"Syngene International Limited

Q2 and H1 FY'25 Results Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Syngene International's Second Quarter FY 2025 Financial Results Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Nandini Agarwal: Thank you, and good afternoon to everyone. Thank you for joining us on this call to discuss Syngene's second quarter and half year results for financial year 2025. To discuss the financial and business performance for the period, we have on this call with us today, Mr. Jonathan Hunt, Syngene's Managing Director and Chief Executive Officer; and Mr. Sibaji Biswas:, Executive Director and Chief Financial Officer.

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

The safe harbour clause indicated in the investor presentation also applies to this conference call. The replay of this call will be available for the next few days, and the transcript will be made available. With this, I would now turn the call over to our Managing Director and CEO, Mr. Jonathan Hunt.

Jonathan Hunt: Thanks, Nandini, and good afternoon. Thank you all for joining us on the call today. I'll start with my remarks with a quick overview of the key financials for the quarter and the first half before getting into sort of the operational and strategic highlights, and then hand over to Sibaji to provide more detailed insights into the financials in his remarks. For the year so far, things are panning out pretty much as expected. Performance in the second quarter and the first half of the year was broadly flat as we continue to see stabilization in the U.S. biotech funding environment, pickup in inquiries from medium and large pharma and a healthy level of interest in our biologics CDMO market.

So while there are early signs of stabilization, some signs of improvement in the early-stage discovery market, I think it's a bit too soon to declare victory. So we'll have to wait and watch that for a little bit longer. Revenue from operations for the quarter was INR891 crores, down 2%. That's about minus 3% in constant currency or U.S. dollar terms.

Operating EBITDA was down 4% to INR245 crores. Reported profit after tax after exceptional items for the quarter was down 9% year-on-year to INR106 crores. This quarter, we also reported that revenue from operations increased sequentially by 13%. And I think that's an indicator of things moving in the right direction.

I am encouraged by some of the early positive signs of recovery in Discovery Services. These are being driven by collaborations in pilot projects with large and medium-sized biopharma clients that are looking for alternatives to China and to rebalance their supply chains.

As we've discussed previously, clients usually run these comparative pilots for a year or more and then use that as a way of selecting a longer-term partner, which for us would be an opportunity to seize those into larger, longer-term relationships.

We continue to receive a healthy interest from clients through increased requests for proposals, RFPs and increased number of on-site visits. And we also successfully concluded around 60 audits in the first 6 months of the year to give you a sense of that, that's up a little over 35% year-over-year compared to the first 6 months of last year.

Tone of the conversations with clients has been very much around long-term supply chain resilience, dual sourcing as well as having the right capabilities and offering best value. I think with the lessons from the pandemic, we've been discussing these things for quite a while. It's not all about the Biosecure Act.

Our proposition to clients is that we can make sure that they've got the resilience, flexibility and dual sourcing they need. And as you know, we're also a buyer of service and we apply the same logic in our own sort of procurement. Syngene is among the leaders in the industry in introducing sort of China independent supply chain as an option in our proposals to clients.

And to do this, we're sourcing from the Indian local ecosystem, especially for those who are suppliers of niche and complex chemicals. And at the same time, we're working with our global supplier networks in the U.S. and Europe, trying to encourage them to also set up shop in India. This not only helps expedite the timelines on materials reaching us, but also ensures business continuity in the case of disruptions.

And we introduced that sort of China independent supply offering about 18 months ago. And we're seeing reasonable traction, about 1/3 of RFPs, the clients opt for that today. So coming back to the quarter, pleased to see a healthy level of interest from clients in Biologics. We're also seeing a high number of process development projects compared to last year in small molecules.

And as you know, we've proven capabilities in biologics and then additional manufacturing capacity comes online in the second half of the year. Once operational, the biologics manufacturing facility will offer plug-and-play manufacturing platforms and we can customize those to clients' needs as they see fit.

