

SYNGENE AGM 2020 TRANSCRIPT – 22.07.2020 (4.00 PM)

Good evening ladies and gentlemen

I welcome all the shareholders to the 27th Annual General Meeting of Syngene International Limited. In view of the ongoing Covid 19 pandemic, this meeting is being held through video conferencing in accordance with the circulars issued by the Ministry of Corporate affairs. In order to comply with the social distancing norms and considering the travel restrictions the directors are available in their respective locations through video conference. Before we initiate the AGM proceedings, let me introduce my colleagues who have joined us on videoconference and are with me on the Dias. We have with us in various locations.

Mr. Jonathan Hunt, Managing Director and Chief Executive Officer.

Jonathan, will you just signal

Okay, here.

Mr. Paul Blackburn, Independent director and Chairman, Audit Committee and Risk Management committee. Paul, can you just introduce yourself?

Mr. JOHN Shaw, Non executive director

Professor Catherine Rosenberg, Non-Executive director and Chairperson of Corporate Social Responsibility The committee

Miss Vinita Bali Independent director and Chairperson of nomination and remuneration committee.

Dr. Vijay Kuchroo, Independent director,

Miss Sharmila Karve, Independent director and Chairperson of stakeholders relationship committee,

Dr. Carl Decicco Independent director.

Mr. Sibaji Biswas Chief Financial Officer

with me in this auditorium is Miss Priyadarshini Mahapatra company secretary.

All directors are present at this AGM

Statutory auditors BSR and company LLP and Secretary auditors V Sridharan and associates have also joined this meeting.

Participation of members through video conference is being reckoned for the purpose of quorum as per the circular issued by the MCA and section 103 of the Companies Act 2013 as the requisite quorum is present for the annual general meeting, may I call this meeting to order?

Notice of the 27th annual general meeting and the annual report for FY 19-20 was sent through an email to all the shareholders whose email ids are registered with the company, or the depository participants in compliance with the MCA and SEBI circulars. As the notice is already circulated to the main members, I take the notice as read.

Today, there are eight resolutions proposed to be passed, as set out in the notice of the AGM. The company has taken all necessary steps required as per the provisions of the Companies Act 2013 and the circulars issued by MCA, to enable the members to participate and vote on the resolutions as set forth in the notice. Members who have not cast their vote through remote eVoting, and who are

participating in this meeting will have the opportunity to cast their vote through the install poll facility provided by M/s KFin Technologies Private Limited. I now call upon our company Secretary Priyadarshini to provide general instructions to the members regarding participation in this meeting, and on casting of votes through the voting facility.

Over to you Priyadarshini.

Good evening, everyone.

The members may note that this meeting is being held to videoconference in compliance with the Companies Act 2013. And circulars issued by the Ministry of Corporate affairs. Facilities to join this meeting through video conference or other audio which will means it's being made available to the members on a first come first serve basis. All the members who are kept on mute to enable must enable smooth show of Proceedings of the meetings will have to unmute themselves before talking. The statute registers and the documents have been made available electronically for inspection by the Members during the AGM. Members who wish to inspect such documents can send a request to investors@syngeneintl.com As the AGM is being held to videoconference, the facility for appointment of proxies by the Members was not applicable. Hence the proxy register for inspection is not available. The company has received requests from a few members to register them as speakers at the meeting. Accordingly, the floor will be open for these members to ask questions or express their views. The moderator will facilitate the session once the chairperson opens a flow for questions and answers. Now, let me summarize the 8 resolutions placed before today's meeting seeking members approval as set out in the notice of the Annual General Meeting.

The first two resolutions pertain to ordinary business which are

- 1) Adoption of standard on and consolidated financial statements for the year ended March 3120
- 2) Appointment of Mr. JOHN Shaw, who retires by rotation and being eligible seeks reappointment as director.

Resolutions three to eight are special business

- 3) Proposes the appointment of Miss Kiran Mazumdar Shaw as on non-executive chairperson and director liable to retire on rotation.
- 4) Resolutions four and five are pertaining to the reappointment of Dr. Vijay Kuchroo and Miss Vinita Bali as Independent directors for a second term of five years each.
- 5) Resolutions six and seven pertain to the appointment of Ms. Sharmila Abhay Karve and Dr. Carl Decicco as Independent directors of the company until the conclusion of the 29th annual general meeting of the company to be held in 2022.
- 6) The final resolution is regarding the appointment of Mr. Jonathan Hunt as the Managing Director and Chief Executive Officer of the company in compliance with the MC circular.

