

# 'Seeing good demand for chemistry, biology'

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Q4 growth was driven by solid delivery across all 4 divisions: Syngene's CEO



*Jonathan Hunt, chief executive officer and managing director, Syngene.*

**NEW DELHI :** Contract research and manufacturing services firms, such as Syngene International Ltd, will be in the limelight because of the increase in outsourcing opportunities in the pharmaceutical space.

Syngene posted strong numbers for the March quarter led by its development services division, which fast-tracked projects postponed because of disruptions, including supply chain delays, following the coronavirus outbreak.

The growth was nicely balanced, driven by solid delivery across all four divisions, Jonathan Hunt, Syngene's chief executive officer and managing director, said in an interview. "We are seeing good demand in the marketplace for chemistry and biology as many of our Western clients are getting back to their offices," Hunt said.

"Our development services, manufacturing businesses, discovery services, and dedicated centres delivered very solid sustained growth," he said.

Business normalization and rebound in discovery services, which is key, was also helped by inventory build-up, which, however, led to some pressure on margins and may take a few quarters to ease up.

Overall, the inventory build-up is positive considering the emerging threats of supply disruptions in China because of the fresh wave of covid and subsequent lockdowns. "We are monitoring the supplies and pricing regularly and though we cannot take a call for FY23 as a whole, but in the near term, we are not facing any major threat," Hunt said.

The company posted strong revenue growth, but profit growth was muted because of rising tax rates. "We expected a rise in the effective tax rate, driven by the expiry of some of the historical tax benefits we have enjoyed on a number of our facilities being covered by SEZ tax benefits," said Hunt.

The growth opportunities are immense and momentum is expected to remain strong. The company's client base has grown from 256 to 420 over FY16-22, and the multiple-year extension of Amgen, BMS, and Baxter contracts make it well-positioned to capitalize on growing opportunities globally, analysts said.

"Today, we have a well-established position in the contract research market and a strong emerging presence in contract development and manufacturing services businesses," Hunt said.

This is reflected in the business portfolio, where a decade ago 80% of revenue came from the research business. Despite strong and consistent growth in research services, the share of the research business now accounts for 66% of its revenue, indicating a visible shift in Syngene's revenue mix towards development and manufacturing, Hunt said.

The company is relatively new in the drug development and manufacturing businesses, but the progress so far has been encouraging. "As we scale commercial-scale manufacturing for both small and large molecules, we expect the share of business from the services to increase. FY22 laid the foundation and we see FY23 as an important year as manufacturing plays a larger role in driving future growth," Hunt said. Syngene is also aggressively expanding its manufacturing facilities. In the research business, it upgraded its technology capabilities across platforms and therapeutic areas. It has also concluded phase-3 of the expansion plan for the Hyderabad facility.