Syngene

Putting Science to Work

“Syngene International Limited

Q1 FY '26 Financial Results Conference Call”

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Syngene

Putting Science to Work

CHORUS CALL

MANAGEMENT: **MR. PETER BAINS – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SYNGENE INTERNATIONAL LIMITED**
MR. DEEPAK JAIN – CHIEF FINANCIAL OFFICER -- SYNGENE INTERNATIONAL LIMITED
MS. NANDINI AGARWAL – SYNGENE INTERNATIONAL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '26 Financial Results Conference Call of Syngene International Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Nandini Agarwal. Thank you, and over to you, ma'am.

Nandini Agarwal: Good afternoon, everyone. Thank you for joining us on this call to discuss Syngene's First Quarter Results for Financial Year 2026. To discuss the financial and business performance for the period, we have on this call today, Mr. Peter Bains, Syngene's Managing Director and Chief Executive Officer; and Mr. Deepak Jain, Chief Financial Officer.

After the opening remarks, Peter and Deepak will be happy to answer any questions you might have. Before we begin, I would like to caution that comments made during this conference call today will contain certain forward-looking statements and must be viewed in relation to the risk pertaining to the business.

The Safe Harbor clause indicated in the investor presentation also applies to this conference call. The replay of the call will be available for the next few days, and the transcript will be made available on Syngene's website.

With this, I will now turn the call over to Managing Director and CEO, Mr. Bains.

Peter Bains: Thank you, Nandini. Good afternoon, everyone, and thank you all for joining the call today. I will start my remarks with an overview of the key financials and market trends before getting into the operational and strategic highlights for the quarter. I'll then hand over to Deepak to provide a more detailed insight into the financials in his remarks. We are pleased with the performance in the first quarter, which is both in line with our expectations and establishes a good trajectory for the rest of the financial year.

Reported revenues from operations were INR875 crores, up 11% year-on-year, equating to a 7% increase in constant currency terms. This growth was driven by good momentum in Research Services, which accounted for 67% of sales during the quarter. Our EBITDA was 21% up year-on-year to INR206 crores. With the growth in revenue and change in business mix, operating EBITDA margin increased to 24% in the quarter compared to 22% in the same quarter last year.

Reported profit after tax before exceptional items was up 59% year-on-year to INR87 crores. This includes a favourable onetime tax adjustment related to Syngene's Gratuity Fund, which Deepak will explain further in his comments.

Turning to our business segments and starting with Research Services. As mentioned in the financial highlights, the successful transition of pilot programs into longer-term contracts within our research services saw continued momentum during the quarter, providing endorsement of our scientific capabilities, quality standards and delivery service.

A highlight for the quarter was the inauguration of the state-of-the-art dedicated peptide laboratory advancing our capability in this high potential growth area. Peptides are a fast-growing interventional modality, witnessed by the rapid emergement of the GLP class for the treatment of diabetes, obesity and a widening range of comorbidities. Peptides also complements Syngene's existing capabilities in monoclonal antibodies, antibody-drug conjugates, oligonucleotides and PROTACs.

The new laboratory offers high efficiency production of complex peptides, offering our clients faster, scalable and high-quality solutions. On the regulatory front, we successfully completed a US FDA GCP, Good Clinical Practices inspections of our Human Pharmacology Unit with no observations. Additionally, our biologics facility at Biocon Park received an Establishment Inspection Report, EIR, with a favourable closure. We also concluded over 20 clients and regulatory audits during the quarter, ongoing affirmation of our continued commitment to quality and compliance.

Our focus on driving innovation by integrating cutting-edge technologies into our operations continued to progress with one example being the integration of automation into our DMPK operations, which has reduced turnaround times compared with industry standards from 5 days to 3 days and enhanced our cost efficiency by 30%.

Taking a step back and looking at the global CRO market, we see continued uncertainty in the biotech funding environment, which has not yet stabilized or returned to pre-pandemic levels. While the situation remains uncertain, we are monitoring it closely and remain agile in our response. We have continued to receive healthy interest from large and midsized pharma companies in the form of RFPs providing the basis for further growth in our research services in the coming quarters.

Turning now to our manufacturing operations. We have delivered a resilient performance this quarter with the highlight being that Unit 3, our biologics facility in Bengaluru, has become operational and delivered a GMP clinical batch of drug substance for a US-based client, a key milestone in this facility.

Our small molecule manufacturing facility in Mangalore. Here, we are continuing to focus on increasing capacity utilization and pipeline development across both drug development and manufacturing. We are also making good progress at our Bayview Biologics facility in the United States with revalidation and integration efforts on track, and we expect to operationalize the site in the second half of this fiscal year.

