Ref: Syn/CS/SE/PR/January/2018-19/61



Syngene International Limited Biocon Special Economic Zone Biocon Park, Plot No. 2 & 3 Bommasandra Industrial Area Bommasandra IV Phase, Jigani Link Roard Bangalore - 560 099, India T +91 80 2808 2808 F +91 80 4014 3150 / 2852 3423 CIN No. L85110KA1993PLC014937 www.syngeneintl.com

January 22, 2019

То,	To,
The Manager,	The Manager,
BSE Limited	National Stock Exchange of India Limited
Corporate Relationship Department	Corporate Communication Department
Dalal Street, Mumbai – 400 001	Bandra (EAST), Mumbai – 400 051
Scrip Code: 539268	Scrip Symbol: SYNGENE

Dear Sir/Madam,

#### Subject: Investor Presentation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

This has reference to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find attached the Investor Presentation for the quarter ended December 31, 2018. The company will use this presentation for any meeting scheduled with analysts or institutional investors up to March 31, 2019.

The above mentioned Investor Presentation will also be available on website of the Company www.syngeneintl.com.

Request you to take the same on record.

Yours faithfully,

For SYNGENE INTERNATIONAL LIMITED

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Mayank Verma Company Secretary and Compliance Officer

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Certain statements in this release concerning our future growth prospects are forward-looking statements, which are subject to a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated in such forward-looking statements.

Important factors that could cause actual results to differ materially from our expectations include, amongst others general economic and business conditions in India, business outlook of our clientele and their research and development efforts our ability to successfully implement our strategy, our growth and expansion plans and technological changes, changes in the value of the Rupee and other currencies, changes in the Indian and international interest rates, change in laws and regulations that apply to the Indian and global biotechnology and pharmaceuticals industries, increasing competition, changes in political conditions in India and changes in the foreign exchange control regulations in India.

Neither the company, nor its directors and any of the affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after this date or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.



# Introduction



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- Established in 1994 as India's first Contract Research Organization 25 years of unparalleled experience in novel molecule discovery and development services.
- Integrated service platform for small and large molecules, antibody-drug conjugates and oligonucleotides.
- World class infrastructure audited successfully by US FDA, EMA, AAALAC and major life sciences partners.
- 316\* global clients across industries ranging from pharma, biotech, nutrition, agrochemicals, animal health, specialty chemicals, consumer goods, academic and nonprofit organizations.
- 1.3 mn sq. ft. world-class R&D and manufacturing infrastructure; ~4,100 professional workforce including ~3500 qualified scientists\*.

## **Recent business highlights**

## **Quarter highlights:**

- Strong revenue growth in Q3 FY19 primarily driven by good growth in Discovery Services and increased traction in the Biologics Business.
- Expanded our strategic collaboration with Merck KGaA. Syngene and Merck have been working jointly on various discovery research projects in the areas of Protein Technology, Molecular Biology, Cell Science, Antibody Discovery and ADC's supporting both small and large molecules.
- new laboratory infrastructure for Baxter Α was commissioned during the quarter.

P&L Summary	Q3 FY19	Q3 FY18	YoY Change
Revenue	484	399	21%
EBITDA	158	138	15%
EBITDA Margin	33%	34%	
PAT	87	82	6%
PAT Margin	18%	21%	
P&L Summary	9M FY19	9M FY18	YoY Change
P&L Summary Revenue	<b>9M FY19</b> 1,346	<b>9M FY18</b> 1,059	YoY Change 27%
P&L Summary Revenue EBITDA	<b>9M FY19</b> 1,346 431	<b>9M FY18</b> 1,059 381	<b>YoY Change</b> 27% 13%
P&L SummaryRevenueEBITDAEBITDA Margin	<b>9M FY19</b> 1,346 431 <i>32%</i>	<b>9M FY18</b> 1,059 381 <i>36%</i>	YoY Change 27% 13%
P&L SummaryRevenueEBITDAEBITDA MarginPAT	<b>9M FY19</b> 1,346 431 <i>32%</i> 232	<b>9M FY18</b> 1,059 381 <i>36%</i> 221	YoY Change 27% 13% 5%

All figures in INR Cr unless otherwise specified



# Who we are today: A global high growth CRO company

One of the leading India-based CROs

Integrated discovery and development platform

Focus on novel molecular entities

**316**<sup>(1)</sup> clients across multiple sectors

**95%**<sup>(1)</sup> of revenues from outside India

**3,500**<sup>(1)</sup> qualified scientists

World-class R&D and manufacturing infrastructure spread over 1.3<sup>(1)</sup> million sq. ft facility.



