

Syngene International's Q4 and Full Year FY 2018 Conference Call

April 26, 2018

Key Participants from Syngene International

- Mr. Jonathan Hunt: Chief Executive Officer
- Dr. Manoj Nerurkar: Chief Operating Officer
- Mr. M.B. Chinappa: Chief Financial Officer
- Ms. Chanderlekha Nayar: Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to Syngene International's Q4 and Full Year FY 2018 Earnings 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 the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I will now hand over the call to Ms. Chanderlekha Nayar from Syngene International. Thank you and over to you, ma'am.

Chanderlekha Nayar: Thank you Reyo and good afternoon to everyone. This is Chanderlekha Nayar from Syngene Investor Relations Team and I welcome you to Syngene International Earnings Call for the Fourth Quarter and Full Year Fiscal Year 2018. To discuss our financial and business performance, outlook and address your queries, we have with us Mr. Jonathan Hunt – Syngene's Chief Executive Officer and the Senior Management Team. I hope you have gone through our result release and the quarterly investor presentation, which have been uploaded on our website as well as the Stock Exchange website. Before we proceed with this call, I would like to remind everybody that this call is being recorded and a replay will be available for the next few days immediately after the call. The transcript of this call will be made available in a week's time on the company's website. I would also like to add that today's discussion maybe forward-looking in nature and must be viewed in relation to the risks pertaining to our business. The Safe Harbor clause indicated in our

Investor Presentation also applies to this conference call. After the end of this call, in case you have any further questions, please feel free to reach out to me. Over to you Jonathan.

Jonathan Hunt:

Thanks Chandra and Good Afternoon everyone. Thank you for taking the time to join our fiscal 2018 Fourth Quarter and Full Year Earnings Call. As usual, I will start by covering the high-level “Financials Highlights” and then provide you with our business and operations before turning the call over to Mr. Chinappa – our CFO, who will give you a more comprehensive update on the Financials.

As you can see from the press release we had a strong finish to the year and this together with some of the good progress we made in earlier quarters allowed FY18 to recover from a slow start to be a good year overall.

We are particularly happy with the progress we made towards the end of the year in some of our key strategic areas for growth – and I’m thinking here really about the strong quarter we had within the biologics vertical.

That said, we do want to spend a bit of time walking you through the impact of interest income, currency and some one – off items in the FY18 P&L as well as “sign-post” to you the impact we expect at the PAT level, starting in FY19, from the “unwinding” of the SEZ tax holiday we benefit from in some parts of our business, but I am going to Chini really to cover that in his comments.

Q4 Financial Summary

On a Reported basis Q4 was a very positive quarter for Syngene - I think due to two factors

- The first and probably the most important was the good underlying growth across all the business verticals

- Secondly, the largely “optical” effect you get from having a low prior year base. You’ll recall that 4Q17 was heavily impact by the fire incident we had in December 2016.

So, looking at the financials, we reported Rs.426 cr in revenues for the fourth quarter, that is a 35% jump over the corresponding prior year quarter.

EBITDA grew at 18% to Rs.146 cr and at the PAT line we recorded a growth of 8% to RS. 84 cr during the quarter.

So margin performance is good. EBITDA of 34% and PAT at 20% and more in line with what was seen as the type of margin performance we can give as normal over a full business cycle of Syngene.

If you compare to Q4 FY 17 EBITDA and PAT margins where it is a little lower reflecting the decisions we made to step up our investments in business development as well as increased investments in regulatory compliance and safety – of course, we expect these investments to pay dividends in the future through better sales performance and a stronger organization.

As I said earlier, strong Q4 numbers helped us post a full-year growth of 17% in reported revenues, an increase of 10% in EBITDA and growth of 6% in PAT and I’ll leave it to Mr. Chinappa to give you more flavor on our financial performance in his comments.

Operational Highlights

Turning now to the operational highlights of the quarter...

The stand out highlight of the quarter was the signing of a multi-year strategic research and development agreement with British drug giant GSK to provide drug discovery services.