Moving on from operations, I'm very pleased to advise that we have strengthened our leadership team with the appointment of three accomplished industry professionals all of whom bring a wealth of operational and strategic experience and expertise. Dr. Priyaranjan Pattanaik, Syngene alumnus who played a key role in establishing our large molecules discovery capabilities has returned to Syngene to lead and drive the strategic direction of Discovery Biology. Gaurav Kushwaha joined us as Chief Technology Officer, to lead our technology strategy and in particular, our accelerating evolution in AI-led digital transformation across all our operating platforms.

Reflecting our ambition as we look forward to the strategic scale and growth opportunities of the global contract research, development and manufacturing market, Ajay Tandon joins us to take on the new role of Head of Corporate Development and Strategy. I look forward to working with PP, Gaurav and Ajay as we continue to build and accelerate Syngene's growth journey.

I'm also delighted to share that our continuous efforts in sustainability over the years where we have recently earned the recognition by Time Magazine as the number one sustainable company in the pharma and biotech sector in India and amongst the top 500 most sustainable companies in the world.

In conclusion, we are encouraged by a positive start to the financial year. While we remain mindful and watchful of the ongoing macroeconomic factors and uncertainties, we maintain a confident outlook and sustain our full year guidance.

With that, I will conclude my remarks and hand over to Deepak to provide further details about the financials. Deepak?

Deepak Jain: Thank you, Peter, and a very good afternoon to everyone. As Peter highlighted, we had a positive start to the year with a year-on-year growth trajectory in Q1 FY '26 in line with our expectations. Revenue from operations for the quarter was up 11% versus last year, and in constant currency, up 7%. Research Services continued its growth momentum driven both by conversion of pilots and ramp up by existing clients. We continue to monitor the macro headwinds in the biotech funding not stabilizing, big pharma internal restructuring and the uncertainty around US tariffs.

Our CDMO business showed resilient performance, small molecule development and manufacturing services remained stable, though affected by milestone shifts. The Biologics business, while having some pilot projects spill over into later -- continues to progress well. We have partially capitalized Unit 3 in Bangalore this quarter with additional sections should be capitalized in the coming quarters.

Turning to costs. Raw materials accounted for close to 25% of revenue from operations compared to 30% in the first quarter of last year, benefiting from yield improvements in biologics and business mix changes. We expect the full year raw material cost to be around 26%. Employee costs increased by 15% year-on-year, in line with merit increase and staffing plan.

As highlighted earlier, we also have invested in building experienced commercial teams in geographies closer to clients to help develop business opportunities. On other direct costs, primarily comprising of power and utility expenses increased by 2% year-on-year. Other expenses increased 22% as we continue to invest in automation, digitization programs to deliver increased speed, productivity and other operating expenses.

Our company saw a hedge loss of INR4.8 crores increasing from the hedge loss of INR3.3 crores in the first quarter of the previous year due to a difference between average spot rate and the hedge rate. The increase in revenue, combined with the movement in cost I just mentioned,

resulted in 21% year-on-year growth in operating EBITDA with margins of at around 24% in the first quarter versus 22% in the same period last year.

EBIT from operations was at INR95 crores, higher year-on-year benefited by higher operating EBITDA, partially offset by increase in depreciation costs. The 4% increase in depreciation is mainly due to additional capacity at Unit 3 facility came operational. We continue to maintain a strong balance sheet, which enables us to effectively navigate through industry cycles.

After meeting our capex spending for the quarter, we have a net cash of INR1,053 crores almost $123 million as of June 2025. Reported interest expense declined by 1% as borrowings reduced in Q1 FY '26 compared to similar quarter last year. Other income declined by 2% compared to similar quarter last year due to interest income on tax refunds, leading to higher other income in Q1 2025.

Reported effective tax rate for the quarter is at about 14%. However, normalized for tax benefit on transfer of employee gratuity funds to the gratuity trust. Effective tax rate for the quarter was at 21%, similar to the quarter last year. We expect the effective tax rate for the full year to be around 24%.

Overall profit after tax before exceptional items stood at INR87 crores, up by about 59%. Taking into account the one-off related to tax benefit on account of transfer to gratuity fund in Q1 FY '26, normalized PAT before exception items and one-offs, was up by about 47% year-on-year.

Now moving to capex. As indicated at the start of the year, the long-term market indicators for the CRDMO industry remains positive and our plan is to continue to make strategic investments and capabilities that make us future ready. We have incurred a capex of around $8 million during the quarter across our businesses.

