

Biotech start-ups seek booster dose for growth

As risk capital flow for biotechnology start-ups in India picks up, entrepreneurs are now seeking greater support in policy, intellectual property management and growth facilities, find Sreekala G and Peerzada Abrar



Criyagen has a team of around 25 scientists.

Managing the need for adequate intellectual property protection for original research and products within biotech start-ups is a challenge that most entrepreneurs in this sector face.

"There has never been a tradition of IP coming out of India. So, the game of IP is not understood by VCs and PE players based in India," says Sunil Bhaskaran, founder and CEO of Indus Biotech. "All they understand is revenues and PAT, while drug discovery does not lend itself to the revenue and PAT paradigm," he added.

More industry watchers are pushing for greater understanding of this impasse, as risk appetite increases among investors funding the life sciences segment. For instance, pure drug discovery business model still does not have enough takers unless it is linked to services.

"Drug discovery is a very complicated activity, which requires several tries before you can find that one molecule that works. The more tries there are, the higher the odds of success," said Hari Buggana, managing director of InvAscent – the investment advisor of Evolve India Life Sciences Fund.

"We need to create more drug discovery programmes, and that could lead to more funds being launched with explicit mandate of investing in drug discovery," he added. Biotech entrepreneurs too are advocating such an approach, as returns from a successful drug or molecule can amount to multiple hundreds of millions of dollars.

"Drug discovery means continuous investment, high risk, no revenues, and a huge pay-off if you have a successful molecule that is out-licensed," says Mr Bhaskaran of Indus Biotech.

The firm has raised a \$10-million VC funding by Kotak PE about three years ago, which has helped the company to conduct studies, file patents and back its IP portfolio with solid science and data. It now has a series of drugs being developed as per the USFDA guidelines for various diseases. The start-up is now looking to out-licence the drugs it developed to big pharma companies.

VLife Sciences Technologies, engaged in providing licensed software and research solutions for discovery research projects, raising funds was not a problem. "The challenge is the valuation at which such funding is available, as emerging company's valuation is based more on the power of the idea (intellectual property), which is yet to generate revenues," says Supreet Deshpande, director at VLife Sciences Technologies.

After an angel investor round of about ₹1.5 crores in 2002-03, VLife raised about ₹6 crore VC funding in 2006 when its technology platform was ready for demonstration. Since then, the company has been fully supported by revenues generated and is completely debt-free.

Support service for biotech research is also emerging as an entrepreneurial opportunity as in the case of Biomedics Preclinical Services, which provides pre-clinical services and laboratory animals to various companies. This month, it invested ₹9 crore to commission a new Good Laboratory Practice (GLP) unit for rabbit studies and dog studies.

"We are working with many clinical trial companies to provide necessary regulatory data to support the studies," said Dr Vinay Babu, managing director of Biomedics.

Most biotech entrepreneurs feel the onus is now on the government to provide more incentives for the industry, with not only policies but enough vision and money to see it through.

"Incubating centres have helped in the recent past, but they are few and far apart. The way forward is definitely a PPP mode – there should be a public-private partnership that will fuel change from bottom upwards and build organic growth in the enterprise," said Kavitha Iyer Rodrigues, co-founder, director and chief of operations at Inbio-

THE founders at Polyclone Bioservices, a genomics drug discovery firm, began as most entrepreneurs do — with an idea and passion but very little money. They had quit their jobs and one of them even had to mortgage his home for ₹50 lakh to fund the new start-up. But as with other high-quality teams and ideas, the rigour was followed by a game-changing event. In 2008, a high net-worth individual invested \$100,000 in the firm, providing the fledgling start-up with its first inflection point.

"The ecosystem is more favourable right now, allowing biotech firms to grow faster, now there are a lot of biotech savvy investors," said Sanjay Bettadapura, chief business officer and co-founder, Polyclone Bioservices.

The company, which was incubated at the University of Agriculture, Dharwad, has developed diagnostic methods and technologies that help identify cancer-causing cells at an early stage and treatment, for which it has filed a patent. The firm is now hunting for a funding of \$2 million and it expects to achieve revenues of over ₹10 crore by 2012 and expand in American, Indian and European markets.

Polyclone Bioservices' is not a standalone story, as the start-up ecosystem for biotechnology firms in India evolves rapidly. In Bangalore, Enzene, a start-up that uses silk worms to develop therapeutic proteins,

kind of ecosystem was not available earlier," said Dr Chandrashekar Siddamadappa, managing director of Enzene Biosciences.

He started the company with an initial funding of ₹1 crore, which came from angel investors and personal savings. Enzene is working with some of the top biotech firms such as US-based Dow Agro-Sciences, Alkem laboratories and MIR Life Sciences to develop genetically-modified organisms to treat diseases such as osteoporosis and cancer.

Institutional support can play a large role in strengthening the vibrant ecosystem for biotech start-ups, say industry experts. "Adequate funding in the proof-of-concept stages is a primary challenge for start-ups in the life sciences segment," says Utkarsh Palmikar, executive director, Centrum Capital.

"We need an over-arching mechanism such as an incubator corporation, which could provide comprehensive assistance to start-ups, including the much-needed managerial bandwidth," he added.

Such a mechanism can help to reduce the teething troubles for biotechnology firms. Dr Basavaraj Girenavar, managing director at Criyagen, set up the company in India in 2008 at an incubation facility at the University of Agricultural Sciences, Dharwad, and started a 'biofuel project', which could produce bio-diesel, bio gas and bio fertilisers.

But the bio-fuel project did not take off due to lack



MANAGING THE NEED FOR ADEQUATE INTELLECTUAL PROPERTY PROTECTION FOR ORIGINAL RESEARCH AND PRODUCTS WITHIN BIOTECH START-UPS IS A CHALLENGE THAT MOST ENTREPRENEURS

is looking to raise a capital of ₹10 crore. The firm has already received funding of ₹1.2 crore from the Department of Biotechnology.

"There is now a lot of support from the government for the biotech start-ups in terms of funding and mentoring. Private investors have also started to invest in firms, which have a revenue stream. This

of support from the government. With the help of family and friends and his own personal savings, Dr Girennavar changed his business model and developed bio-fertilisers.

"We are seeing great demand from sugar and paddy industry. In just one year, we sold products for over 60,000 acres of land," said Dr Girennavar. Now,

IN THIS SECTOR FACE

pro, which has raised venture funding from Erasmus Venture Fund.

"Connecting with the right people helps bring in investment," says Ms Rodrigues. Clearly, for biotech start-ups, the network is really the need of the hour.

SREEKALA G & PEERZADA ABRAR
sreekala.nair@timesgroup.com