

SYNGENE INTERNATIONAL

(An Indian Pharma Research Company)

Updated on 30 May, 2020

SURUCHI JAIN,
Managing Director & Founder

OPPORTUNE WEALTH ADVISORS

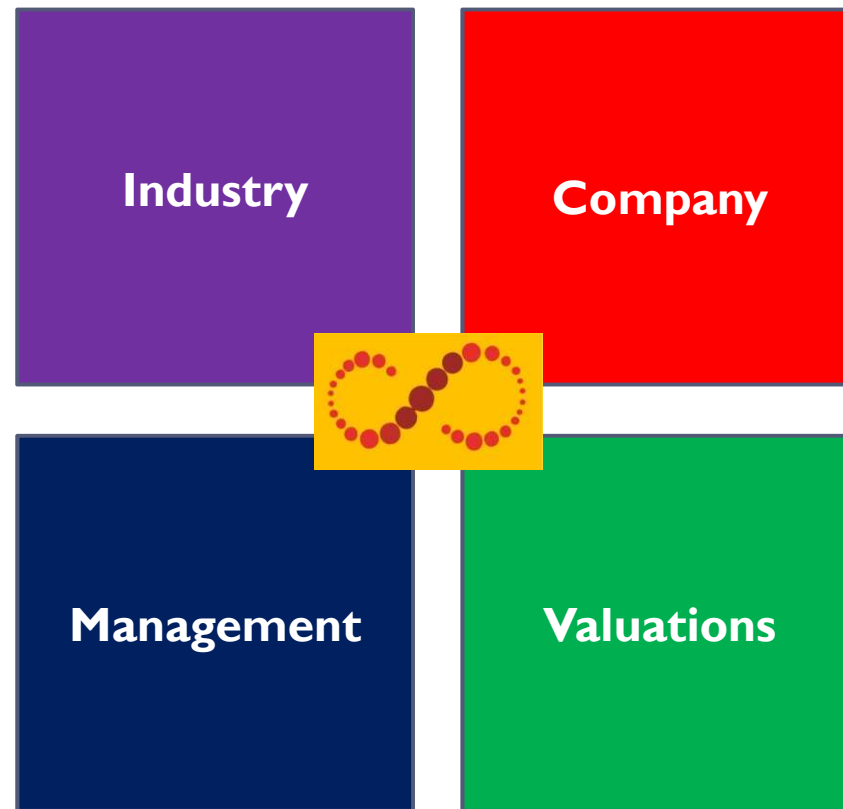


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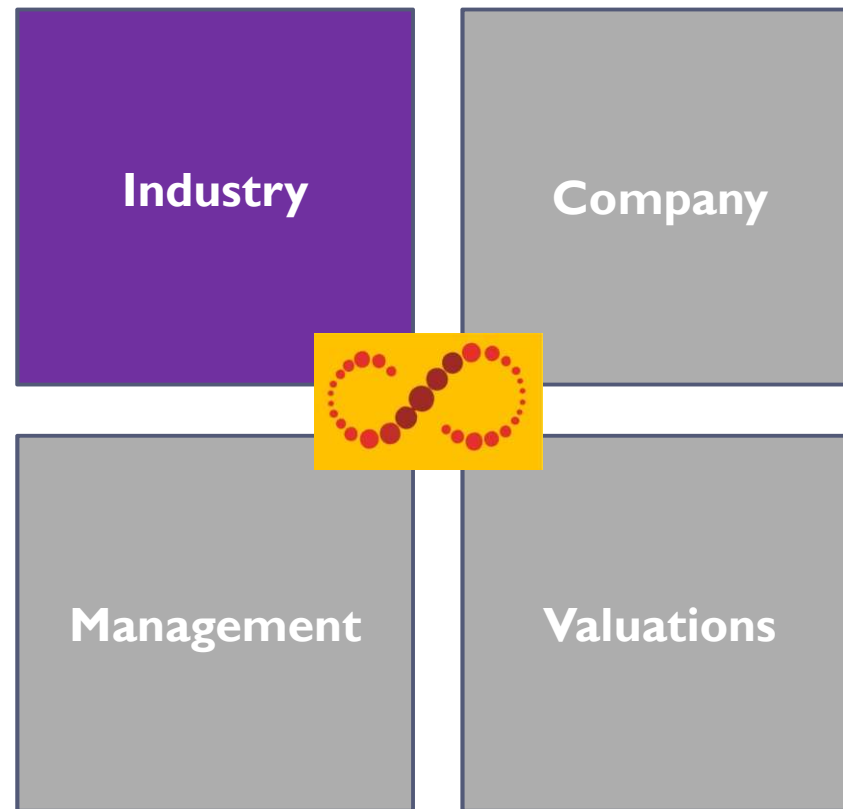
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Investment Framework



Investment Framework



Pharma Research & Development

R&D Spends (\$ Billion)

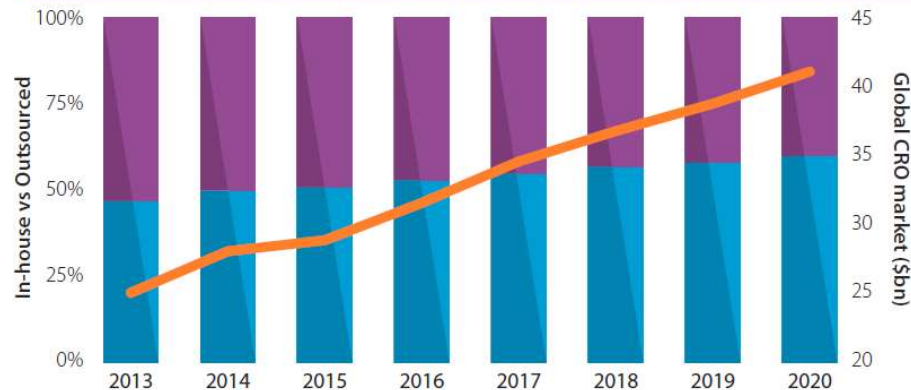


- R&D in USA spends are on the rise at 6% CAGR
- R&D sent Abroad is growing at 8%

