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Start-ups: Deciphering the de-risking strategy

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Start-ups very well know that 'R' stands for 'Risks' - an inevitable and a mandatory bait every entrepreneur has to bite -- either bite the dust or the biggest ever Apples.

Risks are said to be the biggest opportunities to any start-up -- a part-and-parcel of any entrepreneurs' journey. Not all risks are bad. Risks, in fact, help steer a company in the right direction or innovative ideas. What really matters is which risks are worth taking or otherwise, and how those risks are handled, which determine the unpredictable outcomes.

BioSpectrum's Raj Gunashekar peeks into the Indian Life Sciences start-ups scene unearthing mysteries and decoding the art of de-risking start-ups - all straight from the industry's entrepreneurial captains.

By virtue, all start-ups have inherent risks. Life Sciences start-ups are seen to be more risky than other fields like E-commerce or Information Technology (IT). In healthcare, despite its engineering, scientific, designing and execution prowess, there is always a risk of setbacks.

"However, entrepreneurs or inventors would be rewarded with enormous impact on healthcare, and the associated economic benefits, if they are able to persevere and if they take their invention on a wider commercial adoption," adds Mr Nishith Chasmawala, Co-founder, Consure Medical

According to him, Consure Medical has had some momentary setbacks but fortunately there were no trajectory altering situations or complications where it has not recovered from. "On the other hand, challenges like clinical adoption, pricing, reimbursement, manufacturability, team, and investment cycles, are scenarios where entrepreneurs must continue to persevere," he advices.

But Mr Pawan Samdani, a graduate from Indian Institute of Technology (IIT) Delhi, and director and founder of Eumentis Informatics

, says that venturing into Life Sciences cannot be termed as risky.

"I would call it as 'more difficult'. It is not easy to secure funds in this space. These start-ups have direct impact on human lives and hence have strict regulations and quality control measures which needs to be meticulously followed. Lengthier product lifecycles and huge infrastructure needs coupled with greater fundings and delayed profit generation are the main reasons," he comments.

The director of FIB-SOL Life Technologies Dr Kavitha Sairam feels risks are unavoidable when starting up in the Life Sciences.

"However starting up in this area can be turned into a myth through a thorough study of the problem, proposing simple and affordable solutions, and having a beta product which could be marketed to win the confidence of investors," she voices.

She points that risky situations may be different for different start-ups, depending on their existent stage.

"In our case, the initial sustenance of the team was an issue, and a big threat due to the shortage of funds. My co-founder had to support himself by taking up another job in a different city, and had to shuttle to and fro. It was indeed a very difficult time for us, but we kept up together and tried to resolve the issue by getting more money into the company. Our knowledge in the technology, and our network helped us overcome the situation, and we raised sufficient funds to sustain," she recalls.

She lists a few risks worth handling and those that are not. "Venturing into new ideas is worth exploring. A market with huge competitors could be chosen if the start-up is able to offer solutions to problems the competitors do not address. One can also try unexplored technical solutions to existing problems. It is also important to afford a good team and facilities without compromise. This will greatly help to develop innovative technologies," Dr Kavitha explains.

"Raising funds more than you require might dilute you at an early stage and could deviate you from your core competences. It is also not worth to disclose your technology to collaborators without a formal agreement. To be very passionate with the technology is a boon, but clinging too much to the technology may blindfold one from identifying the right markets. This would also prevent start-ups from reinventing new technologies in case of failures," she says. "At the end of the day a Life Sciences start-up is a risky one, and we know it. But on the other side, success in this sector would mean a lot to entrepreneurs and as well as the society as most of the solutions offered by Biotech start-ups has huge societal impact."

Ms Firoza Kothari, Co-founder, Anatomiz3D Healthcare, agrees that though it is risky to start a business in the Life Sciences, having a sound knowledge about the problem, product and regulations can de-risk a start-up to a great extent.

Risks in the Life Sciences isn't a myth, shares Ms Monisha Hajra, founder of Bangalore-based start-up ScientiaBio.

"If one is coming up with new services or products, then market research, technical advancement knowledge, and regulatory bottlenecks needs to be checked properly..." she highlights.

In 2009, when ScientiaBio was started with emphasis in consulting and training in the clinical trials domain, the company witnessed very good business in the first 3 years.

