“Syngene International Limited

Q2 & H1 FY 2026 Financial Results Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Syngene International's Second Quarter and H1 FY 2026 Financial Results Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

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 FY 2026. To discuss the financial and business performance for the period, we have on this call today Mr. Peter Bains, Syngene's Managing Director and Chief Executive Officer; and Mr. Deepak Jain, Chief Financial Officer. After the opening remarks, Peter and Deepak will be happy to answer any questions you may 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 harbor 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 to Managing Director and CEO, Mr. Peter Bains.

Peter Bains: Thank you, Nandini. Good afternoon, everybody, and thank you for joining us in this call today. Let me begin with a brief overview of our key financials for the quarter and the first half of the financial year, before I move on to operational and strategic highlights. I'll then hand over to Deepak, who will provide a more detailed breakdown of the financials.

Revenue from operations for the quarter stood at or INR911 crores, up 2% year-on-year and up 4% sequentially. Operating EBITDA was INR200 crores, a decline of 18%, with an operating EBITDA margin of 22%. Reported profit after tax was INR67 crores, down 37% year-on-year, with a 7% PAT margin. The second quarter performance was characterized by 2 key dynamics. Firstly, maintained momentum in research services; and secondly, the anticipated inventory correction in biologics manufacturing.

First half revenue from operations was up 6% and, at the midway stage of the year, our performance is being in line with our expectations. Historically, Syngene's performance in the second half has been stronger than the first half of the year, which we expect to be the case this year. And on that basis, we are maintaining our full year guidance. Deepak will provide more financial details in his remarks shortly.

Let me now turn to some of the business highlights, and start with research services where we saw sustained growth momentum. I'm also pleased to share that in this quarter, Syngene has been awarded our first global Phase III clinical trial by a U.S.-based biotechnology company. This trial will recruit patients across clinical sites both in India and the United States.

This is an important milestone and reflects our growing capability in managing large, complex global trials. We see the clinical trial market opportunity as an important driver of Syngene's growth in the mid and longer term, and we are investing to strengthen our capabilities and reach accordingly.

To that end, we have also expanded our clinical trial footprint across Australia and New Zealand, the U.K. and Eastern Europe through strategic partnerships with established CRO players. These collaborations will build on and strengthen our capabilities in early-stage healthy volunteer study, first-in-human studies and patient-based clinical trials.

Along with our translational and clinical research platform in Bangalore, these partnerships will help us meet the increasing demand from global customers and regulators to include diverse patient populations in their Phase II and Phase III trials.

In the CDMO market, we are continuing to invest in and build on our strength in fast-growing new modalities, including antibody drug conjugates and peptides. In this regard and building on our experience in antibody and small molecule discovery and development, we are now expanding our biologics facility in Bengaluru with a GMP bioconjugation suite. This will allow us to offer fully integrated services for antibody drug conjugates, from discovery through to GMP manufacturing.

And this will place us amongst the select group of CDMOs with full-service ADC capabilities. The suite will enable monoclonal antibody production and GMP bioconjugation at the same site, accelerating ADC development time lines. Importantly, the facility is capable of supporting a wide range of advanced conjugates and related modalities and is expected to be operational within this financial year.

Turning to peptides. In quarter 1, we had commissioned a dedicated peptide laboratory at our Bengaluru facility, expanding our discovery capabilities in this area. We are now planning to enhance this capability with a larger scale GMP peptide facility in Mangalore. With this facility, we will be able to partner with our customers in peptides from discovery through to clinical and now commercial scale supply, enhancing our ability to serve clients across the full development cycle in this fast-growing area.

In our Bangalore biologics facility, Unit 3, we are pleased to advise that we have now operationalized and are supplying GMP clinical material to a U.S. biotechnology collaborator. And with our Bayview facility for monoclonal antibody manufacturing in the United States, we are on track with our preparations to commence operations in the second half of the year.

With those highlights, I will now hand over to Deepak, who will take you through the financials in a little bit more detail before the Q&A.

Deepak Jain: Thank you, Peter. Very good afternoon to everyone. Let me begin by discussing the second quarter performance, and I will cover the first half and the guidance before I close my commentary.

Revenue from operations remained in line with expectations for the second quarter at INR911 crores. This marks a 2% year-on-year growth in reported terms, down 3% in constant currency terms. Sequential growth quarter-on-quarter was at 4% in reported terms.

