

SYNGENE AGM 2022 TRANSCRIPT –20.07.2022 (3.30 PM)

Ms. Kiran: नमस्कार and ಎಲ್ಲರಿಗೂ ನಮಸ್ಕಾರ, नमस्कारा and good afternoon, ladies and gentlemen. I welcome all the shareholders to the 29th annual general meeting of Syngene International Limited. This meeting is being held through video conference in accordance with the circulars issued by the Ministry of corporate affairs. In order to comply with the social distancing norms, the directors have joined this meeting virtually. Before we initiate the AGM proceedings, let me introduce my colleagues who have joined us on videoconference and are with me on the dice. I would like to start by introducing Mr. Jonathan Hunt, Managing Director and Chief Executive Officer. Next, Mr. Paul Blackburn, Independent director and Chairman of the audit committee and risk management committee. Next, we have Miss Vinita Bali, lead Independent Director and chairperson of nomination and remuneration committee. The next member, the board member I would like to introduce is Professor Catherine Rosenberg, Non-Executive Director and chairperson of the Corporate Social Responsibility committee. We next have Dr. Carl Decicco, Non-Executive director. The next we have is Dr. Kush Parmar, Independent director. We have Ms. Sharmila Abhay Karve, Independent director and chairperson of stakeholders' relationship and ESG committee. We next have Dr. Vijay Kuchroo, Independent director and Chairperson of Science and Technology Committee. I would also like to introduce our Chief Financial Officer, Mr. Sibaji Biswas and finally, Miss Priyadarshini Mahapatra, our company secretary. All our directors are present at this AGM. Our statutory auditors BSR and Co. LLP and secretarial auditors V Shreedharan and associates have also joined this meeting. Participation of members through video conference is being reconned 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, I call this meeting to order. The notice of the 29th Annual General Meeting and the annual report for FY 21-22 were sent through 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 members, I take the notice as read. Today, there are five 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 e-voting and who are participating in this meeting, will have the opportunity to cast their votes through the Instapoll poll facility provided by KFin Technologies Limited. I now call upon our company secretary Priyadarshini to provide us with general instructions to the members regarding participation in this meeting, and on casting of votes through the e-voting facility. Over to you Priyadarshani.

Ms. Priyadarshani: Thank you, chairperson. Good afternoon, everyone. The members may note that this meeting is being held through video conference, in compliance with the provisions of companies act 2013 and circulars issued by the Ministry of corporate affairs. Facility to join this meeting, through video conference, or other audio-visual means is being made available to all the members on a first come first serve basis. All the members are kept on mute to enable the smooth flow of proceedings of the meeting. The statutory registers and documents have been made available electronically for inspection by the members during the AGM. Members who wish to inspect such documents can send the request to investors at [syngeneintl.com](mailto:investors@syngeneintl.com). As the AGM has been held through

video conference, the facility for appointment of proxies by the members was not applicable, and hence, the proxy register for inspection is not available. The company has received requests from a few members to register them as speakers at this meeting. Accordingly, the floor will open for these members to ask questions or express their views. The moderator will facilitate this session once the chairperson opens the floor for question and answers. It may be noted that the company reserves the right to restrict the number of members asking questions depending on the availability of the time at the AGM. Now let me summarise the five resolutions placed before today's meeting seeking members approval as set out in the notice of the AGM. The first three resolutions pertain to ordinary business, which are, adoption of the standalone and consolidated financial statements for the year ended March 31 20-22. Together with the reports of the directors and auditors thereon. Declaration of the final dividend of rupee one per equity share is our second item. This dividend is divided into 50 paisa being the regular dividend and 50 paisa being the special dividend for financial year, March 21-22. The third item is for appointment of Miss Kiran Mazumdar Shaw, who retires by rotation and being eligible is offering herself for reappointment as a director. Resolutions four and five pertain to special business, which are reappointment of Miss Sharmila Abhay Karve as the independent director of the company for a second term of five years, and the amendment to Syngene restricted stock unit long-term incentive plan fy 2020. In compliance with MCA circular, the items of special business in the AGM notice are considered unavoidable and hence are proposed for approval of the members. In compliance with the provisions of the Companies Act and the SEBI regulations, the company has arranged for e-voting facility for all the members holding shares in the company as on the cut-off date of July 30th 2022 through KFin technologies limited on all the resolutions proposed at today's Annual General Meeting. The remote e-voting period commenced on Friday, July 15 2022, at 9 am IST and concluded on Tuesday, July 19 2022 at 5 pm IST. Members who have joined us today for this AGM through video conferencing facility and who have not exercised their voting rights during the remote e-voting period can still cast their vote on all the resolutions as set forth in the AGM notice through the Instapoll facility provided by KFin Technologies Limited. Members may click on the thumb option below the screen to cast their vote on the resolutions. Mr. V. Sreedharan, practising company secretary has been appointed by the board as scrutinizer for the e-voting process. Upon submission of the report by the scrutinize, the results of e-voting and Instapoll will be intimated to the stock exchanges within 48 hours of conclusion of this AGM and made available on the company's website and the website of KFin Technologies Limited, companies' registrar and share transfer agent, statutory auditor's M/S BSR and company LLP and Secretarial auditors V. Sreedharan and associates have expressed unqualified opinion on the respective reports for the financial year 21-22. The auditor's report on the financial statements of the company for the year ended March 31 2022 also does not contain any qualifications, observations or adverse remarks on financial statements or matters which have any material bearing on the performance of the company. The statutory auditors report on standalone financial statements and consolidated financial statements are available on page numbers 178 and 237 of the annual report respectively. The Secretarial audit report is enclosed as an annexure five to the board's report on page number 89 of the annual report. As the auditor's report are already circulated to the members as a part of the annual report, we take the reports as read. I now request Kiran to please address the shareholders.