The items of special business in the AGM notice are considered unavoidable and hence are proposed for approval of the members income To the provisions of the Companies Act and the SEBI regulations, the company has arranged for eVoting facility for all the members holding shares in the company as on the cut-off date of July 15, 2020 through KFin Technologies Private Limited on all resolutions proposed at today's Annual General Meeting. The remote voting period commenced on Friday, July 17, 2020, at 9 AM (IST) and concluded on Tuesday, July 21, 2020 at 5 PM (IST). Members who have joined us today for this AGM thru

video conferencing facility and who have not exercised their voting rights, during remote a voting period can still cast their vote on all assertions as set forth in the AGM notice through Instapoll facility provided by Kfin Technologies Private Limited. Members may click on the thumb option below the screen to cast a vote on the resolutions. Mr V Sridharan practicing company secretary has been appointed by the board as the scrutinizer for the voting process, upon submission of the report by the scrutinizer. The results of the voting and instead of all will be intimated to the stock exchanges within 48 hours of conclusion of the AGM and made available on the company's website and the website of KFin Technologies Private Limited, Company's Register and Share Transfer Agents.

Statutory auditors M/s BSR and company LLP and secretarial auditors M/s. V Sridharan and associates have expressed an unqualified opinion on the respective reports for financial year 19-20. The auditor's report on the financial statements of the company for the year ended 31st March 2020 does not contain any qualification observations or adverse remarks on financial statements or matters which have any material bearing on the functioning of the company.

The statutory auditors report on standalone financial statements and consolidated financial statements are available on page numbers 150 and 208 of the annual report respectively. The secretarial audit report is enclosed as Annexure 7 to the board's report on page 84 of the annual report. As the auditor's reports are already circulated as part of the annual report, we take the reports as read.

I may now request Ms Kiran to address the shareholders.

Dear shareholders, it is a great pleasure to welcome you to the Annual General Meeting of our company, although under very unusual circumstances. This virtual environment is unfortunately the new normal. However, I am sure that our next AGM will be back to Biocon Park.

The virtual AGM will follow the same structure that we adopt in a physical meeting. And we will take questions from shareholders as usual. Despite the very challenging times that we are experiencing, I am pleased to report that our company is performing well. I'm also proud to report that our company is playing a very important role in our collective fight against this global pandemic. We have been providing free Corona virus testing to the Government of Karnataka. In fact, Syngene has been acknowledged as being the leading provider of free testing for the government in the private sector. Syngene has also developed several testing kits including an Elisa based Antibody Test Kit, which it has licensed to Mumbai based HiMedia Laboratories for commercial manufacture. We are also serving the research needs of various vaccine and test kit manufacturers both in India and globally. It is science that holds the answer to combating this virus and Syngene is playing its role

FY 20 was an important year in our growth journey. As Syngene's revenue for the first time crossed Rs 2000 crores. During the year we managed we leverage technology to enable us to build a streamlined integrated organization that delivers innovative research to support end to end discovery, development and manufacturing services to our clients and partners. We have continued to invest in state of the art infrastructure combined with digital automation and electronic documentation in our laboratories as well as in our newly commissioned commercial scale manufacturing. These advanced features have enabled us to globally be competitive in a rapidly evolving digital world. We have delved even deeper into new technologies that keep our science and scientists at the forefront of their specialties. During the year, we expanded our research footprint in Genome Valley near the city of

Hyderabad, a leading biotechnology hub in the country with 100,000 square foot facility that can house nearly 300 multidisciplinary scientists and allows us to access a new pool of scientific talent. We also added a new laboratory and vivarium at our main campus in Bengaluru. We have ensured that all our new facilities meet high environmental standards and have the latest in laboratory technology, including electronic laboratory notebooks.

Our services continue to meet the needs of a diversified client base that includes global pharma and non pharma multinationals, medium sized companies and small biotech start-ups. We have seen several large contract renewals, and a number of new engagements during the year. Our deepening relationships with long standing customers are a reflection of our scientific capabilities backed by World Class quality and safety processes. We have continued our daily focus on operational excellence to deliver timely and cost effective delivery for every client project everywhere possible.

Now coming to financial performance,

All these efforts have enabled us to deliver a robust performance for the year under review. Total revenue for the year grew by 10% to Rs 2094 crores translating into a 14% growth in EBITDA to Rs 699 crores and 10% growth in profit after tax to Rs 366 crores. Our active client base increased to more than 360 companies from last year's 331, many of whom have been customers for more than five years. In terms of our core business, our integrated drug discovery approach has played a significant role in driving strong growth in discovery services and we are seeing positive momentum in development services as well.