	Domestic	Abroad	Total
2018	\$ 62	\$ 17	\$ 80
2012	\$ 38	\$ 12	\$ 50
2006	\$ 34	\$ 9	\$ 43
2000	\$ 21	\$ 5	\$ 26
CAGR	6%	8%	6%
Contribution:	78%	22%	100%

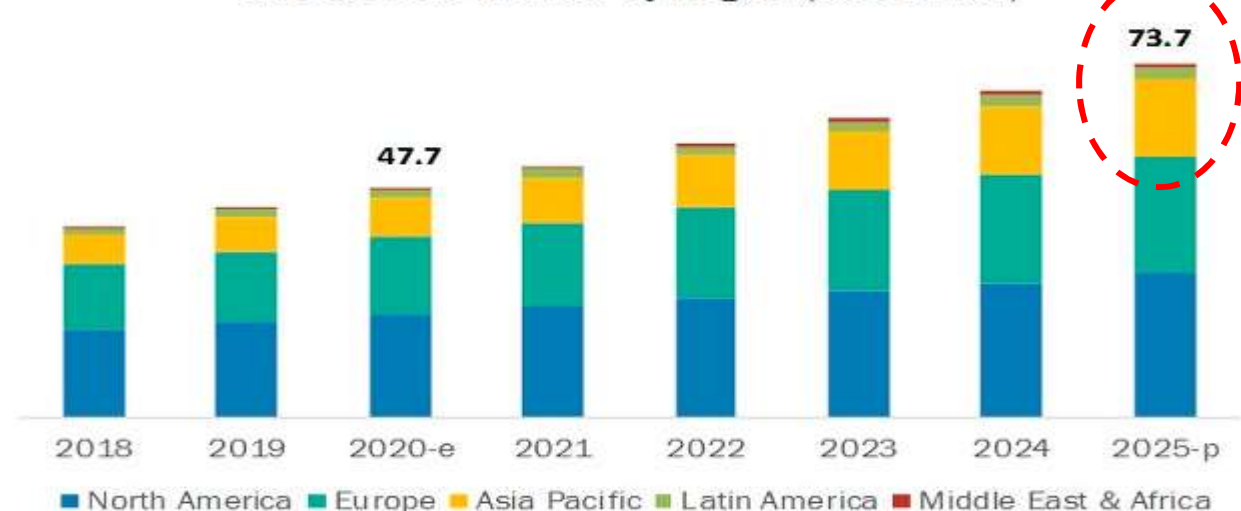
Opportunity Size, Industry Growth

Global CRO market and penetration rates



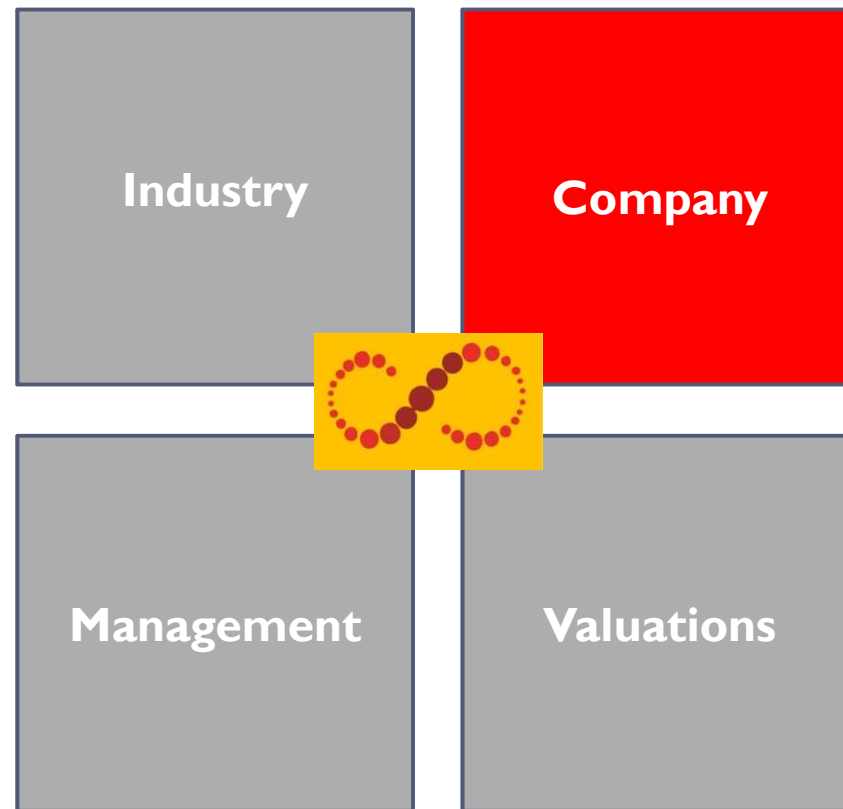
In 2020, 60% of Global R&D is Outsourced (\$43 billion); versus 48% in 2013 (\$23 billion)

