding would be invited from institutions of higher learning conducting M.Tech/PhD programmes in engineering and technology, electronics and management. These include institutions such as the IITs, the IIMs, the National Institutes of Technology (NITs), the Indian Institutes of Information Technology (IIITs) and other premier institutes.

The TIDE funding would range from over \$60,000 to \$125,000 per start-up for a two-year period. "This is to ensure that the culture of start-ups gets built into the institution's philosophy," adds Chakravarti. According to him, this would be an "invited initiative" from

DIT, which is looking at funding about 100 start-ups in the first two years.

The department may identify 15 such centres, which can set up about five companies each. "Each TIDE centre would be given financial support as grant-in-aid of up to \$380,000 payable in installments. These funds can be used for improvement in infrastructure and for providing financial support to the incubating companies.

The proposals will be scrutinised and evaluated by a committee before being recommended for financial support. The selection criteria will include factors like quality and level of education and research; infrastructure, facilities and expertise; initiatives for technology entrepreneurship development; commitment and willingness of the institute for supporting the activity; and industrial milieu in the region.

Many budding young entrepreneurs at these elite institutions would heartily concur with the Bard: "There is a tide in the affairs of men, which, when taken at the flood, leads on to fortune. We must take the current when it serves, or lose our ventures."

By Shraddha Sawhney

ventures. At IIM Indore, two students, Dhruv Bhushan and Anubhav Jain, decided not to take up lucrative offers, but venture out on their own. They have started OurOwnBook.com, a user driven writing community based on the concept of Collaborative Book Building, (CoBooBu). It brings together users who wish to write in an interactive and collaborative form to develop a storyline which would be published as a book.

"As the first project, we propose to write the book with the most number of co-authors," explains Bhushan. "The current unofficial record stands at over 3,000 scholars for Yongle Dadian a Chinese encyclopedia, which was written in the 15th century. Incidentally, it also holds the record for the longest book ever written. We aim to have at least 4,000 contributors." XLRI Jamshedpur, a school of business and human resources, has also introduced its deferred placement policy from this year. According to Uday Damodaran, placements chairman, XLRI, the aim of the deferred placement programme is to extend support to students wanting to start their own businesses.

"The global trend today is that students want to start their own venture instead of routinely joining the corporate sector after completing their MBA," points out Damodaran. "But uncertainty discourages them from taking the risk. So we launched

this unique policy by which students would have two years in hand to choose their desired path but can also come back if they fail to make a mark."

Even premier government institutions are encouraging entrepreneurship among their employees, including scientists and researchers. The Council for Scientific and Industrial Research (CSIR), the leading research organisation in India, is toying with the idea of allowing its scientists – who own patents – to start their own companies, while simultaneously maintaining their links with the research body.

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At present, a scientist with a patent to his/her name is rewarded monetarily, but the intellectual property (IP) over the patent wrests with the CSIR, which can sell or licence it to industry for a fee.

If the rules are amended, a scientist will be able to own the IP, enter into a tie-up with a private company, or even return to the job if the venture fails. About four years ago CSIR allowed its scientists to venture out on their own, allowing them the option of returning to the institution within two years, if their venture did not fructify. There has been a sharp spurt in the number of patents issued in India in recent years. The Indian Patent Office granted a record number of 15,262 patents during the financial year 2007-08, more than double the number of patents granted (7,539) during the previous fiscal, and almost eight times the number of patents granted just three years ago in 2004-05 (1,911).

In fact, the number of patents granted in 2007-08, the first year of the 11th Five Year Plan, compares well with the total number of patents granted during the entire 10th Five Year Plan period – just 17,618. The patent filings also crossed the 35,000-mark during 2007-08.

The Indian government had spent over \$35 million on the first phase of modernisation, which resulted in the establishment of integrated Intellectual Property



FUTURE BUSINESS LEADERS: Students at B-schools are showing a willingness to take risks, instead of opting for a safe career, and many institutions are encouraging them



A National Institute of Intellectual Property Management is being set up to educate students in Intellectual Property Rights.

Offices in the four metros and computerisation and enhancement of human resources. The Indian Patent Office last year also introduced the facility for e-filing of applications. The office has also been recognised by the World Intellectual Property Organisation (WIPO) as an International Searching Authority (ISA) and an International Preliminary Examining Authority (IPEA) under the Patent Cooperation Treaty (PCT).