This quarter saw research services continuing its year-on-year growth trajectory, led by volume improvements in discovery business. CDMO business was impacted due to inventory adjustments in biologics manufacturing, which we explained during the start of the year. Our small molecule CDMO saw growth in the quarter led by formulations.

Now turning to costs. Raw materials accounted for 26.2% of the revenue from operations, largely in line with the second quarter of last year at 26.6%, supported by a lower mix of CDMO business. We expect the full year raw material cost to be around 25%. Employee costs increased by 13%, in line with the net increase and the investments in talent.

Other costs, primarily comprising of power utility expenses, increased by 4% year-on-year due to the new facility at Bayview and biologics facility in Bangalore. Other expenses increased by 8% year-on-year as we continue to invest in automation, digitization programs to deliver increased speed and productivity.

Our company saw a hedge loss of INR11.8 crores against a hedge gain of INR4.3 crores in the quarter of the previous year due to difference between average and spot hedge rates. The movement in revenue and the cost resulted in 18% year-on-year decline in operating EBITDA with margins of about 22% in the quarter versus 27% in the last year. With FY '26 being a transient year, our full year margins are expected to be in the mid-20s as guided earlier.

The increase in depreciation is primarily due to addition in capacity as the biologics manufacturing in Bangalore, which became operational this year. EBIT from operations was at INR83 crores, down 38% year-on-year, due to increase in depreciation costs. Reported interest expense remained flat compared to the same quarter last year. Other income declined by 7% compared to Q2 last year, primarily due to interest income on income tax received last year, which was not there in the current year.

Reported effective tax rate for the quarter was 21% against a 23% same quarter of last year, due to the change in mix in the units that we have. We expect the effective tax rate for the full year to be around the 21% to 23%. Overall profit after tax before exceptional items stood at INR67 crores, down 37% year-on-year. .

As the market evolves and new technologies emerge, we continue to invest in capabilities and capacities to drive the future growth. capex spend for the quarter stood at $10 million. Around 50% of the capex was invested in research services, primarily across capability builds, including DMPK automation, ADC labs and contractual obligations in dedicated centers.

Nearly 30% of the capex was in the CDMO business for new formulation facilities and small molecules and modifications of the manufacturing facility at Bangalore and the Bayview facility in U.S.A. The remaining of the capex was spent on digitization, automation and common infrastructure.

We continue to maintain a strong balance sheet, which enables us to effectively navigate through industry cycles. After meeting the capex spend for the quarter, we have a net cash balance of INR1,018 crores as of 30th September 2025.

Our first half performance was also in line with our guidance. Reported revenue from operations increased by 6% year-on-year. Raw material cost was down by 3%, driven by a revenue mix. And staff cost increased by about 14%.

Our direct costs, primarily comprising of power, increased by 3%, and other operating costs increased by 15% as we continue to invest into expansion of our facilities and capabilities, including automation and digitization that I spoke of earlier. Operating EBITDA margin stood at 23% for the first half, compared to 25% last year. PAT before exceptional items was down by 4% year-on-year to INR154 crores.

Finally, let me say a few words about guidance. We advised in April about FY 26 being a transient year on a reported basis and, in constant currency, we guided to a mid-single-digit growth on revenue. We also guided towards a mid-20s EBITDA margin and a declining path. We continue to hold our guidance for the full year.

We continue to expand in new areas such as peptides, ADCs, augmenting our capabilities into the fast-growing new modalities. With our new biologics facilities at Bangalore and the Bayview facilities getting operational later in this year, our focus will be executing in line with our strategy, which we believe will position us for further growth in the medium and the short term.

With that, I would like to open it up for questions. Thank you.

Moderator: Thank you very much. We'll take our first question from the line of Kunal Dhamesha: from Macquarie. Please go ahead.

Kunal Dhamesha: Congratulations on getting the clinical trial contract for the U.S. market. So the first question pertains to the contract. I mean what type of capabilities have you set up in the U.S. market for this? And how are we differentiating from the existing players in this space such as IQVIA, I believe, provide clinical trial solutions? And how does the economics of these kind of projects work? That will be the first question.

