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Hot Start-up: Thinking longevity over valuation

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Thinking longevity over valuation

He began traveling across India exploring opportunities where he could put his skills to good use.

During one such trip, he met Dr Chandra Sharma in Trivandrum, a foremost researcher in biomaterials and tissue engineering.

"During our discussion, he mentioned the possibility of starting a company focused on technologies that I had worked on in my MSc and PhD research, and pointed me towards Venture Center, Pune, a start-up incubator located at National Chemical Laboratories (NCL)," reveals Dr Nilay Lakhkar, founder & CEO, SynThera Biomedical.

Dr Lakhkar holds a Bachelor's degree in Chemical Engineering from University of Mumbai. He received his Master's and PhD in Biomaterials and Tissue Engineering from the University College London (UCL), UK, in 2008 and 2014 respectively.

In the Beginning

Later, Dr Lakhkar met with the director of Venture Center, Dr Premnath, and was quite impressed with his passion for supporting budding entrepreneurs and the ecosystem he had built on the Venture Center campus.

The duo then began working together, and over the course of the next few months, Dr Lakhkar met various people in his field of expertise, including potential customers, investors and partners in R&D, finance, marketing and distribution, which gave him a good preliminary idea of both the opportunities and the challenges for establishing a well-run medical devices company in India.

"Needless to say, the opportunities far outweighed the challenges, which is how I ended up establishing SynThera in June 2015 at Venture Center Pune," adds Dr Lakhkar recalling his entrepreneurial beginnings.

SynThera Biomedical aims to position itself as India's foremost expert in R&D, manufacture and commercialization of bone augmentation products, specifically, bone graft substitute materials that can be used in a variety of surgical procedures in the dental and orthopedic spaces.

These materials are primarily meant to serve as replacements for bone tissue that may be lost due to injury, disease or congenital deformity.

In the UK, Dr Lakhkar carried out his research at UCL Eastman Dental Institute, one of world's top centers for dental research, which is part of the UCL Faculty of Medical Sciences, a leading University hub for biomedical research.

Over a combined duration of over 4 years, he won the University Medal for topping his MSc course, and authored and co-authored 15 peer-reviewed publications.

He has presented his research at leading conferences in China, India, the UK and Germany, including the World Biomaterials Congress in 2012.

Plan of Action

After deciding to start his entrepreneurial journey, Dr Lakhkar's first major tasks were to define a product line, and understand how he could structure a business model around the product line.

"This required a lot of brainstorming with relevant experts in R&D, manufacturing, commercialization and finance," he points.

Parallely, he began the process of incorporating SynThera Biomedical, and firming up a share subscription agreement with Venture Center, whereby it would provide cash-and-kind support to the tune of approximately Rs 15 lakh in return for a 5% stake in the company.

"Most importantly, we began to apply for government funding for a proof-of-concept project that would bring our proposed first products to the prototype stage, with the expectation that this would attract further funding from private sources such as angel investors," Dr Lakhkar says.

Dragging Formalities

The company has been funded primarily by his savings and family resources.

It is now applying for a Biotechnology Ignition Grant (BIG) from the Department of Biotechnology worth Rs 50 lakh for a proof-of-concept project concerning one of its proposed products.

"At the same time, we are exploring options to raise funds from private investors," he states. "Crowdfunding seems quite a good way of getting some initial funding although I'm not sure how successful it would be in our context."

The company's establishment has been reasonably smooth. "Although in line with the present government's thinking on ease of doing business, we would be happier if many of the formalities could be completed more quickly and easily," Dr Lakhkar notes.

Emerging and Matured Markets

The company's products will initially target dental markets, and over the longer term.

It initially plans to commercialize products in India. Its international expansion plans will probably lead first into emerging markets in Asia, Africa and Latin America, after which it would enter mature markets in Europe and the United States.

SynThera's long-term plan is to diversify into the orthopedic market with its products for customers including adult and pediatric orthopedic surgeons and as well as orthopedic cancer specialists.

Its primary customers at present are specialist dentists such as implantologists, oral and maxillofacial surgeons, periodontists, and endodontists.

"We have significant technical know-how in bioactive glasses, a rapidly emerging technology in the bone substitute space, and at the same time, we are committed to exploring other synthetic and natural products, so that one day we can offer a complete set of solutions for surgeries where bone graft materials are required," opines Dr Lakhkar.

As of now, the company needs capital investments mainly for laboratory equipments and facilities to carry out 'Proof of Concept' research for commercial scale manufacturing.

The main equipments required for the task is provided by Venture Center in its on-campus laboratory.

The company's initial focus is on the dental bone graft substitute industry. In India, this sector is set to achieve rapid growth at a reported 38% per year, as an ever increasing middle-class continues to demand dental treatments where these products are used, dental and medical tourism is also a major factor here.

"At the same time, India is very heavily import dependent for these products, with the result that prices are still too high for a large section of India's population to access these products. We see plenty of scope for high-quality, indigenous manufacturers with a heavy R&D focus to really capture the Indian market by combining the two objectives of innovation and affordability, and we feel the timing is just about right to enter the Indian market.

