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Ashwin Raguraman: Investors are keen to fund Indian firms

October 31, 2012 | Influencers | By BioSpectrum Bureau

Ashwin Raguraman: Investors are keen to invest in India



India Innovation Fund (IIF) is a Securities and Exchange Board of India (SEBI) registered venture capital fund that invests in innovation led, early stage Indian firms. The key focus areas for IIF includes life sciences apart from information and communication technologies. Since its inception, IIF has made half of its investments in the life sciences domain in companies, including Mitra Biotech (in October 2010), Shantani Proteome (in April 2012) and recently in Consure Medical (during August 2012).

In an interview with BioSpectrum, Mr Ashwin Raguraman, vice president, IIF, speaks about the life sciences industry, opportunities offered by the sector and how IIF will be providing necessary help to start-ups in this space.

Could you kindly elaborate on the recent investments made in Consure Medical and Shantani Proteome?
These two are very promising companies in the healthcare and life sciences spaces. Consure Medical is a firm incubated at AIIMS Delhi and has developed a medical device that addresses fecal incontinence. The device has an edge over existing products in the market as it works with solid stool management and is designed for non-ambulatory patients.

The skills required to operate the device are minimal and it can even be operated by a motivated family member. In a medical facility environment, it leads to significant cost savings for the center. This product is targeted at both the Indian and global markets. Founder of the firm, Mr Nishith Chasmawala, is a Stanford Biodesign fellow and has experience in commercializing devices globally along with the likes of J&J and Kyphon (now acquired by Medtronic).

Shantani is a drug discovery technology company, offering a proprietary chemical proteomics technology platform for the identification of the targets of drugs and drug-like bioactive molecules. This target information is essential for the understanding of action mechanisms of compounds identified through phenotypic screening.

It is also valuable for drug repositioning purposes and for identifying off-target interactions of a drug in order to understand its toxicity profile. Shantani was incubated at National Chemical Laboratory (NCL), Pune, and is founded by a scientist named Dr Chaitanya Saxena, who achieved his Phd in the US and has also worked in global corporates such as Eli Lily.

What are your views regarding the life sciences, biotech, healthcare and pharma sectors in terms of investments?
All these domains look promising for investments as there is a surge in the number of high quality start-ups in these spaces. There are a flurry of start-ups emerging in drug discovery, platforms and the medical device sectors, which are founded by world-class entrepreneurs. The risks of investing in these sectors, however, are high and more importantly, these sectors call for patient investing.

There are challenges for start-ups in these sectors as well. The Indian market is still few years away from maturity. The much touted reverse innovation paradigm is constrained, by lack of an easily addressable domestic market. Further, the regulatory environment is nascent, and while that may be a short-term benefit, in the long run it will hurt companies that are looking to expand globally.

There is, however, a lot of interest that appears to be building within the global investor community in the Indian healthcare and life sciences sectors. Also, there is going to be a significant amount of capital that will follow companies, which are able to manage and solve the challenges listed above and develop a unique proposition applicable in a global context.

How active has IIF been when it comes to investments in the healthcare, life sciences, biotech and pharma sectors?
Three of our six investments so far are in the sectors mentioned above. We are constantly evaluating entrepreneurs in these sectors. The support of the IKP Knowledge Park, and the involvement of experts such as Dr Bala Manaian, board member, Biocon, and Mr Shreekumar Suryanarayan, former head, R&D, Biocon, has enhanced our ability to evaluate offerings in these domains.

Could you kindly share some of the key points that IIF looks in a firm before investing in them?
Our mandate is to invest in early stage companies that have a strong innovation component and have intellectual property. In the life sciences sector, this translates most often into pre-revenue companies that are at advanced stages of product or technology development. Given this stage of the company, a key criteria we consider is the uniqueness of the technology and its proposition as a solution to a problem.

We invest on companies that have technologies which could be game-changers. This automatically translates into a determination of the market size and scalability of the company. Given the stage of the company, another key parameter is the quality of the team. In my opinion, our portfolio companies have teams that are world class. While their technical expertise is proven, the jury still tries to determine their ability to execute a commercially successful venture starting with a unique technology solution. This is where our ability to evaluate the team is important.

What are the recent developments made by the IIF?
IIF became operational exactly two-and-a-half years back. We are now closing in on our 7th investment. Four of these have happened during this calendar year. The early set of companies that we invested in, including Mitra Biotech, are now at a stage where they are raising further capital either through follow-on rounds from us or our co-investors, or through external sources. While we will continue investing, our focus is now shifting towards supporting our existing portfolio companies.

India has seen a number of start-up companies in the life sciences and healthcare sectors in the past five-to-six. What are your comments on this upsurge?
I agree that there has been an upsurge in the life sciences and healthcare sectors, but I think this upsurge is also visible in other sectors such as ICT. Furthermore, it is not just the quantity of start-ups, but encouragingly a qualitative improvement in the start-ups and the maturity of their offerings that are emerging in these sectors. The reasons are common across these sectors. There is an entire generation of individuals who went to the West to study and work and have returned n large numbers to India in the last five years, armed with a global outlook, practices and ideas. Many of these have ventured into entrepreneurship as the opportunities offered by the large firms often don't measure up to their competence.

There is also a new breed of entrepreneurs, who are emerging from large corporates, with a deep domain understanding. These entrepreneurs understand gaps in solution offerings, and are looking to offer niche solutions to the problems or are looking to address the issues. Another category, yet emerging, is a set of academics, who are converting years of research into business applications and building firms around them. This upsurge is encouraging and with the right enablers, can lead to a whole new breed of companies that will emerge from India.

What is the role of IIF in helping start-ups other than providing monitory benefits?
IIF, as a fund has a strategic set of promoters such as NASSCOM and the IKP Trust and investors that include corporates who are leaders in areas of investment, like TCS and Airtel. Furthermore, this is the first fund that the Government of India has invested in through the Department of Science and Technology. We use our investors, promoters and their networks to advise our portfolio companies and provide them market access. We have also led investment rounds, where we have syndicated co-investors, thereby bringing additional capital to these start-ups.

What is the uniqueness of the solutions that are being offered by start-up companies?
Start-ups need to have a unique value proposition if they want to survive and scale in the face of established companies in a space. By virtue of their DNA, which fosters nimbleness and a greater risk appetite, they have a better probability of being the powerhouses of innovative solutions.

What are some of the sectors where IIF will be contributing in the future?
IIF invests in the ICT and life sciences sectors. So our investments will include companies that have a strong technology offering in either of these domains. Going ahead, we may consider other sectors that have a strong technology component, like the cleantech sector.

How does IIF further plan to promote start-ups in the lucrative sector of the healthcare, life sciences, biotech and pharma?
What is important is that we use our strategic set of promoters, investors and their networks in order to provide strategic help before investing in a start-up firm. We are also looking to support the firms through mentoring and market access post investments. Not only is the success of our portfolio companies imperative to us, but we would also want to scaling up our support to a larger number of companies in these sectors. We want to and will make a significant impact in these sector.

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