Discovery Research has long been one of Syngene's core strengths and the collaboration with GSK comes as a welcome recognition of Syngene's capabilities and expertise in conducting cutting edge discovery research to meet the growing requirements of the global pharma industry.

Under the collaboration Syngene will set up a customized discovery research laboratory for GSK where our scientists will work closely with GSK's global R&D teams in identifying new drug candidates across several therapeutic areas.

We were also happy, during the quarter, to extend our collaboration with Merck KGaA.

Syngene and Merck have been working jointly on a number of discovery research projects in the areas of Protein Technology, Molecular Biology, Cell Science and Antibody Discovery since 1998. The extension of the collaboration will enable us to work ever more closely with Merck's R&D teams on even more complex projects.

The other event I'd call out in the quarter was the accreditation of our manufacturing facility in Bangalore by the PMDA, the regulatory authority for the Japanese market. This is a significant achievement, as the PMDA is considered by many to be one of the most stringent regulatory bodies in the world. The PMDA audit was conducted in response to a regulatory filing by one of our clients to support their planned launch of a new product in the Japanese market. Syngene, as you'll recall, entered into a manufacturing contract for commercial supplies of this product earlier in the year.

Also during the quarter, the FDA issued a Form 483 following an audit of our BA/BE facility {small molecule HPU facility}. We have already submitted our response to the regulator and at this stage don't foresee any adverse impact on our operations stemming from that.

Lastly, on the people front - Dr. Anjan Chakrabarti was appointed as Vice President and Head of Discovery Chemistry. He brings over two decades of rich experience in drug discovery and I am sure under his leadership the discovery chemistry business will continue to go from strength to strength.

Full Year FY18 Review

Let me now turn to the full year highlights for FY18.

FY18 was marked by solid execution across a number of fronts.

We added 23 new clients to our active client roster- taking this to a total for the year of 316

Our strategic partnership with Amgen saw a scope expansion during the year which will see Syngene and Amgen work closely on a wider range of scientific domains. To deliver this we doubled our physical infrastructure and headcount to support Amgen's growing R&D requirements.

Similarly, Bristol Myers Squibb extended their strategic collaboration agreement till 2026 and also widened the scope of activities within that collaboration.

Our collaboration with Zoetis, a global leader in animal health, strengthened further with the signing of a multi-year manufacturing agreement.

And as I alluded earlier we also entered into a multi-year manufacturing agreement with a Japanese specialty company to manufacture a novel chemical entity for commercial launch in the Japanese market.

Across the industry, biologics is gaining strong traction globally and we consider it as our next long-term strategic growth driver. As part of our larger plan to capitalize on this opportunity, we commissioned a new biologics manufacturing plant that became fully operational during FY18 to support both manufacturing of clinical as well as commercial batches for the global markets.

The construction of our upcoming API manufacturing facility in Mangalore is making good progress and we expect it to become operational in FY20. Once fully functional, it will significantly ramp up our commercial scale manufacturing capacities.

To facilitate better client interaction and service, we also set up our first international subsidiary, Syngene Inc., in the USA.

We also strengthened our leadership team during the year with the appointment of Ashu Tandon and Sebi Chacko as our Chief commercial & Chief People officer respectively.

So to sum up, FY18 was a good year - we brought new clients to the fold, expanded the scope of work with the existing ones, extended our collaborations, successfully passed regulatory and compliance audits, made the right investments under a well thought out CAPEX plan, hired some of the best talent in the industry – so overall a very good year

That's it from my side. Thank you and over to our CFO Mr. Chinappa.

M.B. Chinappa:

Thanks Jonathan, and thank you everyone, for joining today's call.

What I intend to cover over the next 10 minutes or so is

- To provide you with a brief overview of our fourth quarter financial performance
- Follow that with a review of the full year results.