Peter Bains: Thank you, Kunal. I'll start with the reverse, and Deepak may want to add something. So again, let me step back, because this is an important milestone to Syngene, it's our first Phase III global clinical trial. And it builds on our preexisting strengths in the clinical trial in India, which is becoming, I think, a greater focus for global clinical trials, and it builds on our collaborations with established CROs in other geographies, including the United States. And as I said in my opening remarks, we've now extended that into Europe and Australia and New Zealand.

So we're building on existing capabilities and we're leveraging our collaborators, CROs, in the United States in order to recruit patients, undertake all the analytics, etcetera, required in this study. As you would expect, we very recently signed this, the economics of this trial will be spread out over the 3 years. And the bulk of that will come in FY '27 and '28, as the trial picks up and so forth. Kunal, does that answer your question?

Kunal Dhamesha: Yes, partially. I wanted to understand more about how does these kind of projects fare in terms of the potential, let's say, revenue upside versus the typical research projects that we take, not just for this particular project, but how does clinical projects fare against, let's say, the commercial manufacturing or the services project that we take and just from the business angle perspective?

Deepak Jain: So Kunal, let me just try and help understand -- or let me help understand the answer to those actually. When we look at our clinical trials, right, it's actually a business that's growing for us. It's in an industry segment that's growing. It's evolving as we speak. We've got a first clinical trial batch, right? And that's the first global clinical trial batch.

I think at this stage, I would rather refrain from commenting upon how it compares to our business and our margins across each of the businesses because we typically don't break down our businesses, right, in terms of margin structures. But it's an area that we believe has got a lot of potential. There is a good traction and growth that we're seeing. And we look forward to seeing more information on this as we share with you in the coming quarters.

Kunal Dhamesha: Okay. That's helpful. Second one, on the ADC and peptide, where we are having capacity, so what kind of visibility have we got there to kind of utilize the strategies that we are adding in, that if you can provide some color there?

Peter Bains: Yes. I mean we do have visibility here and the cost of the traction. And very clear in a longer lens, the antibody drug conjugate market is expected to grow substantially over the coming decade and more as we look at the pipelines of our customer base and the utility of combining the targeted effectiveness of the monoclonal antibody with a directed payload and the requirement for conjugation.

So again, we are building from a position of strength in our historical expertise on monoclonal antibodies, our historical expertise in small molecule chemistry for the payloads and our growing capability in linkage. Putting all of this in 1 site to create a differentiated capability for integrated antibody drug conjugates. The development, and we do have existing partners and, of course, we're looking to expand that and build on that going forward. It's a very important area of growth for us.

Kunal Dhamesha: And lastly, if I may just squeeze in. I think that press release mentions recovery in biotech funding, we have seen some green shoots there. And our research service anyway has done decently well in the first half. So do we expect meaningful acceleration if the biotech funding comes back in the second half from here on?

Peter Bains: Sure. I mean we are seeing the same picture. We're seeing an encouragement -- encouraging improvement in VC funding with the biotechs. Syngene has a substantial early discovery capability and biotechs are an important part of our customer mix.

I will note that the underlying research services growth has remained robust. But a tailwind with an increasing venture capital flow into early-stage biotech will just add another layer of growth opportunity on to our preexisting momentum in research services. It's encouraging. We're

obviously tracking it. And of course, we hope that that trend continues and we'll see something more like a full recovery in the VC biotech funding going forward.

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

Shyam Srinivasan: Just the first one on the split of the revenues. I think in Q1, you've disclosed some either large molecule, or if you're doing a CRO versus CDMO, if you could kind of give us that for the quarter and for a year ago, please?

Deepak Jain: So our research services has been about 67% and 33% is the manufacturing or CDMO business for this year. Last year same period was about 63% versus 37%, right? So there's a higher growth in the research services than in the CDMO business for us.

Shyam Srinivasan: Sorry, Deepak, I'm -- there was some disturbance. So 67% of CRO versus 63% last year?

Deepak Jain: Yes. Yes.

Shyam Srinivasan: Okay. No, I was just trying to get the numbers right. And this is Q2 versus Q2, right? Not H1 versus H1, something like that. It's just Q2.

Deepak Jain: Q2 versus Q2.

Shyam Srinivasan: Okay. So that clearly shows that -- I can do the math later, because I'm not able to see the number in front of me. So research services has grown positive growth, I would imagine, higher than whatever the quarterly growth is, right? How does this now pan into the second half per se? Do we continue to see -- what are some of the leading indicators on the services that gives you the confidence that we can keep this momentum going?