Ms. Kiran: Thank you Priyadarshani. It is a pleasure and a privilege to address you all at Syngene's 29th Annual General Meeting. Given that COVID is still in the air, we are yet again conducting the AGM in a virtual format. However, there is a silver lining to virtual events and that is the ability to

have a broader audience participation. Moreover, we are saving you from the ordeals of Bangalore's traffic, and are in fact reducing emissions attributable to vehicles. Whilst we are not all physically together, I'm delighted to note that most of our board members have been able to travel to Bangalore to participate in person for the board meetings this week and I can honestly say that in-person meetings are certainly more enjoyable and tend to be more productive than virtual board meetings. So, I do hope that we can get back to physical AGM's. Turning to business, I would like to spend a few minutes commenting on some of the highlights of the year, which, despite the continuing pandemic have propelled our company further ahead. You will also hear from Jonathan Hunt, our Managing Director and CEO, before getting to the main business of the meeting. As we mark the end of a second year of operating under pandemic conditions, I am pleased to reflect on the continued growth and progress of our company. At last year's AGM, I highlighted the crucial role that pharmaceutical research was playing in supporting the world through the turbulence generated by the spread of the corona virus. Financial year 21-22 was no different. In fact, the company started the year as India was battling a second nasty wave of the virus, which was less severe than the first wave but was far more infectious. Throughout the year COVID protocols reinforced by company-wide vaccination campaigns stood the company in good stead and operations continued at near normal levels. Our employees performed remarkably, both professionally and in their personal ability to handle the impact of the pandemic. The pandemic created additional work and posed daunting challenges across our operations. For example, teams of scientists had to work in shifts to reduce density in the laboratories. The strategic sourcing team showed up global supply chains for raw materials to ensure client projects could be delivered. The occupational health professionals and the clinical development team tested vaccinated verified and counselled employees to keep them and their families safe. And with employee attrition higher than usual, the recruitment team ran virtual campaigns to attract talent despite the challenging environment. These are just few examples of how our people went beyond the normal boundaries of their jobs to cope with exceptional circumstances.

In the labs, scientists continue to partner with clients on COVID-related treatments, diagnostics and vaccines under a voluntary licencing agreement with Gilead, the company manufactured Remdesivir for patients in intensive care settings around the world and will continue to do this for as long as necessary. Beyond the Coronavirus, scientists worked on a wide spectrum of molecules and disease targets for clients, ranging from large pharma to small and medium-sized biotech's around the world. These clients have very different needs. But Syngene's flexible business models have the ability to adapt according to their requirements. Despite pandemic challenges and unforeseen disruptions, the company delivered a strong financial performance that reflects the prudent management of people and resources by our leadership team. The full year operating revenue growth was 19% at 2604 crores and profit after tax growth was 10% at 421 Crores. Operational Highlights included the five-year extension of our long-standing partnership with Amgen which also saw an expansion of its dedicated research facilities in Bangalore. We also saw strong growth for the Integrated drug discovery platform SynVent which is proving to be particularly attractive as a solution for the biotech segment. During the year, the company introduced artificial intelligence and machine learning in many areas. We have also continued our drive to invest in automation and digitalization, aimed at improving accuracy and productivity right across the company. Another highlight last year was the publication of our first ESG or environment, social and governance report. Our commitment to safeguard the environment and deliver shared value to all stakeholders has

been a feature of company life for many years. So, making a commitment to report non-financial performance was a logical next step for us. Recently, we announced an epoch-making announcement of our partnership agreement with Zoetis, which is the advent of our entry into commercial scale biomanufacturing, which indeed is a key milestone for our company. This work will give us a significant presence in the animal health sector and provide a solid platform for Biologics development and contract manufacturing services. Beyond our business commitments, we have continued to make contributions to the communities in which we work. Through our CSR programme, the company has focused on mental and physical health, environmental and science education, and several other programmes. In this exceptional year, our programme has also included nutrition for children in rural communities and support for health care workers. Before I close, I want to pay tribute to Syngene employees who, as I mentioned earlier, have demonstrated both commitment and resilience throughout the year. I also want to recognise the leadership team, which has steered the company through an unpredictable environment and enabled strong and sustained growth. As ever, I'm grateful for the sound counsel and strong support offered by our board members. Finally, I offer my thanks to all of you shareholders, for continuing to support our company. Your commitment ensures that our scientists can continue to discover, develop and manufacture the materials and medicines that will improve people's lives in the years ahead. That concludes my introductory remarks and now, I will hand over to Jonathan so that he can tell you more about the company performance and his plans for the coming year. Thank you.

Mr. Jonathan Hunt: Thank you, Kiran and good afternoon to everyone. It's always a pleasure to talk about the progress we're making and I'm looking forward to sharing the highlights of the last 12 months with you today. Kiran mentioned the pandemic so I'm not going to dwell too much on that myself, other than to say we're cautiously trying to put that behind us. However, I would like to say how proud I am of the adaptability and determination shown by our employees which has enabled us to deliver such a strong operational performance. One important highlight of the year SynVent as our proprietary platform for integrated drug discovery. This service is proven to be particularly attractive for biotech companies, many of whom choose not to establish their own research infrastructure, or to build large in-house teams to take their science forward. But instead, they choose to partner with Syngene to tap into the array of talented scientists that we have an access our world class infrastructure. At the end of the first full year, there were 15 integrated drug discovery programmes active and we have got more in the pipeline. A further highlight was the progress in our biologics manufacturing. We have continued to invest to build capacity, and we see strong demand for both biologics development and biologics manufacturing. Obviously, the 10-year agreement was the latest that Kiran mentioned, is an important strategic development for the business and we are looking forward to getting the manufacturing of this important pain relief product for animals underway. During the year we gain many new clients and establish broader relationships with many existing clients. For example, following the 10-year extension of the collaboration with Bristol Myers Squibb in March, our long-standing contract with Amgen was also renewed and that will run until 2026. As we gain new clients and extend the breadth of services we offer, we also need to expand our laboratory capacity and, in this context, discovery research, which lies at the heart of the company continues to grow. In order to accommodate the growing number of researchers, the third phase of expansion at Hyderabad was completed, and we are already planning a further expansion for the year ahead. Now in development services, we are completing the commissioning of our injectable fill-finish facility and this will add a new capability to our formulation

operating unit and help us meet the needs of customers seeking manufacturing support for their clinical trials. Meanwhile, the small molecule manufacturing facility in Mangalore is continuing on its path towards securing global regulatory approvals within the next two years.