Now coming to compliance, compliance has continued to remain in sharp focus. We have invested in a number of software tools that align our processes and capabilities to the highest global standards.

Furthermore, we have ensured that we have additional checks and balances through our own internal audit programs, and that assure compliance to customer and regulatory, auditable standards. During the year we continue to receive positive outcomes from both clients and regulators. As the company matures, we recognize that it is increasingly important to have strong leadership team with skills and experience that is commensurate with that of our clients. We made four key appointments to the executive leadership team during the year. These are professionals who bring deep domain knowledge and vast international leadership experience that will enable our company to have a deeper understanding of the global competitive landscape. We are already seeing the benefit of their impact on the performance of this financial year. And I am confident that their insights will significantly shape our activities in the years to come. And let me also talk about board changes. In keeping with global governance practices, the board has decided to separate the roles of the managing director and the chairperson. Accordingly, Jonathan Hunt, who was serving as hold time Director and Chief Executive Officer, was appointed as Managing Director and Chief Executive Officer from April 1 2020. My own appointment was converted from chairperson and managing director to that of non-executive chairperson from the same date. Over the past four years under Jonathan's leadership, the company has shown considerable growth through expansion into new emerging areas of research and development. The board is confident that Jonathan's clear vision will enable the company to continue to prosper in the years to come. Dr. Bala Manian, an Independent director of the company since 2015, he retired from the board on his 75th birthday on July 15 2020. During his tenure, he chaired both the nominations and remuneration committee and the CSR committee. On behalf of the board, shareholders and the company, I would like to express my deepest appreciation for his immense scientific guidance to the scientists and to the board. He continues to in fact, mentor our scientists and researchers at Syngene. Vinita Bali Independent director has succeeded him as chairperson of the

nominations committee. And Professor Catherine Rosenberg, non Independent director will chair the CSR committee.

Now coming to Outlook.

The Covid 19 pandemic has introduced unprecedented challenges to the world economy. The urgent demand for healthcare solutions to combat the virus is expected to drive greater investment in scientific research. In this context, we believe that integrated research development and manufacturing organizations like Syngene can and are playing an important role in supporting pharma and biopharma industries, as well as other philanthropic and government stakeholders in their collective quest for innovative diagnostics, therapies and vaccines. Furthermore, as companies look to diversify their supply chain as a result of their experiences during the pandemic, our company has the opportunity to garner a greater share of the global contract research business. However, this will call for leaner and more flexible and efficient business models in a cost competitive and time sensitive operating environment. The adept use of data and analytics in delivering early insights to reduce research and development timelines has a growing importance and we are addressing these emerging opportunities especially given that we are in the Silicon Valley of India, where data analytic skills are readily available. The year ahead will not be normal. The impact of COVID-19 has necessitated a re-evaluation and reconfiguration of our operations. We have marshalled our talent, experience, technology and resources to respond rapidly and maintain business continuity. We have very quickly enforced workplace protocols including strict protection measures across all our sites, which you might have seen during that pre AGM video to ensure that we operate safely at near normal levels by optimizing on site and remote working. Looking to the future, we are a well-funded business and we exercise prudence in our spending and investments to maintain comfortable liquidity. As a part of India's response to the global pandemic, I'm very proud that our scientists and researchers have worked tirelessly to accelerate science based solutions for COVID-19. We have repurposed one of our laboratories to set up an RTPCR based covert testing facility in record time and are dedicated to Specially trained scientists have been testing thousands of samples received from hospitals across the state of Karnataka. A gesture that has been well recognized and appreciated by the Government of Karnataka. The company has also collaborated with a number of biotech companies both nationally and internationally, in supplying them with reagents or research support to develop diagnostic testing kits, therapeutics and vaccines.

Now coming to dividend

Owing to the uncertainty, created by this unprecedented set of circumstances of COVID-19 the Board of Directors has deemed it prudent not to declare a dividend for FY 20 in order to prioritize cash and maintain liquidity. As the business environment evolves over the coming months, the board will review the dividend payable as appropriate.

In closing, I would like to express my sincere thanks to everyone who has contributed to our success over the past year. In particular, I want to recognize the important role played by my fellow directors on the board and thank them for the time dedication and wise counsel that they have provided.

I would like to thank our client, partners and suppliers for the trust they have placed in us and to our talented employees whose skills and dedication lie at the heart of our success. Finally, I offer my sincere thanks to all of you shareholders for your support, which inspires us to build this business and continue on our mission to pursue scientific solutions that improve global health. Thank you.

I now request Jonathan to address the shareholders on The company's performance during this last fiscal.

Thank you, Kiran.