Deepak Jain: Shyam, we don't typically break down the forecast by these segments, but we're maintaining our guidance for the quarter -- for the year. And we want to stick to that. We wouldn't break down the forecast by quarter and by the business...

Shyam Srinivasan: Understood. Not to worry. So let me then flip the question around. So we have seen, again, I think the manufacturing services decline. And is it largely led by just the destock of, say, the biologic? Or is there maybe core business, if you were to separate that out this quarter over last quarter, how do you think that is progressing? And anything that you want to add on what's happening at the Mangalore API plant?

Deepak Jain: So let me answer the question for you. We are -- we did call out a slowdown in our large molecules because of the inventory correction. And we're seeing that play out. Nothing beyond that as what we had anticipated should have happened for the year is happening, right?

So it's more or less the way I would take it is no surprises yet, and our CDMO business is impacted by the inventory correction, which is what was playing out. We saw that starting from this quarter more than what we saw in the previous quarter. In terms of -- sorry, I missed the second part of your question. You had one more part to it, right?

Shyam Srinivasan: No, no, Mangalore API plant. So I'm talking about small molecules...

Deepak Jain: Sorry. On the small molecules, we did mention of the fact that we're seeing the utilization levels, and we don't call out the actual level, but we're seeing the trend lines on the utilization levels improve. We like the trend lines. Is there more to be done so that we get optimal? I think yes, we continue to hold that point. But yes, we are seeing more and more traction. In fact, the peptide facility that we spoke of earlier in the conversation is something that we are putting up at the Mangalore plant.

Shyam Srinivasan: Got it. Last question, Deepak and team, just on our overseas facilities, the acquisitions that we have done, how are they tracking either in terms of recruitments, also in terms of the pre-op expenses? When do we think monetization starts?

Deepak Jain: So we had guided towards second half of this year for us to start operations in the Bayview site. We are on track to do that. Things going as planned. The recruitment is happening. We are going as per what we have planned it to be.

The dates or periods of monetization, obviously, once we get the site operational, it will need to do some trial batches, etcetera. But we still continue to hold to our guidance around the second half of this year for the site to become operational, and things going on as per track.

Moderator: We'll take our next question from the line of Harith Ahamed at from Avendus Spark.

Harith Ahamed: I see a write-off of around INR28 crores related to unrecoverable receivables in the footnotes. So trying to understand under which line item this is recorded in the P&L? Is this entirely a one-off, nonrecurring item?

Deepak Jain: Yes, it's a one-off. It's a nonrecurring. And it's sitting in other expenses.

Harith Ahamed: Okay. Got it. And on the Bayview facility, you noted in your comments about commissioning the facility in the second half. And then we're also hearing about a lot of push from the U.S. administration towards local manufacturing. So do we expect the ramp-up in the order book to be faster than our initial expectations? And then if you had any conversations with clients, any takeaways from those? And also, any update on the order book, how that's shaping up at Unit 3?

Peter Bains: Okay. I'll take that one, Harith. Thanks for the question. On the Bayview facility, what we're seeing in the United States and, of course, it moves around a bit, but clearly there is a push from the administration to localize manufacturing for the U.S. -- in the U.S., and that very much plays to our site being located in Baltimore.

We have numerous discussions going on with potential clients and customers, but I think I'll revert to Deepak's guidance, which is everything that we set out in terms of preparation time lines remains very much on track. And we are looking forward to commence commercialization. But that will, as Deepak guided also, that will be initial batches, qualification batches and so forth. We are on track to do that before -- in the second half of this year, and then we would look to see the ramp-up coming through later. I think that's in good shape and on the same time line.

With regard to Unit 3, Bangalore biologic facility, as I said in my remarks, we're very pleased that that is now operational and we are supplying GMP clinical supplies to a U.S. biotech. Of

course, that's just the start. We have more to do, and we'll look to build on that going forward. And one of the implications of that, that Deepak spoke to in terms of that now operationalizing, creates the depreciation that Deepak spoke about in his remarks.

Harith Ahamed: Just a quick one on the Phase III clinical trial contract that we won. So given that this is a new foray and, so far, we have largely focused on B&B studies and early stage trials, does this foray entail some investments from our side to get into these large Phase III trials?

