the business of Bio & Health Sciences

Innovating R&D

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Bangalore: The entrepreneurial ventures pioneered in the period before the year 2000 were built in the harsh realities of non-availability of funds and business models, and were being pioneered to stay afloat in most parts of Asia. "We did not have a choice," said several of the early biotech entrepreneurs. Since there was no venture capital, early start-ups had to focus on business revenues. They had to offer products and services. Then they set up manufacturing for today and set aside a sum of profits for tomorrow's products and services. Now they are considering working on products for patients of tomorrow. And the rise of generics has led to adoption of innovation and R&D in India in specific.

The current set of enterprises that have been launched in the last three-four years are working on innovation-driven platform technologies and most of these enterprises are coming through a VC generation. Investors have backed the model. They need to raise more rounds. And they believe that it's equally important to have intervention of the governments. The focus is now on partnerships with others to launch products. Sharing the costs and risks in novel therapeutics is beneficial for both.

According to a recent CPhI Pharma Insights report, the R&D market is diversifying innovation, with increasing partnerships, mergers and revenue sharing models. The report suggests a highly positive outlook across the R&D sector with growth in R&D spending predicted at over 8 percent for the next year, which contrasts sharply with falling returns on investment experienced over the last few years by the majority of the industry.

The R&D market has seen the greatest of changes over the last 10 years within the industry. "With big pharma wrestling to adapt a formerly successful model that each year is producing decreased levels of output, we are now amidst the middle of the cycle with a move away from investing in single large-scale R&D sites to diversifying interests across geographic regions, technologies and partnering firms," observes the report. This approach is leading itself to increased open innovation, out-licencing and in-licencing of technology, and outsourcing models that drive down development costs and even partnering and profit sharing arrangements."

Though cancer research is the biggest pie for R&D budgets, combination drugs and personalized medicines are key novel focus areas for R&D (at 37 percent and 20 percent respectively). These findings are supported by the survey results reflecting that cancer is the main focus area for 2014.

VCs have not yet invested heavily in biotech and there is a lack of confidence in the investor community about the investment climate in most parts of Asia and the capabilities of the entrepreneurs. What is very interesting is that the governments are now building cohesive ecosystems for biotech and multiple venture capital firms in order to help increase the levels of innovation, entrepreneurial zeal, industry- academia interface, and support funding and mentoring. This kind of an ecosystem is unparalleled and it is time that the investors' confidence is restored with better awareness and meaningful discussions.

According to Mr Venkatadri Bobba, General Partner at Ventureast Fund Advisors India Ltd, the best is yet to come for BioPharma as there are no clear drug products from Human Genome Project as yet and there are no clear therapeutic paths to individual genomic based pharmacotherapy. The Playbook will be to enhance skills, leverage global expertise through partnerships, focus on biosimilars, bio-betters, or validated targets; and plan for success and failure.