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## Putting science to work

## Who we are and what we do

- Combining world class research talent and infrastructure with the Indian cost advantage
- Converting R&D to a variable cost for clients
- Moving beyond cost arbitrage to R&D productivity and innovation

## **Key differentiators of growth**







# Our industry

## Global pharma R&D trends

### Large and growing addressable market

- Global R&D expenditure expected to increase from \$139bn in 2014 to \$152bn in 2018 (CAGR of 2.3%)
- 75% of R&D spend can be potentially outsourced

### Increasing per unit R&D cost for pharma

- 8x increase in cost per Novel Molecular Entity from \$140m in the mid-1970s to \$1,200m early-2000s
- Increasing outsourcing penetration driven by:
  - Focus on core competencies
  - Emergence of "virtual" companies
  - Shift from fixed to variable cost models



## Global CRO market: over US\$43bn and growing

### Outsourcing market by stage of DD Continuum





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# **Business overview**

Syngene	The d	rug discover	y continuum	
	Discovery		Development	Commercialisation
Target Identification	Lead generation	Pre- clinical Animal Lead safety	Clinical Ph Ph Ph I II III	Product Drug filing with FDA and other global
Target validation	Target optimisation	selection API a deve	and drug product elopment	regulatory authorities Manufacture Phase IV

## Syngene offers an Integrated Service Platform for both small and large molecules



## ...With multiple entry points



Entry points create opportunity for customer engagement expansion



# Syngene Verticals overview







#### **Dedicated Centers**

- Integrated Services
- Dedicated Infrastructure customized for client's requirements
- Long term, FTE based contracts
- Currently 4 in place: BBRC, BGRC SARC and Herbalife Nutrition Research Centre

### **Discovery Services**

- Discovery Chemistry, Discovery Biology and in-vivo services
- Peptide Synthesis
- Multi-client infrastructure
- Largely FTE based engagements, typically renewed annually
- High renewal rates

### Development and Manufacturing Services

- Preclinical studies, Stability, Formulation, Biologics, CMC and Clinical supplies, Clinical development etc.
- Largely FFS based services (both short and long term)
- High renewal rates in Manufacturing services

## **Dedicated R&D centers**



Largest R&D Center in Asia for BMS (2009). Contract extended till 2026.

Dedicated Center of research excellence with world class facilities.

Over 500 scientists supporting Novel Molecule research in small and large molecules.

Produced nine drug candidates for further study and advanced new compounds for first-in-human studies.



Dedicated R&D Center in India for Baxter (2013). Contract extended till 2024.

State-of-the-art facility supporting R&D of medical products and devices worldwide.

Expansion of multidisciplinary team of existing ~200 scientists.

R&D activities centered on product and analytical development, preclinical evaluation in parenteral nutrition and renal therapy.



Exclusive R&D Center for Amgen Inc. in India (2016).

State-of-the-art dedicated Center supporting variety of discovery and development projects for biotechnology and small molecule medicines.

Engages a multidisciplinary team of ~185 scientists.

Focus on medicinal and process chemistry, biologics, bioprocess, drug metabolism, pharmacokinetics, bioanalytical research and pharmaceutical development.



Herbalife's 1<sup>st</sup> Nutrition Research and Development Lab in India (2016).

Dedicated Center spans at 3,000 sq. ft. and houses cGMP formulation lab to support product testing, sampling and end-product development.

Focus on product development, sensory evaluation and testing, scientific content writing, project management, formulation development, analytical service, stability study and other related services.



# Syngene Develo

## **Development Services**



- Encompass activities across multiple disciplines as a molecule moves from pre-clinical to clinical trials
- Key activities include:
  - Drug substance development (process R&D and optimization)
  - Drug product development (pre-formulation and formulation development)
  - Allied services (stability services, viral testing, bioanalytical)
- Primarily FFS engagements which increase in volume/scale over time

## Manufacturing Services

#### **Small Molecules**

- State-of-the-art cGMP facility to Manufacture NCEs
- Designed to support multi gram to 100s of kgs/ batch of Intermediates and APIs for Clinical Trials; Current capacity can support initial commercial supplies
- New greenfield investment being made in Mangalore to support larger commercial scale requirements

### **Biologics**



- Mammalian and Microbial capabilities
- Can support early stage, late stage and commercial launch supply requirements in mammalian
- Capacities to support large volumes for late stage clinical requirements