Peter Bains: So the patient recruitment, Harith, will be split between India, where we already got a well-established platform capability with strong connections into the hospital networks and with the appropriate investigators. In the United States, we'll work with a collaborator and, operationally, of course, we will work with them.

So in terms of investment, incremental, nothing significant here. And we'll operationalize it, I think, before the end of this fiscal. But as I said in response to one of the earlier questions, we see the bigger economics of this global trial flowing through in fiscal '27 and '28. It's a multiyear trial, and we would expect the economics to flow and reflect that.

Moderator: We'll take the next question from the line of Alankar Garude from Kotak Institutional Equities.

Alankar Garude: Just a follow-up on the clinical trials as well. I wanted to understand what prompted the decision to get into this? And we have had a minimal presence in this over the last many years. Just in terms of timing, what exactly was the factor which prompted this decision to get into a larger presence within clinical trials now? And maybe a second question there is from a regulatory standpoint, particularly in India. Do you think the overall environment is now more conducive to conduct global clinical trials?

Peter Bains: So let me start, I'll do the first question first, I may ask you to repeat the second half. On the first one, what's prompted this. Syngene has had clinical trial capabilities for well over a decade and more, but those have been largely focused on human volunteer and early-stage trials. The Indian hospital capability and quality has dramatically improved over the last 10 to 15 years and now provides a substantial platform to access patients for clinical trials.

And the investigator network in India has also, I believe, significantly sort of advanced and the capability and quality is now really strong. And a lot of companies are looking and, indeed, so are the regulators, including diverse patient population bases in their later-stage trials toward approval.

So I think there have been sort of fundamental dynamics that have underpinned the emergence of the Indian clinical trial platform and access to patients. Syngene has been evolving along that and has now very strong networks and collaborations both with hospital groups and with investigators across a wide range of therapeutic areas. And very clearly, the interest in engaging and accessing Indian capabilities and the Indian patient population is increasing.

So we're looking to move with that dynamic in India. And we believe that with the capabilities and platform strengths that we've developed in India working in collaboration with select CROs in other geographies, as I described in my remarks, that that is a natural expansion for us into a

very large market opportunity. So the fundamentals are right. Syngene is very well placed to capitalize on this as an Indian-based CRO, both to access the Indian hospital and patient populations and through partnerships to expand into global clinical trials.

Alankar, please repeat your second part of the question.

Alankar Garude: So the second one, Peter, was on -- from a regulatory standpoint in India, do you think the environment is now more conducive? Because there have been challenges in the past. Has anything changed as far as the regulatory environment for clinical trials in India is concerned?

Peter Bains: I think the answer is, directionally, yes, and clearly, yes. And I think there are also encouraging signs that the regulatory environment in India will continue to sort of improve in terms of ease of doing business and the speed of doing business.

And again, I think those are dynamics that are -- the wider global customer base sees and are important in playing into decisions to increase their engagement of the Indian hospital investigator and patient access to complement their global capabilities. So definitely, Alankar, I think the answer is yes, and we look forward to more regulatory improvements to help accelerate that opportunity.

Alankar Garude: Helpful, Peter. The second one is, can you comment on the peptide facility you spoke about in Mangalore? More details in terms of the investment it entails, how much capacity you are looking to create? Is this more of restructuring of your existing facility or it's more brownfield? Possible to share any such details?

Peter Bains: Yes, I can expand a little bit. It will build on what I said earlier and I think some of Deepak's comments. As you know, we have been into peptides and early discoveries for some time and we strengthened that with a very contemporary facility installation earlier this year. In Bangalore, a discovery peptide laboratory, which enhanced our capabilities in peptide synthesis, in purification, in characterization, with multiple synthesizes.

Very, very, obviously, again, the peptide global market opportunity, which is, of course, led by GLPs, has been explosive in the nature of its growth. But behind the front end of that with GLPs into diabesity and so -- to diabetes and obesity, there is a very wide and deep range of clinical programs exploring the utility of peptides well beyond diabetes and obesity.

And that provides, I think, for us, a very attractive opportunity. And in order to enhance our capability to engage and to grow into that, and building on the discovery capability, want to establish facility, and this will be in Mangalore, which increases our scale and enables us to go into clinical scale and into commercial scale.

