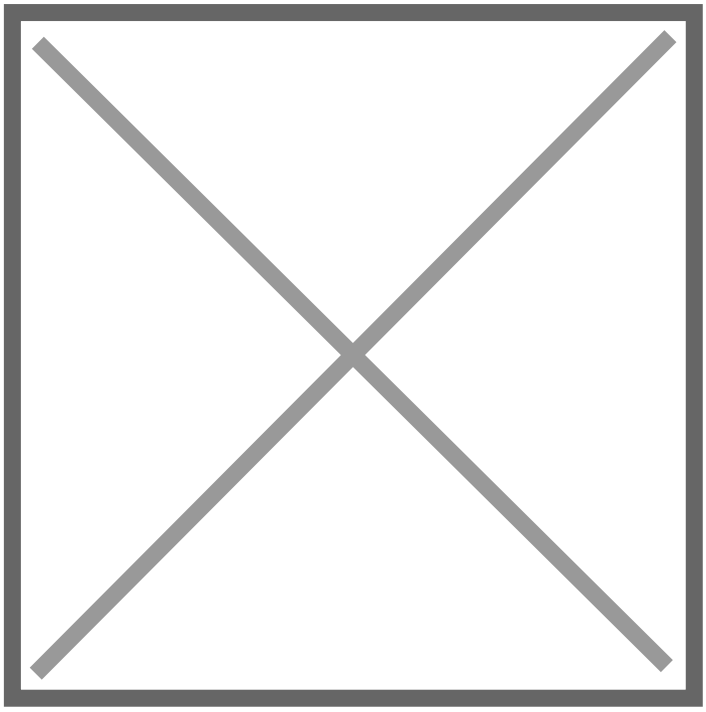
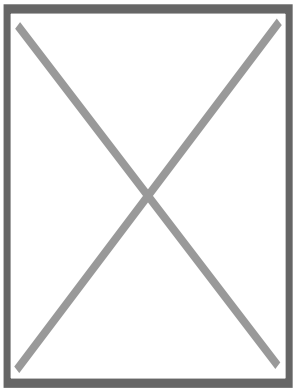
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"Not having funds in place has not impacted us"

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– ***Tania Fernandez****, director, Burrill & Company, India*



In a free-wheeling conversation with BioSpectrum, Tania Fernandez, director, India, Burrill & Company, throws light on the reasons for the firm not finding the right partner in India till date, the challenges that overseas investment firms face in India; and Burill & Co's strategy for India.

Q What is the fund allocation by Burill & Co for life sciences sector in India?

We do not have a set allocation for investments in the life sciences space in India. Burrill & Co is a global firm, and we have a large footprint, in both developed and emerging economies. We invest where the best opportunities present themselves; and therefore, do not like to limit ourselves by predetermining allocations to a country. Our deal flow is global. Burrill has been eyeing India for a long time now, and we have studied the life sciences landscape very intensely and carefully. We are still looking for the right partner in India, for our Burrill India Healthcare Fund. When that fund is up and running, the fund worth `690-`920 crore ($150-$200 million) will be allocated to India. Not having that fund in place, however, has not impacted us, since we have continued to analyze the investment opportunities that the Indian life sciences industry offers; and will continue to invest in the region from our global funds. In terms of a portfolio, our domain expertise is in the life sciences sector; and we have applied the same model for all the regions we operate in. In India, it will be no different. Life sciences, pharmaceutical, biotechnology, healthcare and healthcare delivery, remain areas of top priority for us.

Q What are the challenges faced by life sciences industry in terms of financing and funding their initiatives?

