

Syngene

 A *Biocon* company

Putting Science to Work

Investor Presentation

August 2015

Quality
Innovation
Confidentiality
Science



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

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

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

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Introduction



Putting Science to Work

THE BIOCON GROUP

Listed since 2004, Market Cap ~INR 92.3bn⁽¹⁾



- Biosimilars
- Formulations and Compounds
- Alternative Therapeutic Drugs

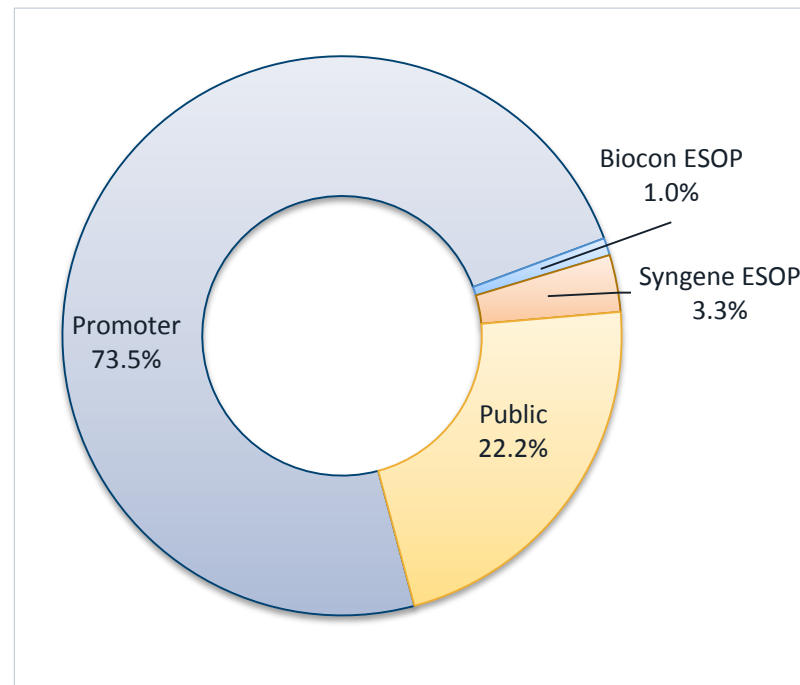
**Product
Based**

Syngene

**Service
Based**

- Contract Discovery
- Contract Development
- Contract Manufacturing

- Total number of shares: 200 Mn
- Promoter : Biocon Group⁽¹⁾
- Public consists of -
 - Silver leaf : 10%
 - Other Shareholders : 12.2%