CRO services Market, By Region (USD Billion)



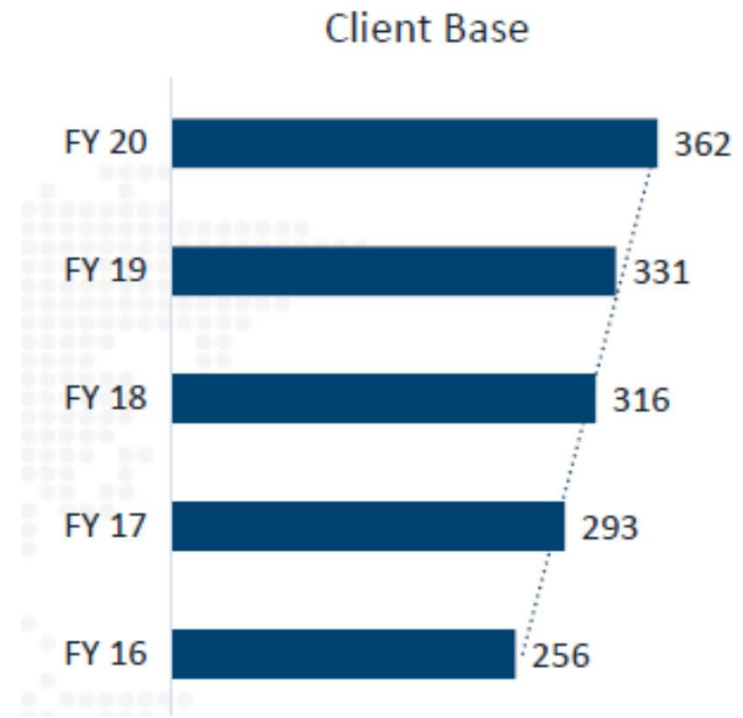
Contract Research in APAC is growing faster than other markets

Investment Framework



Syngene: Brief History

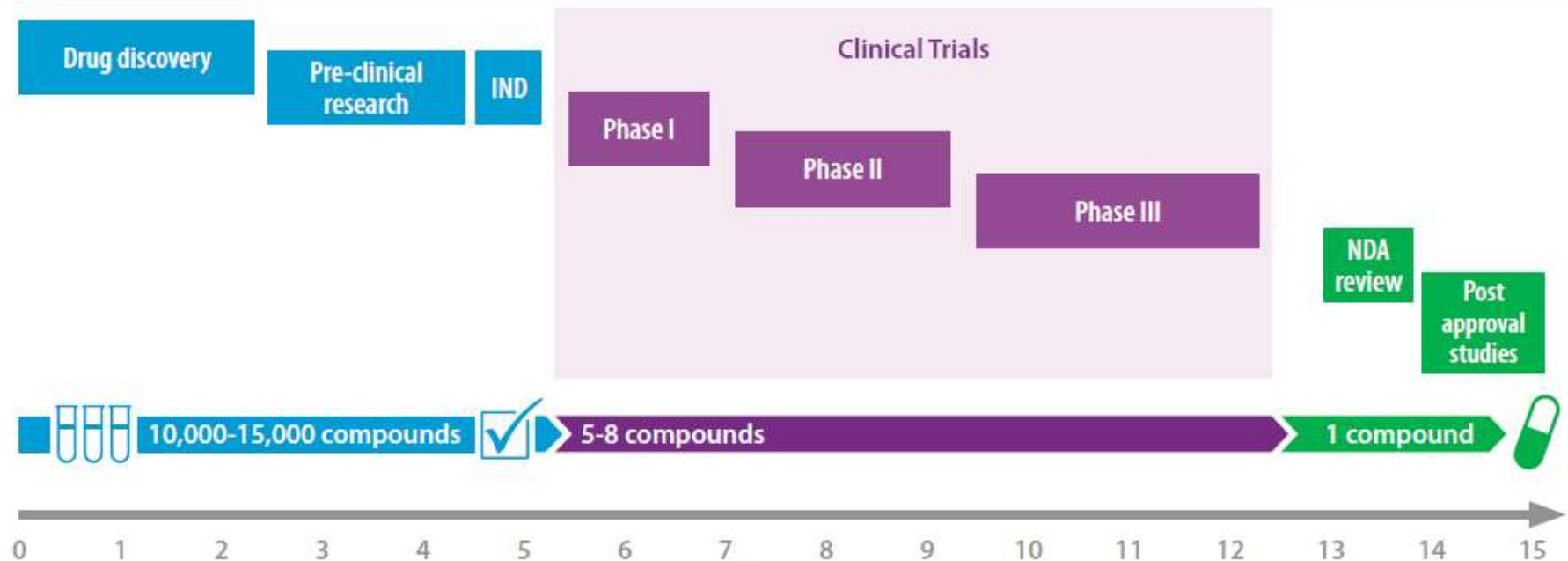
- Incorporated 1993: CRO (Contract Research Organization)
- 1999: R&D lab space of over 23,000 sq. ft.
- 2001: Chemical development and dedicated manufacturing
- 2003: Moved to Biocon SEZ, lab space of over 65,000 sq. ft.
- 2007: First long-term contract with Bristol-Myers for dedicated center
- 2009: Dupont partnership
- 2011: Endo Pharma for cancer drug
- 2012: Abbott signs up for nutrition
- 2013: Baxter signs for dedicated center
- 2015: Listed on BSE and NSE
- 2019-20: Manufacturing facility launched in Hyderabad, Mangalore and Bangalore