- And then move to a discussion to some of the moving parts within the P&L. As you can see from the press release we had a strong finish to the year and FY18 recovered from a slow start to be a good year overall. That said, I do want to spend a bit of time walking you through the impact of interest income, currency, some one – off items that have impacted the P&L as well as “sign-post” to you the increasing impact we expect at the PAT level, starting in FY19, from the “unwinding” of the SEZ tax holiday benefits in some parts of our business
- I’ll wrap up with a discussion on our committed capex for the coming year and some guiding comments on the directional growth we expect for fiscal year 2019. As you know our policy is not to give specific eps or earnings guidance but I do want to be helpful with giving some indication of the direction of travel on the key P&L line items.

Revenue for the fourth quarter FY2018 grew by 35% to Rs. 426 crores compared to Rs. 315 crores in the same quarter of last year. This was primarily due to strength in our Development services vertical, which was supported with the commissioning of our Biologics manufacturing plant. Our Discovery service offerings, particularly Discovery Biology saw good traction too. Please also note that there is the lower base effect, as Q4 FY 17 was down by about 8% on account of the fire incident.

Adjusted for the impact of fire incident, the total revenue growth for the quarter would be at 23%. This has shown a steady improvement over the year with growth rates improving from a low of 6% in Q1 to 10% in Q2 and 15% in Q3 FY18.

In constant currency terms, our revenue growth is 3% higher. Average realization against the US dollar was at Rs. 64.9 compared to an average of Rs. 66.2 in the same quarter in the previous year.

EBITDA for the fourth quarter at Rs.146 crores, is up by 18%, compared to Rs. 124 crores in the same quarter of last year, while profit after tax is up by 8% at Rs. 84 crores compared to Rs. 78 crores in same quarter last year. EBITDA and PAT margins for the quarter are at 34% and 20% compared to a relatively high 39% and 25% respectively in Q4 FY17. Please note that Q4 FY 17 profitability was very high and well above the historical average on account of high Other Income and lower Income Taxes.

During the quarter, we have recorded interest income of Rs. 17 crores. Associated with the interest income are finance charges of Rs. 7 crores and income tax of Rs. 5 crores. Adjusted EBITDA and PAT margins excluding impact of Interest for Q4 FY18 is at 32% and 19% respectively.

Moving on to the cost elements - our material and power costs, as a percentage of revenues, have increased to 32% this quarter compared to 28% in Q4 FY17 owing to the shift in the sales mix and higher pass through expenses. Employee cost as a percentage of revenues is marginally down to 24% compared to 25% in Q4 FY17.

During the quarter, we had Rs. 31 crores of forex gain compared to Rs. 16 crores in Q4 FY17. This has helped to negate the impact of rupee appreciation.

The Other expenses for the quarter is up by 75%, which is largely linked to a one-off tax payment relating to previous years. Adjusted for the tax payment, the other expenses have grown by 46% on account of expansion of our facilities and initiatives in Business Development, Safety and Compliance.

Full Year Fiscal Year 2018 Performance

Now coming to the full year financial performance assessment, we have registered total revenues of Rs. 1,485 crores, which is 17% growth over FY 17 revenues of Rs. 1,270 crores. Full year FY18 revenue includes a benefit of Rs. 47 crores from export incentive schemes of prior years that have been accounted in the current year based on certainty of realization. This has helped neutralize the 4% impact of currency

appreciation. For the full year, we have recorded an interest income of Rs. 62 crores as compared to Rs.70 crores in FY17. As we move towards FY19 and beyond, we expect lower interest income benefits aligned with the increased capital expenditure towards the capacity expansion.

EBITDA at Rs. 527 crores, reflects 35% margin compared to Rs.478 crores and 38% margin in FY17. Profit after tax is at Rs. 305 crores compared to Rs.287 crores as at FY17, reflecting a 21% PAT margin.

Now, if we adjust performance for the benefit of interest income, our adjusted EBITDA is at 31% and PAT at 20% compared to 32% and 22% respectively in FY17.

