Strategies for Sustainable Growth: Navigating Challenges for Biotech Startups

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The incorporation of new biotech startups in 2022 marked a remarkable chapter in the entrepreneurial landscape. With a total of 1391 startups formed, the year not only showcased quantitative growth but also witnessed an impressive 23.3 per cent increase in the startup growth rate. This surge, compared to the previous year, highlights the resilience and adaptability of entrepreneurs amidst many challenges.

In a recent webinar organised by BioSpectrum, titled "Navigating the Biotech Investment Landscape," experts from diverse backgrounds in biotechnology and entrepreneurship shared their valuable insights into the challenges and opportunities facing startups in the biotech industry in India.

The webinar focused on the unique hurdles encountered by biotech startups, especially in the context of the COVID-19 pandemic, shedding light on securing funding, technological developments, market entry of innovative products and exit strategies.

Dr Shalini Singh, Funding Specialist, Venture Center highlighted the journey of startups in the biotech space and the role of business incubators in technology commercialisation. “There is availability of different forms of government funding for startups at different stages, whether it is an idea stage, at proof of concept, validation stage, early stage trial or commercial production. For instance, for a startup at an idea stage, a monthly funding of Rs 30,000 is there, for a startup with a proof of concept, we have funding worth Rs 10-50 lakh. Then for seed funding, an amount anywhere between Rs 30 lakh and Rs 1 crore is available”, she said.

“Even though there are lots of funding avenues available, the amount of funding provided by these agencies is not enough to suffice the current needs of the startups. There is a need to have a funnel sort of a thing wherein 100s of grants are available in which at least 5-10 good companies can come up providing better investment space”, she further added.

Sharing his views on the funds-related challenges, **Rupinder Singh, Investor, Advisor & Startup Evangelist** said, “The rising capital is critical for survival, and meticulous planning is required to ensure a seamless business model, considering specific timelines and financial needs. While the government grant agencies like BIRAC have a fair amount of understanding about the ideas being generated by the biotech startup companies, venture capitalists at times have concerns. They find it difficult to invest in biotech-based ideas as the gestation periods are longer.”

The discussion acknowledged the multitude of funding options that are available today, from angel investors to venture capitals (VC) and private equity (PE) funding. Despite the evolution in the Indian startup ecosystem, caution was advised against depending solely on government funding. The need for multiple revenue streams to ensure sustained growth and overcome potential delays in funding was underscored.

While securing sufficient funds is a hard task for biotech startups in India, revenue generation is equally critical. According to **Manish Amin, Director, Avay Biosciences**, “The biotech sector is a garden with high wall, once you get onto it, you will reap the fruits for a longer period as biotech startups are not easy to wind up. Beyond funding, revenue is the linchpin for success. Relying solely on government agencies like BIRAC may not be sufficient, and the runtime of a company becomes pivotal, making revenue generation a significant factor in defining its future trajectory.”

A key element highlighted by Manish Amin is the trust factor. In addition to research endeavors, revenue generation emerges as a crucial factor for a startup's sustainability, and building trust within the industry is essential, where revenue plays a major role in establishing credibility and long-term viability for a biotech startup.

In sync with this thought, **Dr Prabhakar Kulkarni, Chief Executive Officer, NeoDx Biotech Labs** said, “Irrespective of the industry, startups should have a set of revenue-generating ideas to maintain a runway for a specific period. This principle is not exclusive to biotech but holds true for fintech or FMCG startups as well.”

“As entrepreneurs, initial investment, both in terms of money and time, is crucial. To sustain growth, continuous pitching of ideas and the formation of a strong team are vital”, added Dr Kulkarni. He further stressed on the importance of diversifying the product portfolio to mitigate risks.

Further to this, Manish Amin noted that post-COVID-19, the government's initiatives have been instrumental in supporting startups. He commended the development of events such as Global Bio-India summit to attract investors’ attention and foster collaboration among like-minded individuals globally. To increase revenue streams, he advocated for global platforms that bring together innovators to understand each other's needs.

Building on new product development, Manish Amin emphasised on the importance of incorporating suggestions and expertise of academicians, researchers, and domain-specific experts. “Product fitment is crucial for market competitiveness against global players. Maintaining a balance and fostering collaborations are essential for startups’ success”, he said.

Amin spoke about the importance of research, patent filing, and acquiring more intellectual properties (IPs) to attract larger pharmacy giants for collaboration. He also stressed on the need for a proper exit strategy for biotech startups, considering the potential redundancy of products over time. Continuous innovation and building ideas are essential for maintaining value.

Highlighting another critical aspect in the journey of biotech startups i.e. regulatory approvals, Dr Kulkarni said, “Understanding the regulatory framework is crucial, as regulatory errors can have a higher impact than revenue-related mistakes. The fast-changing regulatory regime in the European Union can be taken as an example. There is a need for a complete understanding of the product and its necessity for long-term sustainability. Startups need to be fast, first, and consistently communicate about barriers to ensure survival in the market.”

In Rupinder Singh’s opinion, biotech startups should emphasise on planning before applying for regulatory approvals. “Startups should create checklists, seek expert advice, and collaborate at the right time for successful execution. Collaboration, seed funding, subsequent funding, and revenue generation plans are all crucial for long-term sustainability of a startup”, he said.

He underscored four crucial points for startups- maintaining revenue with a healthy balance sheet, continuous innovation and patent filing, staying ahead of the competition, and consistently pitching to investors to ensure a steady flow of capital for sustained growth.

Towards the end of the discussion, Dr Shalini advised biotech startups to properly build milestones for attracting funding through validation and certification. “Continuous pitching for new funds and attracting investors by adding value to the product is crucial. Startups must identify their needs for government grants, create a clear value proposition, and outline a roadmap for market entry while managing funds effectively”, she said. She also cautioned against regulatory uncertainties and spoke about training sessions at Venture Center to help startups navigate regulatory certification and validation.

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