

Request for Proposal for an Advisor for Creating a Venture Capital Fund to incentivize Pharmaceutical Drug Discovery & Innovation in India

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1. Definitions

Unless contrary to the context, the terms defined in this part of the document should be used to interpret this document.

“Advisor” refers to the entity selected through this bidding process.

“Average Financial Turnover” is the compounded average of the financial turnover for the preceding five financial years. The weight attached to the financial years is as follows:

- Financial year 2009-10 = 1
- Financial year 2008-09 = 1.05
- Financial year 2007-08 = 1.103
- Financial year 2006-07 = 1.158
- Financial year 2005-06 = 1.216

“DoP” refers to “Department of Pharmaceuticals, Ministry of Chemicals and Fertilizer, Government of India”.

“Feasibility Report for IPIF” refers to report described in Appendix I.

“Financial turnover” is calculated in the following manner:

1. Financial turnover will include fees generated from consultancy fees only.

“Governmental agency” refers to any branch of the central or state government, any agency/entity owned wholly by the government, any entity set up by an Act of any state legislature or Parliament, any Public Sector Undertaking.

“IPIF” refers to “India Pharmaceutical Innovation Fund”.

“NIPFP” refers to “National Institute of Public Finance and Policy” situated at 18/2 Satsang Vihar Marg, Special Institutional Area, New Delhi.

“Operationalise PIF” refers to the completion of the project where IPIF is in a position to disburse funds.

“Pharmaceutical industry” refers to the testing, production or development of “drugs” as defined in the Drugs and Cosmetics Act, 1940. It will also include the Bio-Pharma industry as is understood for informed purposes.

“R&D” refers to “Research and development”.

“Selection committee” refers to the committee created to select the advisor by going through the bids. The Selection committee will be composed of the following members:

- Two representatives from NIPFP
- Director, NIPFP who will be the chairman of the Selection committee. The

Director may nominate any person to execute his duties.

- One representative from the DoP.
- One expert on the pharmaceutical industry, nominated by the Director of NIPFP.

“Venture Capital Fund” refers to venture capital (VC) fund which would provide venture funding to early-stage, high-potential, growth companies/projects.

2 Introduction

The growth of the Indian pharmaceutical industry over the past few decades has predominantly arisen from manufacturing generic drugs for exports and domestic use. R&D in the pharmaceutical industry has witnessed no success in creating a new drug, despite its efforts for the past sixteen years. The DoP intends to provide capital support, where absent, for drug design, discovery and development.

Investing in a fledgling start-up firm, aiming for R&D in the pharmaceutical industry, is risky because of the high rate of failure among new firms. Established firms prefer a strategy hinged on steady returns as opposed to the high-risk R&D path to high returns. This liability of newness" (both a new firm and the new uncertain idea) forms the basis for the need for channeling public resources into drug design, discovery and development.

After consultation with the industry, it has been felt that it would be appropriate to harness the venture capital industry technical and financial acumen for the delivery of public resources into drug design, discovery and development. Venture capitalists (VC) have the expertise in handling all aspects of a high risk undertaking; they raise funds for such investment and are professionals with specific industry experience. They also provide assistance of other kinds that are important for the success of a new venture: key personnel, strategic advice, financial management, and most importantly establish key governance parameters for constant monitoring and evaluation.

The **DoP** therefore proposes to consider investment of identified funds into a newly created specialised private equity / venture capital fund (**IPIF**) that undertakes **R&D** investments into companies in the pharmaceutical industry. This investment will be subject to a market test at the level of the private equity / venture capital funds where the fund under question would have raised a large substantive portion of capital venture fund themselves wherein investment decisions are taken by impartial, experienced, and highly competent, motivated and trained fund managers.

Since there are no such existing venture capital funds in India that invest in innovation in the **pharmaceutical industry**, the **DoP** has decided to consider inviting proposals from private **VCs** for creation of fund(s) which shall invest in innovation in the drug discovery and innovation in the pharmaceutical and bio-pharma industry. The **DoP** would then participate as an investor in the most suitable venture capital fund proposal.

NIPFP is assisting and advising the **DoP** in this whole process.

3 Objective

In order to set up the **IPIF** in the most effective manner it has been decided to recruit a consultancy business as an **Advisor** to assist in the development of the modalities of **IPIF** and the selection of appropriate venture fund(s) to enable **DoP** to deploying the available funds for the purpose. The **Advisor**, will decide on the best potential venture fund by which funds of the **DoP** can be most effectively deployed to foster innovation in the pharmaceutical industry for drug discovery and innovation.

The **Advisor** will provide all required expertise for the creation/ setting up and operationalisation of the **IPIF**.