Expansion

Once the company decides on its product line and conducts the required proof of concept studies, its next task will be to proceed with regulatory approvals including clinical trials.

Dr Lakhkar explains, "Simultaneously, the process of carrying out market study, exploring the marketing and distribution channels, upscaling the manufacturing from lab scale-to-commercial scale is under progress."

The start-up is exploring research collaborations with universities and companies both in India and abroad. It is also actively exploring partnerships with companies that operate in the dental and orthopedic sectors, where it can bring its expertise in biomaterials, tissue engineering and regenerative medicine.

Dr Lakhkar looks at Infosys founder Mr N R Narayana Murthy as an inspiration.

On a more personal level, he mentions his grandfather, who built a successful textile chemicals business after coming to Mumbai in 1948 from an impoverished village in rural Maharashtra, with next to nothing in his pocket.

He also shares that he would have been a University professor had he not been an entrepreneur today.

Start-up Visibility

He feels that the best way to initially increase start-up visibility is to dive straight into the ecosystem that encompasses the target market and meet as many people as possible who are connected in some way to the products the company wishes to sell.

"This includes introducing the company to as many potential customers, investors, business partners and vendors as possible. We've done many rounds of cold calls and emails so far, and it's an ongoing process, but we have met many very helpful people through this process," Dr Lakhkar remarks.

He also recommends that it's a great idea to start attending business seminars, conferences and other such public forums where entrepreneurs can come face-to-face with many different stakeholders who can provide a wealth of feedback in a short time.

"We have found the feedback received from such market immersion to be invaluable in terms of checking our own initial hypotheses regarding our proposed business model and fine tuning our business plan to the point where we can provide a sustainable offering for both investors and customers. Over the longer term, having a well-developed company website will

increase visibility tremendously since most of our customers are not only highly educated but also quite tech-savvy, but initial face-to-face contact with stakeholders is a must," he briefs.

Walk-the-Talk

Dr Lakhkar says that the Government can encourage start-ups by increasing financial support to them by 'walking-the-talk'.

"But contradictory, signals in this regard often confuse the start-up entrepreneurs. For example, until 2013, the Government used to offer about 30 grants for carrying out 'Proof of Concept' research under its BIG scheme. In 2014, the number of grants was brought down by half for no ostensible reason," he emphasizes.

He further adds, "Government needs to recognize that start-up entrepreneurs in the biotech field do not enjoy the same level of support from private angel investors and venture capitalists as other more entrenched fields like IT and e-Commerce, and structure its support programmes accordingly."

West vs India

In India, the concept of startups is almost exclusively associated with online service-based companies like e-commerce and apps that focus on commercialization as their core business.

He feels that the concept of R&D or manufacturing start-ups in India, especially in the biomedical sector, is very nascent.

"This is reflected in the relative lack of support from private investors for start-ups that seek funding for innovation in the R&D or manufacturing space. Again, this may be partly because the manufacturing sector in India has not progressed at the same pace as the services sector. In the West, the United States has a much more supportive environment for biomedical start-ups, and in particular, it has far more knowledgeable investors, both individual and institutional," observes Dr Lakhkar.
But the West shouldn't be our only yardstick in this matter, he says.

"To be honest, I am more interested in how the Far Eastern countries such as China, Japan, Korea and Singapore have become heavyweights in biomedical R&D and manufacturing. Their R&D and IP output in these areas is far higher than India, as is the level of industry-academia collaboration and government and private funding. Above all, they have managed to achieve all this in a relatively short time after being in worse economic shape than India till as recently as the 1950s and 60s.

"The situation in India is slowly starting to change for the better, but we do have a long way to go before we can begin to consider ourselves as an innovative manufacturing superpower comparable to the West or the Far East," he explains.

Start-up Ideas

Dr Lakhkar recently was at a seminar where a speaker said that every disease, disorder or healthcare delivery problem faced by a reasonably large number of people in India (upwards of 100,000 people) is a potential opportunity for the launch of a start-up that works towards providing therapies and services, that solves those problems using a sustainable business model.

"So you can imagine the sheer number of areas in life sciences into which new start-ups can venture in," he adds with excitement.

VC Challenges

VCs in India are generally more hesitant to invest in life sciences start-ups as opposed to e-commerce start-ups, for example.

"Most times, they will not fund early-stage R&D and they are not comfortable with the thought of having to wait 5-plus years to generate meaningful returns. What they also lack is a reliable regulatory regime that can give them a clear idea of the approvals process for healthcare products; constant changes in regulatory processes by the government do not inspire confidence among investors," Dr Lakhkar opines.

So far, the company has spoken to healthcare investors who understand that returns are not immediate.

"For the others, I would suggest they go over the financials of medical device companies in more mature markets, which will give them an idea of the kinds of returns that can be generated by well-run companies in the sector as long as the business fundamentals and R&D focus remain strong," suggests Dr Lakhkar.