Around 30% was invested in Research Services primarily across capability builds, including the peptides and the ADC and contractual obligations in dedicated centres. Nearly 55% of the capex in the CDMO business for new formulation facilities in small molecules and modification of the unit 3 in biologics. The remaining capex was spent on digitization, automation and towards common infrastructure.

Finally, let me say a few words about our guidance. We advised in April about FY '26 to be a transient year. Adjusting for client inventory rebalancing in our Biologics commercial manufacturing business, we guided for an underlying revenue growth to be in early teens. On a reported basis, we guided for growth in the mid-single digits. Based on the Q1 progress, we are on track to hit the guidance as we provided in the last quarter.

As Unit 3 and Bayview Biologics facilities come -- become operational in FY '26, we expect EBITDA margins to be in the mid-20s for the full year and a degrowth impact due to increased depreciation with the facilities coming online as we have guided in April. These investments are expected to capitalize growth over the medium term as the utilization increases and strengthen our position as one of the leading biologics CDMO player for the fast-growing market.

With that, I suggest we open up for questions. Thank you.

Moderator: We'll take our first question from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Congratulations on a good set of numbers. First question on the guidance bit, while you have reiterated the guidance, but the way I look at it is Q1 top line growth is well above the full year number. And I know that could be quarter-on-quarter volatility, right?

But then again, I know we are much above that mid-single-digit kind of guidance in Q1 and the trend seems to be positive based on the conversion of the projects that we are seeing, etcetera. So, what is keeping you from revising that guidance on the upward side at this moment?

Peter Bains: Kunal, thank you for the question. Let me start, and then I'll ask Deepak to add his comments. We framed our guidance at the end of last year, and we are encouraged by the positive start and the growth in Q1 and this has underpinned, I think, our confidence in reiterating the guidance for the full year. We're 12 weeks into the year, and I think it's just too early for us to make adjustments at this stage.

Of course, as the quarters unfold, we will revise or refine as we see it, but it's too early now, Kunal, for 12 weeks. We want to see more visibility through the year and before we make any comments on adjusting the guidance. But it's a good and a positive start and the trajectory underpins our confidence for the full year to maintaining guidance. Deepak, do you want to add anything?

Deepak Jain: Kunal, when we had guided growth of single-digit growth, there are a couple of things that we had called out. One, we were seeing an inventory adjustment that would come through the year on account of commercial manufacturing in our Biologics plant. That is still to come. There's some bit of inventory adjustments had that happening, but that's going to happen through the year.

So that's going to be an impact that we will feel that has a trajectory of its own. We also did highlight the fact that if we were to take this as a one-off, the underlying business is still going to grow in early teens, and we're still holding to that view that there will be an underlying growth, but the overarching growth as we guided would be simple in mid-single digits.

Kunal Dhamesha: What would be the impact of, let's say, the inventory adjustment in this quarter? Or if there is an impact this quarter or is it the future quarters?

Deepak Jain: There's a very minor inventory adjustment that's happened in this quarter, but it's supposed to pick up in the coming quarters.

Kunal Dhamesha: Sure. And then, just continuing on the outlook bit. I think if I remember it correctly, we had guided for the material cost to be around 26% to 27% of the revenue. And now we are suggesting around 26% for the full year. Is that correct understanding?

Deepak Jain: We've not changed any guidance on a material cost. What we had said is what we hold still.

Kunal Dhamesha: Sure. Sure. And one more if I can squeeze in.

Moderator: Sorry, Kunal you're sounding muffled.

Kunal Dhamesha: Can you hear me now?

Deepak Jain: Kunal you're breaking up. Yes, much better.

Kunal Dhamesha: Sure. So, one on the Unit 3 since it has been now commissioned, I know we had suggested that we expect these plants to become 3 to 5 -- ramp up fully by 3 to 5 years. But how are you see seeing given that we have taken a GMP clinical batch and more RFPs getting converted. So do you see that the 3- to 5-year timeline could be much faster at this moment.

Peter Bains: So, Kunal, we are very pleased that in this quarter, we've become operational, and that's a key milestone as we look to utilize the capacity in Unit 3 and even this was a clinical GMP batch for a US customer. I mean, I think we've given a frame of guidance. I mean we're working as you can imagine, hard to exceed that. But -- and we'll be updating on a quarter-by-quarter basis to see how we can look to meet or beat that timeline. And a lot of efforts are ongoing there.

And in the same domain with our Bayview facility. We are on track, as guided to start operations in that facility in the second half of the year. We have a healthy interest from potential customers here with the versatility of that facility and being based in the US. And again, we're working hard to make that operational as quickly as we can and then to start to utilize the capacity.

