

VC funds for biotech gaining momentum in India

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The Indian biotech industry posted a very strong overall growth in 2005-06. Top line grew by 37.42 percent to record \$1.45 b (Rs 6,521 crore) in revenues. BioPharma and BioAgri continued to be the critical drivers contributing to this growth rate. The good news was not just the growth in revenues but also growth in terms of number of companies, higher number of alliances, several product launches and stronger product pipelines.

Nitin Deshmukh, Director, ABLE & Partners, says, "On the business model front, inorganic international growth seems to be the new trend and the Indian biotech sector is proactively repackaging itself from low-end research and manufacturing base to a value-added partner in the global marketplace. BioPharma and BioAgri companies in India are seen to be increasingly focusing on high-end technologies, drug discovery and scalable products."

Smaller biopharmaceutical companies which initially emulated the services model are moving towards innovative research and drug discovery realizing that it is imperative to move towards a product driven model to attract VC funding and scale up growth. A similar transformation is happening with India's champion bioinformatics companies who are fast incorporating wet labs for a sustainable growth.

Clinical research companies were the new kids on the biotech landscape last year and were seen to be mushrooming in clusters across the country.

The business models of many of these were far from market realism though and needed strong support of business acumen and knowledgeable partnerships.

While the seed companies dominated the tonnage growth of Bt cotton, a small breed of agbio companies were seen quietly making an impact globally through global partnerships in the transgenic space.

On the venture capital front, the funding activity showed significant momentum during 2005-06 with the VCs getting more excited with the changed but more sustainable business models. Venture and corporate funding support to young biotech companies increased across various segments of biotechnology like bioinformatics (Ocimum and Molecular Connections), vaccines (Bharat Biotech), drug discovery (VLife Science Technologies, Advinus and Perlecan Pharma), clinical research (Manipal Acunova, SIRO, Metropolis), biopharmaceuticals (Zenotech), Agbio (Metahelix), preventive healthcare (Avesthagen) and diagnostics (ReaMetrix). On the whole the sector attracted over \$125 m funding, a 150 percent growth over the previous year.

On the overall, India's biotech engine is revving louder, fuelled by increased venture capital funding and government support for sustainable business models and successful commercialization of biotech products.