He thinks that the biggest myth is that Life Science startups are like e-commerce startups in terms of the gestation time and quantum of returns possible.

"The reality is that life science start-ups require more time and may not provide immediate returns. At the same time, well-run life sciences companies will invariably be associated with strong foundations for long-term growth and value addition, and they do provide stakeholders with the satisfaction that they are participating in endeavors that can help save human lives and improve human health and wellbeing," he says.

The biggest challenge, according to him, in the medical device sector is public and customer perception, where all the doubts that Indians have about 'Made in India' products come into the picture.

"Other challenges are access to the right funding channels, the absence of a stable regulatory regime, the lack of a strong academia-industry collaboration culture, and general ease of business issues in India," he points.

According to Dr Lakhkar, Pune is an emerging start-up hub in the Life Sciences sector and at a broader level in the manufacturing sector.

"Pune works well for us because we have access to good talent pool and a good overall manufacturing ecosystem via industrial zones in and around Pune. At the same time, we remain close to Mumbai which provides a large combined end user pool, and allows access to key investors and business partners in the dental and orthopedic spaces. For these reasons, we don't foresee a need to shift our operations to Bangalore or Hyderabad," he clearly states.

Branded Degrees

Having a life sciences background does help to a great extent in understanding the R&D aspects of the Life Sciences industry.

"Candidates who have degrees from abroad, or from IITs or IIMs may have a greater advantage because they have wider networks and are simply more confident about their abilities to take risks and succeed in business.

"However, some of the shrewdest minds in the life sciences industry are often those who have no foreign, or IIT or IIM degrees, but instead have a very keen understanding of the Indian healthcare market - one of the most complex in the world - through years of experience of working in or running healthcare companies. In the long run, I think those with sound knowledge of R&D, business, market, and regulatory fundamentals will succeed as Life Science entrepreneurs. And one does not necessarily need to get a foreign or IIT or IIM degree for that," elaborates Dr Lakhkar.

Wanna-be Entrepreneurs

To those who are aspiring to be entrepreneurs, Dr Lakhkar adds, "I would tell them to go ahead but be ready to receive all kinds of reality checks on the way about how you think you should run your business versus how it will really need to be run to survive and sustain itself. Above all, be flexible in your approach, focus on those activities that you do best and delegate or outsource other activities to those who can do them better."

He also comments that family support is very important in conducting business activities.

"The safety net provided by the family in terms of financial support, emotional cushion as well as helping in ancillary business activities helps to relieve an entrepreneur's anxieties to a large extent. So I would say that in the Indian context it helps a great deal to obtain the family buy-in right at the conception stage of the start-up," he highlights.

He considers joining a start-up incubator or accelerator would be a great idea for start-ups in terms of mitigating the risks involved in building a sustainable business.

"This is especially true for entrepreneurs with a strong technical background but a not so strong business background such as myself. At the same time, it is important for start-ups to be building relationships with potential customers, investors, business partners and service providers right from the start, for which it is necessary to do your own homework, and meet as many people in your targeted industry as possible, and not rely completely on the incubator's ecosystem to build your business. I believe successful start-ups should be able to combine the best of both worlds," Dr Lakhkar comments.

Billion-dollar Start-ups in India

Dr Lakhkar stresses that it is more important to focus on building sustainable companies that can continue to provide value to customers, investors and the wider community over generations. "Think longevity over valuation, rather than just focusing on start-up valuations which often do not provide the full picture

He quotes the examples of Johnson & Johnson (J&J) and GlaxoSmithKline (GSK) who have been around for a hundred years or more.

"Closer to home, the Tata Group has grown to its level from humble origins in the 1860s. India can raise more such companies if it allows Indians' own innate capacity for entrepreneurship to grow unfettered either by License-Raj or by the short-term outlook of typical investors," he mentions.

The entrepreneur is quite a fitness freak. "I either start or end my day with a run or a gym workout 5 to 6 days a week. I am also a compulsive reader and I always read a few pages of a fiction to wind down before I go to bed. I have picked up hiking and outdoor cycling as hobbies from my days in the UK and Germany and would like to spend more time hiking and cycling around India," concludes Dr Lakhkar, who is a fan of the book Catch 22 by Joseph Heller.

Quick Bites:

Top ways for raising startup cash:

ï‚§ Personal savings
ï‚§ Family and friends
ï‚§ Angel investors
ï‚§ Venture capital
ï‚§ Private equity
ï‚§ IPO and the markets

Entrepreneurial Mistakes:

ï‚§ Considering the idea or business model is the best ever and will succeed no matter what, without talking to prospective customers first
ï‚§ Thinking the first few rounds of funding validates the business model and automatically mean that the business will be successful
ï‚§ Trying to do everything oneself instead of delegating or outsourcing tasks that may not be one's specialty
ï‚§ Not building a strong enough team to handle all aspects of running a business
ï‚§ Spending too many hours working on the start-up and not taking time to relax, spending time with family, and recharging one's physical, mental and emotional batteries