“Syngene International Limited

Q1 FY27 Earnings Conference Call”

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MANAGEMENT:

- Ms. Kiran Mazumdar-Shaw – Executive Chairperson – Syngene International Limited
- Mr. Siddharth Mittal – Managing Director and Chief Executive Officer – Syngene International Limited
- Mr. Deepak Jain – Chief Financial Officer – Syngene International Limited
- Ms. Nandini Agarwal – Investor Relations – Syngene International Limited

Moderator: Ladies and gentlemen, good day, and welcome to Syngene International's Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Nandini Agarwal: Good morning, everyone. Thank you for joining us on this call today to discuss Syngene' s first quarter results for FY 2027. To discuss the financial and business performance for the period, we have on this call today Ms. Kiran Mazumdar-Shaw, Syngene' s Executive Chairperson; Mr. Siddharth Mittal, Managing Director and Chief Executive Officer; and Mr. Deepak Jain, Chief Financial Officer. After the opening remarks, they will be happy to answer any questions you might have.

Before we begin, I would like to caution that comments made during this conference call today will contain certain forward-looking statements and must be viewed in relation to the risks pertaining to the business. The Safe 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 made available.

With this, I will now turn over the call to our Executive Chairperson, Ms. Kiran Mazumdar.

Kiran Mazumdar-Shaw: Thank you, Nandini. Good morning, everyone, and thank you for joining us. Before I begin, I would like to welcome Siddharth Mittal to his new role as Managing Director and CEO of Syngene. During his 13 years at Biocon, Siddharth has played a key role in shaping the strategic direction of the company, helped transform its commercial and operational capabilities, and positioned the company for sustainable growth. Having worked with him closely, I have every confidence that his business acumen, leadership experience and execution-focused approach equip him well to lead Syngene, not only through the current transient period, but also to set a strong foundation for the next phase of growth and value creation.

Let me start by saying that FY27 is a year of transition for Syngene. It is a year of course correction, strategic renewal, and disciplined execution under a new leadership team. While the environment remains challenging, we have used the last few months to take a hard look at our business, identify where we have lost momentum and define a clear path to restoring sustainable profitable growth.

Over the past few years, I believe we have drifted towards the larger share of commoditized research services where differentiation is limited, and pricing pressure is inevitable. At the same time, our biologics manufacturing business became disproportionately dependent on a single large customer. The loss of that business has had a significant impact on our near-term financial performance and has reinforced the importance of building a more diversified and resilient commercial portfolio.

These have been important learnings. They have sharpened our strategic focus and have strengthened our resolve to reposition Syngene around areas where we can create sustainable competitive advantage. And I'm pleased that I have now stepped in as Executive Chairperson to make this happen.

Our first priority is to build a much stronger commercial engine. Winning business, deepening customer relationships and expanding strategic partnerships across global biotech and pharmaceutical companies will be central to our growth agenda. We are strengthening our commercial organization under the leadership of Abhijit Zutshi, a former Chief Commercial Officer of Biocon's Generics business, who has delivered very significant performance during this role. Abhijit will make sure that we have a sharper market segmentation, greater customer engagement and a more focused business development approach.

Second, and this is very important, we are reaffirming CDMO as the primary growth engine of long-term growth. We believe the industry continues to offer significant opportunity for high-quality partners with scientific depth, development expertise and world-class manufacturing capabilities. Our investments in discovery, development and manufacturing positions us well to capture this opportunity.

Third. We are moving decisively up the value chain by expanding our differentiated discovery capabilities. As you all know, artificial intelligence is transforming drug discovery and Syngene intends to be at the forefront of this evolution. We are integrating AI across the discovery workflow, combining computational biology, machine learning and advanced data science with deep experimental expertise to accelerate and improve the quality of research outcomes.

Alongside AI, we are investing in emerging scientific modalities and strengthening our capabilities in translational science and clinical research, enabling us to partner with customers from target identification through early clinical development.

Finally, large-molecule CDMO remains one of Syngene' s strongest strategic differentiators. Few companies globally can offer the breadth of integrated biologics capabilities that we have built from cell line development and process optimization to clinical and commercial scale manufacturing. Combined with our expertise in biopharmaceutical manufacturing and our expanding global manufacturing footprint, especially the Bayview facility in the U.S. positions Syngene as a trusted end-to-end partner for biologics innovators.