4 Nature of Work

- 4.1 The task of the **Advisor** will be to assist in all matters concerning settings up of standards for creating the fund(s) from **IPIF** which would effectively incentivise R&D in the pharmaceutical and bio-pharma industry in India. The work will involve setting parameters for assessing funds and also identification of areas in which such funds may be deployed.
- 4.2 The **Advisor** will provide assistance in all matters related and incidental to operationalising **IPIF** as per the structure finalised. The **Advisor** will also be required to prepare all necessary documents (legal and otherwise) which will be required to operationalise **IPIF**. Documents needed will include but not be limited to request for proposals, tenders, offers and contracts.
- 4.3 The **Advisor** will interact with Private/Public Equity, Venture Capital, and other investment bodies for comments and suggestions on the **IPIF**.
- 4.4 The **Advisor** will help in the selection of Venture Capital Fund Management which would subserve the objective mentioned above.

5. Deliverables and Duration of Work

- (1). **Feasibility Report** for **IPIF** as described in Appendix I
- (2). A system to select the best Venture Capital fund management to partner with **DoP**.
- (3). Detailed steps to create and develop the venture capital fund i.e. the **IPIF**.
- (4). Draft request for proposals to select the venture fund as per the design suggested in the Feasibility Report for **IPIF**.

- (5). Assist in all selection and procurement of the **VCF**
- (6). **Operationalisation of IPIF**

5.1 The **Advisor** will prepare and submit a Feasibility Report for IPIF within one month of the award of the contract.

All documents/ steps necessary to **operationalise IPIF** will be due within five months of the award of the contract after appropriate government approval as per details below:

SI. No.	Nature of Work	Time Schedule
(1).	Feasibility Report for IPIF	<i>Within one month of the award of the contract.</i>
(2).	Selection of Venture Capital fund management	<i>One and a half month after submission of the Feasibility Report.</i>
(3).	Detailed steps to create and develop venture capital fund i.e. the IPIF .	
(4).	Draft Request for Proposals to select the venture fund as per the design suggested in the Feasibility Report for IPIF .	
(5).	Selection and procurement of the VCF	<i>Within one and a half month after receipt of appropriate government approval.</i>
(6).	Operationalisation of IPIF	<i>One month of the selection of the VCF management.</i>

6 Selection of Advisor

6.1 Requirements

To bid for being the **Advisor** the Bidder should have the Minimum criteria as defined in Appendix **II**. The bidder shall also fulfill the requirements of a Project Leader (PL) as defined in Appendix **III**.

6.2 Bid documents

Sealed bids under the two bid system are invited for the appointment of the **Advisor**.

Interested bidders must submit their bids in two parts. The technical bid as specified in Appendix **IV** and the financial bid as specified in Appendix **V**.

These two bids should be in separate envelope and should only be marked as 'technical bid' and 'financial bid' respectively. Apart from the technical bid and the financial bid, the bidder must submit undertakings, as mentioned in Appendix VI, by the directors, partners, proprietor or any person authorised to represent the bidder.

The bidders must submit their bid documents to the tender box placed at NIPFP within 2 weeks of the meeting referred to in 7.

7 Pre-Bid Meeting

After ten working days of the notification of the tender, a Pre-Bid meeting will be held for clarify doubts of the interested bidders. The exact date and time of the meeting will be notified on the website of NIPFP. Bidders who meet the minimum criteria as stated in Appendix II and III will be allowed to participate in the meeting.

8 Selection Procedure

The selection procedure will be carried immediately after the closing of bids. The **Selection Committee** will open the tenders and select valid technical bids submitted as per Appendix IV.

The financial bid of technically qualified bidders will be opened and the lowest financial bid will be declared a accepted Bid. The Accepted Bidder (AB) should accept the offer unconditionally not later than three working days, confirm the appointment by issuing an unconditional bank guarantee in favour of **NIPFP** as a guarantee of performance if appointed as **Advisor**. The amount of guarantee would be equal to ten percent of the total fees to be charged by the accepted bidder. If the winner is unable to do so, then the offer to be appointed as **Advisor** will be made to the bidder with the second lowest financial bid out of the shortlisted bidders and so on.

The bids that are submitted by the bidder must be valid for a period of two months. **NIPFP** reserves the right to cancel the tender process without assigning any reason whatsoever.

9 Payment Schedule

Ten percent of the payment would be made on grant of work order. Fifteen percent of the total fees charged by the **Advisor** will be paid on the submission of the **Feasibility Report for IPIF**. The balance payment shall be made at the rate of 10 percent at each stage of **SI**. No. (2) to (6). The final payment would be made on completion of the tasks assigned to the **Advisor** i.e. till actual operationalisation of the IPIF

10 Other Clauses

10.1 Liability

The **Advisor** will be working for **NIPFP** on this project. The **Advisor** will have to execute the tender to the satisfaction of **NIPFP**.

10.2 Liquidated damages for delay

The **Advisor** will have to meet the deadlines for each deliverable strictly. If the deadline is missed by the **Advisor**, one percent of the total charges payable to the **Advisor** will be deducted for each week of delay.

10.3 Dispute settlement

Any dispute arising out of, or incidental to this contract, will be settled by an arbitrator appointed by the Secretary, **DoP**. The arbitrator will follow applicable Indian laws to settle the matter within six months, which may be extended by the consent of the parties. This clause of the contract would continue to operate even if the main contract is extinguished or is inoperable.