Syngene's USFDA approved manufacturing facility at Bangalore

# Multiple layers of growth

#### **Expand/Extend Existing Clients**

- High service integration
- Dedicated centres model

#### **Engage New Clients**

 Tailored service offerings and dedicated personnel

## Moving from CRO to CRAMS with commercial manufacturing

- "Follow the molecule" by expanding into commercialisation



### Investment of upto \$200m in expansion of our facilities over FY16 to FY19



# **Financial highlights**



# Q3 FY19 and 9M FY19 financial highlights

All figures in INR Mn unless otherwise specified

Particulars	Q3 FY19	Q3 FY18	YoY Change	9M FY19	9M FY18	YoY Change
Revenue	4,844	3,993	21%	13,460	10,592	27%
Material and Power costs	1,516	1,145	32%	4,117	2,812	46%
Employee costs	1,189	958	24%	3,415	2,755	24%
Gross Margin	2,139	1,890	13%	5,928	5,025	18%
Gross Margin (%)	44%	47%		44%	47%	
Foreign Exchange (net)	(4)	(150)	(97%)	(60)	(430)	(86%)
Other Expenses	564	662	(15%)	1,677	1,646	2%
EBITDA	1,579	1,378	15%	4,311	3,809	13%
EBITDA Margin (%)	33%	34%		32%	36%	
Depreciation, Interest and tax	709	558	27%	1,996	1,600	25%
Profit After Tax	870	820	6%	2,315	2,209	5%
PAT Margin (%)	18%	21%		17%	21%	
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## FY18 financial highlights

Particulars	FY18	FY17	YoY Change
Revenue	14,849	12,716	17%
Material and power costs	4,164	3,522	18%
Employee costs	3,796	3,086	23%
Gross Margin	6,889	6,108	13%
Gross Margin (%)	46%	48%	
Foreign Exchange (net)	(739)	(229)	223%
Other Expenses	2,362	1,554	52%
EBITDA	5,266	4,783	10%
EBITDA Margin (%)	35%	38%	
Depreciation, Interest and tax	2,212	1,910	16%
Profit After Tax	3,054	2,873	6%
PAT Margin (%)	21%	23%	

All figures in INR Mn unless otherwise specified

Balance Sheet Highlights		
As on 31 <sup>st</sup> March 2018		
Shareholders' funds	17,204	
Net Fixed assets	11,858	
Other net assets <sup>(1)</sup>	2,146	
Net cash/(debt) <sup>(2)</sup> 3,200		
Total Use of Funds 17,204		

Putting Science to Work

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(1) Other Assets calculated as (Inventories + Trade Receivables + Unbilled Revenues + Advance Tax + FX premium + Less (Trade payables + Others current liabilities) at the end of the year (2) Net cash / (Net debt) calculated as the Cash & cash equivalents (Cash and bank balances + Current investments + Fixed deposits) less Total debt (Short-term borrowings + Long-term borrowings) at the end of the year

## Strong track record of topline growth...

- Growth driven by increase in sales from existing clients and acquisition of new clients
- "Engage, expand and extend" strategy to extend client relationship over a longer period of time
  - Growth in total number of clients
  - Increase in average revenue from largest clients
  - Increase in number of services offered to clients



### Total Revenue (INR Mn)

## ...With best-in-class profitability

All figures in INR Mn unless otherwise specified





Putting Science to Work

Note: EBITDA and PAT from FY 2016 is as per Ind AS (Indian Accounting Standards)

## Capital expenditure





- Capex towards capacity expansions, capability additions and technology upgradations
- Key facility additions during the last three years include dedicated facility for Baxter, Amgen, Herbalife, new formulation facility and new biologics plant

## **Planned capital expenditure**

- Expansion Capex of US\$200 million envisaged over FY16 to FY19
- Future funding requirements to be met through internal accruals and debt

#### **Capex investment area**

- Research centre
- Formulation centre

#### Late stage and commercial manufacturing

- Expansion of API plant
- Commercial NCE manufacturing plant
- Biologics manufacturing plant

#### Other services and new capabilities

- Oligonucleotides
- Viral testing services
- ADCs
- Bioinformatics

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Syngene Managing risks	
Risk	Mitigation
Client growth and sustained retention	Proactive client engagement and sustained quality
Currency fluctuation (USD/INR)	Comprehensive hedging policy and tracking mechanism in place
Significant capex investment over next few years	Staggered investments in line with business visibility
Sustainability of margin profile	Strong cost control systems, productivity improvement initiatives