While the recent setback in biologics manufacturing has been significant, it has not diminished the strength of our capability or the long-term opportunity before us. The current year is, therefore, one of rebuilding rather than maximizing growth. For the full financial year, we do expect a single-digit decline in revenue in rupee terms and EBITDA margins in the mid-20s.

Our focus is on restoring commercial momentum, improving asset utilization, driving operational efficiency and creating a higher quality, more differentiated business. By the end of this fiscal, we expect these actions to position Syngene for a return to profitable and sustainable growth, which will be delivered from FY28 onwards. We are confident that the strategic choices

we are making today will create a stronger, more resilient and more differentiated Syngene for the future.

Now, with that, I'd like to hand over to Siddharth to take you through the quarter's performance and our strategic priorities in greater detail. Over to you, Siddharth.

Siddharth Mittal: Thank you, Kiran, and good morning, everyone. I appreciate the opportunity to lead Syngene at such an important point in its journey. And I would like to thank the Board of Directors for the confidence they have placed in me. The CRDMO industry continues to present significant opportunities for long-term growth, and I'm very confident that Syngene' s strong scientific foundation, differentiated capabilities, and trusted customer relations position us well to capture these opportunities.

So, my immediate focus will be on translating these priorities that Kiran outlined into a very disciplined execution and tangible business outcomes. This will entail sharpening our commercial execution, strengthening delivery across our businesses and building a more agile, cost-competitive organization. While we will continue to invest in our discovery and CDMO capabilities, AI and digital technologies and differentiated scientific expertise will definitely deliver greater value for our customers and strengthen our competitive position.

Let me now take you through key business highlights for the quarter. Syngene signed a Memorandum of Understanding with Translational Health Science and Technology Institute, a premier institution under Department of Biotechnology Government of India. The collaboration establishes an operational partnership for early and late-phase clinical development, translational research and bioanalytical sciences.

The collaboration will also enable the evaluation and execution of first-in-human and Phase I clinical programs, along with bioanalytical, biomarker, and patient-based clinical research programs. We also continue to strengthen Syn.AI, our AI-enabled scientific platform for accelerating drug discovery services.

The company developed giga-scale virtual screening capabilities, enabling larger libraries of molecules to be screened and prioritized, accelerating the identification of promising drug candidates. We also advanced our AI-driven de novo design capabilities, helping accelerate design and optimization of novel drug candidates.

Now these investments are helping us to enhance productivity, improve speed to science and hence create a greater value for our customers. We are also pleased to be recognized for the second consecutive year in Time Magazine and Statista's World's Most Sustainable Companies 2026 ranking, selected from more than 5,800 companies across 43 countries. This recognition reflects the strength of our sustainability agenda and reinforces our reputation as a trusted global partner for our customers.

Now, let me turn to the financial performance for the quarter. Revenue from operations for the quarter was at INR 736 crores, a decline of 16% year-on-year, primarily reflecting the absence of offtake from Zoetis in this quarter. Additionally, we also experienced the attrition of a few

clients in our research services business. Research services accounted for 78% of the sales, while CDMO accounted for the remaining 22% for the quarter.

Operating EBITDA for the quarter stood at INR 91 crores with an EBITDA margin of 12%. The margin performance reflected the impact of lower revenues together with foreign exchange hedge loss of INR 50 crores during the quarter. This impact was partially offset by our ongoing cost optimization program, including employee-related costs and other expenses. Profit after tax, before exceptional items was INR 1 crore.

During the quarter, the company recognized an exceptional charge of INR 10 crores net of taxes related to termination benefits extended to employees in accordance with the company approved policy. Consequently, reported profit after tax was a negative INR 9 crores. Capital expenditure during the quarter was approximately INR 70 crores, primarily in our Bayview facility and other investments across technology platforms, including automation and AI-capabilities. But despite the near-term challenges, our balance sheet remains strong.

We ended the quarter with a net cash balance of INR 1,541 crores. And we will continue to make investments throughout the year, primarily in operationalizing our Bayview facility, expanding our capabilities and advancing new modalities that will strengthen our long-term competitiveness and position Syngene for future growth.

Let me conclude by reiterating that our priorities are clear and the focus of the management team is now on executing them consistently, enhancing operational performance and delivering better outcomes for our customers and stakeholders.

With that, let me open the line for questions-and-answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We will take the first question from the line of Kunal Dhamesha from Macquarie. Please go ahead.