In the coming quarters, we also plan to strengthen our capacity and capabilities in Discovery Services. We're investing in sort of infill capabilities in antibody drug conjugates, peptides, oligonucleotides. So to summarize, the performance in the first half of the year and the second quarter was as expected. I believe we're seeing a positive change in momentum building in the second half as we see healthy interest from large and medium-sized biopharma clients who are rebalancing their supply chains.

A number of requests for proposal and client visits have increased compared to the same period last year. We're focused on executing the pilots, and we've got real potential there to convert a number of them across into longer-term partnerships.

With a strong third quarter already underway, we remain on track to deliver within our guidance range for the full year. So with that, let me hand over to Sibaji for more detailed financial comments.

Sibaji Biswas: Thank you, Jonathan. And a very good afternoon to everyone. Let me begin by discussing the second quarter performance, and I will cover the first half and guidance before I close my commentary. As expected, revenue from operations remained broadly flat for the second quarter at INR891 crores.

This marks a 13% sequential growth and is a revenue decline of 2% year-on-year and 3% in constant currency terms. This quarter saw research services returning to growth on back of multiple pilot projects in Discovery Services and sustained performance from the dedicated centers.

Development and Manufacturing Services revenue growth was impacted due to more project completion milestones now in the third quarter this year compared to the previous year. We continue to see good traction in our biologics business and early-stage process development projects in our small molecule business. Our delivery of both the early-stage projects and the pilot projects has been strong, creating thereby a solid foundation for the future growth.

With improving sequential revenues, operating EBITDA margin came in at 27.5% for the quarter compared to 22% in the first quarter, and broadly in range compared to the previous year. On the cost front, raw material cost decreased by 11% year-on-year due to a shift in the revenue mix towards the Discovery Services, which has a lower raw material cost as a percentage of revenue.

Similarly, the early-stage process development projects in the small molecule CDMO business has a lower raw materials to revenue ratio, which helped the raw material cost line. We expect the long-term raw material cost to be around 28% of revenue.

While our head count tracked business volumes and did not grow versus the previous year, our staff cost increased by 12% year-on-year, driven by annual salary increase and recruitment of new employees in the skill areas needed to build capabilities in the business. Other direct costs, mainly power and utilities decreased by 12% year-on-year due to increase in captive green energy consumption compared with the previous year.

Notably, in the second quarter, 96% of our total energy consumption was from renewable sources, in line with our focus on ESG and green initiatives. Other operating costs increased by 16% year-on-year due to maintenance and upkeep of expanded facilities and infrastructure. We continue with our investments in digitization and automation, which we believe are essential for higher efficiency in our business.

EBIT from operations was at INR134 crores, lower year-on-year as depreciation increased to INR111 crores from INR105 crores last year. The effective tax rate for the quarter was 22.7%, similar to the same quarter last year.

We expect the effective tax rate for the full year to be around 22% to 23%. PAT before exceptional items decreased by 13% year-on-year. Accounting for exceptional items in the second quarter last year relating to transaction costs associated with the acquisition of Biologics facilities, reported PAT after exceptional items, was down by 9%.

We continue to invest in capacity and capabilities to drive future growth. Our total capex spend for the quarter was USD12 million with large share of the capex allocated to research services, particularly the dedicated centers, expanding our facilities in Hyderabad and adding new capabilities.

In Biologics, a significant portion went towards upgrading the biologics facility acquired last year, which remains on track to start operations in the second half of the current financial year. We continue to maintain a strong balance sheet. And after meeting our capex for the quarter, we have gross cash balance of INR1,000 crores and a net cash of INR865 crores as of September 2024. Our first half performance was also broadly in line with our guidance. The movements are very similar to as explained for the second quarter of the financial year.

Revenue from operations declined by 2% year-on-year. Raw material cost was down by 4% and staff cost increased by 11%. Our direct cost declined by 10%, again, driven by increased green energy consumption and energy efficiency measures. Other operating expenses increased by 10% as we continue to invest in expansion of facilities and capabilities, including automation and digital transformation across our scientific and enterprise functions.