And of course, let me add my welcome to everyone to this annual general meeting. Over the last year we've delivered a strong business and operational performance, and notwithstanding the disruption of the corona virus pandemic, I believe that we're well positioned to see further growth in our core divisions, our discovery services, development services, manufacturing services and dedicated centres. Now as you know, scientific innovation is rarely achieved in isolation and clients from across the world so considerable value in partnering with Syngene as we're able to deliver cost speed and scale benefits, as well as contribute leading edge scientific capability to their partnerships. Our partners range from the very largest global pharmaceutical and biotech companies to fledgling start-ups in life sciences and manufacturing as a consumer goods, speciality chemicals, and animal health products, and underpinning each partnership is our commitment to ensure adherence in the key areas of quality, compliance and safety.

During the year, we added new names to our client list while continue to expand the scope of engagement with many existing clients. And we aim to bring the very best of science to each of those clients. For example, within discovery services, we've significantly built up our capabilities in Carty therapy, using specially altered T cells as part of the immune system to fight cancer. Other scientific highlights include the delivery of registration batches of multiple modified released tablet formulations of a drug that treats symptoms of multiple sclerosis. And we also developed and validated the human Papilloma Virus assay, a test system increasingly used facility I call cancer screening. And by investing in World Class infrastructure, we ensure our scientists can deliver science that is the match of the very best in the world. And during the year we commissioned new research facility, covering 150,000 square foot in Bangalore, and we also expanded our presence with a new research facility in Hyderabad. And that will enable us to tap the city's extensive scientific talent pool. The construction of our API manufacturing facility in Mangalore has been completed, and it's currently undergoing qualification testing. Following this, the facility will commence first manufacturing operational batches before moving on to full scale commercial supply.

In 2018, we summoned we announced the appointment of Dr. Kenneth Barr to the newly created position of Senior Vice President discovery services, and since his appointment Dr. Barr has successfully overseen the end integration of our discovery services portfolio. Building on this strategy in January of this year we appointed Dr. Jan Olav Henck, to the executive team in the position of SVP development services, and with more than two decades of experience in drug development of both large and small molecules, Dr. Henck is responsible for the integration of AI development services portfolio to mirror the success we've seen in discovery services. During the year several other important appointments have strengthened our management team. Dr. Mahesh Bhalgat PhD in medicinal chemistry, with extensive experience in biotechnology, GMP, manufacturing and biologics, was appointed as Chief Operating Officer. Mr. Sibaji Biswas an experienced finance professional, became Chief Financial Officer and Miss Vinita Shrivastava was appointed Chief Human Resources officer. These appointments have already made a positive impact and I look forward to building on the progress in the current year. A strong track record of regulatory compliance as a key strength for the organization. And over the course of the year, we cleared both clients and regulatory audits from across the globe, including the US FDA, the European EMA, Japanese PA, MDA, and others. Additionally, our viral testing facility received GLP certification from the National GLP compliance monitoring authority. And that makes it India's first and only GLP certified viral clearance study service provider.

Our employees are a key differentiator for the business and we strive to be a world class employer in order to attract top talent, provide them with a stimulating and safe work environment and support them achieving their career ambitions. During the year new initiatives were undertaken to foster cross functional skills development, and to encourage individual development, including bespoke technical training programs within each business division.

I'm turning to our sustainability programs, we continue to drive use of resources more efficiently. And during the year measures are taken to stop the use of single use plastics to conserve water and to reduce energy consumption while switching to greener energy sources. And through our CSR activities we aim to invest in to improve health and build stronger communities. Last year, we undertook a range of initiatives in the areas of health care, nutrition, education, women's empowerment and rural development. And in April, as part of our response to the global pandemic, we repurposed a laboratory and established an RTPCR testing facility for COVID-19. And so far we've tested over 30,000 samples free of charge for hospitals in the Bengaluru area.