Moderator: We'll take our next question from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just the first one on the quarterly disclosure, you have started sharing on CRO versus CDMO split. I appreciate that. I think earlier we used to do full year. So, we only have like 61%, if I remember right, for fiscal '25. So, if you could tell us the 67% equal in number last year and also, I think in your readout, you have called out CRO is growing faster. So, I just want to understand some of the drivers of that. So that's my first question. So, what's the equivalent to 1Q number last year, CRO as a percentage of total revenue?

Deepak Jain: Shyam, we started breaking down our CRO and CDMO businesses, and that's why we've called out a 67% growth -- 67% mix in the CRO business this year. It's driven by the growth that Peter highlighted around pilot projects. And therefore, for the quarter, the mix is 67% to 33%. I am not comparing it to the previous quarters as we've always given an annual number, in the spirit of the conversation, we've been hearing from all the investors and analyst.

We've started now breaking that down every quarter. You will appreciate there will be an element of volatility between the business mixes. So, we should just probably look at that in a broad sense, right? There is a 67% this quarter, we've guided a full year number as well. So, we hope to see how that progresses. But too early to really call out and take just one quarter as a marker.

Shyam Srinivasan: Okay. Sorry, sorry, Deepak, it's not helping me. But I'm just saying is it closer to -- I'm not trying to drive a quantitative number out, but has there been a dramatic mix change between this year and last year? I think that's what I'm trying to see.

Deepak Jain: Not dramatic. That's the point I'm trying to make. As you look at last year was an average of the full year and 60 -- the way to think about the Shyam is 60%, 65% is a broad range, but that's the range that we've already operated our CRO business with. CDMO comes in that broad range. And therefore, take it with that.

This 1 quarter may not be indicative of what's going to happen all through the year because there will be some bit of puts and calls depending on how you deliver the business, right? And as and when our CDMO sites become operational, whether it's at Bayview or Unit 3, we will start seeing some bit of shifts happening as well. So that's largely how I would take it, right? It's also how the year pans out.

Shyam Srinivasan: Got it. Helpful. Sorry, I'll persist on a different form of splitting the revenue now, small and large. I don't know whether you're doing it annual or quarterly but maybe even qualitative colour on how those businesses have done. I think, I remember it was 24% or 25% for large molecule full year last year and I think small was 12%. So just any additional qualitative colour on those 2 parts of the business as well.

Deepak Jain: Shyam, Peter did call out that we did have a stable -- a stable quarter for small molecules. Large molecules, as we guided at the beginning of the year will see an impact of inventory correction. So, both these aspects are playing out. Small molecules stable. We did also mention that we've seen some improvement in capacity utilization. Is it where we want it to be?

I think there is work to be done. And in large molecules, we do see the impact of the inventory correction and a lot more of the inventory corrections to come in the coming quarters. That's why we are holding our guidance for the full year.

Moderator: Next question is from the line of Madhav from Fidelity.

Madhav: Firstly, if you could give some qualitative colour in terms of how the pipeline is building up for the Mangalore small molecule plant? You did mention that pipeline development work is happening here but some more colour in terms of maybe how many projects you have on board and sales-wise, if you could give some colour in terms of how many projects are in which phase. That would be useful for us to just understand. We know you've given a 3 to 5-year guidance for ramp-up of some of these units, but just some progress update would be very helpful.

Peter Bains: So, Madhav, let me start. Thank you for the question. In Mangalore, the facility has -- a design of the facility here, and that is enabling us to look at opportunities across the value chain here. And that will include key starting materials, intermediates and active pharmaceutical ingredients APIs and eventually into commercial manufacturing.

I don't think we're going to give quantitative guidance on that. But in terms of qualitative colour, we're working on all of those across that value chain. As Deepak has said, we are

seeing some pickup and we're on track for the full year position, but we have more to do here, and we're looking to accelerate that. Deepak, is there anything else to add?

Deepak Jain: No Peter. This is good.

Peter Bains: Madhav, I hope that helps.

Madhav: Yes. No, no, that makes sense. Are there any -- some of your peers have spoken about especially in small molecules, the ability to win some late-phase projects maybe in Phase II, Phase III directly, given there's some tailwind from China Plus One, etcetera, which is playing out. Are we seeing any such opportunities as well where you could get some more late-phase projects directly in the pipeline?

Peter Bains: So later phase projects within the mix that we're looking at, Madhav, I mean I think that's correct. And we are going to push on all of those. So key starting's, intermediates, APIs and of course, if we can get a commercial stage that will also play into that mix very strongly. We'll update on this as we move through the quarters.

Moderator: Next question is from the line of Surya Narayan Patra from PhillipCapital.

