

Expert Statement: Davuluri Saharsh Rao, Neuland Labs

Defining New Rules - The Evolution of the CDMO Industry

02.09.2024 - The evolution of the CDMO sector is propelled by rising manufacturing standards, the advent of groundbreaking therapies, and a shift towards personalized medicine.

Contract development and manufacturing organizations (CDMOs) have been on the rise in the last decade. Historically, CDMOs operated on a business model which predominantly focused on serving as external service providers for manufacturing pharmaceuticals. This model included the addition of capacity by the acquisition of manufacturing facilities from (bio)pharma companies or own capital investments. However, CDMOs have increasingly become innovation leaders and cover more areas of the pharma business, not just manufacturing, opening up additional revenue streams.

This change of focus has been accompanied by a change in the M&A landscape in the market. Some CDMOs are expanding their services and swapping their "contracts" for "partnerships", evolving the term "CDMO" into "PDMO." By getting closer to their partners, CDMOs can move past some of the pressure and offer consultative support or innovation to develop products in new ways.

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CHEManager asked executives and industry experts from a broad range of CDMOs to share their views on how their companies are dealing with this changing economic environment and the resulting opportunities and challenges. We proposed to discuss the following aspects:

- (How) have the rules of the CDMO market changed since the pandemic of 2020/21?
- What do you consider the most important growth drivers for CDMOs?
- What is your company's strategy to grow the market share in the CDMO industry?



Davuluri Saharsh Rao, Vice-Chairman and Managing Director, Neuland Labs

Innovators Are Looking Increasingly at Agility in Execution

Davuluri Saharsh Rao, The pandemic has reshaped the CDMO market significantly. Innovators are looking increasingly at agility in execution even as supply chain security becomes an important factor. While there is a bias toward one-stop shops, there is also a recognition that companies with specialized focus areas can deliver superior results through effective integration, whether at the innovator's end or at one of the CDMOs. Developments during the pandemic have opened the possibilities of much faster and efficient clinical development aided also by the advances in machine learning. This has led to a supply constraint, especially in the more specialized modalities like peptides, oligonucleotides and ADCs. Overall, innovators are looking at specialists who can be agile while simultaneously investing in capacity for greater control. CDMOs are strengthening their position as integral partners, creating strategic, and agile collaboration with innovators.

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While capacity is essential to drive growth, a CDMO's capability and track record in meeting client requirements is also crucial. At the same time, staying ahead of the curve by investing in new capabilities and offering options to innovators will ensure that a CDMO will grow.

Neuland Labs differentiates itself through enhanced collaboration and agility in execution. The primary catalyst of our success has been our steadfast commitment to high quality standards. We plan to invest in new areas, offering our clients the opportunity to engage with us on more projects and provide innovative solutions to their existing challenges. Specifically, we are expanding our capacity and deepening our expertise in Peptides, with a new manufacturing plant catering to peptides.

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