Syngene – 21 Years of Growth and Expansion

2002

20,000 sq ft facility

100+

- Chemistry
- Early biology
- Simple biology laboratory

\$5 million



Infrastructure



People



Capabilities



Investment

Over 900,000 sq ft facility

2,700+

- End-to-End discovery, development and manufacturing capabilities

\$150 million

2015

One of the leading India-based CROs

Integrated discovery and development platform

Focus on novel molecular entities

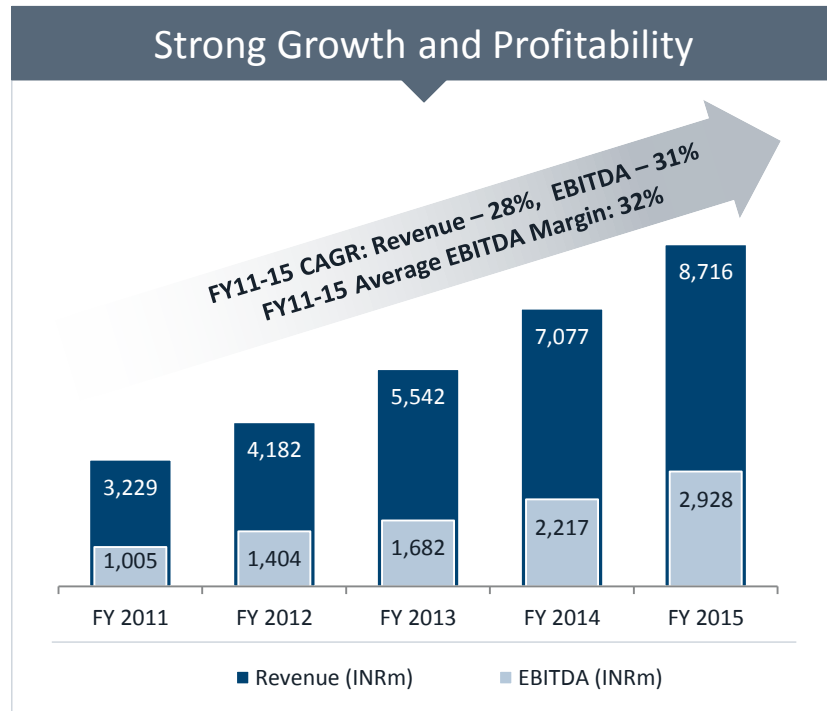
221⁽¹⁾ clients across multiple sectors

95%⁽¹⁾ of revenues from outside India

2,129⁽²⁾ qualified scientists

World-class R&D and manufacturing infrastructure spread over 900,000 sq. ft.

Strong Growth and Profitability




- Entered into 3 long-term contracts with two existing clients for commercial manufacturing of their novel small molecules
- Extended our long term, dedicated centre contract with Bristol Myers Squibb till 2020
- Initiated operations at our new state of the art Stability Centre and completed expansion of our Manufacturing facilities in Bengaluru, India
- Successfully cleared US FDA audit of our facilities with no 483s or observations
- Listed on the BSE and the NSE, IPO oversubscribed by 31 times

All figures in INR Mn unless otherwise specified

| P&L Summary | Q1 FY16 | Q1 FY15 | YoY Change |
|----------------------|------------|------------|------------|
| Revenue | 2,358 | 1,833 | 29% |
| EBITDA | 770 | 618 | 25% |
| <i>EBITDA Margin</i> | <i>33%</i> | <i>34%</i> | |
| PAT | 436 | 346 | 26% |
| <i>PAT Margin</i> | <i>18%</i> | <i>19%</i> | |

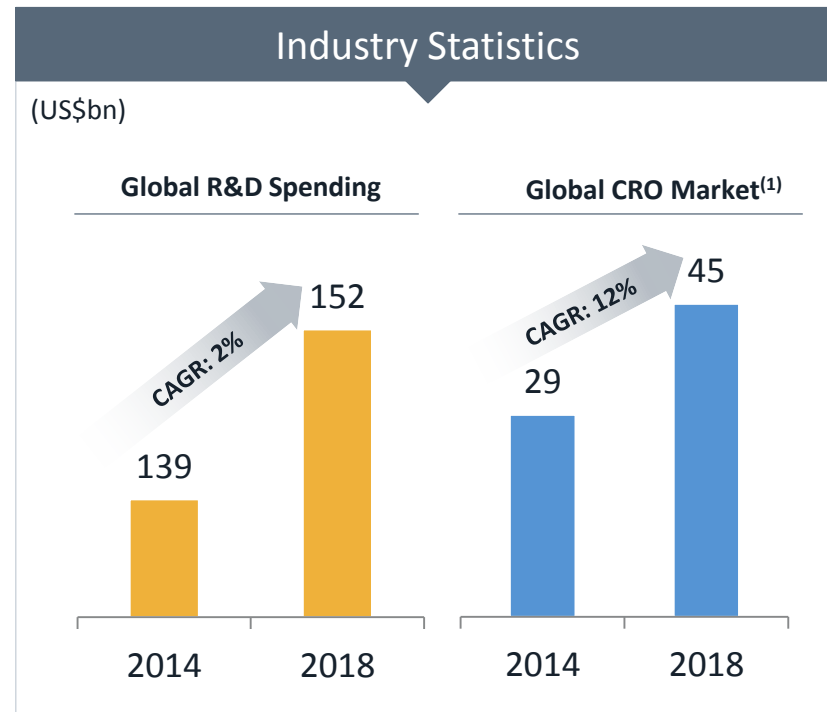
| Balance Sheet Highlights | As of 30 th June 2015 |
|-----------------------------|----------------------------------|
| Shareholder's funds | 8,900 |
| Net Fixed assets | 6,616 |
| Other assets ⁽¹⁾ | 1,612 |
| Net cash ⁽²⁾ | 672 |

Industry Overview



Putting Science to Work

- **Large and growing addressable market**
 - Global R&D expenditure expected to increase from \$139bn in 2014 to \$152bn in 2018 (CAGR of 2.3%)
 - 75% of R&D spend can be potentially outsourced
- **Increasing per unit R&D cost for pharma**
 - 8x increase in cost per Novel Molecular Entity from \$140m in the mid-1970s to \$1,200m early-2000s
- **Increasing outsourcing penetration driven by:**
 - Shift from fixed to variable cost models
 - Client flexibility
 - Decreasing costs of R&D output



Investment Thesis



Putting Science to Work

What Makes Syngene A Unique Investment case?



