

What are angel investors looking for?

03 September 2012 | Influencers | By Vipul Murarka

What are angel investors looking for?



Healthcare, biotech, pharma and life sciences are sectors that involve patient bunch of people who are willing to wait for a good number of years before their products or research commercialize.

It can take around 12 years for a drug to travel from the research lab to the patient. Moreover, it is estimated that only five out of 5,000 drugs or roughly 10 percent of the drugs that begin preclinical testing make it to human testing; and out of those five, only one is approved for human usage. On an average, it costs a company around \$359 million to develop a drug from research lab to the patient. Thus lack of funding from the investors has always been a major concern for companies in the aforementioned sectors.

The Indian Angel Network (IAN) was established in 2006 with a unique concept to bring together highly successful entrepreneurs and CEOs from India and around the world, who are interested in investing in star-tup ventures that have the potential of creating disproportionate value. The network has identified certain key sectors where it invests. These include

agriculture, biotech, pharma, life sciences, education, healthcare, IT and media among others.

Recently on August 23, 2012, IAN invested in a Delhi-based start-up company called Consure Medical which has developed a novel, disruptive technology to treat fecal incontinence. This technology is believed to benefit more than 16 million patients in the country.

Talking to Ms Padmaja Ruparel, president, IAN, *BioSpectrum* tried to learn what are the current areas where IAN is particularly interested in to invest and what the start-ups in the healthcare and life sciences sector need to know if they wish to seek funding.

Could you tell us about the recent investment made by the Indian Angel Network in Consure Medical?

Consure Medical, a Delhi-based start-up company, has developed a new standard of care for the management of fecal incontinence in non-ambulatory patients. It has developed a novel, disruptive technology that will benefit more than 16 million patients in India and over 100 million patients worldwide. Consure has global applicability and IAN looks to help the company scale its business and enhance the global competitiveness.

We do think that medical devices vertical is an exciting space with tremendous potential. Angel investors like segments such as medical devices, where innovative products cater to large markets.

How do you see healthcare, life sciences, biotech and pharma sectors when it comes to investments?

The healthcare sector is nearly always number one or two in the top investment categories for angel investors. Looking at the scope in this sector, the number of start-ups is gradually increasing. Within the healthcare sector, medical devices dominated angel investment far exceeding pharmaceuticals, drugs and biotechnology. This sector is considered to be high risk and a high return one.

The healthcare industry in India is reckoned to be the engine of the economy in the years to come which encompasses healthcare instruments, healthcare in the retail market, hospitals enrolled to the hospital networks, among others.

How active has IAN been when it comes to investments in the healthcare, life sciences, biotech and pharma sectors?

IAN realizes the scope and opportunity in this segment and we have already invested in an oncology focused contract research organization, Karmic Lifesciences. Karmic provides concept to clinic services for new drugs as well as generics development and works for several global and domestic pharma clients and has experience of handling over 30 clinical studies.

As spoken earlier, we have taken a step forward by investing in Consure Medical, considering the growth opportunity in the sector and the uniqueness of its product. Also, IAN's deal table has other healthcare investment opportunities and they are being looked at avidly.

Please share with our readers some of the key points that IAN looks before investing in the particular company.

There are a few key qualities which we look for in the entrepreneurs and the start-ups before investing in them. Most important being their passion for the business ideas because that's what drives their performance and growth of the business. Domain expertise is the next thing we look for in an individual as it's equally important for entrepreneurs from an angel investor's perspective, to be aware of the operational and regulatory aspects of their respective sectors.

Along with the experience and energy of the team, we also keep in mind the potential of the sector to be invested in. The bet on the execution ability of the team is so high at IAN, that a class A team with a class B idea is far more interesting than a class A idea and class B team!

What have been some of the recent developments at the IAN?

We have recently invested in a social gaming site, HashCube. IAN has also already closed 11 deals this year and nine deals within seven months of 2012. We do expect to close a few more by the year-end.

India has seen a number of start-up companies in the life sciences and healthcare sectors in the past five-to-six years. What are your comments on this upsurge?

Healthcare is a "need-to-have" rather than a "nice-to-have" for everyone. The abysmal state of healthcare in the country (till a few years ago) has provided an opportunity for entrepreneurs to build a very crucial gap in the healthcare space. And to add

to that the perspective on the bottom of the pyramid, which is almost 2/3rd of India's population, as a market has suddenly provided an opportunity to build products of global quality at Indian prices. This is absolutely great as apart from a focus on citizen health, a vast market opportunity helps create fast growing ventures creating jobs and wealth which drives economic growth.

However, this sector is currently very nascent and companies are still catering to basic needs. Clinical research and drug research, apart from some small pockets, is yet to take off. I am sure in the next five years not only will we see many healthcare companies, but India would have moved up in this value chain

What is the role of IAN in helping such start-ups other than providing monetary benefits?

Other than providing launch-pad to the start-ups, IAN investees can gain access to the vast business network of IAN's influential members, strategic direction, and operational guidance apart from financial investment that is critical for creating large, valuable companies.

What is the uniqueness of the solution offered by the start-up companies?

Uniqueness of companies can be defined in many ways. A well differentiated product catering to a sharp need brings in uniqueness and so does a process which caters to the same need in a different way than what is being currently done. Hence a product which is "different or differently done" both provide uniqueness.

A company can quickly execute on a unique strategy be it a marketing or commercial strategy. For example, in the early days of the IT industry, most companies focused on the US market to provide services but some companies grew very quickly by focusing on the UK market. This was unique which helped it develop its own value.

What are some of the sectors in your mind where IAN will be contributing?

Apart from internet and mobile, we see healthcare, education, semiconductor, media devices, gaming, automobile, and even impact investing as hot sectors for angel investment. IAN will definitely be looking at these sectors for investment. Also, more than the hot sectors, a brilliant business plan and a great team that promises excellent execution drives investment.

Is there any particular amount that IAN has set aside particularly for the healthcare sector?

IAN is not a fund, it is a co-investment platform. So investment interest is completely driven by the interest of each of its investor members. If the angel investors of the network like the business idea and see growth opportunity for a start-up, they invest in it, not only money but time and effort bringing in strategic thought leadership and even operational direction, apart from leveraging their global networks.

How does IAN further plan to promote the start-ups in the lucrative sector of the healthcare, life sciences, biotech and pharma?

IAN promotes innovation and aims at fostering entrepreneurship in the country by investing in the upcoming start-ups in these sectors, providing them guidance along with strategic direction required at an early-stage. IAN sees over 300 business plans a month, hosts a workshop every fortnight somewhere in the country, has weekly entrepreneur pitch session to investors, hosts individual and group mentoring sessions. All of these with the specific domain experts in this case healthcare help sharpen the business plans of the entrepreneurs and connect them into the sector.