Operational Excellence will always be a priority at a company like ours, and we are constantly tweaking performance to reduce waste, improve productivity, and reliability in all aspects of our operations. During the year, we saw further improvements on a number of operational excellence metrics, as we reap the benefits of training employees in tools such as lean and Six Sigma. We have also seen many of our staff adopt the Japanese manufacturing practices of Gemba and Kaizen, which in different ways, harness the ideas and creativity of all our employees to drive continued improvement in the way we operate. Now, as Kiran mentioned, we made a commitment to formalise our environmental social governance activities this year on ESG and part of that includes forming an executive the ESG Council, which I chair in the future, will be driving an ESG strategy that aligns with our business strategy and I will be happy to report on that progress annually at the AGM. Looking at the year ahead, we have started the new fiscal year, with favourable market conditions, and positive signs of increasing demand for our services. In our manufacturing services division, we see positive opportunities for growth, both in biologics and our API operating unit. The announcement of the 10-year agreement with Zoetis will give scale and momentum to our biologics manufacturing in the coming years. Then discovery services will continue to drive integrated drug discovery solutions, and invest in differentiated capabilities and technologies and platforms, including AI-enabled drug discovery and in development services, we see a continuation of the improved operational efficiency that really has been a hallmark of the last 12 months and we will continue to invest in developing new service offerings for our customers. We have announced the results of our first quarter today and it's been a strong quarter in our underlying business. As a reflection of the impact of the Zoetis agreement, the benefit from rupee depreciation we have also raised our outlook, our guidance for the year to high teens growth and enclosing, let me add my thanks to those of Kiran for your support over the last 12 months. I am very proud to lead a company that's making a difference in the world. And on behalf of more than 6000 employees in the company. I can assure you that we look forward to continuing that journey in the year ahead.

Ms. Priyadarshini: Thank you, Jonathan. Dear members, before proceeding with a question-and-answer session, we would request you to kindly bear in mind a few points while participating during the session. Kindly unmute yourself before you proceed to ask your questions. Please mention your name and DMAT credentials. Each shareholder will have two minutes to ask his or her questions, hence request you to please keep your questions brief and specific. I will now request the moderator to facilitate the question-and-answer session.

Moderator: Thank you chairperson. I am moderator here. I will bring the pre-registered speakers who are currently available one by one. The first registered speaker is Mr. K Sadananda Shastri from Bangalore. I would request Mr. Sadananda Shastri to unmute your audio, switch on your camera and proceed with your question. Thank you. Mr. Sadananda Shastri, you are on mute. I would request you to unmute and switch on your camera and proceed. Thank you.

Ms. Priyadarshini: You need to unmute yourself Mr. Shastri.

Moderator: He is joining once again.

Mr. Sadananda: Hello.

Ms. Kiran: Yeah.

Mr. Sadananda: Hello Namaskar.

Moderator: Yes sir, you are audible sir. Namaskar.

Mr. Sadananda: Am I audible?

Ms. Kiran: Yes.

Mr. Sadananda: Are you seeing me?

Ms. Kiran: I can't see you but we can hear you.

Mr. Sadananda: Okay, shall we start now?

Moderator: You need to switch on your camera sir.

Ms. Kiran: Please proceed.

Ms. Priyadarshini: You can proceed with your question, sir Mr. Shastri, if you're facing any issues with your camera.

Mr. Sadananda: Am I audible?

Ms. Priyadarshini: Yes, yes, you're audible.

Mr. Sadananda: Okay, okay. Good afternoon. I am Sadananda Shastri from Bangalore number is 11702201. This virtual meeting do not serve any purpose, neither we can approach you properly. Now, you can reach us effectively. In Chairman's message, you have explained it as how hectic the efforts put by scientists in COVID period. We want to know why our vaccines did not popularise as Serum Institute or AstraZeneca. We had high expectations about our company, but disappointed. Page Number 28, While expelling over lactic antiviral you have classified as new COVID-19 or old COVID-19. Is there any significance for new COVID-19? Page Number 74, boards report, even in pandemic period, company has performed well as the products are pertaining and relating to health care and life-saving company has full scope to develop further. What is the company's strategy? Page number 64. As far as CSR is concerned, I don't like to express anyone, any of my views. Number 192. There is a good positive growth in revenue. But the net result showing a negative growth to the extent of 100 million. What is the reason? Again, foreign exchange fluctuations trigger increase to the extent of 508 million, under what circumstances this positive growth in negative terms happened? Page number 259, In trade receivables, there is outstanding stuck to nearly two years to the extent of 181 million, whether all these become bad in the current year? Page number 269, In other expenses, sales promotion, expenses is increased by 60 million. Whether there is any proper or proportionate increase of revenues for having spent 60 million? I thank your entire team who have helped me to join the meeting and getting me to hardcopy of the annual report. My questions are very brief this year. Thank you very much. Thank you, Madam.

Ms. Kiran: Thank you.

Moderator: Thank you. We will move to the second speaker.

Ms. Priyadarshini: Well, we will answer his queries.

Mr. Jonathan: Very happy to answer some of those. Sibaji, there's a number that are coming your way from the financial side. So, if we start from the beginning, I think I got the gist of the question around the vaccines actually, Syngene's real focus throughout COVID-19. I think that has been threefold. The first thing really was to keep our employees safe, keep their families safe, and I am immensely proud of the work that we have done there with running a vaccination programme for our employees. We got nearly 100% of staff vaccinated but we did more than that. We also extended that through to their families and family groups on the principle that no one's safe until everybody's vaccinated in the family. So, I think we can be really very happy with what we did there. The second dimension for us was really the work we did on Remdesivir. Very, very important medicine over the last couple of years. For those people that were unfortunate enough to get COVID-19, but not just get a sort of general dose of it, but ended up severely severely ill, hospitalised. This is a life-saving medicine. I think it's proved that for many, many people, and we are incredibly proud to play our part in making that available. On the research side, I think India can be immensely proud, it's now the workshop of the world when it comes to vaccine production, not something that's a core capability for Syngene, but we were very proud to be associated with the science there, around helping the vaccine manufacturers figure out what the right type of vaccine was very, very early. So that was the work we were doing on Spike proteins. We talked a little bit about that Mr. Shastri last year. So, I think we have made some good progress. And then I think the last part really was just the combination of that is to be able to operate the company, we grew but we kept other science going. COVID has really dominated the world throughout but every other disease still exists and we have done an awful lot there to move the needle forward in many, many other diseased states. So that would really be my comment on vaccines COVID-19. So Sibaji, some of the financials. Yep.