The effective tax rate for the year is at 18%. We continued to benefit from the tax incentives applicable to Special Economic Zones; However, we expect to see an increase in tax rates from FY19 onwards as some Units come out of the tax holiday period.

CAPEX and Balance Sheet Items:

As regards to the CAPEX, we have so far committed a total spend of \$108 million against our ongoing \$200 CAPEX program. This includes \$75 million for expansion of facilities in Bangalore and another \$33 million towards the upcoming commercial API manufacturing facility in Mangalore, which is expected to be commissioned in FY20.

During the year, we expect to commit an additional \$ 58 million from the total planned capex of \$ 200 M and also commit approximately an additional \$ 100 million to support near term growth

The net cash position as at March 31, 2018 is Rs. 320 crores compared to Rs. 280 crores as at March 31, 2017.

Update on S2 facility resumption and related Insurance:

An update on the S2 facility redemption and related insurance, the refurbishment activities are nearing the completion and as indicated earlier, we expect the facility to be operational during Q1 FY19. This will help us restore lost capacities. With regards to the damaged assets, we have so far received total insurance claims of Rs 81 crores. The balance insurance proceeds are expected to be realized later in the year following the refurbishment of the facility.

Forex:

On Forex, our hedging policy provides us near term protection against any currency movement and overall we do not see short term currency movement impacting our profits for FY 19.

FY19 Directional Outlook:

Now, moving to the directional outlook for FY 19, the expansion of business with some of our strategic clients including Amgen, BMS and GSK along with momentum in our Discovery & Development verticals provides a strong platform for growth in FY 19. Having said that, we expect total reported revenue growth in FY 19 to come in a notch higher than FY 18 growth of 17% despite head winds in interest income and export incentives.

Our Q4 margins is a good indicator for EBITDA margins in FY 19. However, the twin effect of increase in depreciation and income tax will impact PAT margins in FY 19.

With this, I would like to hand over back to the operator and would be happy to take any questions.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Pashi Anand from Allegro. Please go ahead.

Pashi Anand: The first question I had was with relation to the whole biologics opportunity. If we look at that certain global players have very large CMO facilities of about 100,000 liters per year and as well interest being generated in the market for a large biological CMO or biosimilar CMO opportunity, just wanted your thoughts on this, do we have any plans on setting up very large scale facility that can actually cater for requirements once the drug is actually being manufactured?

Manoj Nerurkar: The large capacity that you talk about that has been setup by some of the biologics manufacture CMO across the world are mainly to cater to some of the Biosimilar that were of high dose strength of yesteryears. As you know, one of Syngene's main strength is to play in the area of new molecules and the new molecules are small molecules or large molecules biologics in this case, which certainly doesn't require such big set-ups. Now, if you look at our partners or our clients who really develop these large molecules has two important phenomena's, that comes into picture, which are either, the drugs are becoming more and more potent, one, and secondly, the titers or drugs or a protein produced, a biologic molecule produced for later has as really gone up. The impact of that is that the requirements in terms of facilities have really reduced from this large 10,000 or 100,000 Litres capacities to more manageable 2,000 Litres single use bioreactor kind of facilities. If you look at our clients and the kind of facilities that they are looking for, it is clearly in the range that we are playing in, which is 2,000 Litres single use bioreactor facilities with multiple train and looking at that time trend, we believe which is actually reinforced by our clients is that the kind of facilities we have put together are more suitable for the type of work that we plan to do either in development phase or in the commercial manufacturing phase of Biologics.

Jonathan Hunt: Thanks Manoj for the summary there, having got the premise of the question now, I think you have some view that the state-of-the-art has changed, most

of our clients would now view very large stainless steel high-volume capacity installations to be yesterday's technology. Now, if you actually see the state of the art is moved to be the disposable smaller trains than to be frank, the large 10,000 Litres scale. So, if you string five of these smaller trains together which gives you the sort of flexibility and also fantastic sort of production quality and yields, then that's what is considered to be right on the leading edge. So we are glad that we did what we certainly also find during our conversation with our clients, very appreciative and meaningful. So thank you for the question.