So in summary, and as I reflect on the start of the new financial year, the pandemics brought change to all aspects of life. And it's no surprise that the last three months has been amongst the most dynamic. And I think at times testing that any of us have seen. In that context, I think our first quarter performance, while showing a decline from last year, reflects a real spirit of unity and perseverance across the company. In compliance with a lockdown we suspended all operations for over two weeks in April. And this gave us the opportunity to introduce a wide range of protection measures in our offices, our laboratories and around our sites so that employees could return to work. And we've implemented twice daily temperature checks for all employees, as well as on site temperature monitoring, and limited the movement of staff to define zones to minimize the number of contacts each person had. We also moved to shift working to reduce density on site. And all of this is providing an environment in which employees can work comfortably and I think with confidence, we're also taking an active role in finding new ways to combat the disease. And as Kiran mentioned, many of these aspects, were contributing to building reliable testing equipment. We've developed a nine GG Eliza test, which has been commercialized by our partner. We supply reagents to companies involved in developing much needed COVID-19 testing kits. We continue to do RTPCR testing for Bangalore hospitals, through our dedicated testing facility. And our research teams are working on further innovation to find relevant treatment and diagnostics that may help to control or reduce the impact of the virus and at a time when it's very clear that scientific innovation holds the ultimate solution to the pandemic. I think our work has never felt more essential or more meaningful. But before handing back to Kiran, I'd like to take this opportunity to thank my colleagues in Syngene for their unwavering commitment to our clients, and absolute dedication to delivering great science. I'd also like to thank the board for the value that they bring throughout the year. And, of course, you our shareholders, for your trust and support as we pursue our main mission to deliver innovative research that improves the lives around the world to elect.

Thank you and let me hand back to Kiran.

Thank you, Jonathan, and I'd like Priyadarshini to take over the proceedings. Thank you.

Dear members, before proceeding with a question and answer session, we will request you to kindly bear in mind a few points by participating during the session. Finally, unmute yourselves before you proceed to ask Your questions, please mention your name and demat credentials. Each shareholder will have two minutes for his or her own questions. Hence request you to keep your questions brief and specific. I will now request the moderator to facilitate the question and answer session.

Moderator please.

Speaker : Mr Aspi

Madam I'm talking from Bombay thanks for giving me an opportunity to videoconference AGM. Bombay people can also participate.

Yes,

Madam, we have 400 plus patents with clients. Please explain what it means. If the clients separate from us what happens to the patent?

Chairman :

Let me ask Jonathan to respond to this.

Jonathan :

Yeah, thank you. That's a super question as you know, the essence of our business is to partner with our clients to take their scientific ideas forward. So they're often the originator of the original idea. We work with them in developing that and in doing that, part of what they pay us for is to create that intellectual property for them. And the business models are relatively simple one, we do that work in return for fees, or sometimes milestone payments, but they own the asset, which is the intellectual property. So those 400 patents that have got Syngene scientists on them are pieces of intellectual property that the client owns. If they separate from us, they take those with them, because it's their asset. It's what they paid for. But I think it also is a creditable measure for seeing the degree of innovation that we're creating within Syngene that the science we do is good enough that you can receive a patent for it. And of course, a patent is a recognition that you've done something unique, innovative and different that hasn't been done before which is the essence of the patent system. So it's a good bellwether measure of the degree of innovation and the creativity of our scientists. And from a client's point of view, I think it's a measure of the value that we've created for them.

Madam, Mr Jonathan also mentioned about the COVID testing in Bangalore, you could have done the same thing even in Bombay, we get ourselves tested, I would try to get myself tested I pay 2800 rupees and further they said you come after two days then the test result will come after two days. The result will go directly to the doctor for that also you require prescription to test yourself. I don't know all ridiculous things are going on in Bombay. So you could have done something like that for Bombay also.

Well, thank you for that request. But you know, as you will understand, we have been given very strict instructions by ICMR as to how we can test We can only offer this test in this local region and unfortunately we cannot offer it in Mumbai because many labs in Mumbai have been accredited. And you should take this up with the ICMR and the Maharashtra government because we are unable to help you from Bengaluru because we can only do something in this state.

Next speaker is Mr. Sadananda Sastry

Good evening, Madam.

Am Sadananda Shastri as you know, my number 11702201 from Bangalore.

Madam with regard to the awards and recognitions I will come on 24th not now anyway. However, I will Congrats. Madam actually this radio conference is fit for nothing as far as the shareholders are concerned. Neither we can reach you now you can convey anything. So, as you know as the director of Infosys, where you are a director now, Chairman Mr. Nilekani did not answer even a technical

question also, I think there is a only the solution is physical meeting. Secondly, during May of this year this newspaper prominent newspaper called the Syngene is a Biocon subsidiary. while explaining PCR basic antibody testing, you did not deny it. Now, investors are under confusion whether this Syngene is a subsidiary or an Independent company of its own. Please clarify.

And then in the market, one almost a similar name product has come and that is a Syngenetic product that is only it is the name of that product, but it is not a biopharma product, it is only a pesticide product of further agriculture. Whether this register can give such a similar name to your particular other product, whether it affects the company's name that way you want to know

Madam, actually come into the report now.

In page number 41 It is said BBRC that is Biocon Bristol, is it a subsidiary of Syngene.