Operating EBITDA margin stood at 25% for the first half compared to 27% last year, primarily due to lower revenue and increased operational costs, as explained before. PAT before exceptional items declined by 25%, while PAT after exceptional item was down 13%, reflecting an insurance claim received in the first quarter.

Finally, let me say a few words about guidance. We guided for a revenue growth of high single digits to low double digits for the financial year, with momentum expected to build in the second half of the year. We have seen sequential revenue growth in the second quarter, and we expect this to continue in the third quarter and onwards ending the full year with growth momentum.

Overall, biotech funding has recovered to pre-pandemic levels, which is more directed towards late-stage programs. We also see demand from the big and mid-sized pharma who should drive growth from next quarter through into the next financial year.

We are maintaining our revenue guidance for the year. However, based on current visibility, we believe that the revenue growth for the year is more likely to be at the lower half of the guidance range.

As previously communicated, we expect margin recovery in the second half, which should then lead to full year margins around last year as we have guided previously. Our capex execution also remains on track, and we expect to execute $60 million capex by end of the year.

Our focus will be on executing in line with our strategy, delivering on pilots and process development projects, which we believe will position us for further growth in the medium to long term.

As I hand over to Deepak, which should be by end of November, I feel deeply satisfied with what our leadership team has achieved over the last 5 years. We doubled revenues during the period while maintaining profitability and resilience in the middle of a global pandemic. Our balance sheet position now is very strong with over INR1,000 crores of cash after investing in acquisition and expansion during this period, all of which was from internal accruals. Deepak has joined us at a very exciting time for the industry and the company.

I think he has both the depth of experience and the skills to steer the finance function of the company and from hereon, he is a valuable addition to the Syngene leadership team. Deepak is with us, and now I hand over to Deepak for his introductory comments. Over to you, Deepak.

Deepak Jain: Thank you, Sibaji. As we note, Syngene is a leader in research development and manufacturing services, serving companies working at the forefront of human and animal health in the world. I'm just delighted to be a part of this organization and this sector. I've now had the benefit of working alongside Sibaji for over a month, and I'm already feeling well integrated into the company. I look forward to being a part of the leadership team in this very exciting time for the company and the industry. Thank you.

Sibaji Biswas: Thanks, Deepak. And now I will now turn back the call to start your questions. Thank you. Over to the operator.

Moderator: Thank you very much, sir. The first question is from the line of Karan Vora from Goldman Sachs.

Karan Vora: I hope I'm audible. So my first question is with -- needed one clarity with respect a statement, which we have made in the press release saying the second quarter was underpinned by positive signs of recovery in Discovery Services business. So does that imply a growth on a Y-o-Y basis as well? Or is it only referring to a sequential recovery? So that is first my first question.

Jonathan Hunt: Okay. Clearly you've got a second and the third, you may as well get them all out at once.

Karan Vora: Okay. And for -- on a full year basis, is it fair to assume that our Discovery Services business growth will be faster than CDMO services growth? So that's my question. That's all my questions.

Jonathan Hunt: Super. I'm going to look at Sibaji to give you an answer to those. On the latter one, I don't know, I haven't done the mental math, but the -- I think the broader message -- the shape of the year seems to be turning out as we predicted and guided at the beginning of the year, relatively flat, if not muted first half, but growth on a full year basis.

So you can back calculate and triangulate into the guidance and figure out that the second half must have fairly healthy revenue growth embedded in it. So I'm sure you've done that piece.

The balance between discovery development, manufacturing, small molecules, large molecules for me is less important than the overall rebound and recovery in growth that's implied in us maintaining our guidance. I just want to make sure that you've -- there's a quadratic equation there in an excel spreadsheet, but I'm sure you'll be able to figure out. Any specific comments?

Sibaji Biswas: I will just add one thing over there. We have been indicating over the last couple of quarters that we are building up a healthy pipeline for all parts of our business. Same is for Discovery Services. So we do expect healthy growth of Discovery Services, both on a sequential basis and year-on-year basis. And to the other question, I'll just kind of add to what Jonathan says, across all our business elements we expect healthy growth. Hope that answered your question, Karan.