Mr. Sibaji: Thank you Jonathan. Thank you, Mr. Shastri for the questions. There are a few finance questions and I will take one by one. The first one is that if the revenues have grown, why is the VAT or profit after tax hasn't grown as much? If you have gone through our financials, our profit before tax has grown almost at the same level as profit as revenues. Last year, we had seen an effective tax rate going up because in the previous year, we had some benefit from tax reversals, which was not available in FY 22 and hence, the profit after tax figures have been grown in line with the profit before tax number is clearly a factor of tax accounting over there. There are two more aspects to this, you know we had reversed an exceptional revenue charge over here in the last year. If you recall, in the past, we used to receive export incentives till FY 20 export incentive was valid and based on our previous strains and understanding we had accrued close to 5% of export in incentive income, but post-pandemic the government changes stand and cap the export incentive to rupees five crores. Hence, we had to reverse 30 crores of export incentive in the last year, as it did not pertain to the corresponding reporting here, we call it exceptional income. So that also affected the reported profit after tax. There is one more item which you touched on, which is around Forex. Most of our incomes are actually in foreign currencies. So, we have to take hedge on those foreign currency receivables, we do not speculate, we are, we actually have hedged all our Forex receivables for the year. Now, depending on how the exchange rate moves, we had to take an accounting of a hedge gains or hedge loss that doesn't go through the P & L but goes through the item called other comprehensive income which is below the reported profit after tax from and that got reported as also another adjustment over here. So overall, you know, the operating profit is absolutely on track,

is in line with revenue growth. That is basically the exceptional expenditures that are coming on the way our Forex movements which are all reverse are correct itself over the period of time. That's why on a reported basis, you will see an impact on the profit after tax. There are two more questions, one of receivables. Our receivables position is generally very healthy. We have not seen much of bad debt in our business because we deal with mostly corporates. However, we take a prudent provision every year and then evaluate. Our receivables ageing has actually improved year on year in FY 22, which is good news because that means the health of the business is improving. So, so no concern on receivables from my side and what you see as the number is what is typically is a provision that we can. Sales expenditure is the other question, yes, it goes up, but it goes up in alignment with our business. Our business is expanding, we are expanding geographically to other parts of the world. So, sales expenditure goes up but it's also reflected in the 19% of the revenue growth that you are seeing. So, absolutely sound way to spend. I hope I have answered your question Mr. Shastri.

Moderator: Thank you sir.

Ms. Kiran: Thank you Mr. Shastri.

Mr. Jonathan: Moderator...

Moderator: Thank you sir. We will move to the next registered speaker. The second registered speaker is Mr. Aspi Bhaman Shaw from Mumbai, I would request the speaker, Mr. Aspi to unmute your audio and switch on your camera and proceed with your query. Thank you.

Mr. Aspi: Sir, can you hear me?

Ms. Kiran: Yes.

Ms. Priyadarshini: Yes, we can.

Mr. Aspi: Chairman madam, Madam, I am Aspi from Bombay. Most of my questions are answered just now. So, I don't have anything to say, I just wanted to congratulate you on good results. Thank you very much, and all the best for the future.

Ms. Kiran: Thank you so much.

Mr. Jonathan: Thank you.

Moderator: Thank you. We will move to the third registered speaker. The third registered speaker is Mr. Debankar Utkarsh. I will request Mr. Debankar to unmute your audio and switch under camera and proceed with your query. Thank you.

Mr. Debankar: Can you hear me?

Ms. Priyadarshini: Yes, we can.

Mr. Debankar: Okay, couple of questions I had sent in by mail, which were database. So, I will take up all the questions now. So, my first issue is that over the last few years, the share of services in your total business has come down from 80% to 66%. Which means that manufacturing has gone up from 20% to 34%. But if I look at the last seven years, at least, your asset turnover ratio of the company has remained static between 0.5 and 0.6. The theory of increasing manufacturing share was that operating leverage would kick in, and the asset turnover figures would start going up, I

believe the figure of one and asset turnover of one was the aspirational target. But this doesn't seem to be happening, notwithstanding the fact that manufacturing has gone up from 20 to 34%. We don't see any sign of this elusive operating leverage, nor do we any see any sign of coming close to this mythical asset turnover target ratio of one. That's my first issue. The second issue is these dedicated r&d centres which we have, we operate three of these centres. Now I go back in time and I read annual reports for the last 5 6 7 years, I find that there has been no increase in the number of these centres. Sure, the scope has expanded, the scope of the contracts has expanded and has widen. The contracts have been extended from time to time, but I don't see any increase in the number of the centres or the number of customers who are interested in these centres and I have seen press reports that some of the multinational pharma companies like Pfizer is opening a Global Research Centre in Chennai with 250 Scientists 61,000 square feet \$20 million expenditure. Similarly, Roche is coming up with a similar centre and others are also following. So, does it mean that we have reached the end of the road for these dedicated r&d centres? Or do you envisage a hybrid pattern where companies will have some dedicated r&d centres and also have their own their own internal or in-house dedicated centres? My third question, and this was a question which I had sent in advance, because this is a database question is that how many orphan drug companies have you partnered with so far? And how much of your revenue comes from the small and mid-sized biotech companies? And here I have a further question, because many of these small and mid-sized biotech companies are funded by PE funds or venture capital funds. So, what is the impact that you are seeing on the business that you get from these companies on account of the rising cost of capital in the West? And my final question is that is in your annual report, I find there were seven whistleblower reports during the year, which is quite a disturbing number. So just wanted to know what is the subject matter of these reports? Is it related to safety issues, procurement issue, HR matters, licencing issue if you can just give us some indication of what the issues were? That's all I have to say. Thank you for the time and good evening.