Presence Across Value Chain







The drug approval process



...of Drug Discover, Development and Commercialization

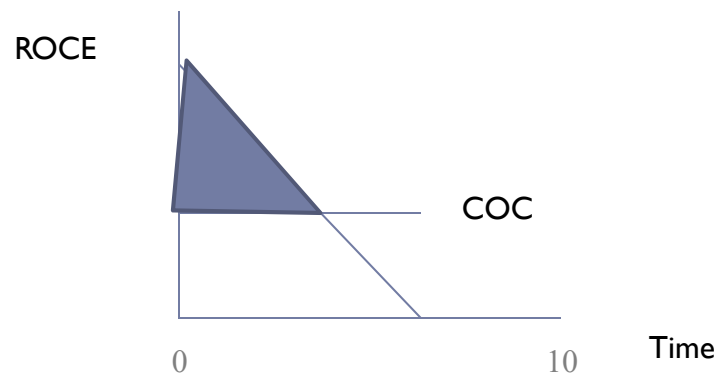
Long-term Client relations

	Revenue (\$ BN)	R&D Spends (\$ BN)	Syngene Contract
	22	6.0	<ul style="list-style-type: none"> • Largest R&D Centre in Asia since 2009 • Contract extended till 2026
	11	0.6	<ul style="list-style-type: none"> • Dedicated R&D Centre in India since 2013 • Contract extended till 2024
	23	3.0	<ul style="list-style-type: none"> • Exclusive R&D Centre in India since 2016
	4	Undisclosed	<ul style="list-style-type: none"> • Herbalife's first Nutrition R&D Lab in India since 2016

Syngene's Economic Moat

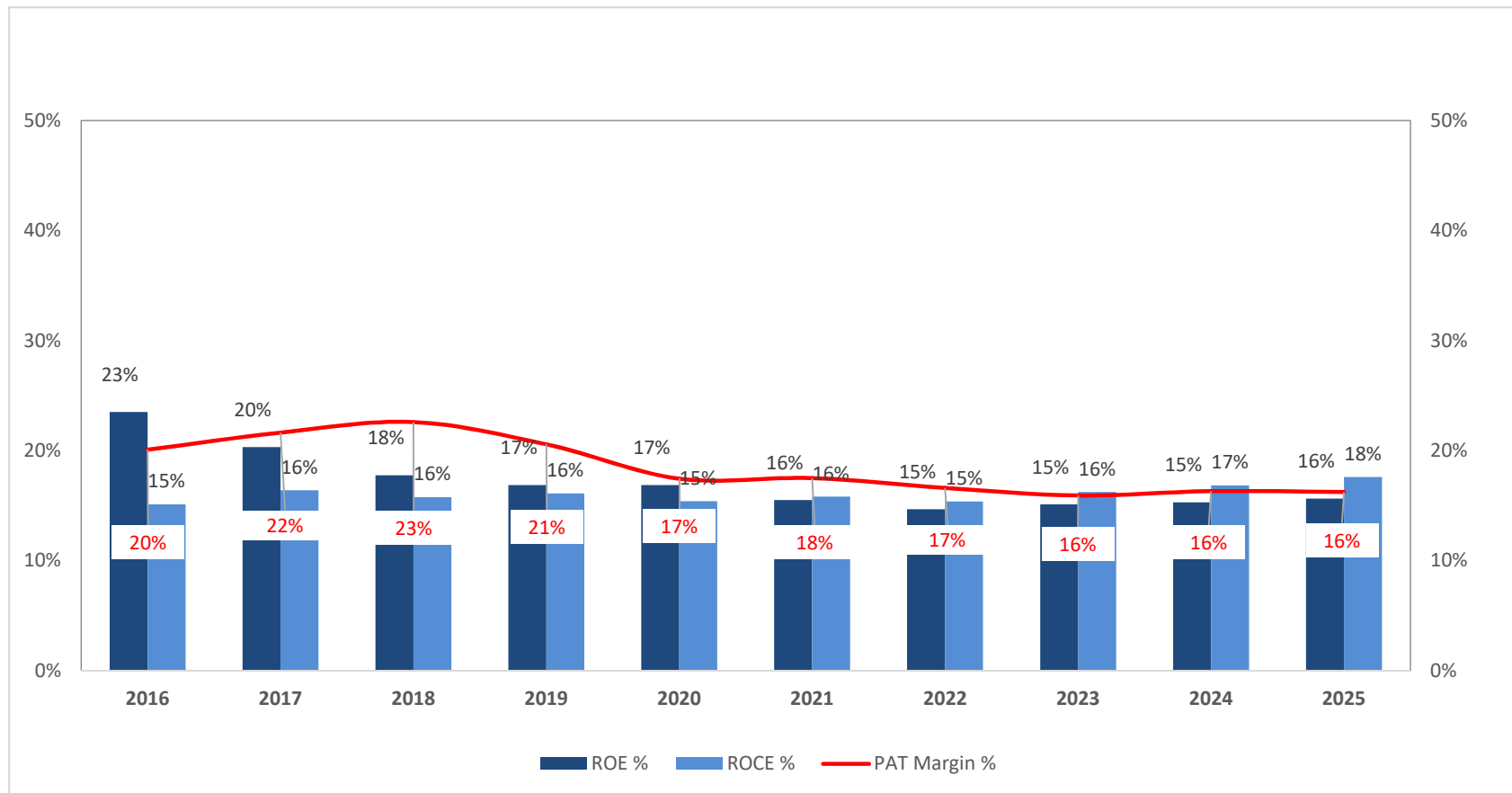
Sources of Moat:

- Learning Curve / Switching Cost advantage
- Comfort level increases as more business is outsourced
- Sticky B2B Customers
- Long Term Contracts
- Not easy to Shift to a different provider
- Building Deeper Relationships by offering more services to same clients



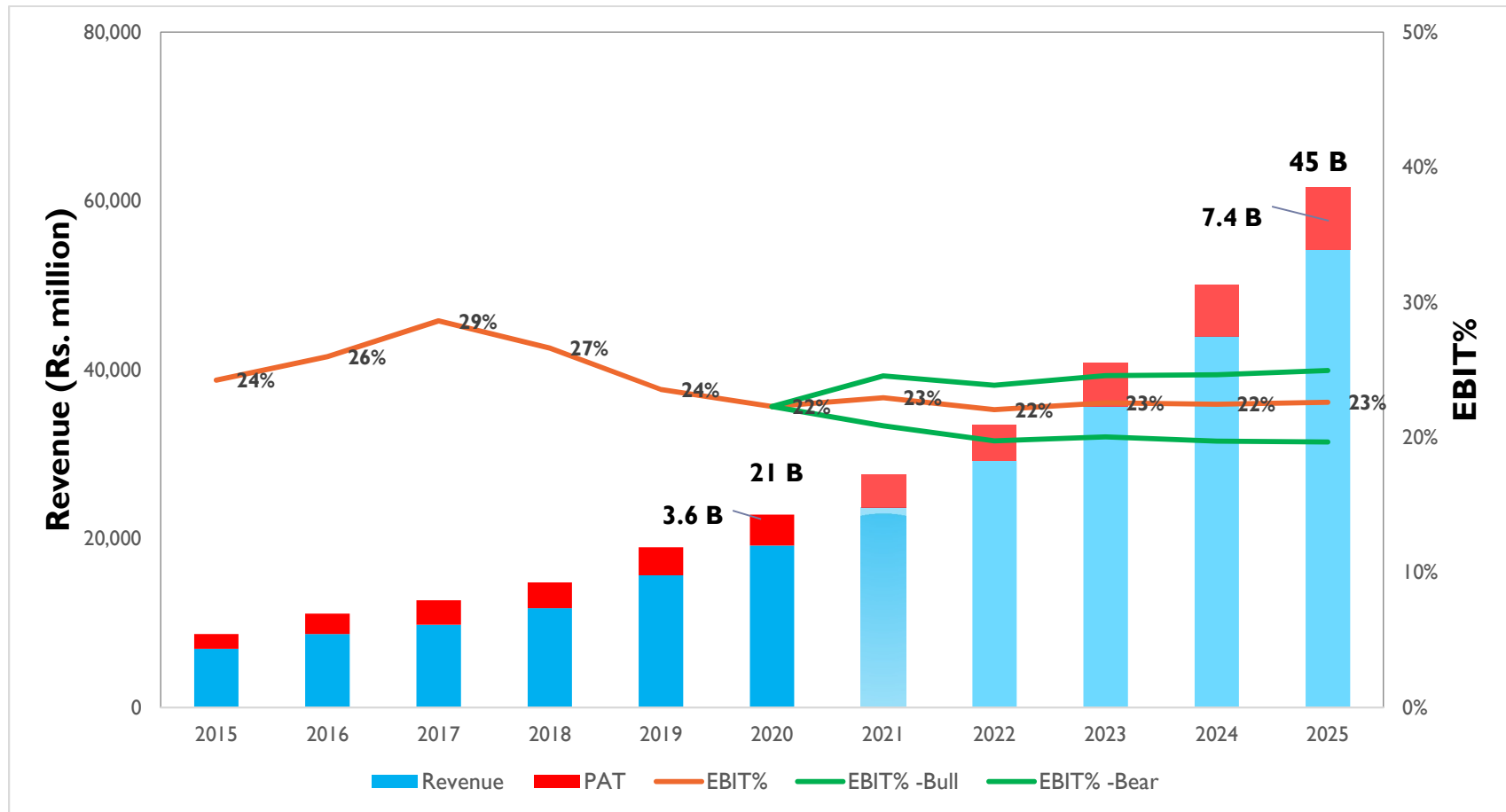
Expect Stable ROE, ROCE...