INTEGRATED MODEL

Integrated and flexible model provides predictability and scalability



WORLD CLASS INFRASTRUCTURE & SCIENTISTS

World class infrastructure, high standards of quality systems and a highly talented pool of scientists underpins the continuous expansion of our business



ATTRACTIVE & DIVERSIFIED CLIENT BASE

Attractive and diversified client base with several client collaborations



EXPERIENCED MANAGEMENT

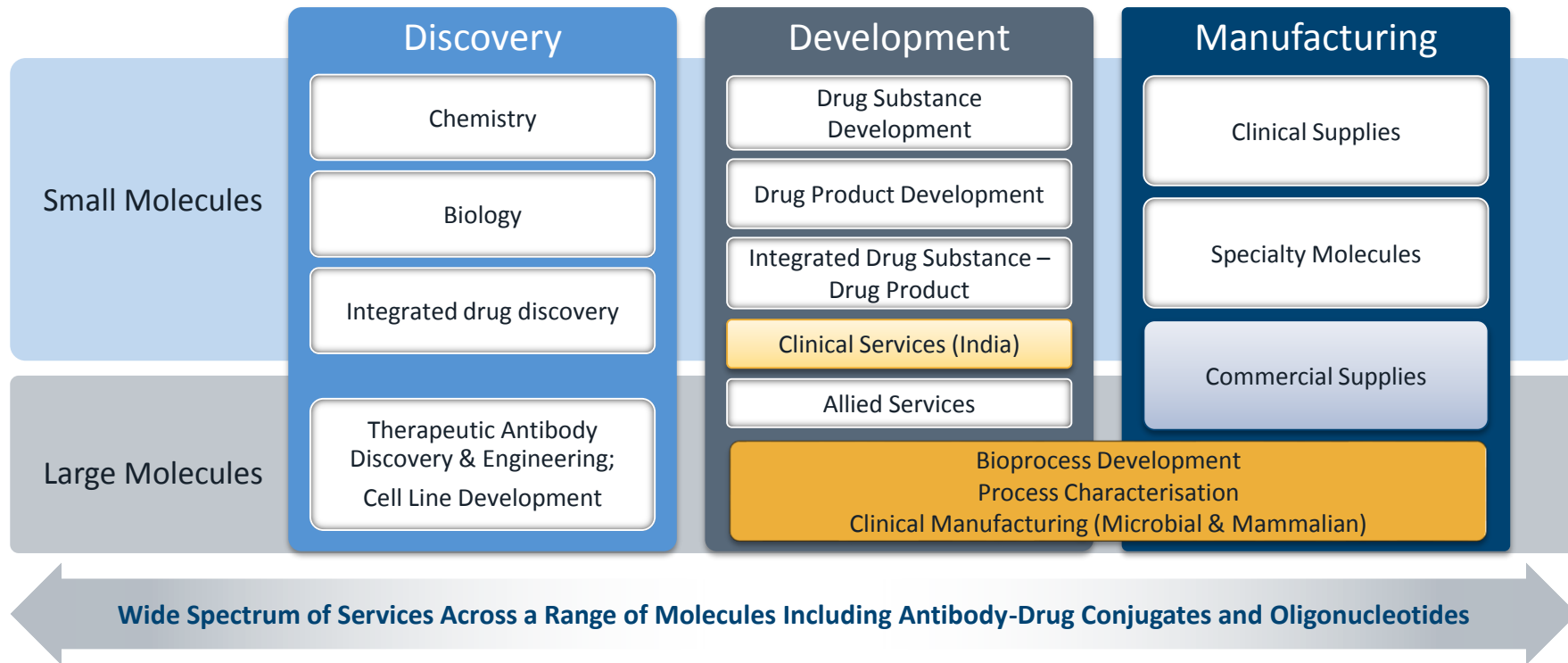
Experienced management and distinctive operating culture



