

News Details

GEL FOR SKIN

Jul 27, 2005

When expatriate Krishna Ella returned to India to start a biotech company, he had to overcome a lot of obstacles, including both skepticism and corruption.

When Krishna Ella and his wife, Suchitra, arrived in India in 1996, he had only a dream and \$1,000,000 in his pockets. Okay, that's a lot more money than most immigrants bring with them. But it was necessary seed money for Ella's mission: to start an Indian biotechnology company from scratch.

Nine years later, Bharat Biotech has more than 350 employees and will soon hire an additional 200 workers. With annual revenues of around \$10 million, the company has an R&D pipeline packed with more than a dozen potential blockbuster drugs for the Indian market and beyond. And it has crafted alliances with at least four major pharmaceuticals to do joint research and development.

"We not only survived," says Ella. "We thrived."

It's a case study that breaks several global business molds. For one thing, well-trained Indian professionals traditionally traveled to the West to make their fortunes. For another, India has become a destination -- but mainly for companies outsourcing programming and service jobs.

Bharat, on the other hand, is a home-grown, highly skilled R&D enterprise. What's more, pharmaceutical manufacturing, the main source of the firm's revenue, relies on high-cost equipment, which should level the playing field between an Indian startup and its established Western competitors.

Yet Bharat has succeeded -- in part, because Ella wrote his own rulebook. In addition to the traditional entrepreneurial hurdles, such as finding investors and hiring staff, Ella had to overcome some classic Indian obstacles: a byzantine and often corrupt bureaucracy, strike-prone labor unions, and government interference.

On arriving in his native country, though, Ella's first problem was money. He had collected a million dollars from friends and colleagues at the Medical University of South Carolina, where he'd taught for a decade. But then the offer of a loan from Indian investors fell through soon after his arrival in India.

As a result, Ella and his wife had to spend the first months convincing banks to loan them money. It didn't help that Ella was a repatriate. "Nobody could understand why someone would come back to India," Ella says. "Everyone's first question was: 'What went wrong in America? Did you break some sort of law?'"

After almost giving up several times, Ella finally secured a loan big enough to build a modest pilot plant, where he started developing a Hepatitis B vaccine -- the first ever produced in India. More than a financial success, though, the vaccine was also a giant step in reducing the cost of the vaccine in India.

"He single-handedly brought down the price of Hepatitis B vaccination from \$22 per child to a few pennies," says C. Durga Rao, professor of virology at Bangalore's Indian Institute of Science. "Without Bharat, nobody in India would be getting vaccinated for that disease today."

Bharat began developing other new products, too, using an unconventional source of financing: a nonprofit. PATH (Program for Appropriate Technology in Health), an international global health outfit (and a grantee of the Bill and Melinda Gates Foundation) established a \$6.5 million grant for developing a new rotavirus vaccine

in India, with Bharat Biotech as its major development partner. That vaccine could soon enter stage III clinical trials.

Bharat also grew by developing alliances with larger global pharmaceutical companies -- some of them competitors. A large contract manufacturer, for instance, is negotiating to share a 40,000-square-foot preclinical testing facility on Bharat's main campus.

As Ella's business blossomed, though, he faced a classic Indian problem: how to avoid becoming dependent on local labor unions. His solution was practical -- and radical: "We chose a poor village in three of the poorest states of India and offered training to their best students, with a promise of at least two years' employment." By avoiding hiring all his workers from the labor pool in Hyderabad, where Bharat is based, Ella lessened the influence of local labor unions.

Today, much of the company's skilled labor force is made up of people who sometimes can support an entire village with their salaries (which are still just a fraction of those earned by U.S. or European employees in the industry).

The biggest problem Ella faced, however, was the notoriously corrupt government bureaucracy. Again, Ella's approach was simple and personal. "It was my experience that 90% of the bureaucrats were just in it for the bribes and 10% were really interested in using their position to help the people and the country," Ella says. He did background research on the employees of an agency from which he needed permits or regulatory approvals, then concentrated his paperwork on the most honest clerk in the department. Further, if a bureaucrat was rude or unhelpful, Ella approached them like he would a potential customer, returning several times to explain his situation in polite and persuasive language. "Ninety-five percent of the time we're not asked for 'favors'," Ella says. "It's a matter of return on investment: do you want to be spending your capital on bribes or on building a new plant? That's how we look at it."

Bharat now has multiple vaccines for sale in India and southern Asia. They've also begun to market a recombinant epidermal growth factor for diabetic foot ulcers -- the first of its kind. And plenty of R&D projects are in the works, including the rotavirus vaccine, a malaria vaccine being tested in animals, and an antibiotic formulation with yeast granules that rebuilds beneficial flora in the digestive tract after antibiotic treatment.

Still, Ella hasn't been able to turn all his visions into realities yet. After several attempts, an angel investor network intended to nurture other Indian expatriates who want to return to India failed. "Each [expatriate] wanted to keep one foot in India and one foot in the West," he says. "The only way to make it work is to keep both feet firmly planted in India. I'm living proof."