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A Lifeline for Life Sciences

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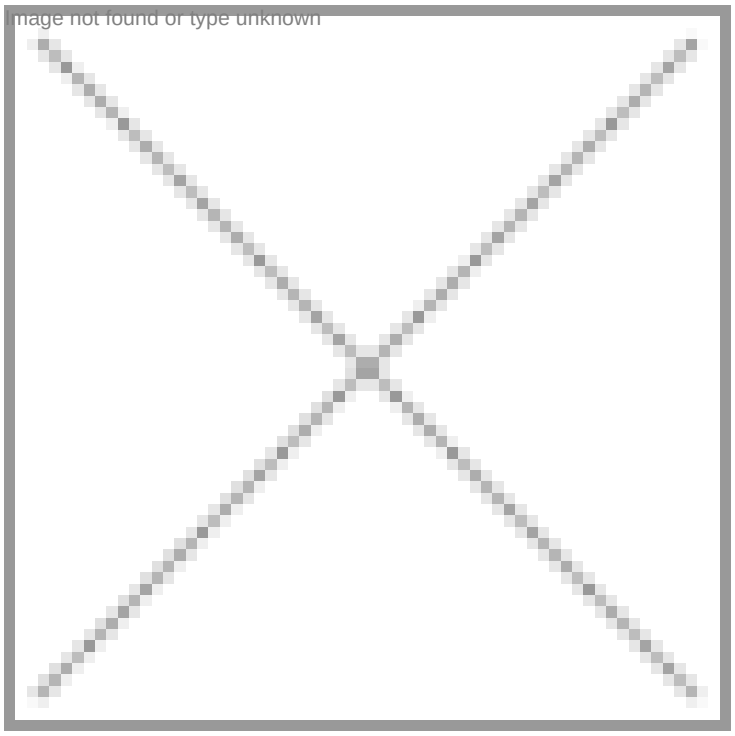
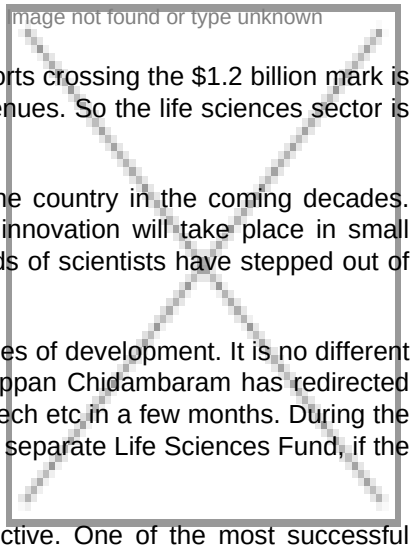


A Lifeline for Life Sciences



The biotech industry is gaining size. The $2 billion revenue in the last fiscal year, with exports crossing the $1.2 billion mark is a clear sign of this. India's pharma industry too has done well with nearly $8 billion in revenues. So the life sciences sector is emerging as a key industrial segment in the national economy.

There is all round optimism that the life sciences industry could bring more laurels to the country in the coming decades. While a few big players will dominate the sectors, as is the trend elsewhere, the real innovation will take place in small companies, set up by first-time entrepreneurs. This is happening in India too and hundreds of scientists have stepped out of the labs in recent years to start their own companies.

Such entrepreneurs, around the world, face a shortage of funding to support the early stages of development. It is no different in India. Responding to request from the life sciences industry, Finance Minister Palaniappan Chidambaram has redirected tax concession to VC funds to investments in high risk sectors like biotech, pharma, nanotech etc in a few months. During the June Bangalore Bio event, Chidambaram has promised to look at mechanisms to set up a separate Life Sciences Fund, if the earlier measures don't work towards channelizing VC funds to life sciences.

Governments around the world have tried different methods to achieve the same objective. One of the most successful example is that of Japan. The Japanese government announced special funding schemes in 2003 to spur innovation in life sciences and encourage its researchers to spin out companies based on technologies developed in publicly-funded institutions. This scheme was a phenomenal success. The government's target of spinning out 1,000 companies in three

years was overachieved in two years itself and more than 1,500 life science companies have been set up between 2003-06. According to Japan's leading VC investor, JAFCO, over a dozen companies have even gone public in the last three years through this scheme.

In fact now JASDAQ is planning to set up a separate market for life science companies similar to the Mother's Stocks run for innovative companies by the Tokyo Stock Exchange. The Manmohan Singh government which has adopted some of the progressive tax laws from Australia in recent years could look at the Japanese model for Indian life science companies. Studies by BioSpectrum reveal that the country requires about Rs 200-300 crore overall about 100 biotech companies through the early stages of their development. Each company requires Rs 2-3 crore to cross the first hurdle to become attractive for venture capitalists.

Meanwhile, mirroring the 31 percent growth of the biotech industry, the key segment of BioSuppliers has grown by an identical percentage in 2006-07. The BioSpectrum-ABLE Top 20 BioSuppliers is list is available in this issue.

Biotech companies have had many strategic partnerships and mergers and acquisitions in recent years. A special study by the Indian Institute of Management (IIM), Bangalore, has looked at the impact of these alliances on the industry. The preliminary results of the IIM survey, done as part of the 5th BioSpectrum-ABLE Biotech Industry Survey is also presented in this issue.

Other highlights in this issue include the coverage of three major biotech events, which have taken place around the world in recent weeks-BIO Boston, Bangalore Bio and BioJapan. With over 20,000 business visitors, BioJapan, in its 6th edition has clearly emerged as Asia's largest biotech events. Indian biotech industry has a lot of catching up to do on this count and probably the only way to match this is to have a India Bio event, rotated between the major biotech clusters to give the Indian industry a much higher international profile than it gets now through 4-5 smaller events. Are the industry leaders listening?

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