...despite foray into asset-heavy manufacturing processes

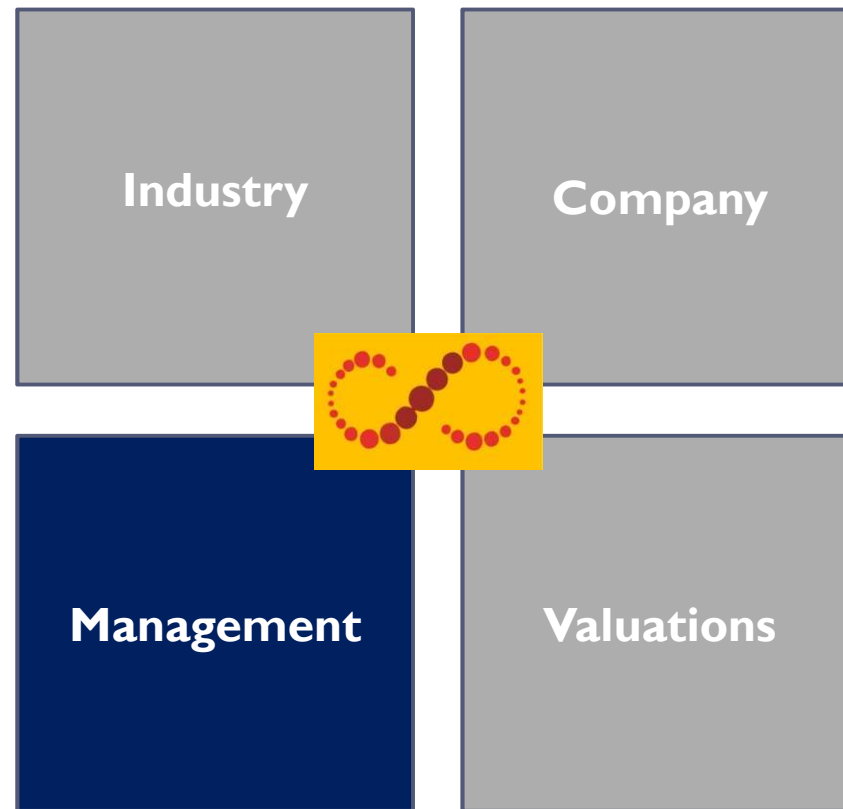


2 x Revenue and PAT Growth..

...in 5 years means double or more share price appreciation



Investment Framework

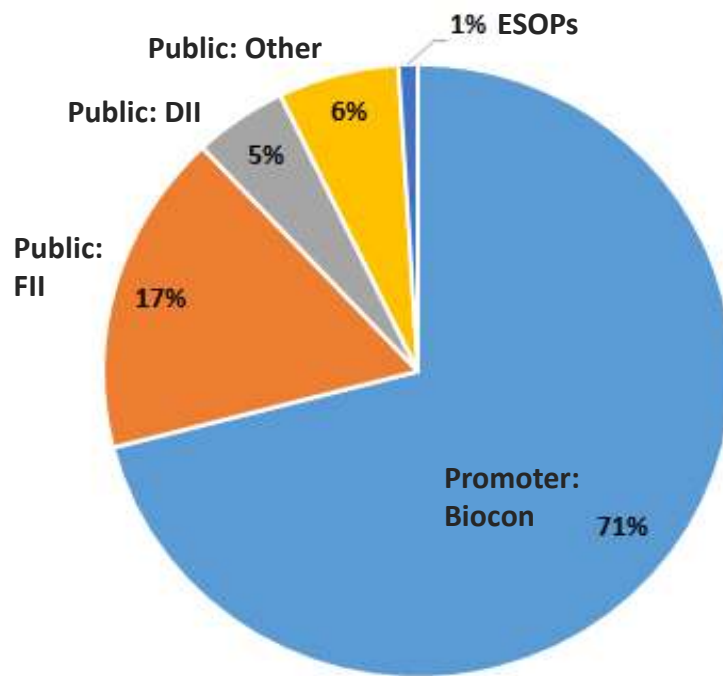


Syngene is a Biocon subsidiary

Syngene

 A **Biocon** company

Shareholding (March 2020):



Top Management:



Kiran Mazumdar
Shaw, MD

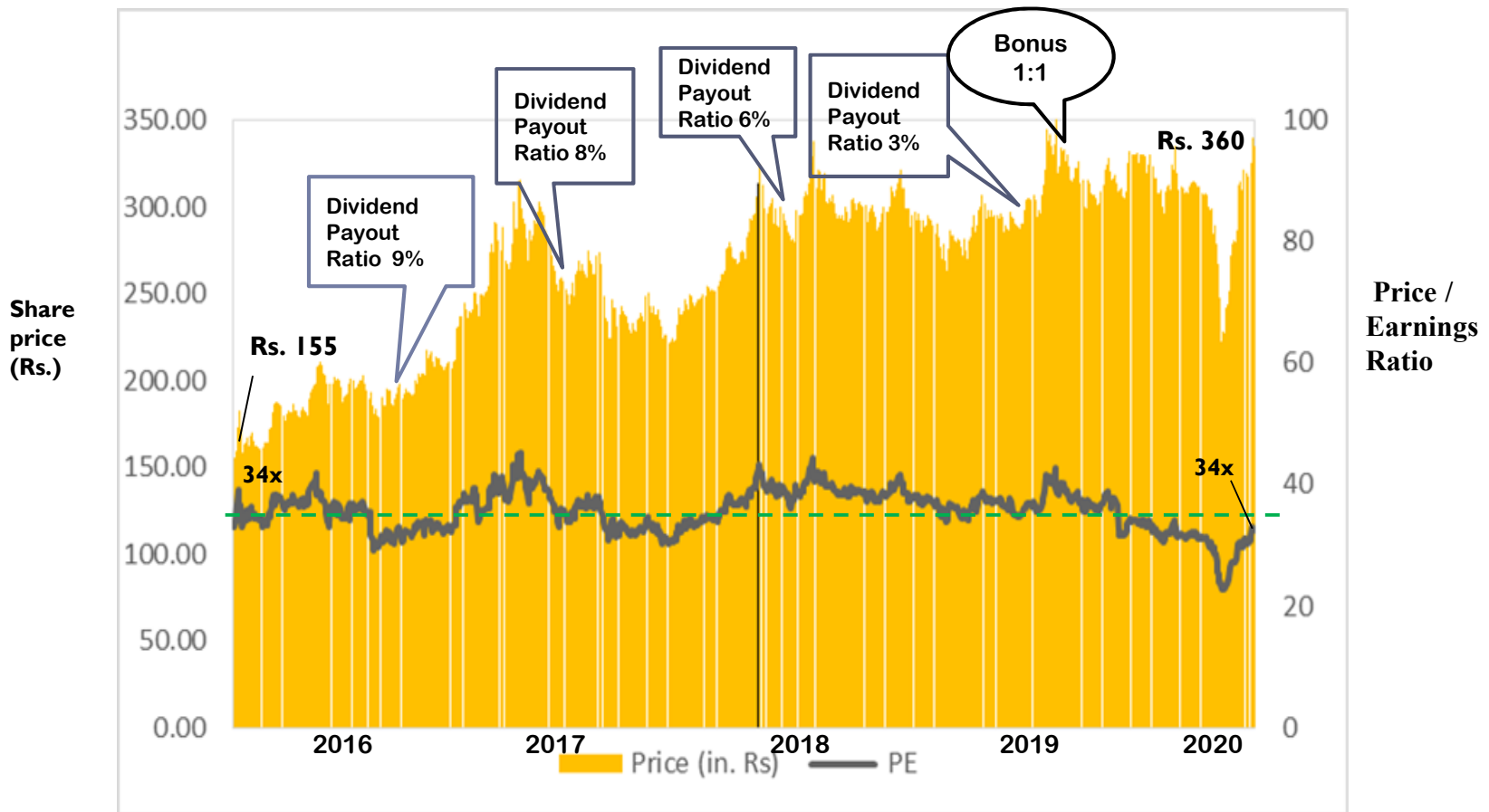
- 44 years of biotech experience
- Recipient of 'Padma Shri' and the 'Padma Bhushan' awards
- Chairperson and Managing Director of Biocon



