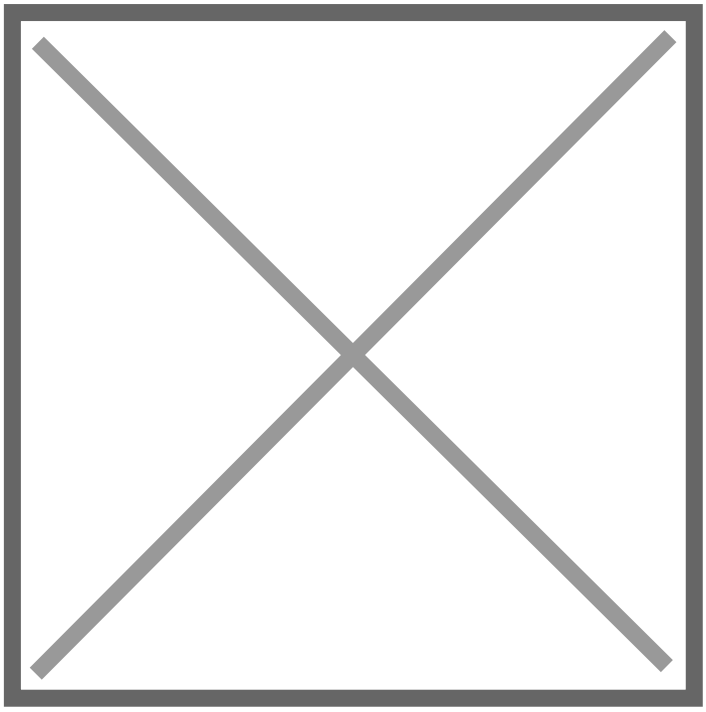
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'We pride ourselves on evolving constantly'

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Jigneshbhatemolecularco **Mr Jignesh Bhate,**
CEO, Molecular Connections

Molecular Connections started in 2001 as a joint venture between Mr G V Prasad and Mr Satish Reddy, senior promoters of Dr Reddy's Labs, and Singapore government represented by Dr Limsoon Wong. It has now carved a niche for itself in the bioinformatics space in India with revenues in excess of $10 million.

Termed as one of the fastest growing companies in India, growing at a compound annual growth rate of almost 100 percent in the last three years, Molecular Connections has expanded its services to build comprehensive databases, developing data mining tools for companies such as Merck, BD, AstraZeneca, Bayer Healthcare and GSK.

The company has developed its flagship product, NetPro, which is a protein-protein database having almost 400,000 protein interactions. This database, available publicly and accessed easily, has a recall value of 99 percent. Its precision in identifying the protein in literature would be around 95 percent.

Recently, the company entered into a collaboration with Elseiver, the largest provider of scientific, technological and medical (STM) literature in the world comprising over 25 percent of STM content.

At the helm of operations at Molecular Connections is Mr Jignesh Bhate, CEO. In an interview with BioSpectrum, he speaks about the company's success and how the rapidly evolving pharma industry holds the key to its future progress.

Q What would you attribute your amazing growth rate to?
Mr Bhate: I would say mainly three things. Firstly, the people. We are currently more than 750 people, of which about 650 are scientists with significant experience in both wet and dry labs. We have a team that is constantly coming up with solutions for the drug discovery chain. For example, systems biology was initially not a part of our plan, but our team recognized the need for it in the market and now we are very active in this area.

Also, innovation plays a very key role. Earlier, we focused only on databases, but now we do text mining, curation and much more. The market is also constantly evolving. For example, now we see a lot of demand for informatics in clinical studies and plan to launch two services in this area by next year. We pride ourselves on constantly evolving our services and product offerings.

Also, with the pharma companies eager to look for cheaper solutions because of major changes taking place in terms of patent expiry and generics competition, I believe we are at the right place at the right time.

Q How would you describe your company in terms of size and operations?

Mr Bhate: I would describe ourselves as a mid-sized company. We had started out by wanting to focus only on data mining, but have since then grown and diversified a lot. Earlier, we wanted to focus more on products than services, but now 70 percent of our revenue is from services. Our goal is to help design products for clients in all the stages of drug development pipeline, including target identification that requires a lot of text mining and also target validation. All of it is based on publicly available data that we have mined.

In terms of text mining, we are the largest in the world. We have two facilities in Bangalore and Chennai and we hope to increase our strength to 2000 people by 2015. We have projected a growth rate of around 25-to-30 percent every year for the next three years, which means we hope to double our profits in that time.

We are a cash conservative company, but a profitable one. In the last three years, we grew at a CAGR of almost 100 percent in terms of sales and 50 percent in terms of profits.

Q What is your view on the current scenario in the industry?

Mr Bhate: Singapore always had good technology in government labs for bioinformatics and the people from Dr Reddy's Labs had immense experience in drug discovery pipeline, so it was a perfect match with all players, including me, having equity in Molecular Connections. Convincing pharma companies that we could do good work in text mining in India when no one had heard much about it was tough initially. Our business model did not evolve overnight. We acquired business stability after three-to-four years of operation.

In 2001 when we started, there was a lot of hype and a lot of promise associated with bioinformatics. We have come full circle now. The year 2008 was bad for everyone, but we made it. In 2012, I think there will be consolidation in the industry. Companies that have developed core competencies in niche areas will survive. Also, the size of the industries will get bigger and smaller guys may get acquired.

Now that the initial hype has died down, customers are coming back in moderate numbers. They have realized that even though the promise of bioinformatics is not false.

Q With big pharma looking to spend less on R&D budgets, how will it effect a mid-sized company like yours?

Mr Bhate: My overall sense is that in the long run it will have a positive effect. Pharma companies don't have much choice in terms of skill set, time and awareness about intellectual property issues, and India is much better than China. From a global perspective, India is a favored destination as cost-effectiveness is an undeniable advantage. There is a risk that these companies (MNCs) may decide to have their own subsidiaries for operations. In this case, the companies that have developed core competencies in their fields will survive, but those involved in more generic work may find it tough to compete with the MNCs.

Even though our expertise is niche, we are constantly evolving and innovating in it. As long as we keep innovating and retaining our talent, we hope to continue growing profitably.

Q What does the future outlook look like for Molecular Connections?

Mr Bhate: We may launch a database on adverse events from the systems biology perspective, which will provide all the known adverse effects of drugs. Currently, there isn't any comprehensive database for the same, and it could be very useful for drug companies looking to put drug candidates on clinical trials. We will be a 1000-people strong company this year. Also, we are developing an Indian patent database. We also plan to launch disease-specific databases using our existing content. To facilitate these plans, we are looking to expand to another facility in Bangalore. We have been looking for an acquisition this year, with which our growth rate will hopefully increase even more. After that, we might go for another round of funding.

Manasi Vaidya in Bangalore