Karan Vora: So just one clarification here. For Q2, have we seen discoveries -- so when we say we have seen positive signs of recovery for Q2, does it mean a recovery on a Y-o-Y basis as well? Or is it just sequential?

Jonathan Hunt: Yes. No, I got the premise of the question, which is why we gave you the guidance that we gave you. But you got my broader message. Second half should look good.

Moderator: The next question is from the line of Shaleen Kumar from UBS.

Shaleen Kumar: Let me try my luck. So 2 parts of the question. Is it fair to assume that momentum will build on from third quarter to fourth quarter, and it may continue in FY '26, right? So like your comment on that. And second, do we need to like build up in terms of the capacity, capex, etcetera. This is more from a medium-term perspective, given we are excited about the long-term opportunity, which can move upon with the Biosecure Act, etcetera, right?

So do you think that Syngene should start thinking about some capex plans because the opportunity can be so big that it could be overwhelming, and you may not be ready to capture that opportunity.

Jonathan Hunt: Okay. Super questions. This is one of the challenges of giving guidance for the year and then actually coming to fruition, is that it catapults into asking for next year's guidance, we won't get at the half year, only 6 months in. Let me try and sort of disentangle apart.

I think we've got sufficient headroom for growth in the business in terms of capacity, infrastructure and people. We've got more in biologics coming online in the second half. So I don't expect this year or next.

Let me put it this way. The restraints or ceiling on growth is going to be us bumping our head on a capacity limit. So from that point of view, it's much more around client demand, sales execution, service delivery and delivering on our promises to our clients. We're not held back by a capacity constraint. Is that in the spirit of your question.

Shaleen Kumar: Yes. In the near term, I understand that. If I can expand it a bit then. Are there any areas that you're able to identify that you would like to build upon. Again, this is more of a long term seeing that how the opportunities will come. Let's say medium to long term. And when I say medium to long term, it's beyond what you have answered to me right now, right? So let's say, beyond...

Jonathan Hunt: Literally, help me understand the premise of your question. When you say medium to long term, are you talking 1 year, 3 years, 5 years, 10 years?

Shaleen Kumar: Yes, let me clarify. So what I mean is, let's say, this -- next year -- beyond this year.

Jonathan Hunt: That not long term. It's a blink of an eye. I'm actually trying to be helpful. Let me just take a step back, why I'm trying to be helpful. So one of the sectoral trends that a lot of the investment community and the industry is looking at is China Plus One, geopolitical sort of rebalancing of supply chains.

Even if you take the premise of, say, the Biosecure Act, which has an implementation deadline of 2032, work at how many years it is between now and 2032. That seems like almost infinite an amount of time from a capital markets point of view. Operationally, if you're managing a manufacturing supply chain in a large pharma company, that's not a long amount of time at all.

A couple of years to decide what the sourcing strategy is, couple of years to do a tech transfer and build in scale, you're there really quite quickly. So that's why I was pushing a bit on what do you mean by medium and long term. So I think we've got more than enough capacity for this year and next. I'm hesitant to give you long-term guidance at the mid...

Shaleen Kumar: No, no, no. Okay. I didn't get a chance to complete the question. So let's leave aside the timeline. So what I meant -- what I want to intend -- what I intended to ask you is are there any gaps in terms of the capability, which you probably need to build upon given this opportunity coming in and it could be organic/inorganic as well, right?

Jonathan Hunt: Probably. But again, that's just because we're a growing business. If I look over the last decade even at Syngene, we have expanded and grown and deepened our capabilities. We've moved into new areas of science as we've seen market demand. We've got quite a good track record actually of building new scientific capabilities.