Kunal Dhamesha: Hi, good morning, and thank you for taking my question. First question on our guidance revision, which I think earlier we had mentioned it would be more or less flat revenue, and now we have revised down to degrowth of low single digits. So, what has changed between Q4 and Q1 leading to this revision if you could provide some highlight here?

Kiran Mazumdar-Shaw: Let me start with answering that question and then ask Siddharth to continue. Basically, as I mentioned earlier on, the big impact that we have felt this quarter is the loss or the absence of the Zoetis contribution to our numbers. We see a significant decline in this particular business over this fiscal, and we are of course working hard to fill this gap. But by the time we start filling this gap with other customers, we believe it will be the end of this fiscal, and therefore, we are projecting or guiding for a slight decline in revenue.

Siddharth Mittal: And if I may just add, Kunal, we've of course, had a hard look at what are the discussions going on with our various customers and the pipeline. I think Kiran did allude in her opening comments that we are looking at sharpening our focus on commercial execution and by focusing on CDMO as a prime growth driver and, of course, the differentiated offerings in discovery business. And

I think while we get the new commercial organization to fire, there will be a gestation time from the time we get the RFPs and then translate that business into revenues.

So, what we have guided for is what we believe is the realistic view of where we will end up in the year. But, of course, we have also said that H1 is where we will see a significant impact. In H2, we have a better visibility on both CDMO as well as our discovery businesses.

Kunal Dhamesha: And just a follow-up on that, when we are saying that FY28 would be a better growth year for us, and we are trying to fill this gap with newer product. But my understanding is, as you highlighted, that these RFPs take time to convert and then there is a tech transfer involved, in certain cases there is a requirement of plant inspection, etc. So, one question - out of this gap, which is coming from a commercial molecule will it be filled with, let's say, clinical molecules or commercial molecule? If it is commercial molecule, do we have strong visibility here or we are still at the RFP stage?

Siddharth Mittal: It's a combination of both. We do have certain commercial molecules. And I think I would like to also specifically mention Mangalore. We all are aware that Mangalore had a very low utilization in the past years. We have had very good discussions and few lock-ins for both commercial, as well as clinical molecules from Mangalore. And this fiscal year itself, you will see a significant ramp-up in utilization. And the increase in utilization will continue in FY28, which will of course drive the revenue growth in our small molecule CDMO business.

And as far as the large-molecule CDMO business is concerned, again, we are looking at operationalizing Bayview. By end of this year, we have discussions going on with prospective customers who want to utilize this facility, which will drive revenue growth in FY '28.

Kunal Dhamesha: And what about the Stelis facility? What are you seeing there in terms of traction?

Siddharth Mittal: See, the customers have already signed up, and we have taken batches for a few of our customers. And, again, there also we see a ramp-up happening during this year and continuing into next year. But most of these molecules in Stelis are at clinical or development stage. So, at this stage, we do not have a large volume commercial molecule from Unit 3.

Kiran Mazumdar-Shaw: Kunal, to answer your question, I think we have to basically really have a sharp focus on the CDMO business, which I think Siddharth and Abhijit Zutshi will really now double down on. I think that's where we have found that we have not really taken advantage of our very differentiated position, because we were just being very complacent about one big customer. So, I think that's where the real strategy is going to be focused, and that's where we believe that the real opportunity lies.

Kunal Dhamesha: Sure ma'am. And if I can just ask one more, let's say, segment-wise in Q1 between discovery and CDMO, if you could highlight how the discovery business has done. And it seems that the macro environment for discovery business is improving with VC funding in U.S. up by single digit year-to-date. So, are we seeing that momentum in the discovery business? And if you could provide Q1 growth number for discovery business, that would be great?

Kiran Mazumdar-Shaw: So, Kunal, to answer that question, let me answer that by saying that actually we have answered that particular percentage in Siddharth's opening remarks where 78% of the business came from the Research Services and 22% came from CDMO, this quarter.

But to answer your second question about discovery services, we believe that we need to really differentiate our discovery services because I think the opportunity for Syngene, which has always been ahead of the curve, is to look at new science, new technologies that will differentiate us further, and that's where we are really focused. Otherwise, it becomes a race to the bottom because it becomes commoditized and then you're just basically providing very low-margin services, which is what has happened to us.