Page number 55 in CSR education if interactive models for first aid Life Skills on no back days. If it is a popular, why can't you extend it to the other rural areas?

Page 63 there is financial aspect - despite pandemic period, standalone statement shows a commendable positive figures. Thank you for that one. But one item exceptional item 713 million is accounted. Last year it was NIL and how it is occurred.

Other comprehensive income of 1916 million is also considerable. But if it is recurring next year also?

Page number 103 - Has you know that is 108 companies champion director. That is our Mr. Talwar is not available to see in the list. Whether he's retired or resigned, I want to know.

Then page number 142 generally, methodically and systematically in accounting system debits or loss figures will be shown in brackets. Comprehensive income is an income for 1916 million and exchange affiliation for change in income shown in brackets, these two are shown in brackets that means, that is a negative sign, how it is taken into the bracket what one more ease while a consumer productivity the decrease is there the growth is 2% growth is shown in bracket that is both the gain and income is also shown in bracket that is reduction is also shown in bracket.

Please clarify that on that madam.

Any exchange fluctuation one page number 162 income of 144 million is taken as an income, it is stated that both in standalone as well as a consolidated but nothing is accounted what is that figure? Whether it is accountable figure or not, I want to know that

Madam number two page number 248 - in other expenses rent to paid shown is nil, but the last year that is what is the reason for that one and in bad debts also increase to 10 million from bracket one of the last year why

In page 251 subsidiary that is Biocon healthcare SDM Malaysia, whether it is commissioned are he still is in erection stage?

Madam

by thinking thinking thinking Good welfare of two companies, my BP is raising. So I may need that this company's BP testing machine for further thinking. So you can favor it and I am not after the Dividend. Madam, we will have many ideas, informations to convey you but you are available only very few minutes in 365 days. We don't have your email or any telephone number but your Secretariat people are not cooperating to get connect with you. Please do something Madam. Thank you very much. Good luck. I will not say goodbye. I will say goodbye and thanks on 24.

Thank you, madam.

Chairman :

Thank you, Mr. Sadananda Sastry. Let me answer some of your questions and also ask Mr. Sibaji Biswas to answer some of the financial questions that you asked. So as far as Syngene is being a subsidiary of Biocon, this is correct. However Syngene is a listed company and therefore, it is a publicly listed Independent company. So, basically Biocon has a 70% shareholding of Syngene and therefore, it is classified as a subsidiary of Biocon. But it as a publicly listed company it is an Independent company now coming to BBRC, yes, that is considered to be it's a separate entity and therefore, it has been reflected as a sub 100% subsidiary of Syngene itself. Coming to CSR, I think we have many educational programs for rural in rural India, and we have done a lot of partnerships with even Agastya Foundation we're doing an excellent job of rural education. We are also doing a lot of rural education and Anganwadi in Initiative's in many parts of rural Karnataka and other parts of India. Now, coming to some of your other questions, I think you have asked a number of financial questions which I will ask Mr. Sibaji Biswas to answer, but suffice to say that as far as Mr. Talwar is concerned, he has retired because as you know, we have a policy that you have to retire by the age of 75. And he had crossed this age he has done a phenomenal job for the company both Biocon and Syngene. And we certainly miss him a lot. But just but he's retired from the board. This, you know, GMI also announced the retirement of Dr. Bala Manian, who also, you know, contributed phenomenally to both Biocon and Syngene. So, I will now request Mr. Sibaji Biswas to answer all your friends Financial questions.

Sibaji Biswas :

Thanks, Kiran. And thanks for the questions. I actually noted down three questions. I'll answer them. The first one was about the exceptional gain of rupees 70 Crores that we accounted for in the last financial year.

This comes from an insurance claim that materialized in the last year. So if you recall, there was a fire in Syngene few years back and we had subsequently replaced the damaged assets of the cost of rupees 250 crores. So the asset value in the books at that point of time was 106 Crores and we have received 177 Crores from the insurance company that led to an exceptional gain of 71 Crores which was accounted as an exceptional gain and reported in the last year's P&L. Taking that out our last year's profit was 366 crores and when Kiran mentioned that we grew 10% we actually excluded that number while mentioning that 10% growth, this will not recur because it's a one time income that we got and from an insurance claim that materialized

that was question number one. The second question was, I guess on the negative figure reported as other comprehensive income

Syngene most of the income comes from forex currency earning and as a prudent measure, we hedge much of that, our hedging policy is very incoherent and strict and we do not like taking risk. So, we have a hit and in US dollar terms is around \$550 million. And when our currency or the Forex rate in the market moves, there is accounting under accounting standard 109 that we have to do which basically captures the expected loss or gain from the future period. That gets accounted as OCI directly in the balance sheet. But over a period of time, we ultimately that, you know, reverses and we get the money based on the hedge that we have. So that that is the number that you see in in in the balance sheet in the negative number over there.