Mr. Jonathan: That's a fantastic set of questions and let's do them in the order us and Sibaji, you probably got some sort of comment on the asset turnover. I think actually, the way you framed it is a fairly accurate description on asset turnover and how it changes at a company level. What you have really got playing out there is two different dynamics. The research if you think about business in two halves, research services to scientists and labs, or the development and manufacturing, which is much more of an industrial scale. They tend to have very, very different business cycles and immensive business cycles. So quite often, and you all have seen it in some of my comments. We are on to our third phase of expansion in Hyderabad in under two years. That's a research base business, we tend to move very, very quickly and they have quick turnovers on the assets. The manufacturing business, take the announcement we made last week, on Zoetis for a 10-year manufacturing deal, we actually started investing in the infrastructure and the capability 5 6 7 years ago. So, they tend to be very, very long cycle businesses. I am still confident that stand behind that the statement that you quoted back to us that that business should have a normalised asset turnover over its life cycle of one and I think you can look forward to seeing that start to come through, starting from now on in the Zoetis deal is a is a good example of that. So, we should start to see asset turnovers drift up. The only other thing that would stop that would be further investment in further capacity expansion, which I would take as a very, very healthy sign that we are seeing good market demand, and further reasons to put shareholders' funds to work, create more value. So, it's not static, there is a dynamic growth in the business. But I think, I think your question was, was very accurate. Dedicated centres.

Again, I think the way you framed it, we have seen, I was trying to do the mental arithmetic, we have three strategic partners on the dedicated centres, they have more than doubled, if not tripled in size, over the time period, you asked, we just haven't added further dedicated centres and I think some of that reflects the rest of our service offerings. What we are increasingly seeing is customers engaging with things like send them as a more evolved version of that model, including actually our partners like BMS, who don't just restrict their engagement with Syngene, to the dedicated centre, but they are increasingly growing outside of the dedicated centres, looking at things like SynVent and some of our other services. So, it's a hybrid, and I think you captured that quite well, in your, in your question. Orphan drugs, I am gonna look at you Sibaji, I am not sure if you, if you have got the numbers, if not, we can follow up.

Mr. Sibaji: I will respond on that. First, I will again repeat on the asset turnover because it's a refinance that question. First of all, asset turnover, we give a guidance of 1x and that's for our research part of the business and what we say is that from the point of investment within 18 to 20 months, we will see an asset turnover of 1x. We stand by that and 66% of our business that he was talking about, which is research oriented has that, however, we are continuously investing and expanding that business. So, at no point in time or we are 1x, we are going to be 0.9, depending on how much investment we have got, may not how much is the build-up. But once the 18 to 20 months have touched its 1x, all all the time and so, business is very well calibrated. So, we understand the CapEx and returning ratio equation very well. If you have noted and that over the last four or five years, we have made significant investment in manufacturing almost 550 crores plus investment have been made in Mangalore and also a large amount of investment has been made in biologics. Now, Mangalore is still in the process of regulatory approvals. So, it doesn't give revenues to that extent that much. So that dilutes the asset turnover and biologics all investment has been made with the understanding that the biologics sector is or the demand is high and from our recent announcement, that also it is you have seen that, you know, that's true. So, we will see revenues growing in that space as well. On your number, we reported at 2650 crores revenue and total CapEx, cumulative CapEx industries are all 3900 crores. So that gives close to 0.7x, not 0.5x. But again, as our manufacturing starts delivering revenues will keep on the overall average asset turnover upwards towards one, having said that I should mention in manufacturing and asset turnover may not be the right issue to look at because turnover depends a lot on material costs and material costs can vary widely as a percentage of revenue. We look at returns and we are long a longer period of time, we always invest in projects, which give very solid returns. So financially, we are in a very good position from our investment and return equation. There was another question around biotech companies and what percentage of revenues come from emerging pharma and biotech, is close to 30% and, and this is a sector where we have good credit policies, we look at companies, we evaluate their credit worthiness before entering into business and, and as I said in my last comment that we generally don't see bad day, but we and that's because of credit policies are worth and we hope to continue with that. The last...

Mr. Jonathan: I can cover the others. The other bit, I would say about the biotech sector, and you said around PE funding, that there's been quite a crunch, particularly in the US, in the biotech sector recently, challenges of people getting funded. Counter intuitively, that's actually creating some really good opportunities for Syngene. What we are finding is that those biotech companies that are already funded, are very, very conscious about how long that funding will last and one of the things they can do, because we offer some very, very attractive sort of value for money pricing, they can

make that money go that much further by partnering with a company like Syngene, so we are seeing good inquiries coming in from those. And of course, Sibaji's point about checking their credit worthiness beforehand, is a key part of that process. Your last question was just on the whistle-blowers, I've got to say, it's very important for us that we have transparency. It's why we publish these things in the annual report, the majority of those cases intend to be HR related. So, their complaints, either around processes, performance reviews, people not feeling that, that their performance has been fairly assessed, and they they want to bring that up and we always look that from an independent view, but that would be the predominant one and we're very happy to publish those. Of course, we report all of the whistle-blower cases we have. That's the gross number, not all of them go on to be upheld, upheld and actually found to be a sort of justified complaint, but we always report them and we always investigate. So, thank you.

Ms. Priyadarshini: Thank you, Jonathan. Moderator over to you.

Moderator: Thank you. We will move to the fourth register speaker. The fourth speaker is Mr. Krishna Swami Natarajan from Kangayam who has not joined at this moment. The fifth speaker Mr. Rajesh Kewalram Chainani from Mumbai has also not joined at this moment. We will move to the sixth registered speaker; sixth registered speaker is Mr. Yusuf Yunus Rangawala from Mumbai. I would request the speaker Mr Yusuf to unmute your audio and switch on your camera and proceed with your query. Thank you.

Mr. Yusuf: Yes sir, good good evening, sir. Good evening chairman sir. Speaking city from Mumbai. Can you hear my voice? Can I go?

Mr. Jonathan: Yes.