Pashi Anand: I had a second question with relation to the Mangalore SEZ, just wanted to understand how should we look at the ramp up of this facility, once this is operational in FY 20, would we still require approvals from various regulators and be it approvals or contracts, would that be a barrier to ramp up of the facility and over what period do we see the facility being fully utilized?

Jonathan Hunt: Good question, I think you covered many of the dimensions, so you are thinking about it in the right way and of course it is a statement of the obvious, with absence of contracts would be a barrier to the ramp up, so is that really the key thing and while starting that process now and we would still be quite a long way to go on the building construction phase in Mangalore and of course on the day we are opening in FY20, it will be a brand-new, high-quality, but empty factory because you take time to build or book a business.

I think I have signaled this in a couple of conference calls over the last year or so. Our experience and sort of intuition tells us what is going to happen is that most of the clients would want to come and inspect your finished facility as part of their own due diligence, so I would not expect a fast ramp-up once we open that factory, but I would expect it to progress quite quickly after that because they have to get comfortable about the fact that not just that you have got beautiful architectural drawings and blueprints, but you have actually built a high-quality facility and systems in processes.

I think on the regulatory front, you are right, we will be in qualification period, but that is normal I think for opening any sort of infrastructure like that and we have a good plan in place. I think maybe one way to help you model it is to think about as a one-for-one asset turn. We have given you fairly good feel on the amount of CAPEX we put in there, so that will give you a sense of the overall value capacity towards peak of an asset like that and it takes two or three years at least to move up towards peak optimal utilization, so I think with all the moving parts in that sense and you can triangulate and get yourself quite a nice revenue curve and model all the way till 2023, 2024 which is a little bit longer than most analysts spreadsheets go, hopefully, that was helpful.

Moderator: Thank you. The next question is from the line of Nishant Chandra from Temasek. Please go ahead.

Nishant Chandra: The first one is on just understanding the sharp increase in cost of goods sold, is there any non-recurring item in that in terms of to understand the increase in costs?

Jonathan Hunt: What is your second question?

Nishant Chandra: The results document talk briefly about a proposed ESOP plan, can you highlight that a bit further, and third one if I can slip that in, is Chinappa briefly touched upon \$100 million support for growth of business, in what shape or form are you thinking of from \$100 million support perspective?

M. B. Chinappa: First, really to look at our gross margin from revenue from operation less material and power cost, less staff cost. Overall, the gross margin that has come off by 1% and this is largely as indicated at the beginning of the year that we would be looking to increase investment into the safety and compliance, so that is partly reflected in the increased staff cost. There is a spike in Q4 material cost; this is largely on account of the sales mix and also some pass-through expenses that we billed to our clients. Additional \$100 million CAPEX is really supporting near-term growth, so as we expand our business in Discovery Chemistry, Discovery Biology, we need to

create additional infrastructure to support that growth, so that is the most of this \$100 million directed to.

Nishant Chandra: That is more like routine CAPEX?

M. B. Chinappa: Growth CAPEX but supporting expansion of our current businesses.

Nishant Chandra: In terms of just the site of expansion, is it going to be in the current campus or is it going to be in a proposed new campus of sort because the current campus is also getting full, right?

M. B. Chinappa: Most of this would be in the current campus but yes, we are looking at the new campus to expand some of our operation.

Nishant Chandra: That would be in Bangalore or in some other alternate location?

M. B. Chinappa: Most likely an alternate location, when finalized we will let you know.

Jonathan Hunt: Just on your ESOP question, the continuation of the policy that we have had over the last five or six years, we are an organization that I think believes in performance-related rewards. If individuals or teams or departments of the whole company is successful, it is right that they should have the opportunity to share in that, it creates alignment with shareholder value creation. We have done that I think very successfully over the last five to six years or so. We just have a procedure which is the terms of our current ESOP scheme being met and we have to renew it if we want to keep in place that sort of alignment and incentive in the future, so we will take a refresh of our scheme and take that to the shareholders at the AGM and seek their approval to do that, but the key thing I would reiterate we are a performance led, performance related, performance rewarding culture, so it pays at the upside.