So, I think we need to double down on differentiated services, and you will see this big turnaround next year because that's what we are doing this year. A lot of our focus is on AI-led differentiation. And we think we are very confident that this will happen during this fiscal, and we will see that turnaround by the end of this fiscal.

Kunal Dhamesha: Sure, ma'am. Thank you, and all the best.

Moderator: Thank you. We'll take the next question from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Good morning. Thank you for taking my question. Just a comment around the discovery business and attrition of a few clients. If you could just provide some additional details around it. Is it just how the pipeline has evolved, or is there something more specific for this attrition?

Kiran Mazumdar-Shaw: I think the attrition has happened really because of a focus on the cost of these services. Again, I go back to the fact that as you get more and more into commoditized services, there are going to be competitors who offer these services at a much lower cost. We do not wish to compete on such a level. And, therefore, we all opt out of such opportunities and there is attrition seen of such customers.

And that is what I again want to emphasize the fact that we would like to start getting back to our old formula of having very, very value-added differentiated services where I think we have basically taken the eye off the ball. And that's where we want to focus, and therefore, I think by the end of this fiscal, you will see that turnaround.

Shyam Srinivasan: Great, ma'am. That's helpful. Just I'm looking for some illustrations like what -- how would you classify the commoditized part, which you're deemphasizing in discovery as well as what are the new value-added parts? Is there something that you could illustrate so that we just get a hang of which parts is where Syngene is trying to focus on?

Kiran Mazumdar-Shaw: So maybe we should take this offline, Shyam, and I think Siddharth will be very happy to discuss this with you offline

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

Surya Patra: My first question was about the CDMO biologic business opportunity, ma'am. See, in fact, we know that the anchor client for us for the large-molecule biologic business was Zoetis and that was a kind of a starting point also for that business in a greater way. So, with challenges that we are recognizing there, so any concrete progress in terms of the kind of the clientele addition, or any visibility, anything that we can share that will provide some incremental visibility about the CDMO business, wherein, larger investments are also gone from our side. So that will be helpful, please?

Kiran Mazumdar-Shaw: Yes. So, let me answer that question by saying that we were over-dependent on one large customer and obviously a lot of investments were made then to diversify that portfolio. But by the time that happened, we had a big drop in the opportunity with the large customer. So, we then were left with spare capacity and we had to fill in a lot of the new capacity that we had built in anticipation of diversifying that business. We've also, as you know, invested in the Bayview facility in the U.S., which also offers us a very large opportunity to also have a diversified geographic footprint.

Now, we have already obtained quite a few projects from biologics requirements in the new facilities that we have acquired as a result of the large dependence on that one customer. And, of course, Bayview is in the state of being made into a state of readiness. And we have already had a lot of expressions of interest and one or two have been converted into a project-based CMO requirement in the U.S. But the actual revenues of that will only start showing from next year. And in the meantime, we are really now doubling down on filling that big gap that has been created by the loss of the one big customer.

So, I think we have our work cut out for us, and I'm glad that we have a very focused commercial engine now that is going to double down on this very differentiated service that we offer. And I think we'll be able to share more color and visibility by next quarter, because I think right now we are seeing some very good green shoots, but I think we will start giving you better clarity starting next quarter.

Surya Patra: Sure. One more thing about the clinical trial activities that we have forayed recently. So, we have talked about it at length, but so far, there is no commercial sense to the analyst community. So, if you can add anything to that

Kiran Mazumdar-Shaw: Yes. I think this is a very, very attractive part of our business that is emerging. It's a small base right now, but it has grown significantly over the last year. But because of the low base, it's difficult to really talk too much about it at the moment. But I think we have seen a lot of progress. We have had new leadership. We are putting in some new capabilities in translational research. And we are very confident that starting this fiscal, we are likely to see a very strong growth in this business, which will start becoming a significant part of our business going forward.

Siddharth Mittal: It also positions the company and differentiates us from rest of the clinical research companies because, I mean, in India, many companies are more focused on BA/BE studies, and a global Phase III/Phase II are some of the differentiators for us and will definitely be a large contributor as a percentage of our overall revenues in the years to come.

Surya Patra: Okay. So, is it fair to believe that, okay, let's say, over a period of three-year time this clinical trial revenue stream will be about, I think, 20% of the total company's revenue, or something like that? Any sense on those lines?