Surya Narayan Patra: My first question is on the biologic service offering that we are giving. Sir, if you can give me some sense that, okay, apart from the Zoetis, what is the progress that we have been seeing, let's say, for other biologic service platforms, let's say, like biosimilar ADC peptides, oligonucleotides. All put together, what is the kind of progress that we are seeing there?

Peter Bains: Thank you. So again, I'll start and Deepak may have comments to add. Let me start by taking the lens back and looking at the market itself on a global basis. Large molecule biologics is around about 10% level of the global CRDMO market. But it's the fastest growing, and it's growing in the teens.

And I think the outlook for biologics, which would encompass monoclonal antibodies, ADCs and peptides and oligos. Exciting fast-emerging modalities in our customer base, and we are evolving and adapting to ensure that we can offer very strong service propositions to them. So, we have an established monoclonal antibody facility, and we've spoken about that.

I think I touched in my opening remarks that we've inaugurated for example, a state-of-the-art peptide facility now in our Biocon Park in our Syngene Park facility. And that is going to enable us to look at synthesis, purification, characterization, scale up and strengthen our offering in peptides that then bridges into linkages, as you've described, with some of the exciting combination modalities that are being developed on our customer side and that we are looking to develop in parallel related to capabilities in ADCs, and oligonucleotides in the combination of antibodies and peptides and oligos and further into PROTACs.

So, we continue to look at the evolution of modalities and technologies that are customers and collaborators are using to develop novel medicine, and we are investing behind some of them to enhance and strengthen our offering. And in the area of monoclonals, peptides, oligos and ADCs. That is an area of focus for us, and we will continue to invest in what is an exciting and

fast-growing area. And one that we are receiving an increased sort of input in inquiries and translating that into business opportunities.

Surya Narayan Patra: Okay. Just my broader point also that I was trying to drive out of this question was that what would be the current mix of Research Services business within biologics and manufacturing? Since we are now adding multiple capacities within India, outside India. So how the mix is likely to see given the kind of fastest growth visibility that is there for the overall biologic business opportunity?

Peter Bains: Yes. So let me again start, but I'm going to refer to some of Deepak's comments as well. But as we said in our opening remarks, Research Services in this quarter is at 67% of the revenues, the balance being in manufacturing. This will be dynamic. It's not going to just stay at one level, and that dynamic and balance will depend on how we make progress in capacity utilization in our large and small molecule facilities where we've seen the pickup, the start this year in Unit 3.

And we look forward to Bayview coming online in the second half and we see improvement in utilization in Mangalore, but more to do there, of course. But also, our Research Services traction is growing as well. So that balance will adjust according to the flow and growth of businesses that unfolds over the coming quarters. And of course, we'll keep you advised of that on a quarterly basis.

Surya Narayan Patra: Sir. My second broader question, sir, about the...

Moderator: Sorry, you are sounding muffled, Surya?

Surya Narayan Patra: Is it fine now, ma'am?

Moderator: Yes. Please go ahead.

Surya Narayan Patra: Yes. My second question was about the major changes the trend that we are witnessing now influenced by Trump that there are many $50 billion of kind of investment commitment by large innovators into US that we are witnessing. So already like 5 -- 4, 5 odd players have committed that kind of investment into US. So, given that, what is the kind of change in the pharma outsourcing environment that you are seeing? And how would we be positioned given that the major changes that has been happening in the space?

Peter Bains: Yes. Surya, I mean we monitor the macro geopolitical and geoeconomic trends closely. Now the tariff movement continues to be volatile to some extent, although I think there's -- I mean, I think there's perhaps less volatility now than the there has been, this is looking as if it might, to some degree, stabilize. Important point for us to emphasize on tariffs, if I take that first is that Syngene is predominantly a service industry and he tariff exposure on products is not going to have any material effect on us.

So, we look at the tariff question through that lens, primarily, we keep a watch fly. We obviously see what you've described in a number of major pharma companies have committed

to significant capital expenditures in the United States. Those capital expenditures can be over quite extensive periods, 5 and 10 years.

Again, I take the lens back. And if I look at the contract manufacturing market globally, it's 50% of the total market. It's a very, very big market. And Syngene has a relatively very small market share, and we believe we have very substantial headroom room to grow into. We are mindful of the geopolitics here and the Bayview facility acquisition gives us a very nice foothold in the United States.

And as I said in my remarks, we're seeing clear momentum and interest in that facility. So, we'll have to balance that over the short, mid- and long term. In the short term, we're looking to utilize the capacities we have, and we're beginning to see pickup and line of sight there. We need to fill those up, and we'll monitor a wider global situation. And I'm -- we will plan our investments very carefully, and that will be one factor that we take into consideration.