SIGNIFICANT REVENUE & EARNINGS GROWTH

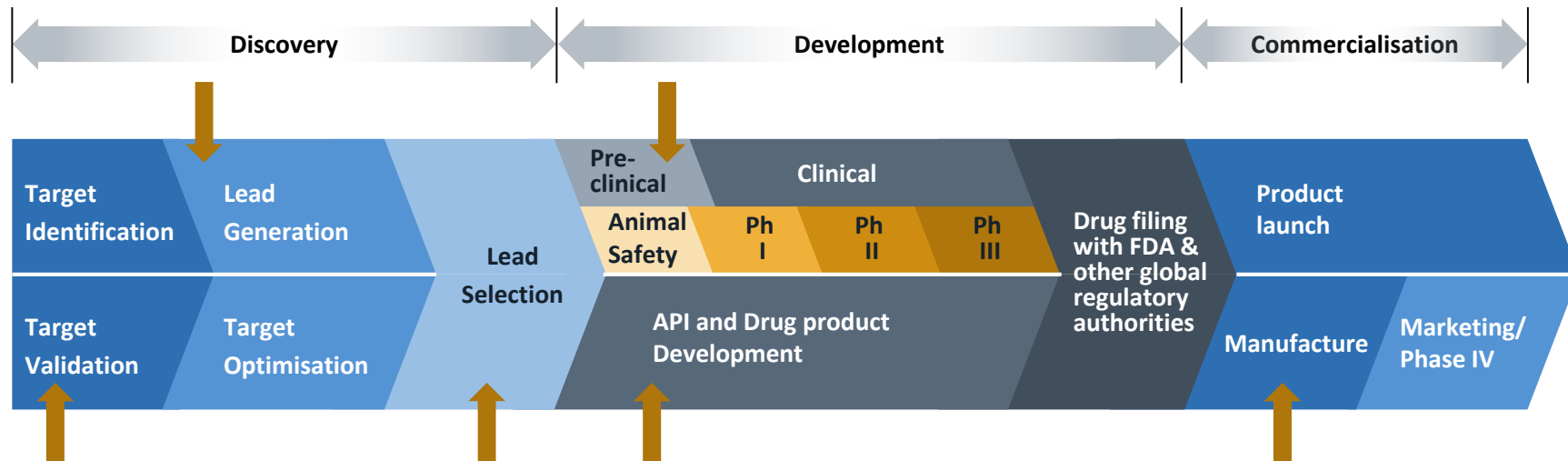
High growth and profitability and multiple layers of growth drivers