Siddharth Mittal: See, Surya, we cannot quantify in terms of percentage because other businesses will also grow. But today, it's a small base, as Kiran mentioned, but it will become a larger part of our business, both in absolute terms as well as in percentage terms.

Surya Patra: Okay. Sure. Just last question from my side, sir. You mentioned in your opening remarks that there is some progress visible on the small molecule CDMO side from your Mangalore site. Whether it is a kind of a foreign project, which is getting extended from your CRO activity or it is a fresh commercial manufacturing opportunity that you are getting from some client?

Siddharth Mittal: So, these are more direct manufacturing opportunities mostly. And, again, one of the focus for Abhijit and his team would be to look at integrated drug discovery and development. So, the molecules in discovery labs should move to development at various facilities. And that's where we think we can capture a lot more value, which today we are not doing so well.

Surya Patra: Sure, Yes. Thank you. Thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Hi, good morning. Just couple of follow-up questions. So, I was looking at your revenue run rate three years back before the Zoetis contract came in. At that time you used to do around $350 million to $400 million. As we all know, this product, the Zoetis contract did not work well and we are seeing destocking. But even if we annualize the current quarterly run rate, actually we won't reach the revenue run rate reached three years back before the Zoetis contract. What has happened to the rest of the business?

Kiran Mazumdar-Shaw: I think, if you look at our present, of course, we are expecting the second half to be much stronger than the first half. So, I don't think you should look at the current run rate based on this quarter's numbers. But having said that, I think you should understand that the impact of the one client was nearly $50 million. So, I think if you look at that particular impact alone, it's significant, which we are now trying to fill. And if you look at the fact that we have seen attrition in some of our commoditized service offerings, which we deliberately did not focus on because we felt that the low-margin business was the race to the bottom. We are rebuilding that business.

So, to answer your question, yes, we were at a good run rate over the last few years, but it has started declining starting last year. And what we are basically now doing is really rebuilding the business, rejigging the business and making sure that we get back to this very robust growth because our aim is to really get back to a double-digit sustainable growth, which we think we will be able to do starting next fiscal.

Bino Pathiparampil: Understood. Just a follow-up. Can I assume that now our Zoetis revenues are zero, so that it's completely out of the base?

Kiran Mazumdar-Shaw: Well, not completely zero, but a very small percentage of that.

Siddharth Mittal: See, Zoetis, does have inventory for the next couple of years as they have also seen a decline in their sales. But this fiscal year and more on the second half, we do have certain delivery obligations to them. And we do not expect the molecule to be zero even in FY28. We do definitely expect that and Zoetis will come back by end of the year with their forecast for FY'28, but we do not expect that it will be zero.

Bino Pathiparampil: Understood. And last question on margin. So, first quarter you have done 12% or 19% whatever depending on the way you look at it, including the hedging losses, etc. Your guidance of mid-20s EBITDA margin assumes a very strong second half, which should be in the line of 27% to 30% to achieve that annual guidance. What gives you such a strong visibility in second half of margin pickup?

Siddharth Mittal: Deepak, do you want to take that?

Deepak Jain: So, Bino, if you look at it, as we said, this quarter is impacted by the revenue decline, and we are calling out a mid-single-digit revenue decline across the year. So, there will be some revenue uptick that will happen in the second half, which was called out by both Sid and Kiran as well.

Margin improvement of all the cost-saving activities that we've spoken of earlier that we did in last year FY26, and the continued cost saving initiatives that we are taking this year will definitely help us improve margins. If you look at a couple of years back, our steady-state margins were definitely a little higher than the mid-20s. And we've also seen the seasonality of the business. Quarter four has always been the highest quarter for us, and that also helps appreciate the margins as well. So, it's a combination of these multiple factors where we feel that we should be able to hold on to the guidance of mid-20s.

Bino Pathiparampil: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Sanjay Kohli from Goldstone Capital. Please go ahead.

Sanjay Kohli: Hi, yes. Thank you for the opportunity. Good morning, everyone. Yes. So, on the clinical molecules side, could you give us breakup between small and large. And over the years has it been, sort of, does it move around a lot or seems fairly steady, the variability and your small and large molecules business on the clinical side, not the commercial?

Kiran Mazumdar-Shaw: No, what do you mean by clinical side? You mean on the research side?

Sanjay Kohli: Research, the research side, when you initially did the contracts, so basically on the chemistry and on the large molecules, I'm assuming is all basically become biologics or biosimilars?