But I think the comment I really want to leave you with here is we see what you've described, but the wider market opportunity is very, very big, and there will continue to be strong interest in manufacturing footprint in India and in other geographies. And Syngene is well placed to capitalize on that and has a lot of market room ahead of it.

Surya Narayan Patra: Okay. Sure, sir. Just with your permission, I will ask one last question, and that's a clarification also. About the small molecule capacity addition, particularly targeting the animal health that what you have mentioned in the annual report. So here, I just wanted to have some sense that, okay, by this capacity expansion, what target and that we are trying to drive the business from? That is one.

And secondly, you have just mentioned that the small molecule capacity in Mangalore since it is a kind of end-to-end integrated in the sense that it is manufactured in the starting material, the intermediate as well as the kind of potentially the final product. So, what utilization it could be there currently?

Peter Bains: Okay. Let me -- again, I'll take that to start with Surya. Again, Deepak may want to add some comments. I think on your first question, you would relate -- you were referring to large molecules in animal health, I think, is that correct, Surya?

Surya Narayan Patra: No, no. I was mentioning about the capacity addition on the small molecule side targeting animal health?

Peter Bains: Okay. So, in our small molecule's facility, I think you've understood well my comment that the versatility of the facility allows us to look across the value chain. And we're looking at that in human health. But of course, if we get the right opportunity in animal health, we will look at that also. So, we will look at both. We have no clear definitive quantitative view as to what -- where that balance may end.

And in terms of quantitative guidance on capacity utilization, again, we're not giving a number. We're looking to increase utilization of Mangalore through this year. The first quarter, we've

made a decent start. We're on track with where we wanted to be. It's in line with expectations, and that's a part of the reinforcement of our full year guidance.

Moderator: Next question is from the line of Kunal Randeria from Axis Capital.

Kunal Randeria: Sir, Amgen and Baxter started to expand their own R&D and other operations in India. So have you seen any impact so far and based on the conversations with them. Do you see them taking some projects in-house?

Peter Bains: Kunal, I mean we -- again, we are watching and monitoring the sort of global capability centers. I think those global capability centers are very largely supporting sort of back-office operations and are not having any direct impact on our operations. And in some ways, I think they're a good signal of investment more broadly into India to build a wider biotech ecosystem in India, which still significantly lags the biotech ecosystem in other parts of Asia, in particular, but Europe and the United States.

So, widening the biotech ecosystem in India is going to be overall a positive thing. And we kind of look at it through that lens, and I don't think we're seeing any direct impact on any of our business at this stage at all.

Kunal Randeria: Got it. Okay. Just second question on this, again, it's a follow-up. So, these contracts are for a certain finite period of time. So, for the dedicated centers, can you tell us when some of these contracts are up for renewal?

Deepak Jain: So, Kunal, at the point time when these contracts come up for approvals, it goes through a regular renewal cycle. We typically don't call out as to the timelines. But as and when they happen, we get into a renewal cycle and renewal conversations. Historically, we've maintained long-term relationships with these dedicated centers. I mean, case in point, as an example, BMS, right, that's over 2 decades, right?

And it just shows the depth of the relationships that we have. These have -- these are some strategic relationships that we've built over a period of time. And at different points of renewals, they have conversations with us on how do we really strengthen the relationship. So, to me, I think as and when they have, we get into a renewal conversation, which just helps deepen the relationship.

Kunal Randeria: Fair enough, Deepak. But what I'm asking is, is it typically a 3 years, 5 years, maybe longer than that? Does this varies from client to client?

Deepak Jain: It typically varies from client to client. But yes, these are long-term relationships, right? It goes at different stages, right? It goes 3 years renewals, 5 years renewals, they can even be longer renewals that we go into. It's client to client. Given it's the client information, we don't share that much, but they are typically long-term relationships and long-term contracts.

Peter Bains: Kunal, they're multiyear. All of them are multiyear. And as Deepak has said, some of them go beyond 5 years. So they're long-term multiyear contracts. And again, we will advise as and when anything changes.

Kunal Randeria: Sure, sure. So, the reason I was actually pushing on this was, I think, in December '21, when you had renewed some contracts with Amgen, it was mentioned it will be till 2026. So that's why I kind of said because some of these contracts, there's some inflow in the public domain. So that's the reason I was asking for Amgen and other contracts.

Deepak Jain: Kunal, just to add on, right, not necessarily every contract gets renewed on the last day, right? So, there are timelines and structures that we get into some of the contracts that we speak of with our clients come into conversations even between is I suppose there are strategic investments that we need to make with the clients.