So, that's the question number two.

And the question number three, why rental income has vanished is not there anymore. There is a new accounting standard that got implemented from last year which is for all companies, which made it necessary for us to capitalize all rental expenses and then depreciate it along with other depreciation items. That's why we do not anymore report rental in the rental line. It has now moved to capex and it gets depreciated along with other assets. These are the three questions I hope I have been able to answer that.

Next Speaker : Mr. Dipankar Purkayastha

So first of all, I would like to thank you for this electronic format of the AGM. I've been a shareholder since the IPO but not being Bengaluru based could never participate in the AGM. So I for one would very much like this digital format to continue. Now coming to my questions. This year, the profitability has been driven by a change in the revenue mix. We have more of the discovery segment and less on manufacturing. So how sustainable is this and over the next five years what is going to be the segmental mix, how much manufacturing and how much the other things? Second question is there has been an increase in employee costs this year on account of various factors. One of them was the recruitment of senior and middle managers. So, how much was the cost of recruitment of senior and middle managers?

Are we done or are there still more such recruitments in the pipeline?

Third question is Syngene has got quite a lot of money locked up in income tax litigation. So, this recent Income Tax Department scheme of Vivad se Vishwas did Syngene apply under that scheme and if so, how many cases and how much is the amount which they could settle.

Next question is that the your Mangalore plant is going on stream I think from Q4 of this year and will be fully operational from next year. (a) So, what will be the return on capital employed or the IRR on this plant when it is fully on stream (b) How does it compare with the returns that you are getting on your other business divisions like discovery development and R&D centres. And in future I would request to the company to disclose in the annual report the revenues, results and assets of manufacturing and non-manufacturing separately, because these are two completely different lines of business. And finally, a question on the fundamental business model - in annual report says that you are in the business of creating value for your partners by converting the fixed costs of the partners in variable costs of the partner. So does this mean that since Syngene, is taking on these fixed costs on their shoulders, this company will be permanently on a capex mode with no free cash flow? I mean, are we going to be governed by a sales asset ratio of unity permanently and is it going to be governed by an equation of capex equals revenues permanently? So these are my questions. Thank you.

Chairman :

Thank you for your very key questions. And I will ask both Jonathan and Sibaji to answer these questions. Jonathan, your business, you know, directed questions, and Sibaji will answer some of your financial questions.

Jonathan :

Yeah, so far a super set of questions and really gets to the heart, I think of some of the strategic sort of developments in the company. The last year or so we've seen a particularly strong performance from discovery services. And that has changed that makes it tend to be a little bit sort of less asset

intensive upfront in terms of the capital costs, and then have a slightly better sort of performance around materials pass throughs raw materials. So yeah, you're right in saying that. In terms of that changing mix. Where would where are they expect us to evolve a new set over the next five years, which again, I think the right to the top period to look at it is to see as rebalancing growth on all of the major divisions, but with a little bit more of an acceleration on the manufacturing development side. And that just reflects the capital investments who've seen as make on your behalf over the last two to three years. So we put down infrastructure in biologics manufacturing. There's in Mangalore API, intermediate infrastructure. And there's also a little bit more that we put into our development team around things like formulation centre. So there's capex there, at the moment, it will weigh down a little bit with the depreciation charges, you grow into those assets. But Syngene, five years from now, I think would be back to a more even way balance between manufacturing businesses development services, and discovery services. And, you know, I do see them as an integrated entity. And I think that's what our clients look for is that ability to go from discovery into development through into manufacturing. So they're not wholly independent, they do connect. Well, you comment on employee costs, some of that is driven just by expansion, you know, the rate of growth in the business, it tracks very well from that we tend to be, I think one of the leading recruiters of young scientific talent in India. One of the things around operating in the Indian environment and particularly having global customers were at super, super academic talent in India, coming out of the universities, but we sort of have to combine that with a little bit of industrial wisdom, almost a touch of gray hair. And that's often done by recruiting people that have had global experience worked in multiple different regions of the world, often worked in both pharma and biotech. And that's often at the operational leadership level. And as we grown and become more global in nature, we've been better at recruiting people with that some of the leadership appointments. So I thought about in my formal address comments are good examples. And it helps us and I think it helps us in terms of those relationships with clients. So from that point of view, I think we've made real progress, always will be looking to do a little bit more bringing in more talent, but I think the back the bulk of that's been done over the last year. Looking at your other questions. Sibaji.