Kiran Mazumdar-Shaw: So, let me answer that by saying that when we look at discovery services, obviously, we do not try to differentiate between small molecule and large molecule opportunities, because both are very large. Having said that, I mean Syngene is very differentiated based on its capabilities in

large molecules. And, therefore, we, as a share of molecules that are given to us, we have in the country, perhaps one of the largest shares of large molecules under discovery.

Having said that, it doesn't mean that our small-molecule discovery platforms and requirements are small by any sense. So, when we look at our overall pie, we feel we are very well-distributed between large molecules and small molecules. So, I think that is the way we look at our business. We are not focusing on one or the other because both are very, very important for us. But as a company in India that really has a differentiation in biologics. At a country level, I think we get a much higher share of large molecules under the discovery umbrella compared to other companies.

Sanjay Kohli: Okay. So for us, it's about 50/50 between both?

Kiran Mazumdar-Shaw: Let me explain it a little more. I think Siddharth mentioned that some of these new areas like oligos, ADCs and bispecifics, and many, many of those kinds of molecules are coming our way. And I think that's where we are really, really able to offer high-value services and we are doubling down on those opportunities, because we believe that getting more of that will give us a much better revenue and margin mix.

Sanjay Kohli: Okay. Now on the focus area of the trial, this could be a great opportunity of the company to put out the presentation to just explain the landscape to us because there's a lot of variability within the analyst the community of how we understand this. And this being relatively new over here, the landscape in the sense, is it going to be -- are you going to be enrolling over here, overseas, how large the pie is and how difficult is it to enroll in the various geographies, those kinds of things. I really want to understand this. So, if the company can put out a presentation explaining this, because it's going to be a focus area for us going forward? Just as a request, would this be possible, ma'am?

Kiran Mazumdar-Shaw: So that's a very good suggestion, and I think the new leadership will definitely work on that. And in the coming quarters, we will see what we can do to address your suggestion.

Siddharth Mittal: And let me just add that clinical success and the opportunity is huge. There are a lot of government support, regulatory changes that are required. And we are, of course, working with various departments to see how India can become a leader in this space. There is some bit of dependency on that factor.

Kiran Mazumdar-Shaw: Yes.

Deepak Jain: Sorry, if I may add, we had done a webinar with Dr. Mrinal as well last year, around December. And what we could do is check and provide you with a webinar link so you can look at it. And as Kiran said, we will try and probably do one more later on in the year.

Sanjay Kohli: That would be helpful. Because we want to understand what has changed in the regulation also overseas that would allow to conduct trials, and even from the scientific point of view, how data of people from different countries translates into a homogenous result throughout, how much of that is allowed, and how useful that is. So, that would be very helpful.

Kiran Mazumdar-Shaw: Let me answer that question. The Indian regulatory landscape has to completely change to really hasten this particular opportunity in India. In the meantime, Syngene, already has some very good partnerships in other parts of the world, so that we can actually take these into the clinic faster than we can do in India.

So, we do have partnerships in countries like Australia and Europe so that we can actually get over these kinds of impediments that we are facing in India, because in India it takes a very long time to obtain any approvals to do first-in-human, for instance. Even the approvals that are required to do Phase I, Phase II take much, much longer than other parts of the world.

So, we are working on those issues. We hope that they will be resolved, because the whole industry is working on this issue. And I think it's about ensuring that the regulatory system will enable an accelerated approach in many of these clinical trials.

But until then, we are actually having other arrangements in other parts of the world, so that we don't lose the momentum. So just to answer that question, obviously, it is a big opportunity for India, but I think the regulatory pathways have to be in sync with those opportunities.

Sanjay Kohli: Right. Thanks.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Thank you for taking my question. I guess, I got dropped off at my second question. So, Siddharth, just back on the CDMO, I think you clarified the Librela question I had. But non-Librela opportunities, in Bayview, or Unit 3, how should we look at demand for this particular segment? And what gives us the confidence that you seem to be making a small pivot towards saying that CDMO as a key growth engine. So, just want to understand what are some of the early indicators you are picking up. It's now 20% of revenues. I don't know whether you split it out small versus large as well?

Siddharth Mittal: So, Shyam, what Syngene offers in the context of large-molecule CDMO, very few can offer other than if you look at the Chinese and Korean companies. So, in the Indian context, at the scale and the quality and the capabilities, we are definitely differentiated. And having a facility in the U.S., of course, given the whole tariffs and 'Make in U.S.' rhetoric, we have discussions going on, both on the human health and animal health side.