"After that we saw a deep downfall in the business in India because of the regulatory challenges. The Supreme Court verdict threw the clinical trials space into darkness. We soon started focusing on countries like Singapore, Malaysia, and UAE where it was more promising. In India, we expanded beyond the clinical trials' vertical, and went into the domains of pharma where there is a very good scope," she states.

Dr Aman Sharma, Founder & Director, ExoCan Healthcare Technologies, categorizes risks as societal, financials, and growth risks.

"However, the hidden truth is that large number of opportunities go in parallel during the R&D phase of a start-up. With every experiment yielding anticipated or unanticipated results, one has the potential possibility of identifying serendipity in science and converting it into a product or a service," he opines.

He states that risks are ever prevailing in Life Sciences until there is a validated and marketable product.

"Since most of the time goes in performing R&D, the many variables keeps the uncertainty on for a Life Sciences start-up. We also faced a situation where we anticipated that in a given time frame we may not be able to get over with our proposed R&D. The beauty is that in a Life Sciences start-up, with more uncertainty you get more chances of observing things and one of them could be your unanticipated product or technology. The classical example is the discovery of antibiotics. I believe that

a Life Sciences start-up brings along one-thousand risks, albeit with an inherent de-risking possibility," Dr Aman elaborates.

He advices, "Build a good team, invest in R&D, and expand the network by connecting with like-minded scientists and individuals. Invest optimal in patents, as these intangible assets add up to the valuation of company. Do not unnecessary fall prey to awards and competitions as one might lose focus. They will follow once you have a product or a service."

On the other hand, Mr Anant Agarwal, Founder, Indoriv Clinical, a Kolkata-based start-up, adds that partial risks are encountered by Life Sciences start-ups.

"Excellent documentation is extremely essential in Life Sciences. The industry will give you several conflicting views on how to manage something. But build your own. Stick to the basics. Don't overwrite and overthink.... Keep a proper track of the finances. Streamline the payment process. This small step goes a long way in keeping your start-up alive. Hiring a simple and good accountant can do this trick," he stresses.

He feels that it is worth a risk in spending on good technologies and machines.

"They will eventually give you good returns even though the gestation periods might be higher. People are getting focused on their health every day. More than 90 percent of our Healthcare and Life Sciences technologies in our country is not updated... Besides technology, it makes sense to keep some extra trained hands in the company..." Mr Anant says.

Dr Nilay Lakhkar, Founder & CEO, SynThera Biomedical, notes that Life Sciences start-ups are no different from other start-ups.

"....Risks are an inherent part of all the steps in the Life Sciences start-up lifecycle. For instance, a product test results may not be as good as anticipated, or one may face difficulties in maintaining quality as they scale up their technology, or they may find that their technology itself is at risk of becoming obsolete even before they make their first sale. The regulatory scenario for a proposed product may change overnight, leading to cost and time over-runs. Finally, start-ups may even find that they don't have the resources to deal with competitors who may be MNCs with deep pockets. Any aspiring Life Sciences entrepreneur must be willing to face these risks and accordingly shape their company's strategy," he expresses.

SynThera, in fact, faced its own risky situation during the funding process post applying for a Government grant in 2015.

The founders didn't receive funds despite doing well in the final round of selections. They weren't given proper feedback explaining why they didn't receive the funding. Hence they weren't sure what they could do to improve their application if they wanted to apply again.

"However, we decided to take this setback as an opportunity to introspect and understand how we could improve our product offering. We took the time to re-evaluate who exactly we wanted to sell our products to. Once we decided our customer base, we talked to dozens of prospective customers within that customer base who gave us very useful feedback on what they wanted to see in any products we sold them. Finally, we looked much more closely at our competition to understand the gaps in the market where our products and technologies could play a major role. The result was a much sharper proposal when we applied again for the same grant, and we received the funding after the grants committee appreciated our technical expertise and, crucially, our in-depth understanding of the target market," Dr Nilay recalls.

There are risks which are termed as calculated ones, which are seen as more favorable by many entrepreneurs. Dr Nilay justifies, "An aspiring Life Sciences entrepreneur would probably do well to first obtain several years of work experience in the Life Sciences sector before taking on an entrepreneurial role. This would provide a more realistic picture of both the challenges and the opportunities that the entrepreneur can expect once they decides to take the plunge."