So I think you can -- it's an almost certainty you'll continue to see us do that. I try and give you some directional hints on where I see the market demand emerging, ADCs, oligonucleotides, peptides being 2 or 3 of those capability already. Clearly, we have a positive outlook on large molecule CDMO development and manufacturing, which is why we did the acquisition last year and we're bringing it online in this year. I think that's quite a lot as well as seeing good growth across the rest of the business.

Moderator: We'll take the next question from the line of Sudarshan Padmanabhan from JM Financial PMS.

Sudarshan Padmanabhan: Sir, my question is on a little bit more deeper in terms of the nature of the incremental inquiry that you're getting. I want to understand a little bit more on this primarily because if I look at last 5 year trajectory for us, we have done so much in terms of not only even bringing capacity but also capabilities, right, if you look at from peptides, oligonucleotides et cetera.

So I would like to understand, today, when you are getting inbound requests from clients, whether it is Biosecure Act, which is moving the change or even a Europe Plus One story, whether that capabilities are something that is getting tested today? And how do you see traction moving, say, in the next 2 to 3 years?

Jonathan Hunt: I'm not sure I get the premise of the question. We're seeing the nature of the inquiries just aligned to what our business structure is. So I'm seeing a step-up in discovery, development, manufacturing, large molecules, small molecules. It's across the full range.

Sudarshan Padmanabhan: Sure. But what I'm trying to understand here is -- yes.

Jonathan Hunt: Sorry, yes, It's quite noisy. So it's difficult to hear you. But if you're on a hand -- if you're not on a handset, if you could pick up one, that would help. And then what is it that you're really trying to get to...

Sudarshan Padmanabhan: Yes, I would like to understand, I mean, the kind of -- if I'm looking at, say, the last 5 years or in the next 5 years, the investments that we have done towards the R&D capabilities and the nature of projects, which our client is giving us.

So are we moving towards a much higher complexity chain in terms of the synthesis and the delivery with our clients. So in a way, what I'm trying to understand is are we becoming closer to the innovator in terms of partnering with them more and more?

Jonathan Hunt: Yes. Yes. No, it is. But that's sort of the strategic history of Syngene laid out over 20, 30 years there. We are doing more complex integrated projects. We're also doing some not complex non-integrated projects. There's nothing wrong with that. There's a market demand for want of a better phrase, point and shoot chemistry, point and shoot biology, and we're very happy to do that, do it well and create value for our clients through it.

But there's also a demand for more integrated and sophisticated work. That's symbiotic and sort of dovetails rather nicely traditionally with the biotechnology model of being people and asset light, heavy on ideas, they bring the capital and the idea, we bring capability and the infrastructure. So that works quite well in that space.

But we're also pretty good at simple things done well at scale effectively and efficiently. And we're very happy to have both of those in our offering to our clients.

Sudarshan Padmanabhan: Sure. And just taking things forward from your previous commentary. You have also built huge capacity in Mangalore and the biologics capacity that we have. Now that we are seeing a lot of products coming in, can you -- your capacity, coming on the capacities. I mean now that we are seeing a lot of one molecule.

Jonathan Hunt: Capacity.

Sudarshan Padmanabhan: Yes. On the capacity side, I mean, now that you see a lot of business coming in and several molecules moving up the value chain. One, how do we see the utilization, say, in the next 2 to

3 years. And derivative of that, should we see a new high in the margin, say, in the next couple of years? One is complexity, the second driven by operating leverage.

Jonathan Hunt: Okay. You're not going to be surprised that I may not give you a full and frank answer from that. It's the midpoint of the year. We set out guidance for the year, fairly directive that we think the second half is going to see a good improvement in revenue growth rates.

You saw some operating margin improvement in the second quarter year-over-year. You're going to see more operating margin improvement, operating leverage in the second half. That's me prognosticating 6 months out, having drawn a picture.

Sudarshan Padmanabhan: I'm actually taking a little bit longer. If you can say about, say, FY '26, FY '27.

Jonathan Hunt: Yes, I'll do that at the full year results as we do every year.

Sudarshan Padmanabhan: Sure. Sure, but I would assume that directionally, we should be positively surprised?