And that's where we are having discussions with many of our current customers who are at early stages, or in the, let's say, product development stages to see how we can migrate those molecules from lab to commercial level infrastructure. And we definitely have a very robust pipeline. I think the real thing is now to convert that pipeline into business.

And as far as Bayview is concerned, as we mentioned that we are looking at operationalizing that facility later this year. And at that point in time, of course, customers are already visiting the facility, looking at the facility, but we'll be able to lock in customers only after the operationalization is done because that's what will give the confidence to customers once the facility is operationalized.

Shyam Srinivasan: Got it. Thank you, and all the best.

Siddharth Mittal: Thank you. I think one factor, which I forgot to mention is of course the Biosecure Act and inclusion of some of the Chinese companies, specifically in that list, that definitely offers a great advantage for us to shift those molecules from China to India.

Moderator: Thank you, sir. Ladies and gentlemen, we'll be taking the last question for today from the line of Neelam Punjabi from Perpetuity. Please go ahead.

Neelam Punjabi: Thank you for the opportunity. My first question is that since we are guiding for a single-digit INR terms revenue decline and we are also having the Bayview facility operationalization in the later part of the year, guiding for a mid-20s EBITDA margin, which would mean that we are doing a very strict cost control. So, could you please talk a bit about our cost measures that we are taking this year?

Siddharth Mittal: So, two aspects. One, the facility itself will not be capitalized during this fiscal year, and it will be capitalized based on our accounting policy. So, there will be very minimal expenses on behalf of Bayview in the P&L.

But coming to cost optimization, that's independent of Bayview getting capitalized or not. I think we mentioned that even during the quarter, while we did have impact on margins because of lower revenues and forex, but a part of it was offset by cost optimization, including people costs that started sometime last fiscal. And this year, again, we are going to continue looking at all our operating expenses and people costs to align with what we are doing. And, of course, technology is going to play a very important role in that cost optimization.

Neelam Punjabi: Got it. So that means that since Bayview would be commercialized or capitalized next year, we would most likely see a flattish margin next year itself as well, is that fair to assume?

Siddharth Mittal: I think it's too early to comment on the margins for next year. Of course, in a difficult year like FY27, if we are having flattish margin and in next year, when we are expecting a good growth, the margin should improve. So, we do not expect a flattish margin to continue next year.

Neelam Punjabi: Got it. On a base of FY27, could you give a medium to long-term outlook? What's the kind of revenue growth that we're looking at with these new facilities – Stelis, Bayview – coming in, and with Mangalore also currently underutilized? Some long-term growth outlook would be very helpful.

Siddharth Mittal: At this stage, I don't think we'll be able to quantify or give a qualitative guidance as well.

Kiran Mazumdar-Shaw: Neelam, I would like to say that this is a new leadership team. Please kindly give them a quarter, and they can be much more accurate about answering your questions once they have had an opportunity to really do a deep diagnosis of all the financial numbers that you're basically addressing.

But suffice to say that there is a huge focus on financial discipline, on cost cutting and on ensuring that we go after all the businesses that I talked about. So, I think from next quarter, you should have better visibility and clarity on the questions that you're asking.

Neelam Punjabi: Sure. Thank you, ma'am. And one last question is on the cash balance, INR1,540 crores net cash that we have. Firstly, if I remember correctly, last year we had INR1,800 crores of cash. So, what was the first quarter utilization, if you can help us understand where did we invest? And secondly, what are our cash utilization strategy going forward, if you can just help me with that?

Kiran Mazumdar-Shaw: Deepak, you might want to answer?

Deepak Jain Thanks. So, if you look at it, we've always maintained the fact that our cash balance has a structure to it, where first quarter of the calendar year is where we receive a lot of advances from our customers and through the year, we utilize those advances. So, you will naturally see a trajectory of a declining cash balance and then starts picking up towards the end of the year and the beginning of the next year, and that cycle continues. So, it's no different and nothing unique has happened. On the cash utilization, we continue to speak about our investment as Kiran and Sid were talking about it. We will continue to invest into our business and utilize the cash as well.

Neelam Punjabi: Got it. That helps. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. Thank you, members of the management. You can get in touch with the Syngene team for any further questions. On behalf of Syngene International, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.