I mean this is not commercial scale at the GLP level, but it will be commercial scale on -- in other areas. And it takes us from a toehold to a foothold. And then from there, I think we'd be looking to build on that as well. It's a very good example of an area of opportunity, a very fast-growing modality with peptides where we're building on our preexisting capabilities and enhancing them to enable us to access and grow into this fast-growing market opportunity.

Alankar Garude: And possible to share details, Peter, investment, until how much capacity you're looking to create, time lines as well?

Peter Bains: No. I mean, Alankar, I think I can give a little bit on that time line. I think this is -- we will build it this year, and it will come into operations next year. In terms of scale, this will enable us to move into clinical and into commercial. And it will complement our preclinical and discovery capacities that exist in Bangalore. But we're not going to sort of disclose any more details on that at this stage.

Moderator: We'll take the next question from the line Madhav Marda from FIL.

Madhav Marda: I have a very basic question. This global Phase III clinical trial which we are doing, could you just, like just very basic, help me understand what is the source of revenue for Syngene? Will we be generating revenue from helping recruit for the trial itself and also supply sort of the trial quantities from our facility? Or how does it work? Sorry, maybe a very basic question.

Deepak Jain: It's a nature of a service contract as well, right? So we would do the trials on patients and generate revenue through the client that asked us to do the trials.

Peter Bains: Madhav, let me build on that a little bit. I mean as Deepak said, this is a service contract that we'll enter with a client customer. And of course, it will be built around the patient numbers and the analytics that we will do in terms of the samples and the follow-up and the reporting and so forth. But it's basically a contract service around the scale and the scope of the clinical trial being conducted. Very standard format.

Madhav Marda: Okay. So is that linked to the new biologics facilities that you are setting up? It's not linked to supplying some quantities from there and it gets linked to that. This is a separate business...

Peter Bains: Yes, yes. It's a separate business altogether. They're not linked.

Madhav Marda: Okay. Understood. And I just want to understand that on the Stelis unit as well, which we acquired some time back, any comments on the ramp-up time lines there? That was part one. And secondly, on the Zoetis sort of the contract as well that we have. When do we expect the like -- when does the destocking end? When do we expect the supplies to restart for that project?

Deepak Jain: So Madhav, on the first question on Unit 3 ramp-up. We just said we commissioned the site in May, it became operational with all the regulatory licenses in May. We started doing clinical batches now, and we supply 1 GMP clinical batch to a client in U.S. And we're now starting to see the ramp-up of that shape up, right?

In terms of -- sorry, the second part of your question was?

Madhav Marda: The large molecule destocking, yes.

Deepak Jain: Yes. So we did speak about the destocking happening in this year, and that's what gave us the guidance of what we've done -- what we've got for FY '26. We continue to hold on to the guidance. We saw the impact of destocking happening in the quarter 2. That was in line with our

anticipation or our expectations as well. And we're working with the client to ensure that it's going as what we had anticipated it to be.

Madhav Marda: Would it be fair to understand that this can come back in fiscal year '27, or that's yet to be discussed and confirmed?

Deepak Jain: I wouldn't be able to comment much upon that because it's a little -- for us, we are providers of the services and the products that the clients ask for. We receive an order, we fulfil the order based on the forecast that we get. And we've got a forecast which allowed us to give you the guidance that we've given, and we're holding on to the guidance right now. For the years beyond, we'll come at the right time. And when we talk about FY '27, we'll guide on to that as well.

Moderator: We'll take our next question from the line of Chirag Dagli from DSP Investment Managers.

Chirag Dagli: Sir, is there an expansion of your role with the innovator on the animal health biologic product? Are there more such products? Because at that time, you had also talked about more products for the same clients. So just how should we think about that opportunity even while this destocking sort of continues?

Peter Bains: So let me address that question. So I mean we are, as Deepak said, we're obviously ongoing discussions with the client with regard to the commercial product that we are supplying. And we do have additional discussions with them on potential additional opportunities. And in the wider lens in animal health, we have a number of ongoing dialogues which could come to fruition there as well to complement our clear focus on human health. So we continue to explore all opportunities in that regard, and that includes existing clients and future opportunities.

Chirag Dagli: Is this like a near-term event, Peter, as in next 12 months kind of an event, the expansion of the product portfolio for the client?

Peter Bains: Can't really guide at that level. We'll, as and when these things mature and materialize, we'll update accordingly. But we have a wide range of discussions ongoing, and as and when they mature, we'll update.