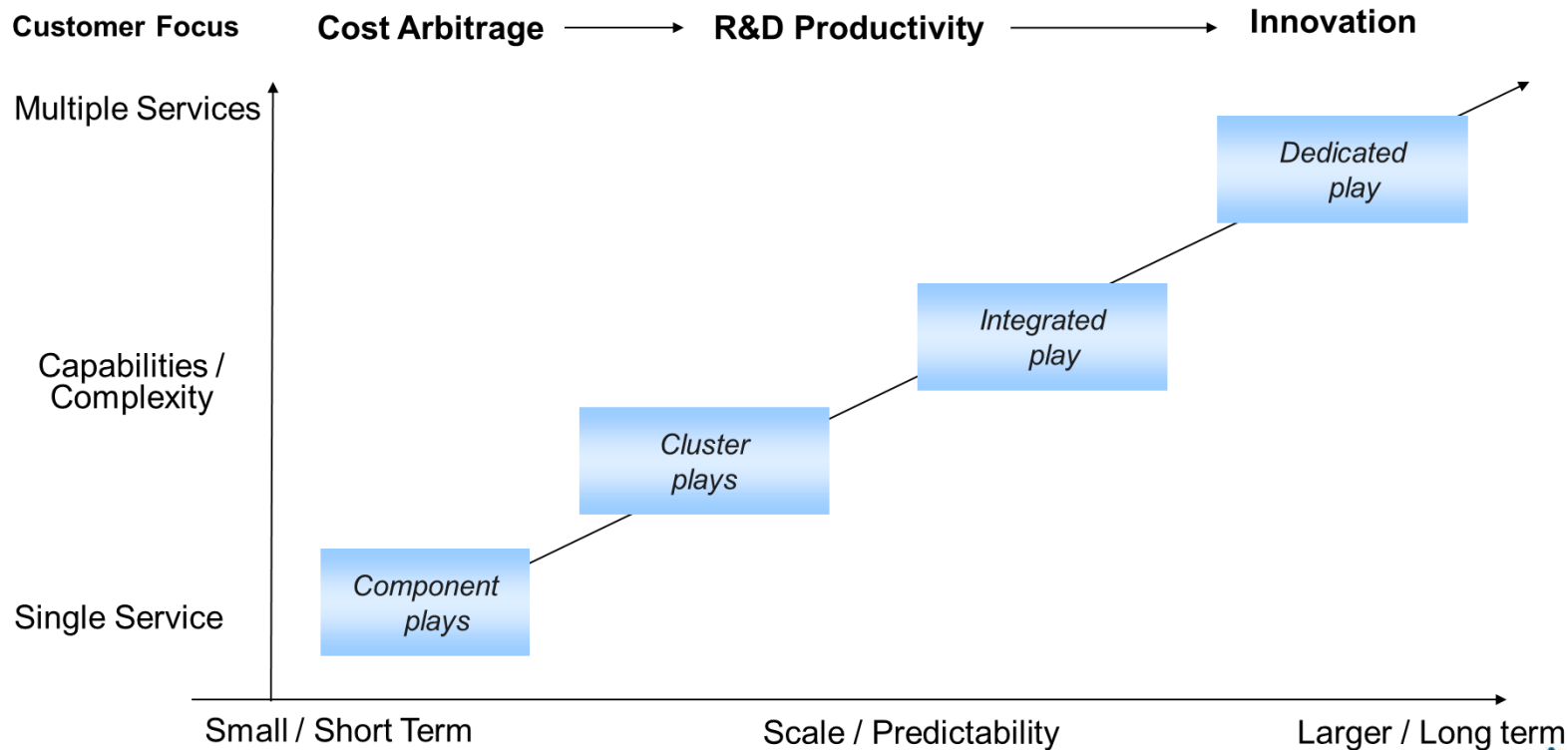




Entry points create opportunity for customer engagement expansion



Integrated platform enables us to build strategic relationships







Infrastructure Qualified to Meet International Standards



- Over 900,000 sq. ft. of labs and manufacturing facilities
- INR 9,569 Mn⁽¹⁾ total tangible fixed assets (gross block)
- End-to-end discovery and development services on a single platform



- Operate to standards that are consistent with large global clients
- Successful audits by global regulators
- Intention to evolve from a CRO into a CRAMS

Key accreditations





Highly Experienced and Qualified Team of Scientists has Helped Syngene Create a Competitive Edge over its Peers



- Ability to attract and retain high-quality scientists

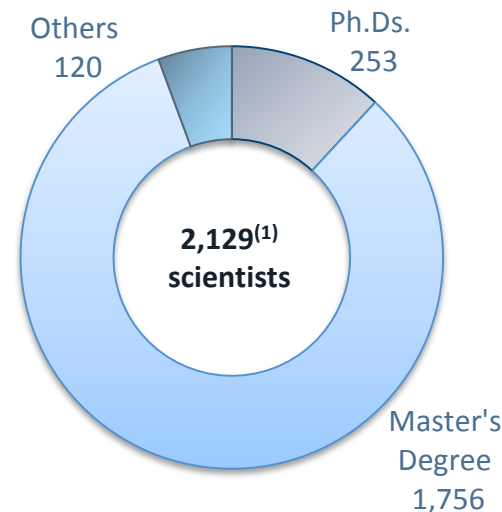


- Recruitment from top Indian and International research institutions



- Company average attrition rate of 14.3% in FY2013-15
- HR management philosophy -“hire-train-retain”

12% of scientist pool with a Doctorate & 82% with a Master's Degree





- Highly successful track-record in molecule development
- Client base includes 8 of the top 10 global pharma company by 2014 sales⁽¹⁾
- 8 of our top 10 clients have been associated for more than 5 years illustrating their longstanding and extensive relationship
- Total clients increased from 103 in FY12 to 221 in FY15
- 71% of FY15 revenue from top 10 customers compared to 79% in FY2012

Services to 221 Clients (FY15)

Across Various Sectors

Pharmaceutical

Biotechnology

Animal Health

Specialty Chemicals

Agro Chemicals



Largest R&D Centre in Asia for BMS (2009). Contract extended till 2020.