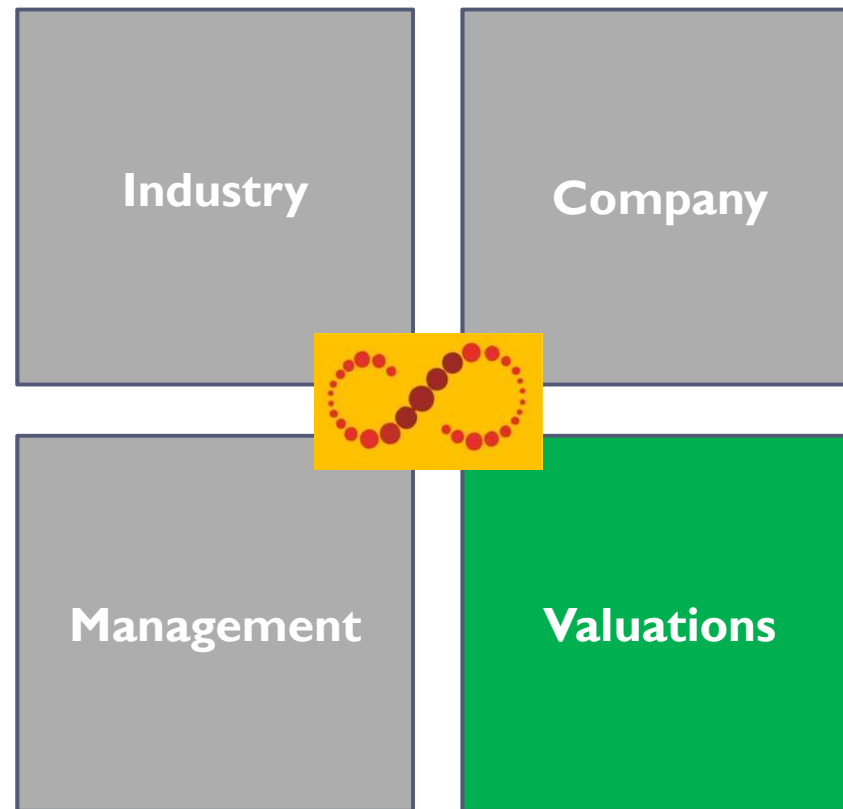
Jonathan Hunt, CEO

- 25 years of biopharma experience

Dividends: Good for Shareholders

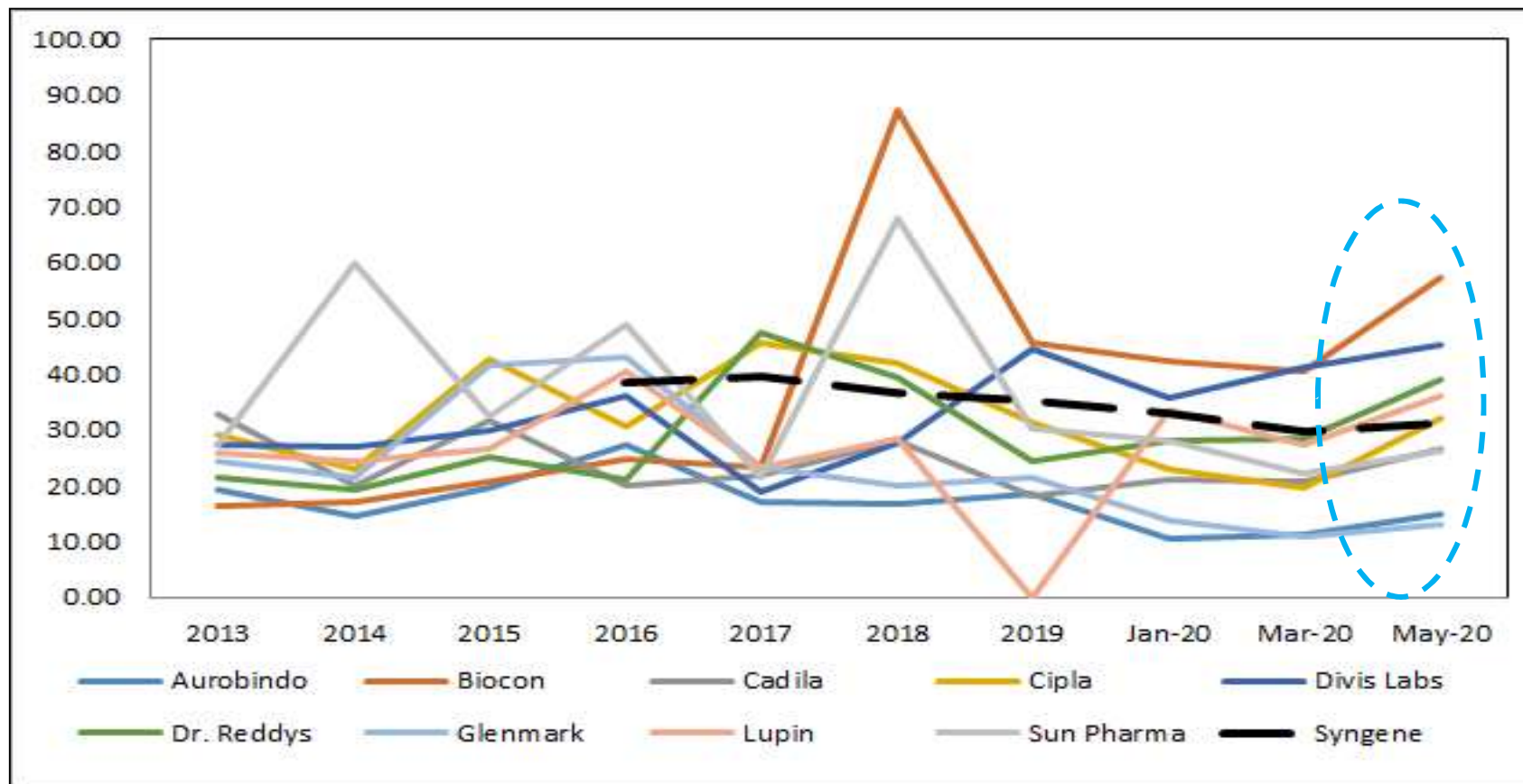


Investment Framework



Peer Comparison

Pharma manufacturing companies have seen multiples expand...



Forecast and Valuation

Particulars	2021(E)	2022(E)	2023(E)	2024(E)	2025(E)
Total income	23,584	27,045	31,801	38,021	45,525
%Y-o-Y	13%	15%	18%	20%	20%
COGS	6,026	6,930	8,177	9,813	11,775
%COGS	26%	26%	26%	26%	26%
Gross Profit	17558	20115	23623	28208	33749