Appendices

Appendix I

Feasibility Report for IPIF

The **Feasibility Report for IPIF** will contain the following:

1. Analytical Study of the **pharmaceutical and bio-pharma industry** in India concentrating on drug discovery and innovation.
2. A Study of venture capital and / or private/public equity funds investing into **R&D in pharmaceutical and bio-pharma industry** globally.
3. Study of the advantages/disadvantages of various fund proposals that **IPIF** could adopt so as to incentivise innovation in the **pharmaceutical industry** and attract private partnerships in the Indian and Global context.
4. Areas in which the **IPIF** could invest in order to meet the objectives of the **DoP**.
5. Any other aspect related to create/ operationalise the **IPIF**

Appendix II

Minimum Criteria

1. The Average Financial Turnover of the bidder must be at least Rupees one hundred crores (Rs. 100 crores).
2. The bidder must not have been placed on the blacklist of any **Governmental agency**.
3. The bidder should have made profits (net) in three out of the last five financial years.
4. The bidder should have all required regulatory approval to carry out the work described in Section 4 of this document.
5. The bidder should have a **Project leader** who meet the criteria laid down in Appendix III as an employee of the bidder.
6. Experience of providing consultancy for setting up VCF.
7. Preference would be given if it is in Pharma/Health care related/ similar field.
8. Preference would be given to Bidders with hands on experience in financial investments sector including international exposure.

Appendix III

Project Leader (PL)

The bidder must commit as many personnel as required to complete this tender. However, the bidder must provide at least one person with the following experience.

1. At least five years in providing financial consultancy at the post of team leader/manager.
2. Managed/ acted as leader of a team of at least three consultation contracts.
3. Must have acted as leader/manager for a consultancy service provided to a **Governmental agency**.
4. Must have experience in consulting, or working for, the **Pharmaceutical and Bio-Pharma / similar industry** or making investments in the **Pharmaceutical and Bio-Pharma / similar industry**.

The person described above will be deemed to be the contact person for the **Advisor** during the existence of the project. The Project Leader will be responsible for the execution of the work and also be in charge of the day to day work. The Project Leader will also be in regular communication with **DoP** and **NIPFP**.

Appendix IV

Technical bid

Bidders are expected to send their proposals covering the following aspects.

1. Information about the bidder

The bidder must provide Average Financial Turnover and net worth of the bidder.

2. Experience of the bidder

Provide experience of relevant past or current assignments for any governmental agency and or any private entity highlighting the experience of the bidder in the area of advisory services similar to the nature of work defined in Section 4 of this document. The information about work done or experience gained in areas of private equity/venture capital and in the pharmaceutical industry would be appropriate. The bidder must provide information for a maximum of three such assignments with the following headings.

1. Name of the project
2. Name of the client
3. Value of the consultancy/ fees charged
4. Duration of the project
5. Brief description of the project (less than 500 words)
6. Relevance of the project with the current **nature of work** (less than three hundred words)

3. Experience of the Project Leader

The bidder will also nominate a maximum of three persons who are likely to be appointed as **project leader** for the work. The experience of the **project leader** must be submitted with the following headings.

1. Name and designation
2. Total years of experience
3. Total years with the bidder

4. Educational qualifications
5. Professional experience as a project leader with the bidder (the person must have been responsible for the entire project)
6. Previous professional experience (**not more than 300 words**)
7. Summary of the person's experience which has relevance to the project (**not more than five hundred words**)

4. Strategy and strengths

The bidder must also submit an essay of not more than thousand words explaining the unique abilities of the bidder in being able to cater to this project.

5. Identity of the bidder

The identity of the bidder should not be disclosed in any manner in the technical bid.

Appendix V

Financial bid

The financial bid shall contain the total fees that will be charged by the bidder inclusive of all applicable taxes and levies, to execute the contract till actual operationalisation of the IPIF. The price will not be conditional.

Appendix VI

Undertakings

The bidder must submit an undertaking when submitting the bid documents.

The undertaking must state that:

1. All information provided by bidder in the tender documents are true on the date they were submitted.
2. **DoP** and **NIPFP** are indemnified by the bidder, from all proceedings and costs incurred, in the event that any information provided in the bid was untrue.
3. The **selection committee** has the right to decide the best technical bids.
4. The bidder will not undertake in advising any other entity on the present project.
5. In the event that it is found that any information provided in the bid or at any time during the execution of the contract was untrue, **DoP** and/or **NIPFP** would have the right to revoke the contract and the bidder would have to return all fees charged by him. The bidder would also be liable pay **DoP** and **NIPFP**, the cost incurred, for hosting another tender to hire another advisor.
6. The bidder meets the minimum criteria to participate in the bidding process as mention in Appendix **II**.
7. If the bidder is selected as the **Advisor**, the bidder will carry out the functions of the **Advisor**.

The bidder must submit a certificate from the auditor that the values submitted by the bidder as **average financial turnover** is true.