Sibaji Biswas :

Maybe we'll want to give some sort of comment around Mangalore. I don't have an IRR type target to put into the public domain. But we do look to create value over the asset of the life beyond our cost of capital. And I don't see Once we've got through that initial launch phase of both Mangalore and the biologics, then being margin diluted, I think they will be at least as profitable from a margin point of view and a return on cost of capital as our existing businesses, maybe even a creative and I think your last question really suggested that you've got a good understanding of that. One of the positive things about manufacturing businesses is their nonlinear in their scale returns. So the early part of building a new factory or a new plant, of course, you're relatively inefficient compared to where you can get to be at peak utilization and peak optimization, and therefore you get those nonlinear returns to that scale. And we would expect to see that on both of our manufacturing sort of engines, small molecules and biologics. Sibaji anything you would add to that On, aptly covered, Jonathan, and just wanted to tell that we have a very good framework for making investments. We are very stringent in application of our IRR criteria and do not invest in projects, which is below our weighted average cost of capital. So, in the long run when this when the API plant is operation at full capacity, you'll see it to be no more. It won't be margin diluted, in any to return an internal rate of return, which is higher than the weighted average cost of capital because that's how the plan has been built. I will go to the other question that I think Mr. Dipankar's thoughts, which is about the tax scheme that the government had rolled out whether we have availed it or not, I think he's talking with the word service was keen. Yeah, the answer is no, we have not availed that simply because we believe our case on that is very, very

strong, and probability of receiving a favorable order is at the high level of appellate authorities very good. Yeah, as you know, if we take that scheme, we have to immediately pay the principal amount. And that's almost 75%, which is lying in the contingent liability. There is absolutely no reason for us to do that. When we have a such a strong case, and we are being advised by two of the best tax advisors in the country who also actually believe it similarly. So we have not taken that scheme and our we believe that we'll be able to ultimately come out successful on this.

I think these are the two questions, Jonathan, that you will have for me.

Thank you.

Next Speaker : Dhan Commercial Pvt Ltd

Yeah, Good Evening friends. I just want your comments on, like this supply chain shift was happening pre COVID. As per my understanding this is supposed to have accelerated the process. So do you feel that your business and you stand to benefit because of this? that's point number one. And point number two - How do you plan to foray into biologics in Syngene?

That's it. Thank you.

Chairman :

Jonathan. Perhaps you'd like to take this?

Jonathan :

Yeah. Would you like to - I take it by the supply chain shift your thinking maybe from the geopolitical point of view of the world, looking for less over dependency on single supply routes, particularly around China. And within I'll give you two comments, I think within Syngene business, we've reduced our dependency on China only supply points quite a lot over recent years, we're increasingly finding suppliers within India. And more broadly around the world. We've certainly seen a rebalancing towards Europe, the US, as well as domestically in India. Though at the same time, I think there's an awful lot of good supply partners that you can find in China. And we'll judge each one of those on its merits. So that's around our own purchasing behavior. I think in terms of our clients, and then looking to us as a partner, and maybe looking at a choice between China and India. I think India still structurally has a competitive advantage in operating costs, labour operating costs in China, going up and going up quite dramatically. If you're in certain regions in China. You know, your labour rates will be equivalent to being in Europe, certainly in Eastern Europe. So that that gives some advantage. I think some of the geopolitical concerns around cyber security, getting information in and out of China in a way, often more of a concern than a reality. But the concerns still drive people's behavior. It's been structurally quite good for India, but actually in general, I think our growth opportunities are not the key limiter, there's plenty of demand for outsource scientific services. So hopefully those comments to help you a little bit with a supply chain view on biologics. We are innovative service provider we look to partner with our clients take their scientific ideas, and take those them through the discovery, development, manufacturing and ultimately, to patients around the world. And we expect to continue to do that in biologics. So the expansion we've put in in the last couple of years has been in a manufacturing capacity, we're now have a larger volume of capacity available. And we look forward to partnering with companies around the world to help them bring those innovative medicines to patients that need them.

Okay, with that, all the question answer sessions are still completed and handed over back to the dias.

So thank you for all your questions, and I hope we've given you all the answers. I would like to thank all the shareholders director will invite you for attending the 24th Annual General Meeting. Thank you. And now the meeting stands concluded. I would like to request the directors to kindly log out. Members may note that e voting will be available for the next 30 minutes on the KFin Technologies Private Limited website. Finally kindly stay safe and take care of yourselves and your families. I do hope that next year we can meet all of you at Biocon park in a physical meeting. Thank you