Dedicated centre of research excellence with world class facilities.

Over 400 scientists supporting Novel Molecule research in small and large molecules.

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



Dedicated research centre in India for Baxter (2013).

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

Engages a multidisciplinary team of ~150 scientists.

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



Abbott Nutrition's 1st R&D centre in India set up in collaboration with Syngene (2012).

Dedicated research centre supporting development of affordable, nutrition products.

~30 multi-disciplinary scientists engaged in product development lifecycle.

Focus on maternal, paediatric, neo-natal nutrition and diabetes care in line with emerging market needs.



Expand/Extend existing clients

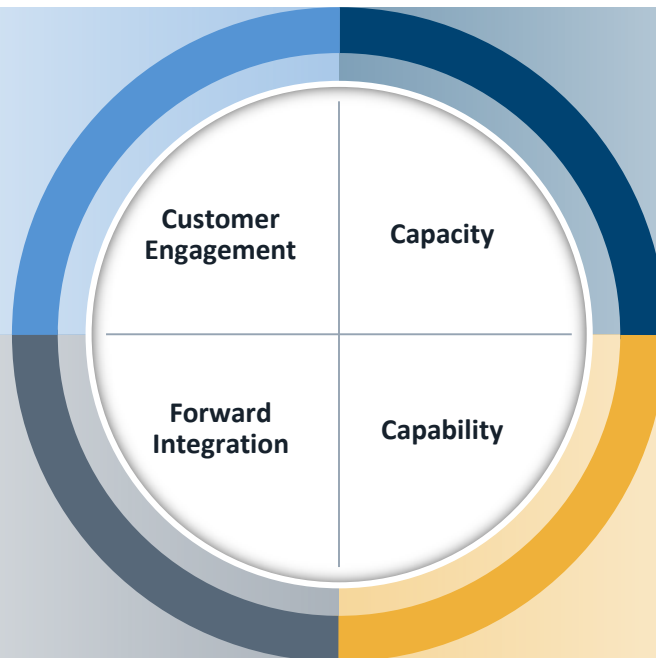
- High service integration
- Dedicated centres model

Engage New Clients

- Tailored service offerings and dedicated personnel

Moving from CRO to CRAMS with commercial manufacturing

- “Follow the molecule” by expanding into commercialisation



Capacity Expansion

- Consistent expansion
- FTE services, manufacturing, formulation, biologics, stability

Capability Additions

- New capabilities across multiple domains incl. the allied sectors
- Stability, analytical & bio-analytical services, viral testing
- New platforms: siRNA, ADC

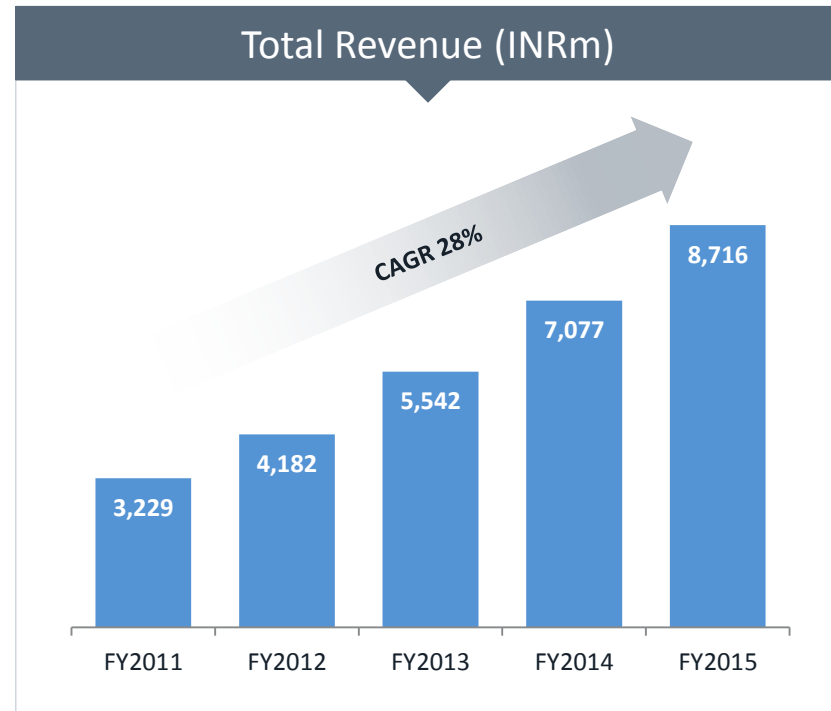
Investment of upto \$200 Mn in our facilities over FY16 to FY18