The Indian Institute of Science, Bangalore, a leading academic and scientific organisation, is also initiating the 'entrepreneurial' culture in the campus. According to P. Balaram, director, IISc, "A conscious attempt is being made to encourage entrepreneurial activities so that graduating students can look at it as a serious career option. This reflects the dramatic changes that are occurring in the Indian economy."

C.E. Veni Madhavan, chief executive, Society for Innovation and Development (SID), at the IISc, points out that the Institute wants to introduce the 'entrepreneurial urge' among its students and scientists, as is apparent at leading international institutions such as the Massachusetts Institute of Technology, Stanford, Carnegie Mellon and Berkeley.

The blossoming of entrepreneurship in Indian campuses, research institutions and laboratories bodes well for an economy that aspires to expand at near double-digit rates over the next few years, to ensure sustained economic growth and job creation.

FUNDING THE FUTURE BARONS

THE vibrant entrepreneurship that is visible across Indian campuses is keeping venture capital (VC) and private equity (PE) funds busy these days.

And even as entrepreneurs-in-the-making shoot off ideas to the funds with requests for finance, investors are pouring money into these funds from around the world. India-focussed VC and PE funds raised a record \$7 billion in 2007 (the amount does not include investments into the real estate sector), according to Venture Intelligence, a VC research firm.

VC funds are flooded with proposals from technologists and scientists with ideas that they hope to convert into reality with the help of financiers. According to industry sources, there are about 500 VC funds operating in the country, looking at opportunities in different sectors. And they are flush with funds – of over a billion dollars.

VC funds have been raising huge sums to meet the needs of an emerging entrepreneurial class. Sandalwood Capital raised about \$350 million, while Sequoia Capital and Matrix India Partners managed \$300 million each. Helion Venture raised about \$210 million last year, while VenturEast got about \$150 million and Nexus India Capital about \$100 million.

The average size of venture capital deals are also on the rise. According to Venture Intelligence, for the first quarter of the year, it added up to \$6.9 million, as against an average of \$5.6 million for the whole of last year.

In 2007, nearly 100 VC deals worth \$550 million were signed. During the first three months of this year, about two-dozen deals worth \$166 million were reported in India.

Many of the deals also relate to second and third stage funding, as venture capital funds go ahead with follow-on funding proposals.

VC funds are extending finance across the industry spectrum – from the information technology (including dot-com) and ITES (IT enabled services) space to telecommunications, bio-

technology, semi-conductors, retail, hotels, media and entertainment.

In fact, two international VC leaders, Canaan Partners and The Indus Entrepreneurs (TiE), have come together to launch the second edition of the TiE-Canaan Entrepreneurial Challenge, a business plan competition for early stage entrepreneurs in India.

Eight short-listed candidates will be mentored before the final presentation, while the top three winners will continue to receive mentoring for three months after the event by the National Association for Software and Services Companies (NASSOM), Canaan Partners and members of the jury.

"The Indian market offers an exciting opportunity for new business ideas to grow into successful businesses," says Alok Mittal, managing director, Canaan India. "We strongly believe that initiatives like the TiE-Canaan Entrepreneurial Challenge will act as catalysts for aspiring and early stage entrepreneurs to come forward with their business ideas and be provided strategic insights by experts to enable them to grow."

The jury this year includes Raman Roy, chairman, Quattro BPO Solutions; Pramod Bhasin, ceo and president, Genpact; Saurabh Srivastava, president, TiE, Delhi; Mahesh Murthy, founder and ceo, Pinstorm, and partner, Seedfund; Sanjeev Bikhchandani, co-founder and ceo, Naukri.com; and Alok Mittal, managing director, Canaan India.

The first TiE-Canaan Entrepreneurial Challenge in 2006 saw over a hundred applications from budding entrepreneurs in India. The three winners – Vegayan Systems, Six DEE and Infoztech Software – were hosted at the Singapore campus of leading business school INSEAD.

With money not being a major problem, technologists and scientists can focus on what they specialise in – making a better product or offering a more useful service. Indeed, provide innovative solutions.