Chirag Dagli: Understood. And the second one was on the -- while I understand you won't give an FY '27 outlook, but when I look at history, typically you've never had more than 2 years of single-digit growth, and FY '26 will be the third year of single-digit growth. Typically, that has been followed with a very strong following year. Is this the kind of expectation you want investors to go back with just looking at history last 15, 20 years?

It looks like after couple of years of single-digit growth, you've come back fairly strongly, especially in context of the last 3 years which have had soft growth, but you've continued to invest in capacities as well as capabilities. So just in that context, some color around, without getting into numbers, some color around FY '27 outlook should be helpful. Because if I look at history, clearly looks like FY '27 and '28 should be very strong years.

Deepak Jain: Chirag, let me answer the question a little differently. When we came at the beginning of the year, we said we have a single digit -- mid-single-digit growth that we are guiding towards. And

we did also call out that that mid-single-digit growth was driven by a one-off inventory correction by one of our clients. And we'd said underlying growth still continues to remain robust and is strong, which is what we hold because we are holding our guidance.

In terms of -- you're absolutely right, we continue to be on our strategic path of investing into the right capacities and capabilities as we see right. And we continue to do that. We continue to follow the path. Now I will not be able to comment upon how '27 and '28 will pan out to be. We've always come and given a guidance at the right time, and at the right time, we'll come and talk about '27, '28.

Chirag Dagli: Just a follow-up on that, Deepak, is there any reason to believe this time around it is different?

Deepak Jain: This time around for the history...

Chirag Dagli: This time versus history. Yes, yes. .

Deepak Jain: Well, all I can say, I can comment only upon this year and this year's guidance and what we've told you how it shapes up. I do not want to correlate a history and then do a forward projection on that, Chirag. Apologies for that. I'd like to just stick to this year and the guidance that I've given.

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

Surya Narayan Patra: Most of questions have already been answered, but I will try to understand a bit more on the clinical trials opportunity. So is it the reactivation of...

Moderator: Mr. Patra, your voice is sounding muffled. Please go ahead.

Surya Narayan Patra: So the only question was about the clinical trial operation. I think it's the reactivation of the old Clinigene business, what we used to have. And if it is yes, so how extensive this business will be, whether it will be like all toxic studies also along with the human clinical trial material supply and with the real trials?

Peter Bains: Sorry. Surya, again, I'm not sure I got the whole question, but a part of it was, is this Clinigene evolved? And in that, if that was the question, I think this is a substantial evolution of the Clinigene platform of many years ago, and it's being built around a platform on translation and clinical research, where we think putting translational capabilities along with clinical affords us the opportunity for a differentiated service in an area of extreme importance to our customers.

As they seek to take their drug candidates and derisk them through translational science now, which is a very wide-ranging suite of capabilities and tools that will enable, for example, biomarker studies to identify suitable patient populations for the clinical phase.

So this bridge between preclinical drug candidates and clinical candidates inside patients is a bridge of extreme importance to our customers, and we are building a platform of capabilities to support them across that bridge. And as I said, translational capabilities will be very important in a sort of integrated, joined up and end-to-end capability, to then enhance the clinical profile output.

It's a very exciting area for us. It's an area of extreme importance to our customers as they look to bridge their drug candidates into human studies and ensure that those studies, protocols, designs and patient populations are optimized against the biological target and the diseases that these drug candidates are designed for.

So it's a very much enhanced, elevated and advanced platform capabilities. And maybe you're talking about evolve with the Clinigene where it was centered around the human pharmacology unit doing studies for generic companies. It's trans formatively shifted from that, and we will continue to build on it.

Surya Narayan Patra: Okay. Sir, what resources that we would have created to attract this kind of business opportunity? And let's say, over a longer period of time, let's say, if you consider a 3-year period, how big this opportunity can be for the entire company like Syngene?

Peter Bains: So I mean, I think I said in my opening remarks and to the answer to 1 or 2 other questions, we see the translation and clinical research part of our business, which today is a relatively small part of our business, as an area of strategic growth opportunity. And we're very excited with the award of our first global clinical trial, as I described earlier, and we're looking to build on that. And I think the outlook is very positive for this.

I mean we are not in a position to give any quantitative forward guidance or outlook. I mean what is very, very clear is that the translational and the clinical trial space on the global CRO landscape is a large part of the market opportunity, and it remains a fast-growing part of that opportunity.