Jonathan Hunt: That's fine. Your assumptions are yours.

Sibaji Biswas: To your point, it's a no brainer that as capacity utilization increases, margin would increase, but we'll not stop doing what we are doing, right? We are always investing in future technologies, future platforms, future skills. And it has been our effort to kind of keep the margin within the range of what we are now guiding.

So it will be a balance, but it's a combination of both, and you can model that out because we will not pause further investment, further acceleration, further skill building. So it will -- the ultimate margin will come out as a combination of growth somewhere and investment somewhere else. I hope that clarifies well.

Moderator: The next question is from the line of Tarang from Goldbridge Capital.

Tarang: A couple of questions. One, Jonathan, in your opening comments, you said that the inquiry pickup that's coming your way at the current point of time, it's for pilot processes. And you're not the only partner that your customer is working with.

There are multiple pilots that the customer is running. And hopefully, you should be able to convert this. So the underlying question is, what is it that the partner really looks into? And how does the partner compare? Or I mean, what are the drivers for the partner to finally sway the decision in your favor of in favor of one of your peers. So that's one.

The second is on your large molecules business. As you see utilization is ramping up for this business, say, 2 years out or 3 years out, do you believe that this facility will be utilized only by multiple contracts of small value? Or do you think more likely case of a single or a couple of customers really taking away the entire capacity. Just to try to get a sense on how this biocontract manufacturing business will emerge 2 to 3 years from now?

Jonathan Hunt: Okay. So I'll probably try and answer them in reverse order. No, I would expect it to be multiuse, multiclient in terms of the mix in the biologics business. But that just reflects the size of capacity that we've got there and also the amount of space and headroom to scale it.

I mean we're going to bring Unit 3 online, but it's not fully built out. There's further space on the site and there's infrastructure there to go for a second and even a third wave of further capacity expansion over the long term. So it's a bit of a nonstatic frame that you've got to put around your question.

The capacity can expand to meet the demand and therefore, you become circular in your logic, you end up with multi-clients, multi-product, I think, is the strategy there. And then on your other question around what is it clients are looking for, nothing new and insightful. It's what they've always looked for.

Have you got the capability? Are you competitive and capable? Can you deliver to time to cost to quality? Do you have scientific creativity alongside good service and you offer good value for money. So I don't think there's anything new under the sun around how customers select their CRO, CDMO partners.

I think the China Plus One rotation, if you want to view it through that lens or supply chain resilience and dual sourcing, it's all the same thing. There's different drivers behind it. If you're looking at big pharma, they tend to be steady to the point almost have been glacially measured in the speed of change, but when they change, they change with real purpose.

They've got a 2032 deadline out of the Biosecure Act. So they'll move over the next 2, 3, 4, 5 years. It's not an overnight sensation, but it's a really positive tailwind on the industry for those of us that have got capacity in this part of the world and outside of China.

Tarang: Sure, Jonathan. Just to follow up. I mean, to my first question, all things equal, but say, at a slightly elevated price point, do you believe that customers in pursuit of wanting to have a more sustainable supply chain, are willing to go ahead with that proposition?

Jonathan Hunt: What do you mean by sustainable? Are you using that in the ESG?

Tarang: No, no. sustainable in the sense a derisked supply chain, if you may call it. I mean, are the customers willing to pay a little more to ensure that it's a more robust derisked supply chain?

Jonathan Hunt: Not massively, no. I mean are any of us looking to pay more if we think that if we bring volumes, we can get good prices. But we make good margins at existing market prices.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: Okay. Sir, with respect to the Stelis facility, just would like to understand post-acquisition, like where are we in terms of, say, in terms of the product development phase, are we into the stage where we exhibit batches for the customers or we are still some away...

Jonathan Hunt: Not really. We're still in the engineering, upgrading, kitting out, getting it ready to operationalize phase. Absolutely on track, maybe coming in a little bit early, coming into budget, if not a little bit under budget, perfectly happy. But maybe our sort of prior comments didn't land. Since we bought it to today, we're looking to convert what was a plant design to make vaccines into one set up to make antibodies, and that's the phase we're at, at the moment.