Financial Highlights

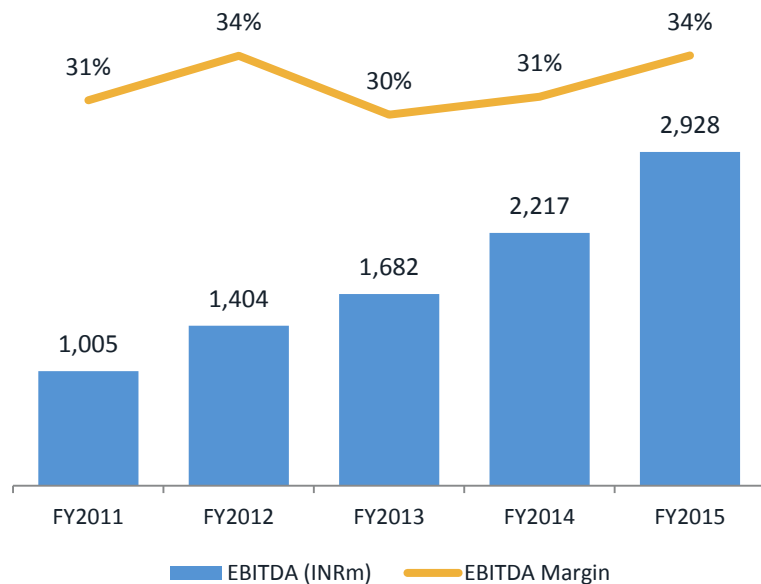


Putting Science to Work

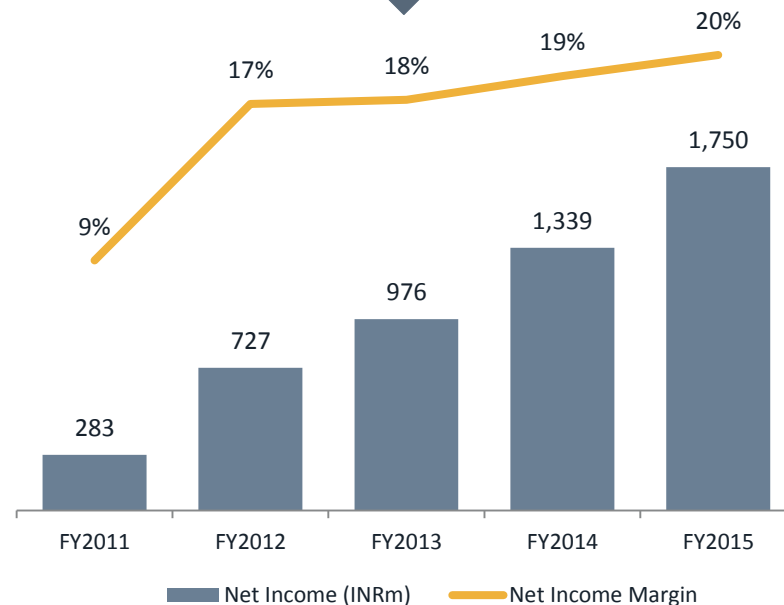
- Growth driven by increase in sales from existing clients and acquisition of new clients
- “Engage, expand and extend” strategy to extend client relationship over a longer period of time
 - Growth in total number of clients
 - Increase in average revenue from largest clients
 - Increase in number of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



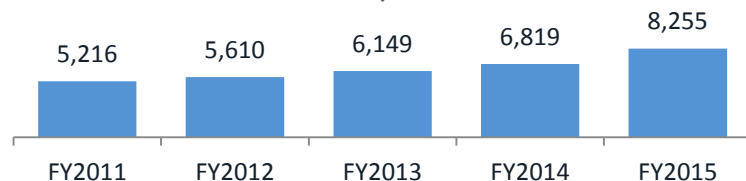
Operating Margin (EBITDA)