So different shapes and forms of these contracts. I think you should take that their strategic relationships. We continue to hold with them. We continue to work with them. And if there's any significant change that comes across, we will obviously talk about it.

Moderator: Next question is from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Sir, in the annual report, you have spoken about conversion of 6 pilot CRO projects into full-fledged contracts in the fiscal FY '25. And you did mention about this conversion continuing in the first quarter as well. So the question is, while the conversion is healthy, given the funding environment has worsened in the first half CY '25 versus, say, maybe second half CY '24 or whole of FY '25, as the pace of new pilot project wins slower over the past few months compared to what you were seeing last year?

Peter Bains: Alankar, let me start with the response to that. And again, I'm going to take a little bit of a step back. Biotech funding, which plays into the early-stage biotech companies represent one of the inputs into our discovery services and quite clearly during the course of last year, there was a significant reduction in US funding into biotech that created a sort of sector-wide drawback in the biotech community.

Important to recognize two things there. One, that it was at a drawback and the entire sector experience that and Syngene was not immune. Important also to say that, that doesn't mean it drives up to 0, and we do see biotech coming in. But these pilots are one source of input to our discovery services.

And as I said in my opening remarks, we continue to have a healthy pipeline from multinational and midsized biopharma companies who are looking to externalize some of their discovery services. So, our input to discovery is not disproportionately reliant on biotech. We're seeing pilots coming in from other areas and many of the large companies and the midsized companies will come and visit the facility here in Bangalore. They'll come and they look at the laboratories, they want to take a look at the laboratories, and we've got 2 million square feet of them here, and they want to talk to the teams.

When they come in they talk to our scientists. And on the basis of that due diligence and more they'll make a decision as to whether they put a program with us. They may not go up pilot route in the sense of putting work with other companies and determining they can be convinced by the service offerings and the due diligence that they see. So, the broad picture is

that biotech pilots are only one source of potential revenue growth for our services division, and it needs to be seen in that lens in that context.

Alankar Garude: Got it, Peter. But yes, I mean, just on that point, even if it's relatively...

Moderator: Alankar, I'm sorry to interrupt you are sounding muffled.

Alankar Garude: Just give me a minute.

Moderator: Sure.

Alankar Garude: Yes. Sorry, is this better?

Peter Bains: That's better Alankar. Sorry about this.

Alankar Garude: Sorry, just to harp on that point, Peter, even though it's one of the components, as you mentioned, but directionally, there has to be some impact of the funding environment on -- especially on some of the smaller clients. So, is it something which we have seen over the last few months in terms of new project wins from some of these clients?

Peter Bains: Alankar, you're right on an absolute basis. There has to be an impact, and we see that in the biotech community. The amount of capital going in there isn't what it was. And that we hope will be restored. But in terms of impact to our Research Services business, I think you can see in this quarter's results with a healthy 11% growth. Biotech is a component of that, Alankar. We're still getting biotech interest and engagement but it's -- as I'm saying, it's a relatively small proportion of the total input to our research services.

It's an important part, and we want to see it improve in itself, and we're looking at the biotech funding environment and would like to see it restored. But we're not reliant and dependent on it, as you can see in our first quarter results. I hope that adds the additional colour you're looking for.

Alankar Garude: Yes, that's helpful, Peter. And the second question is again for you, Peter. See, we have seen some senior attrition over the past couple of years. This is something which has happened in the past as well, maybe about 7, 8, 9 years back, you spoke about the 3 senior hires. That's good to hear. Two questions here. One is, post these hires, are there any senior management gaps left to address? And secondly, how do you plan to address this historical issue of senior-level attrition with the company?

Peter Bains: So let me answer the questions in reverse order, Alankar. I mean Syngene has been and remains a very stable company. I mean senior management changes every 7 years but some level is ordinary course. I mean there are always going to be senior management changes and Syngene's being relatively very, very stable in the long lens. I was there for 6 years from 2010 to 2016; Jonathan was here for nearly 10 years. That is stable senior management.

And beneath that, of course, there has been some additional changes. But nothing to my eye that would represent any degree of instability or turbulence when you look at it across industries over that timeline. Now our sector is evolving fast, and we need to bring in

capabilities and expertise to ensure we remain cutting edge and competitive to provide the service to our customers. One example of that is clearly technology.

And Syngene's got an ongoing program that we're accelerating, if I break technology down in automation and digitization where we're looking right across our platforms to accelerate automation and digitization to improve effectiveness and efficiency to drive down timelines, to drive down costs and to improve quality and reduce risk.