Tushar Manudhane: So effectively, the exhibit batch level, the commercial benefit would be like a quarter or 2 away? Is that a safe assumption?

Jonathan Hunt: No, you're jumping ahead, assuming there's exhibition batches in production and it's a revenue, the new capacity play brings us headroom for future growth.

Tushar Manudhane: But by the time -- I mean the facility would have been already showcased to the potential customers, right? So any RFPs on that facility while we sort of reengineer and make the facility ready for the customers?

Jonathan Hunt: Yes, I think that's a level of forensic detail that we've never shared. I mean I roll all of that up into our annual guidance. I'll go back, biologics demand in the market looks healthy. Our business has performed well during the year.

Strategically, we were starting to worry we're going to run out of capacity, which is why we were delighted to bring our organic capacity expansion forward by a number of years through acquiring the site from Stelis.

But I can start calling it Syngene Unit 3 and not Stelis. They're getting a lot of free advertising from questions. And we're bringing it up to our standards and retooling it from a vaccine plant to an antibody one. In terms of future outlook on sort of revenue potential, I'll roll it all up into the guidance we'll give you at the full year.

Tushar Manudhane: Got it. This helps. And lastly, on the second half FY '25 guidance, while the guidance as far as revenue growth is sort of maintained, just would like to understand what will drive this. Whether it is discovery development or commercial? And it's not in terms of quantifying it, but if you could at least help in the pecking order?

Jonathan Hunt: So yes, no, and across all 3, how about that? So yes, yes, you've understood this correctly, we expect there to be growth in the second half. Actually, it's going to be reasonably well balanced across all the aspects of our business. Costs for running a place like infinity and all is in the P&L.

Tushar Manudhane: So which means at least the profitability? Sorry?

Jonathan Hunt: Go on, go ahead.

Tushar Manudhane: So which effectively means that the profitability growth will be much better compared to the revenue growth, right?

Jonathan Hunt: What a super question. Given that it's Sibaji last conference call, that one's going to him.

Sibaji Biswas: So instead of kind of making it a relative statement, first half is 25% and if you -- if we are saying that the overall year would be close to last year, which was 29%, automatically, we are stating that second half profitability would be pretty good, right?

And that profitability would come from revenue growth happening across all businesses, which should then ideally slow down the profits after adjusted for the direct cost. So looking to a good second half, good growth and good profitability. That's how I sum it up.

Tushar Manudhane: Sure. And lastly, just one more, if I may. This related to Stelis facility, is that already capture in the P&L?

Sibaji Biswas: Can you repeat the question?

Tushar Manudhane: Operational cost related to Stelis facility, is that already captured in the P&L?

Sibaji Biswas: So we go by the accounting standards, any engineering costs directly attributed to the modification of the facility is capitalized, but otherwise, operating costs for running a place like utility and all is in the P&L.

Tushar Manudhane: So basically, the employees and all are already onboarded, and so that cost is already in the P&L.

Sibaji Biswas: I'll qualify that by saying that the operating employee costs are in the P&L that -- but some part of that, which is directly attributed to the modification of the facility is capitalized. So when it becomes operational, the operating cost may go up from what it is currently the P&L, but only to a certain extent because a large part of that is already in the P&L.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Deval Shah from RBSA Investment Managers.

Deval Shah: Yes. So I basically have 2 questions.

Moderator: Mr. Shah, I'm sorry to interrupt. Your audio is low, sir, can you please increase the volume a little bit?

Deval Shah: So Jonathan, I have 2 questions. So one is surrounding -- so both are strategic. So I was reading a report, and it said that your international larger peers or competition, I would say. They -- when they were in the growth phase, they gained immensely by establishing the labs and the smaller operations, proximity to their innovation hubs in U.S. and Europe and they retain the larger delivery operations in China and their domestic place.