Mr. Yusuf: Yes, sir. I am speaking from Mumbai sir. I am very happy to be a part of the excellent company, Mazumdar madam आपके छाया और आपके छत्र और आपके guidance में आज अपनी कंपनी कहाँ से कहाँ चली गयी madam, आज अपना रेट मार्किट में इतना अच्छा है, it is very excellent rate and all the foreign people are buying company shares madam because because you are the handling and chairman साहब handling this excellent company with two guides on the board. This never come back, share department is very excellent madam. If possible, I would like to arrange, I would request you for the plan visit if possible. If it is not possible then send me email on my mobile film so that I can see how our company going. So, one more thing, madam. So, when was the last bonus given? 29 years, so many years have passed madam, we are asking for bonus, it is the time has come to reward us Madam, you are a very excellent company and the Karvy people are giving very excellent services. I voted in all the favour madam resolutions, and I would like to know COVID, madam, as you mentioned, all the staff and the people have taken vaccination, hearing this news, I am very happy and very polite madam to hear this news from your side and the chairman speech was very excellent, nothing more to add to the chairman's speech sir and I would like to know, in foreign country, how many what we export we are getting in abroad I would like to know? Nothing more to add, I wish our company good luck, [Inaudible] Banaglore which is very famous if possible so that we can enjoy the celebration. It is my humble request madam and nothing more to add. [Inaudible] but whenever we phone your Share Department, they are very busy madam, this my humble request to tell the Share Department to contact me madam after they are free madam and when a bio bio our group second group company madam meeting, I would like to know. Please let me know date of the second meeting madam and nothing more to add. My good wishes are with the company. Small

small शायरी पेश करना चाहता हूँ सर, आपसे सर, मिलने के लिए गड़ी रुक गयी थी, Chairman sir, watch was stopped, but after meeting you chairman sir, watch had started sir. It is just like the excellent personality sir, you are in the company sir, this is the excellent company. I will never sell your share in your lifetime, this is the excellent company sir and I am very proud to be shareholder of this company, madam and the chairman sir. Thank you very much. Have a good day madam. Have a good day sir also from Mumbai. Nothing more to add sir. Nothing more to add. Excellent company, Excellent company. I support all the resolutions. Thank you very much. Jai Hind. Jai Maharashtra from Mumbai. [Inaudible] Thank you very much. Nothing more to add.

Ms. Kiran: Thank you for your kind words and you know what we will do is obviously we will try and create a virtual tour of our facilities and you can definitely see all that is happening at our site, but we thank you for your good wishes.

Ms. Priyadarshini: Thank you, Mr. Rangwala. Moderator, over to you.

Moderator: Thank you. We will move to the seventh registered speaker. The seventh speaker is Mrs. Celestine Elizabeth from Mumbai. I will request the speaker Mrs. Elizabeth, Celestine Elizabeth to unmute your audio and switch on your camera and proceed with your query. Thank you.

Automated voice: You are now unmuted.

Mrs. Celestine: Hello. Hello. Am I audible?

Ms. Kiran: Yes, yes.

Mrs. Celestine: Thank you. Respected chairperson Madam Kiran Mazumdar, members of the board, shareholders attending VC, I am and I am attending from Mumbai and Mrs. Celestine Elizabeth Mascarenhas, holder of 05151451090218. I cannot say very much very much on the annual report, because I could not that e-report, it didn't come in the PDF form, my PC was also not working. So, I cannot say much on the financial side, I would here request to send a physical copy copy of the annual report as I am 70 plus. I go to the next thing; I appreciate the hard work work done. So, the you know, the ESG care can be done whether we have rated it if name, name of the rating agency and what is our rating score? My queries which are more of the general. Number one, whether now all the employees are coming to office or alternate days, what is the attrition rate? [Inaudible] Research talent scientist. My second question is, how much are percentage of the total sales we are spending on r&d? What is the CapEx for the next three years, especially for organic growth and also for inorganic growth like we have signed 10 years biologics manufacturing Exhibit D with leading company Zoetis? So, what is the madam, payment made here? Are we not thinking of buying such companies? A lot of companies in animal health care like Sequent Scientific, fourth but not the last, future roadmap for the next five years, whether specialise in biomass and bio energies or any other field in the in their own politics, political problems coupled with supply chain and logistics rising interest cause due to inflation rupee rupee depreciate. I have supported all the resolutions. May company grow strength to strength and most most I wish you all the very best. Thank you for giving me this opportunity to speak.

Mr. Jonathan: Thank you. Mrs. Mascarehns. There were a number of questions in there. Unfortunately, some of the ones in the middle that I couldn't really catch. Your voice was breaking up on the phone. The first one was really around ESG. There are two main agencies that rates, MSCI

is one, Crisil is the other one, there are a whole range of ESG rating agencies. From everything we can see, so far, we are scoring very, very well. There are many, many things that we are doing, that I think are moving that forward water recapture, renewable energy, green chemistry are some of the examples. But what I do think we should do. I think one of your other requests is could we send you a hard copy of the annual report? We will include in that also a hard copy of our ESG report, which we published for the first time this year and that really does lay out in quite a lot of detail many of the things we are doing and also how we are doing and how the rating agencies have looked at that. So, we would be delighted to send you those to you. You are asking around employees, are they back in the office? Actually, for us, counter intuitively, just about everybody has worked on campus, in our labs throughout the pandemic, if you think about the nature of the work, we are doing complex chemistry, biology, scientific research, it's just not work you can do at home, you have to be in that high science environment, which is why we went to so much trouble to ask our staff to do things like work in shifts, some came in in the morning, some have come in the afternoons, some have come in in the evenings, that's allowed us to keep everybody safe throughout the last two years, but they have predominantly been in campus, some of our enabling functions have been working from home, they are now back into the office and I think we are all benefiting from that human contact and, you know, one fewer zoom calls is a good thing. Attrition, that the whole world is seeing this, our attrition rates have drifted up, they were consistently amongst the lowest, I think in our industry, we are still amongst the lowest in the industry, but it has gone up by about 10 percentage points or so and then some of the other questions when I look at you, Sibaji, for the CapEx question, I can cover the r&d one. We actually don't report a number on percentage of sales that we invest in r&d, because it doesn't really reflect the way the business works, you would almost say 100% of what we do is r&d, because we're always doing that on behalf of our customers. We don't invest in our own pipeline. We're always doing work for our customers, and therefore helping them develop their r&d pipelines, CapEx.