Ms Monisha emphasizes that there cannot be any rules on taking risks.

"Start-ups should keep taking smaller risks at regular intervals. One needs to take calculated risks -- of course some decision may backfire. But if we don't take some risky and bold decisions, how will we know which one will backfire and which will reward?" she asks.

She further adds, "In my 9 years' journey as an entrepreneur, I have learned that one can't learn from other peoples mistakes.

"Every entrepreneur's situation, business and market idea is very different. So, each entrepreneur should have their own rule book for mistakes, learnings and rewards. Being a Life Sciences entrepreneur is not an easy calling. We directly or indirectly deals with human life. One mistake can be very every expensive. We don't have the luxury of 'return policy'. Be proud of

yourself on having the ability to take the holy dip of being in such a risky business."

Business in general is risky, and the same degree of risk is applicable for Life Sciences too, believes Mr Tony Jose, CEO, Clevergene Biocorp.

"Taking risks is very subjective and hard to explain. Personally I am willing to take risks that at least will give me a life lesson!" he mentions.

De-risking: From the industry's entrepreneurial captains

Mr Nishith Chasmawala, Co-founder, Consure Medical

ï‚§ Looking at the entire development and commercial timeline as early as possible.
ï‚§ Identifying regions of greatest challenge or uncertainty with the technology or company, and developing contingency plans to address these questions early.
ï‚§ Leveraging the global industry and community knowledge, and experience.
ï‚§ Keeping multiple growth options, and even more options for survival.
ï‚§ Fundraising and structuring efficiently to get through the key milestones as needed.

Mr Sam Santhosh, Chairman, MedGenome

ï‚§ Developing services component in an area synergistic to the main product area -- ensuring cashflow and industry exposure.
ï‚§ Focusing on building intellectual properties and skills in a key domain where large companies have interest. This would allow future licensing opportunities or collaborations with leading players.
ï‚§ Reading and publishing in renowned scientific magazines.
ï‚§ Keeping track of scientific and technological developments.
ï‚§ Attending scientific conferences.
ï‚§ Avoid cocooning - collaborate with leading institutions globally.
ï‚§ Avoiding looking up to the Government for subsidies and SOPs.
ï‚§ Standing on own feet and thinking globally.

Mr Pawan Samdani, Director & Founder, Eumentis Informatics

ï‚§ Following regulations, good manufacturing and quality control practices.
ï‚§ Good fund management.
ï‚§ Hiring qualified, diverse team.

Dr Kavitha Sairam, Director, FIB-SOL Life Technologies

ï‚§ Focusing on prevalent problems and addressing them with simple technical solutions.
ï‚§ Developing technologies driven by market, than the passion for technologies.
ï‚§ Avoiding venturing into spaces with no competitors - an indicator of high-risks and increased failures. Trying existing markets with more innovative products.
ï‚§ Attracting investors who could possibly be technical and business collaborators.

Ms Monisha, Founder, ScientiaBio

ï‚§ Optimizing as less as possible on financial risks.
ï‚§ Starting a new company while launching newer products or services.
ï‚§ Having good mentors or advisors.

Dr Aman Sharma, Founder & Director, ExoCan Healthcare Technologies

ï‚§ Providing best services.
ï‚§ Envisaging time-bound pipeline of potential end-products and services.
ï‚§ Strong project management.
ï‚§ Interlinking projects save costs, technical expertise, and accelerate R&D.

Mr Anant Agarwal, Founder, Indoriv Clinical

ï‚§ Reading and more reading.
ï‚§ Hiring intelligently.
ï‚§ Planning business and financial goals.
ï‚§ Networking and communicating with the industry.

Dr Nilay Lakhkar, Founder & CEO, SynThera Biomedical

ï‚§ Gaining in-depth understanding of target market and knowing potential customers.
ï‚§ Networking and expert advice.
ï‚§ Focusing on single key product.
ï‚§ Determining IP scenario for products.
ï‚§ Being realistic on business assumptions.
ï‚§ Responding quickly to changes in business environment.
ï‚§ Maintaining a healthy work-life balance.

Mr Tony Jose, CEO, Clevergene Biocorp

ï‚§ Having a vision for the company to measure progress.
ï‚§ Maintaining good relationship between the entrepreneur and the team in identifying issues and solutions.