The Indian venture capital (VC) industry has adopted a late-stage/private equity (PE) investment model. Just take a snapshot of deals that are being done today, or over the past two-three years. They can, with some exceptions, be characterized in the same buckets: generics, CRAMS offerings, pharmaceutical and hospital deals. So, recognizing that next wave is important for sustainability of the Indian life sciences industry, it is important that we are able to groom our Indian life sciences companies. If not, we fall into the risk of saturating ourselves with the shortsightedness of vision, and capitalizing on the present exuberance, without building for the future, and a time may come when we will be unpleasantly surprised. I think entrepreneurs fall into a trap of taking whatever capital is available. The life sciences industry is a very regulated industry. There are a couple of great mid-tier companies that I have met with, that have the potential to enter regulated markets. It takes more than capital though, it takes having the right VCs around your table, putting the right boards together, making sure you have the right networks, building a business plan that is well thought of with long term vision.

The lack of early stage VC funds (and I would go even further to say VC funds in general) is disheartening. There is no ecosystem that exists today, where you can take a technology out of a university, form a company around it; and then bring to the management team the kind of expertise, that is required at each level of company maturation, right to the point of exit. We,

at Burrill, have fought that culture very hard, and strongly advise entrepreneurs to spend more time with their investors flushing out business plans. If all you are thinking about is dilution, when you are raising funds, then the outcome is evident.

Q Do you see a change in the mindset among financial firms towards the biotech industry?
Yes, and I have commented on this earlier. There are also very few formal angel networks, unlike in the US. I also do not believe the situation will change, unless something is done at the government level. I do give the Indian government credit for a number of initiatives that they have put in place; but to exploit its full potential, public-private partnerships may well be a solution. There is progress, and one must always commend that progress. There is a change in the mindset towards funding of the biotechnology industry, but, I don't think the change has been enough to rectify the fundamentals that need to be changed.

Q There have been many overseas firms looking at investing in India. However, nothing concrete has happened. What do you think are the reasons?
Everyone has a different metric of success. To say nothing concrete has happened may not be true.

India is challenging for the many reasons, but Burill & Co continues to bet on India. It remains a region of high priority for the firm. We are very big on cross-border (US-India) and technology infusion. This is why, for example, we do not participate in hospital deals. Our strength and our belief lies in the fact that it is technology infusion and global business models that will drive the next breed of companies. Our first cross-border investment "Bioimagene", while domiciled in the US, had started off, having India as an integral component, exited within two years of investment. We would like to carve a very unique niche in India—a fund that will invest in companies that have India as an integral component of their business strategy; and Indian companies that are seeking to build global business models. We want to be careful in our investments. Over valued companies, lack of realism in business plans, inability to focus on getting the right kind of capital and sometimes even lack of transparency have hampered direct investments.

Q Are strategic alliances and joint ventures with big-sized companies the more feasible model for getting funds? What are the other models, companies should explore?
The management of the company needs to focus on getting the right capital. If strategic alliance and joint ventures are the way to go, then companies should be encouraged to take that route. The questions management need to ask themselves are: "Are we building a stand-alone company, or a company whose business model is built on a partnership model?" "Are we going to build a company that is going to dominate the Indian/APAC/emerging markets, or will this be a company that can enter regulated market?" Key questions like these will help management, to search for the right source of capital.

Companies cannot bootstrap themselves to an exit. I think, a lot of investors also come in with the mentality, not that they will take a company right to the exit, but that at some point, they will sell to another investor. This seems to be a favored mode of exit in India. While understandable, since companies take so long to exit, having a dedicated set of investors that will groom the company from start to finish, is what is required.

My favorite story, when we were discussing capital in India, and Steve asked me who my competition was, in terms of being able to procure a proprietary deal, I had to tell him it was actually a real estate developer. Without naming the company, here was an excellent technology in India that needed to be groomed and nurtured with the right investors. Very young blood, fresh into the company, decided it was better to take money from a real estate developer rather than going through the process of extreme due diligence. A year from that raise, the gentleman was back with none of the raise having gone to getting to a value inflexion point. Grooming life sciences companies requires a lot of discipline, and a lot of rigor. There sure is no easy way out. And if you are in it, it is a grind from start to finish; but the journey made with the right team, is a journey to remember.

Nayantara Som in Mumbai