Mr. Sibaji: Sure, Thanks Jonathan. I will integrate the r&d question as how much are we spending on building research facilities? We generally talk about one year of CapEx when you give our guidance. This year, we said around 50% of 100 million dollars that we will be spending will be spent on building research facilities. So that's the guidance for this year. In case of this research, as I said, you know, it's an expanding business. So, over the next few years, we'll continue to spend we have very good growth rate in research and I was just explaining how that asset turnover works. So, if we put 100 rupees today, we expect 100-rupee revenue in 18 months' time and because the growth traction is good, we will continue to expand following that trend. So, we will continue to spend our research CapEx, this year we are spending \$50 million and at today's rate it was around 350 to 375 crore rupees. Thank you.

Ms. Priyadarshini: Thank you, Mrs. Mascerhenas. As promised, we will send you the Annual Report along with the ESG report. Moderator Can you please take over?

Moderator: Yeah, thank you. The eight registered speaker is Mr. Alocious Peter Mascerhenas from Mumbai has not joined at this moment, we will move to the ninth register speaker, Mr. Vinay Vishnu from Mumbai. I would request the Speaker, Mr. Vishnu to Vinay Vishnu to unmute your audio and switch on your camera and proceed with your query. Thank you.

Mr. Vinay: Hello.

Moderator: Sir, you are audible. Please proceed. Yes, sir.

Mr. Vinay: Yeah fine. I am switching on the camera also. I have got adequate bandwidth here. Anyway, I will start. Chairpersons Ms. Kiran Shaw, MD and CM Mr. Jonathan Hunt, Directors present at today's you know video conferencing today, video AGM, company executives, shareholders, good evening to all of you. At the outset, let me now congratulate you know, the entire team, you know, for having prepared an excellent, you know, annual report and I am also very much impressed by the chairpersons, you know, message at the start of, you know, this particular meeting. So, I would straightaway get down to the, to the questions and they are as follows. You have mentioned that the cost of chemicals, reagents and consumables is a 42% corresponding to an 18% growth in revenue. So, my question here is that, what is the situation represents, as compared to that at the end of the last financial year? So, that was question number one. The second question is so, you know, I have taken out, you know, from the chairpersons, you know, statement in the annual report, we have invested in digitization IT with a view to improve accuracy and productivity and also invested in cyber cybersecurity, to protect client data and company infrastructure. My question here is that what were the procurement and maintenance CapEx figures? For these, of course, on accumulative basis in the concluded financial year and one more question, what are the budgeted figures for CapEx in the current year? So, these are the two questions that I had, you know, I will close, you know, with supporting all the resolutions and wishing, you know, the directors and the employees all the best. Thank you for giving me the opportunity to speak.

Mr. Jonathan: Thank you, Mr. Vishnu. Um, let me make a general comment on some of your questions. Sibaji, if I can look for you for the financial details and Kiran, on the digitization piece, I know it's a real passion of yours, you may want to comment, but on the cost of chemicals, one of the things I would say is going on, there is cost inflation in the world. We are seeing that throughout supply chains and in the main, we have been quite successful at passing that through to our customers, most of our contracts allow us to do that and we pass that cost straight through to the end customer. But what you are also seeing, as you have seen this disruption from COVID-19 is people be very, very precautionary, including the effect to supply chain. So, some of the cost of chemicals has actually gone into stockpiling, and making sure that we have got reserve capacity, so that we can continue to operate. That's particularly true in some of our high growth areas, things that we are quite excited about, like biologics, where we have deliberately taken the decision to invest in inventory. But Sibaji, now you will make a few more comments on that.

Mr. Sibaji: Yeah. So, Mr. Vishnu, you are right. The cost of raw materials, which you are referring to has gone up by 42%. I like to draw your kind attention to the fact that last year, we did manufacture COVID, drug Remdesivir was done to help the society and the COVID drug Remdesivir had a very, very high raw material costs attached to it. Raw material cost is almost 65 to 70% of the price ultimately, that we put the revenue on. Typically, our raw material cost as a percentage of revenue would be between 24 to 26% and that really pulled it up to 29% and hence the growth of the cost

line is disproportionate to the growth of the revenue line. We expect it to come down to 26%, of revenues in FY current year and that's the guidance. But I would like to also mention over here, our business as we do more and more manufacturing in our business, manufacturing typically has a higher raw material cost attached to it. So, that equation may also shift a bit. So, you will see a gradual increase depending on how much percentage of business comes from manufacturing. But for the current year, we are talking about 26% of our revenues going into raw material costs and what we have seen the skew of the last year will not be seen in the current year. That's on raw metal, you want to comment on IT?

Mr. Jonathan: Don't you want to do the CapEx?

Mr. Sibaji: CapEx, okay, so yes, our vision to kind of accelerate digitization and automation in the business does require investments, and total IT spent as opposed to revenue and expenses. Capital expenditure per operator plus operating expenditure year on year has gone up by almost 50% and in FY 23, we will be spending anywhere from 3 to 4% of our revenue towards that and that's also an increase of another 50 60%. So, we are actually optimising costs and rest of the P & L to make room for digitization and automation because we believe that in the long run, and improve, help in improving productivity and efficiency of business, I hope I have answered your question.

Ms. Kiran: So, let me add to that, I think, you know, we are all very committed to digitization and as you know, the pandemic has actually plunged us into a digital world. So, thanks to that. I think we as a group, we as a company are really focusing a lot on digital technologies. We are aiming to be a paperless organisation in the near future. I think you already heard in my opening comments, and I think Jonathan echoed it, saying that we're using artificial intelligence and machine learning and data analytics extensively throughout our company to you know, accelerate and, you know, have more predictable outcomes in our research projects. All our manufacturing is also is going to be using a lot of digital technologies to make sure that we have very advanced features incorporated in manufacturing and in addition to that, we're also investing heavily in cyber security. So overall, I think our commitment to digital and digital digitization is extremely High and we hope that we will be amongst the fore runners and front runners when it comes to adoption of cutting-edge digital technologies in the years ahead. Thank you.