So just wanted to know your thoughts in -- with regards to this, with respect to Syngene how we would like to develop 10 years from now. Or I would say, so whether having a lab in U.S. or Europe would have us in getting more business. So your thoughts on that?

Jonathan Hunt: Super. That was one question. Was there a second one?

Deval Shah: And yes, the second question is with respect to the -- your domestic -- so it is now the open thing that, yes, there is a China Plus One Biosecure Act, and many innovative companies are looking in India to have a partner. So what is the evolving landscape in India? How your competition -- so have we, as a Syngene are standing vis-a-vis the competition within India? And what is our right to win in gaining the incremental business or the RFPs we are getting. So that's the 2 questions.

Jonathan Hunt: Well, super. Good questions. I mean, the first one, actually, strategically, I'm open-minded on it. It becomes much more about how and when. But there are elements and segments of the market that you can't access if you're already in one geography of the world. By the way, that's true for people that are only in one geography in the world, but it's another part of the world.

So if you've got a European-only footprint, you're going to struggle to provide service to people who want an Asia-only supply chain or a U.S.-only supply chain. So I'm not intrinsically for it or against it, we're open-minded, and we'll address it on its merits. There are certainly some segments where you can see a very local regional supply. So people who are in the U.S. want to partner with people that are in close geographical proximity. So it's a means to an end.

Is that -- it's a neutral enough strategic statement, I can see some merit in it. But we judge every case, whether it's an organic build-out or inorganic acquisition, a partnership model on its merits and we'll be looking to create good shareholder value in a risk-managed way. That's for the domestic element. Our competition is good. It drives up sort of overall capability within the industry.

I don't think there's anything to fear. We already compete with some very good competitor companies from around the world, and we do reasonably well, I think. So I don't particularly worry about the competition. Hopefully, they're worrying more about us than we are about them.

And then there's a lot of private equity capital on the hunt around the world on the China Plus One story. There are companies in adjacent sectors considering sort of pivoting towards the CDMO part, in particular, you see a number of generics companies considering it. So different business means different rules of operating, different ways of doing it. We've got a lot to learn and figure out, but I don't mind competition, and I don't mind if it drives up standards for everybody.

Yes, but also I'll just be pragmatic. Please -- there's no element of sort of hubris or nonchalance about that. You've got to come into work every day, assuming that somebody out there is planning to eat your lunch. We certainly come in thinking about other people's lunches.

Moderator: As that was the last question for today. I would now like to hand the conference over to Ms. Nandini Agarwal for closing comments. Over to you, ma'am.

Jonathan Hunt: Yes. Actually, before we do that, I was going to dive in. It would be remiss of me not to publicly thank Sibaji for a fantastic innings. It's certainly his longest innings. And for those of you, and it won't be visible to the capital markets, he's had a real impact within the company, way beyond the realms of just finance.

He's done an awful lot of good things to raise the standard of our supply chain and many other areas. And also has been a thought contributor in all of the discussions with the management team. I was asked earlier on a TV interview what changes we were looking forward as we segue from Sibaji to Deepak.

And I gave an honest answer, which is I don't want to see very much change. Continued impact and excellence would be very much appreciated. So we've got to thank Sibaji, he's not going yet, there's a couple more months of hard work before you go on to pastures.

And of course, welcome Deepak. It's not his first rodeo, to use the cowboy expression. This is his third or fourth time out as a CFO. So I know he starts with a good understanding of what the role is and he's already been here a month. So it feels more like an internal promotion than a new hire.

So thank you, Sibaji. Welcome, Deepak. And then the other comment from me, of course, is to wish everybody a happy Diwali. So with that one, we look at you, Nandini, anything you need to do in closing?

Nandini Agarwal: Thank you, everybody, for coming on today's call. Thank you, Sibaji, Deepak and Jonathan for the comments. And if you have any queries, please free to reach out to the IR team. We'll be happy to know. Thank you and have a good day.

Sibaji Biswas: Thank you.

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