And we believe that we've built and we'll continue to enhance the platform capability that will enable Syngene to engage in that market opportunity in a differentiated way and with the opportunity to access the market opportunity and create a strong growth driver for our business in many years to come. That's the nature of the opportunities, Surya, at this stage, but we're not going to give any more characterization on quantification.

Surya Narayan Patra: So just last one, so whether this China plus one is also a kind of a trigger here in the CTO? Because China was the biggest market for the CTOs. So is China plus one even kind of a big driver for clinical opportunities for Indian players, and hence, the move that we are seeing for Syngene?

Peter Bains: Sorry, the question is breaking up, so I don't think I'm hearing it properly.

Deepak Jain: Is China plus one a driver for us on clinical trials?

Peter Bains: So the clinical trials, Surya, the question was, is China plus one a driver for us on clinical trials? The answer is no. That's not a factor in our consideration at this stage, and we clearly look at the global market opportunity more broadly than that.

And it's not a driver in any of our decision-making. The decision-making around consolidating a capability, bridging preclinical and clinical to include translation sites in the suite of

capabilities that I've just described was taken on the basis of the global market opportunities it stands.

And there was no consideration of a China plus one component to that. The global market opportunity is very significant. We're starting our play in that market, and we're very excited about the opportunity.

Moderator: We'll take our next question from the line of Aditya Khemka from InCred Asset Management.

Aditya Khemka: A couple of questions. First, on the overall return on equity profile for the company, directionally has been a double-whammy of lower asset returns and even lower PAT margins. If you can sort of share your outlook considering you have invested roughly $200 million over the last 2 years. How do you sort of place your incremental capital allocation to improve this? And if you can share what kind of investments are you looking over FY '26 and '27. These are the first questions.

Deepak Jain: So completely with you in terms of us going ahead and investing and that having an impact on the return on capital. But our investments that we've made have been conscious decisions of building capacity in businesses that we are seeing growth in. In my previous conversations, I've always mentioned that we look at investments in twofold.

One is capacity and capability. And we continue to strategically invest as we deem right into areas, into modalities, into capacities, right? In the last few years, we've invested into our biologics capacities.

We would always appreciate the fact that these capacities have a gestation before they ramp up. And even in the guidance that we've given for both our biologics facility in Bangalore and the Bayview facility, we said we will get to an asset turnover in a 3 to 5-year time horizon. And we did call that, in this transition, there will be an impact that will come to our margins and our returns.

We believe the investments that we are making is strategically the right investments to make, and helps us look at opportunities to capitalize on in the near and the long-term horizon. In terms of the impact on margin that you just mentioned, I think, as I said, we continue to hold the guidance for this year. We continue to rationale the fact that the guidance of this year of the mid-20s on EBITDA and a declining PAT for this year was also transient in the nature and, more importantly, it was also driven by the one-offs that we are seeing in the business.

So I think if I was to zoom out and look at this situation, our returns on capital right now seem a little muted. But the fact remains is that it is an investment into the future, which always will have a gestation period. I'll pause and check if Peter has any comments.

Aditya Khemka: Got it. Can you call out the capital investments that you're looking to do over the next 2 years, in absolute number?

Deepak Jain: So I will -- as I said, we typically guide for a year at a time. And right now, we've not guided for anything beyond '26. For '26, we've guided to a $45 million of capex investments with an incremental $10 million of capex investment going into our Bayview facility as well. So we're

holding on to that for the moment. Any incremental changes to the guidance for the future period, we'll come to you at the appropriate point in time when we guide for the years forward.

Aditya Khemka: Got it. And the last question is, you can correct me if I'm wrong, the human clinical trial business margins are typically lower than the general drug discovery business. Is that true, or it should -- it would be fair to make that inference?

Deepak Jain: The way I look at this is we do not break down our margins and we do not call out our margins by business yet. And therefore, I do not want to speculate for this moment. As I said, we are very pleased with the first global trial that we've got.

We want to capitalize on a market that's growing, and a real focus right now in growing that part of the business, which Peter alluded to the fact that it's gone through a significant evolution and we see a great potential as the ecosystem in the country is also building up and supporting the growth that we have.

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

Nandini Agarwal: Well, thank you all for joining us on the call today. And any further questions you have, you can get in touch with the team. Thank you, and have a good day. Bye.

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