



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

SYNGENE INTERNATIONAL

WHAT WE LIKE

TAILWINDS FOR CDMO/CRAMS & WIDE INDUSTRY PRESENCE OF SYNGENE

CDMO/CRAMS industry has seen a big rise in India due to falling returns on R&D in the West and due to high skilled talent available here at low cost. Syngene is one of the leaders in the CDMO/CRAMS space with 4,200+ scientists working for 360+ clients including GSK, Sanofi, J&J, AMGEN, Merck, Bristol Myers Squibb, Bayer, Unilever, etc. It also has 8 collaborations with the top 10 pharma giants in the world.

COLLABORATION MODEL CHOICES

- **Dedicated R&D Labs:** Long-term (5-7 years) contractual commitment
- **Full-Time Equivalent (FTE):** ~3-year contract term
- **Fee For Services (FFS):** Clearly defined project, limited in scope and deliverables
- **Risk-Reward:** Based on clearly defined, pre-agreed milestones

MULTIPLE LEVERS FOR GROWTH

- **Diversifying customers/industries/Geographies**
- **CRO to CRAMS** with commercial manufacturing.
- **Capacity Expansion:** In 9MFY21, \$53 Mn done. 8 Commercial APIs, 16 drug discoveries, 15 dedicated centers, 7 biologics manufacturing facility, 7 development services & others. **On track to expand total asset base to \$550 Mn by the end of FY21**
- **Capability additions:** Stability, analytical and bio-analytical services, viral testing, Oligonucleotide bioinformatics, etc.

ONE STOP SHOP: END TO END PLATFORM

Discovery	Development	Manufacturing
Chemistry	Drug Substance	Clinical Supplies
Biology	Drug Product	
		Integrated Drug Substance – Drug Product
Safety Assessment		Specialty Molecules
Integrated Drug Discovery	Human Pharmacology Unit (Phase 1)	Commercial Supplies
Therapeutic Antibody Discovery and Engineering; Cell Line Development	Bio Analytical Lab (Large Molecules)	
	Stability Services	
Bioprocess Development, Process Characterisation, Clinical Manufacturing (Microbial and Mammalian)		
Research Informatics: Bioinformatics, integrative analysis, target dossiers, systems modeling, cheminformatics and AI		

WHAT WE DON'T LIKE

CLIENT/GEOGRAPHICAL CONCENTRATION RISK

The top 10 customers contribute to >50% of revenue and >60% of revenue and 76% of clients come from the USA. However, we at SSS believe that all CDMOs initially have this concentration risk and the client/geographical concentration should go down over the lifecycle of a CDMO by adding differentiated projects and new customers across geographies.

USFDA OBSERVATION RISK

In recent times, we do not get to hear about any major USFDA observations for any Indian Pharma companies.

However, this does not mean that the risk is no longer there.

While Syngene appears to be a very compliant organization from a regulation point of view, regulation risk (read USFDA) will always remain.

EXPECT HIGH COMPETITION GOING AHEAD

As the growth prospects in CDMO/CRAMS are promising for the next few years, several global and domestic players are expected to enter it.

Major players like Piramal and Divi's Labs already have an established presence in this space already. This could hurt margins going forward as competition intensifies in this space.

However, we at SSS believe that Syngene's robust infrastructure & employee skillset, constant focus on compliance and safety, and established client relationships are likely to mitigate competitive threats to some extent.

LONG GESTATION & UNPREDICTABILITY OF PRODUCT SUCCESS & REVENUE LUMPINESS

Drug discovery in general has a high level of unpredictability and long gestation in-built in its business. Moreover, revenues are also lumpy.

Post the onset of COVID-19, the pharma sector is attracting investors' attention. Hence current valuation (north of 60 times earnings) may not compensate for the various risks discussed above.