Nishant Chandra: Just one point, which is on the 483 that was again briefly touched upon in your press release on the BA/BE facility, can you provide a gist of the observation and what are the resolution path for that?

Jonathan Hunt: I will let Manoj to give you a few comments on that. Our general sense and I hope that message came over, you never take any interaction with any of the regulators lightly. On this particular occasion, we think it is something that we have a very clear plan of action. We are on way through implementing that already, it should not and we do not foresee any impact on our operations. We have responded back to the FDA; we are just awaiting the final exchange of paperwork with them to make sure we close it off satisfactorily.

Manoj Nerurkar: The study that was done on behalf of one of our clients few years back, where the client wanted us to do some additional analytical piece than what we had originally agreed with the client. That study had a 483, but it is simple enough coz we have already done the study, we have given all the data back to the agency, and we expect them to accept it and move forward, it is not something that has any impact on our ability to do any future studies or going to have any impact in terms of revenue as far as that particular vertical is concerned.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just checking on, Chinappa mentioned about the sales mix and the pass-through and that too being one-time, so in terms of what would have been the one-time impact, so that it could help us looking at Fiscal 19 as well?

M. B. Chinappa: Taking it all up is a little bit difficult, but as I indicated if you are looking at modeling FY '19 at the EBITDA margin level, Q4 is a good indicator.

Prakash Agarwal: But as you mentioned it has one-time impact.

M. B. Chinappa: Yes, the materials and power cost should be not lower, but would have been compensated with higher staff cost.

Prakash Agarwal: You also mentioned about the tax rate with the benefits of SEZ coming down, so would it be like couple of basis points, 100 basis points or how much, you just indicated?

M. B. Chinappa: Yes, it could be 100 to 200 basis points impact on account of higher taxation.

Prakash Agarwal: In terms of business momentum, clearly you have these big clients adding up, so just trying to understand you did give some color on how Fiscal 19 would look at, which is a little better than what you did in Fiscal 18, just trying to understand that if you just look at three-year picture, would this kind of growth momentum fair to draw for next three years?

Jonathan Hunt: Thank you for your question, it is fantastic question, it demonstrates yet again that we have our policy of not giving guidance, but helpful directional comments for the coming year, somebody is always going to add an extra couple of years also, but I am going to resist the temptation to give you three-year guidance. I thought we were being quite helpful giving you a nice picture of the moving parts for FY 19, but take it out a little bit further actually, so think of what this business looks like over the next five years or so and you can see that we have got a strong core with our Discovery services business with Discovery Biology and Discovery Chemistry and all of the associated services that are in referendum. When we integrate those together, we create real value for our clients and often that then culminates in things like a dedicated centers model, so the vast majority of Syngene history is a scientist in a lab innovating high-quality science, which is a discovery service engine really. What you will see over the next five years and this fourth quarter just gone maybe one of the starting points of it, it is adding in that manufacturing business alongside it and that is synergistically, they involve as having strong deep relationship with exactly the same client groups, but in a different business group and a different business model and I think that is one of the opportunities where Syngene goes from one powerful engine to two engines and I think that is quite important if you look at over the next five years that you understand when that starts to impact the P&L. You

can see it starting and building momentum now from a small base in Biologics and then FY 20 onwards when we had that earlier question on what is the sort of ramp-up you can expect on Mangalore; I think I gave you everything you need to try triangulate into that. The combination of those two should give you a good sense of that longer term. You forgive me if I do not give you a specific three years' revenue number.

Prakash Agarwal: Lastly, on the CAPEX side just missed the comments, so if I gather it correct, so of the \$200 million, \$58 million is remaining and which will be invested in next two years and you are planning additional \$100 million, is that right?