Moderator: Thank you. We will move to the next registered speaker; the 10th registered speaker is Miss Vasudha Vikas Dhakwe from Thane. I would request the speaker Vasudha to unmute your audio and switch on your camera and proceed with query. Thank you.

Automated voice: You are now unmuted.

Ms. Vasudha: Hello, can you hear me Ma'am?

Ms. Kiran: Yes, yes.

Ms. Vasudha: Yeah. Thank you. Thank you very much for giving me the opportunity to speak. Respected chairperson and my fellow shareholders, myself Vasudha from Thane. Most of the question was asked by my previous shareholder, I don't want to repeat it again only one suggestion, please look into the matter of IPO refund amount and unclaimed dividend which are going to the IPO refund which is as per the SEBI rule. But what I want to say is, please look into the matter and please try to avoid this matter to going IPO refund as it is the hard and fast money of the minority

shareholders. So, please do the needful. With this, I support all the resolution. Thank you very much and wish the company all the best for coming financial years. Thank you very much, ma'am.

Ms. Kiran: Thank you, Madam and we will certainly look into this.

Ms. Priyadarshini: Well, thank you Vasudha. So, if there is anything that you would want, if there is a refund, which is pending, please write back to us, we still have time, we can make sure that it is paid back. In fact, we have reached out to all the shareholders who have not encashed their IPO refund all those persons who haven't and time and again, in fact, every year we write to them even before transferring the amount the amount is due for transfer. Before just a couple of months before we had again made a request, we have got requests for encashing from the shareholders, which we are making sure that is being paid to them. If you have any requests, please do write back to us we immediately look into it and get transferred to your account. But being a SEBI regulation, we will have to abide by the law. Thank you. Moderator over to you.

Moderator: Thank you. We will move to the 11th registered speaker. The 11th speaker is Ms. Sushma Chanda from Rohtak. I will request the speaker Ms. Sushma to unmute your audio and switch on your camera and proceed with your query. Thank you. You have unmuted, please proceed with your query. Ms. Sushma you are unmuted, please proceed. Since there is no response from the speaker, we will move to the 12th speaker. The 12th speaker is Mr. Rahul Ramkumar Rathi from Pune. I would request the speaker Mr. Rahul Ramkumar to unmute your audio and switch on your camera and proceed with your query. Thank you.

Mr. Rahul: Good afternoon board members. My DP ID is IN302679. My Account number is 30540867. I have two questions. One of them is procedural and this one's addressed to Paul Blackburn, the chairman of the audit committee. The Mangalore plant for the last two years has not generated any revenue, so just from a procedural perspective, have you all in the audit committee, discussed impairment of this asset for this year, or spent more than 10 minutes talking about the Mangalore plant and any impairment? And the second question is to Jonathan, Jonathan again back to Mangalore, the question is, what are the expectations in terms of, you know, employee number of employees in the Mangalore plant for this year? How many are there and what's the expectation of revenue for this year? Thank you very much.

Mr. Jonathan: Super questions. I mean, Paul, I don't know if you wanted to comment from the audit committee point of view, I am just looking at Sibaji, revenue out of Mangalore wasn't zero.

Mr. Sibaji: Yes, no, it's not zero but it's, we will have some business out of Mangalore, but it's still not very big. Mangalore, as you know, Rahul is, at this point preparing for the regulatory audit inspection and approval. So, main focus is over there, but there is some activity going on Mangalore and, and there will be some revenue, but it's not really significant. Before Paul comments, we do look at Mangalore business from a longer term perspective, we look at projections, not only in audit committee, but in every meeting and audit committees, we have discussion around it and at this point of time, our view continue to be that it's a very strong business just waiting for the regulatory approval, one regulatory approval is done, we will see good revenue growth in that and over a period of period delivering for a manufacturing facility like that, you know, the very strong return on investment.

Mr. Jonathan: I should just sorry, sorry for being slow. And I go back to our last conversation, actually, we discussed it not that long ago, I think, overall, repeat the manufacturing strategy discussion we had. Last time, we talked very much about the potential for the long term, that it was a long-term business would play out over a number of years that these are very, very long cycle assets and of course, we are very confident we will be making beyond our cost of capital over the life of both the Mangalore facility. We also talked quite a lot about biologics, and I am sure you will see that you have seen last week's announcement around Zoetis which really is the step change for our manufacturing division overall, albeit on the biologics side of the house, nothing's really changed strategically around Mangalore with the nodal point, those regulatory inspections, we are making good progress towards those and they are exactly on the timelines we discussed, and we put out publicly so over the next 18 months or so from now, we would expect to get to a regulatory inspection. I am confident we will be ready for that and therefore, we should expect a regulatory approval from one of the major markets and expect the FDA to be the first one and that then really becomes an inflection point for that business. Which again, I am sure Paul will make the comment that would be central to any impairment discussion. Do you still believe your strategy is intact? And do you believe it's paying out playing it in the right timescales? But Paul, do you want to comment?

Mr. Paul: Yes, I do. What we do at the audit committee is that we look at all of our assets and in particular, we would look at any of them where there was an indicator of potential impairment. So, it doesn't just apply to Mangalore. But there's no indication from a business perspective that there is a concern over the carrying value of Mangalore. It's going through a validation process at the moment and once we can get the facility validated, then it opens up commercial opportunities to expand our production in that facility. So, I have no concerns.

Mr. Jonathan: Thank you. There was one other question unfortunately, I can't remember the number in my head. It was how many staff are currently employed in Mangalore? So, I will follow up with you offline. From memory, it's a couple of 100 or so and they are gainfully employed.

Mr. Sibaji: Sir, around 170 to 180.

Mr. Jonathan: To be around 200.

Mr. Sibaji: Yeah, 200.

Ms. Kiran: So, with this, I think we conclude the question-and-answer session. I would like to thank all the shareholders, directors and other invitees for attending the 29th Annual General Meeting of our company. Thank you and the meeting now stands concluded. I would request the directors to kindly logout. Members may note that the e-voting facility will be available for the next 15 minutes on the KFin Technologies Limited website. I would like to conclude by wishing you all the very best please, stay safe and take care of yourselves and your families. नमस्कारा।