%GP	73%	73%	73%	73%	73%
Employee benefits %	26%	26%	25%	25%	25%
Other expenses %	15%	15%	15%	15%	15%
%EBIDTA	34%	34%	35%	34%	34%
%EBIT	23%	22%	23%	22%	23%
%Expenses	53%	54%	53%	53%	53%
Profit before tax	5,023	5,518	6,652	7,913	9,535
Tax rate	22%	22%	22%	22%	22%
Profit for the year	3,918	4,304	5,189	6,172	7,437
% Growth	7%	10%	21%	19%	21%
% Profit Margin	16.61%	15.91%	16.32%	16.23%	16.34%

Bear Case

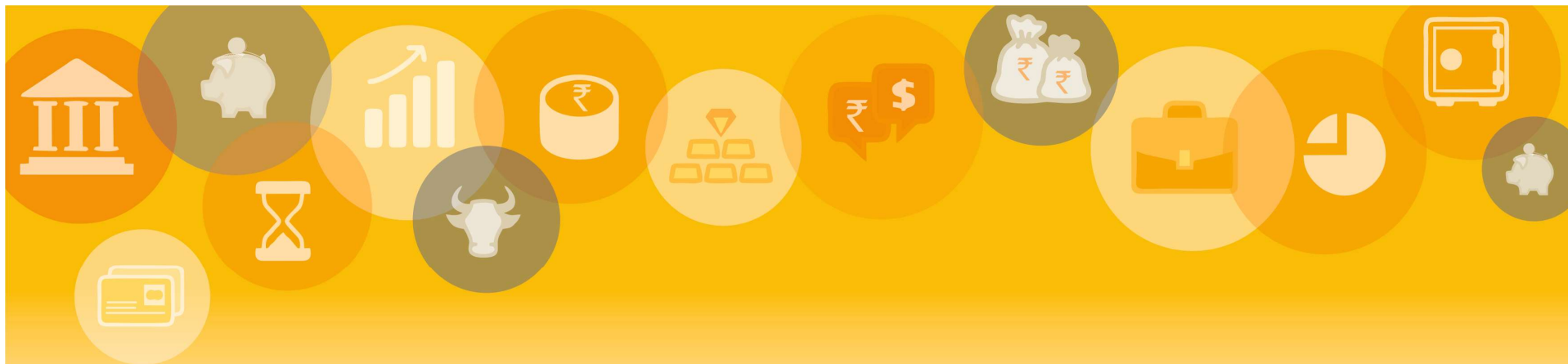
Rs. 498

Base Case

Rs. 630

Bull Case

Rs. 765



THANK YOU

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