Jonathan Hunt: \$200 million minus of \$108 million already invested, \$58 million is the number for FY 19, the Delta between all of those when you add them up you will see over into FY 20.

Prakash Agarwal: There is no additional \$100 million?

M. B. Chinappa: There is an additional \$100 million and this would be towards the expansion of our business, there is a Discovery services, additional labs to support the expansion of Discovery Chemistry, Discovery Biology and some expansion of our Chemical facility.

Prakash Agarwal: This would be over how many years, Sir?

M. B. Chinappa: Committed this year, what we spend largely between this year and next.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumanglam Investments. Please go ahead.

Vipul Shah: Sir, that facility which was damaged by fire is coming back this quarter, so what type of additional revenue we can expect from Quarter-2 onwards from that particular facility?

Jonathan Hunt: You are right on your timing, in fact actually I did overrun that facility this morning and it is looking good, one or two things just to do in terms of the final fixtures and fittings that we should be able to start to reoccupy that building and getting up to speed operationally from next month. I think one of the things that you need to think about is when we lost the infrastructure back in December 2016, it caused quite a space crunch across our campus, so we have really relied on the excellence and I think the patience of a large number of our scientific teams who coped admirably over the last year under what would have been some quite cramped conditions, so certainly the first wave of S2 facility coming back online is just moving it back into a more upper normal operating environment and that will allow us to sort of decompress the capacity crunch across the campus. Beyond that, I would just wrap up the drivers that you get from S2 into the normal business growth that you would see Syngene, I think Chinappa is giving you some fairly good direction of comments on where we see that being in FY 19.

Moderator: Thank you. The next question is from the line of Surya Patra from PhillipCapital. Please go ahead.

Surya Patra: Sir, just on the Merck alliance, is it a biologic service alliance that we have been having with Merck and is it renewal for one year or it has been the kind of renewal that happens every year or how is it?

Manoj Nerurkar: The work that we are doing with Merck is for almost 18 to 20 plus years and this is a collaboration on mostly Discovery of Biologics rather than biologics development. It is not related to the plant that we just operationalized, so it is more of a discovery type of work that we continue to do and expand when it comes to collaboration with Merck.

Surya Patra: Manoj, just wanted to know was that that Discovery Biology activity that we were offering that will now fall under the Biologic services?

Manoj Nerurkar: No, that falls under Discovery services.

Surya Patra: In the CRO activities that will fall in?

Manoj Nerurkar: I mean all these are CRO activities. If you remember, we divide our business in three verticals, right, one is Dedicated Centers which are our strategic collaboration with companies like BMS, Amgen and so on. The second vertical is Discovery services vertical, so these particular services falls under that vertical, and the third one is development and manufacturing services under which the biologics falls, so this one with Merck falls under the middle one, Discovery services which includes Discovery Biology.

Surya Patra: Now, as we have indicated that this quarter onwards, we have started seeing some meaningful ramp up in the Biologic services front, so how much or what percentage of the revenues that so far we have received and what is the scalability that we are currently visualizing on that front, if you can share some idea on that?

Manoj Nerurkar: I will talk about the scalability of the business, the biologics business is as I said falls under development and manufacturing services. This is a plant that we have just inaugurated and we are looking at filling up that capacity, so far progress has been excellent especially in this quarter and our visibility for the future looks quite good as far as the Biologics is concerned, but specific guidance on how much percent of contribution to the revenue comes from Biologics is something we do not give vertical by vertical.

Surya Patra: One more question on the BA/BE services front whether this is entirely or what is the kind of quantum of revenue that we should be generating out of the BA/BE services as of now, it should be minimum one I think, is that correct?

Manoj Nerurkar: Surya, it is low single digit.

Moderator: Thank you very much. Due to time constraints, we will take that as the last question. I would now like to hand the conference back to Ms. Chanderlekha Nayar for closing comments.

Chanderlekha Nayar: Thank you everyone for joining today's call, hope we have answered all your queries. In case if you have any questions, please feel free to get in touch with me. Thank you, have a Good Evening.

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