In AI, we see that as fundamental change agent of the discovery, development and manufacturing platforms evolve over short, mid and long-term timelines. And certainly, you look outside at our customer base, and that is happening, and we need to accelerate that, and that is why we've appointed a Chief Technology Officer, where a clear focus is going to be on enhancing and integrating AI into our services. And very, very clearly that strengthening capability here.

PP is returning in Biology, that's terrific for us. And Biology remains a very important aspect as witnessed by the market where Biologicals are the fastest-growing part of the CRDMO market. And in strategy and development of Syngene looks to plot its course over the coming years with the evolution of the industry and the shift in the macros that we've discussed, we need to strengthen our abilities there.

And Ajay has joined the team to strengthen our capabilities as we look strategically over the next 5 and 10 years. It's a very exciting period for the industry. There's a lot of change as everybody identified, but that also means a lot of opportunity and Syngene is trying to position itself to optimize its position to serve its customers well in these changing times.

Moderator: We'll take a next question from the line of Harsh Bhatia from Bandhan AMC.

Harsh Bhatia: Sure. Just in terms of the -- at least from a Biologics perspective, I think we would move in a couple of years north of 50 KL capacity with both the facilities. If you can help us understand what kind of step-up or ramp-up can we see from an overall perspective for both these facilities, again, without getting into the number's perspective?

Just directionally, is it going to be more of a gradual step-up in terms of operationalizing the capacities or is it going to be something that we see a large part of the capacity coming in on day one. Again, I understand it depends on the number of projects, kind of projects that you get, but maybe some more colour on that.

Deepak Jain: So Harsh, we had guided on both the facilities at the point in time when we got into the acquisition whether it was Unit 3 or even the Bayview site. We said we will get to a 1x asset turnover in 3 to 5 years, a little bit to what was also asked earlier, which Peter commented as well that the fact that our endeavour would be to definitely try and do it faster. We just started, as an example, the Unit 3 we capitalized that in this quarter.

We did a GMP preclinical stage trial as well for one of our clients in the US. And therefore, we will always want to do this faster. But as we guided 3 to 5 years seems to be a reasonable ramp-up time if there are opportunities in ways by which we can do this faster, I think there's

enough and more effort being put there. No timelines that can be committed right now, no probably numbers that I can share at this point in time.

Moderator: Harsh, does that answer your question.

Harsh Bhatia: Just one more. In terms of the Bayview facility, what kind of structure do we have with emergent to that extent because I think they also have their particular set of pipeline. So, is there any sort of right of first refusal to that extent with the entire capacity? Or that is something that's more narrower in nature? Maybe you could help us a little bit on that.

Deepak Jain: So Harsh, when we took the conversation with the Emergent right, they have their own relevant pipeline. They have their own structure. We took the plant in March. We said it will take us about 8 to 12 months to operationalize it. That's why we said it's going to get operationalized in the second half of the year.

In terms of right to first refusal to the specific question that you have, they are one of the clients that we've always spoken of, and we have said that right to first refusal on a certain part of the facility if it is there. It will always be good for us to be able to get an early-stage client already hooked on as an anchor client, right? So, it's a facility available for everybody to be able to help us get the facility operationalized. Emergent has been in that facility earlier and if there's an element that comes through, we will obviously want to explore that as a tie up with them.

So, I'm not giving you an answer very clearly whether the right to first refusal is there or not. It's a facility that's available. And if there is a way by which when we operationalize it, if there is something that Emergent wants to bring on the table, there will be a client we would want to understand what they have to offer.

Harsh Bhatia: Sorry to harp on this, just to clarify, there is a certain capacity that is available to them in terms of the right of first refusal?

Deepak Jain: Yes, to an extent, if they come on with a particular project, they can always but it's not that, that custody cannot be earmarked for somebody else as well. It's a client-based program structure, right? And if somebody comes to help us operationalize it, we will.

Peter Bains: And Harsh, I'll add in here. Part of the attraction of the Bayview facility was its versatility. I mean it is a very nice contract of three discrete suites. So, it has a high degree of versatility. And I think that for Emergent, they recognize that and for a certain part, they have an opportunity, and it will be time bound. But I mean, as Deepak said, we would welcome Emergent as a customer if it works on both sides. And that conversation is ongoing.

Moderator: Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to Ms. Nandini Agarwal from Syngene International for closing comments. Over to you.

Nandini Agarwal: Well, thank you, everybody, for joining the call. If there are any further questions, you can get in touch with IR team. Thank you.

Moderator: Thank you. On behalf of Syngene International Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Deepak Jain: Thank you.

Peter Bains: Thank you.