Profit After Tax Margin (Net Income)



Historical Capital Investments – Average Gross Block (INRm)



Gross Block Turnover Ratio⁽¹⁾



- Capex towards capacity expansions, capability additions and technology up-gradations
- Key facility additions during the last three years include dedicated facility for Abbott and Baxter

Planned Capital Expenditure

- Capex of US\$200 million envisaged over FY16 to FY18
- Future funding requirements to be met through internal accruals and debt

Capex investment area

- Research centre
- Formulation centre

Late stage & commercial manufacturing

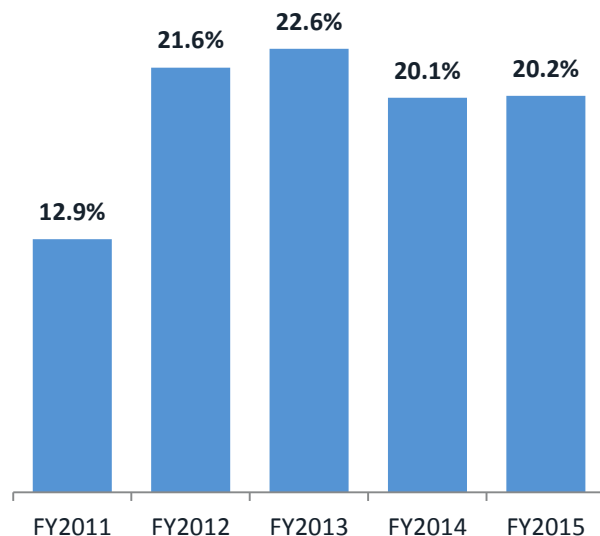
- Expansion of API plant
- Commercial NCE manufacturing plant
- Biologics manufacturing plant

Other services & new capabilities

- Oligonucleotides
- Viral testing services
- ADCs

- Strong Balance Sheet with a Net cash of 977 Mn
- Profitability resulting in high return on capital
- Future expansion (~\$ 200 Mn) to be funded through Internal Accruals and Debt

Return on Capital Employed (ROCE)*



Balance Sheet Highlights

As on 30th June 2015 (INR Mn)

| | |
|-----------------------------|--------------|
| Shareholders' funds | 8,900 |
| Net Fixed assets | 6,616 |
| Other assets ⁽¹⁾ | 1,612 |
| Net cash ⁽²⁾ | 672 |
| Total Use of Funds | 8,900 |

RoCE calculated as (PAT + Interest)/average capital employed (long term borrowings + short term borrowings + current maturities of long term borrowings)

(1) Other Assets calculated as (Inventories + Trade Receivables + Unbilled Revenues + Advance Tax + FX premium + Loans to subsidiaries) less (Advance from customers + Trade payables + Others current liabilities) at the end of the year

(2) Net cash / (Net debt) calculated as the Cash & cash equivalents (Cash and bank balances + Current investments) less Total debt (Short-term borrowings + Long-term borrowings + Current maturity of Long-term borrowings) at the end of the year

Summary: What Makes Syngene a Unique Investment Case?



INTEGRATED MODEL

Integrated and flexible model provides predictability and scalability



WORLD CLASS INFRASTRUCTURE & SCIENTISTS

World class infrastructure, high standards of quality systems and a highly talented pool of scientists underpins the continuous expansion of our business



ATTRACTIVE & DIVERSIFIED CLIENT BASE

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EXPERIENCED MANAGEMENT

Experienced management and distinctive operating culture



SIGNIFICANT REVENUE & EARNINGS GROWTH

High growth and profitability and multiple layers of growth drivers



| Risk | Mitigation |
|--|--|
| Client growth and sustained retention | <i>Proactive client engagement and sustained quality</i> |
| Currency Fluctuation (USD/INR) | <i>comprehensive hedging policy and mechanism in place</i> |
| Significant Capex investment over next few years | <i>staggered investments in line with business visibility</i> |
| Sustainability of Margin Profile | <i>Strong Cost control systems, productivity improvement initiatives</i> |

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THANK YOU

www.syngeneintl.com

Putting Science to Work

For more details

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