



“Syngene International Limited
Q3 and 9 Month FY 2024 Results Conference Call”
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**MANAGEMENT: MR. JONATHAN HUNT – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – SYNGENE
INTERNATIONAL LIMITED
MR. SIBAJI BISWAS – CHIEF FINANCIAL OFFICER –
SYNGENE INTERNATIONAL LIMITED
DR. MAHESH BHALGAT – CHIEF OPERATING OFFICER
– SYNGENE INTERNATIONAL LIMITED
MS. SURUCHI DAGA – SYNGENE INTERNATIONAL
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Syngene International's Third Quarter ended December 2023 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 this conference, 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. Suruchi Daga from Syngene International. Thank you, and over to you, ma'am.

Suruchi Daga: Thank you, Dorwin, and good evening, everyone. Thank you for joining us on this call to discuss Syngene's Q3 FY 2024 and 9 month FY 2024 financial and business performance.

From the management side, we have Mr. Jonathan Hunt, Managing Director and Chief Executive Officer; Mr. Sibaji Biswas, Chief Financial Officer; and Dr. Mahesh Bhargat, Chief Operating Officer. Post opening remarks from the management, we will open the line for Q&A, and we 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 harbour clause indicated in the investor presentation also applies to this conference call. The replay of this call will be available for the next few days, and the transcript will be subsequently made available.

With this, I now hand over the call to Mr. Jonathan Hunt. Thank you, and over to you, sir.

Jonathan Hunt: Thank you. Good afternoon. Thank you, everybody, for joining today's call. As always, my remarks will cover an overview of the key financials for the quarter before getting into operational and strategic highlights. I will share some thoughts on current industry dynamics before handing over to Sibaji to go into more detail. And then, of course, we'll be happy to take any questions that you've got.

So overall, the shape of the quarter was pretty much in line with the expectations that we had, and I think the comments that I made last quarter. As indicated last time, we expected the quarter to deliver growth, but at a softer level when compared to previous growth rates. And I think that actually reflects the impact the industry is seeing from the reduction in funding flows into the U.S. biotech segment, which in turn, that's feeding through into our biotech clients near-term spending behaviours.

Trends outside of biotech, so big pharma, animal health, big biotech, other regions of the world other than the U.S. are much less affected. And as I look across the global industry and at our peer groups, you can see these patterns are pretty widely reported. And I think that sort of suggests they're well understood and in many ways, already baked into everybody's expectations and understandings.

Now for the quarter, we delivered 9% revenue growth in the course from operations. Slowdown in the U.S. biotech funding did impact Discovery Services. Aside from that, the company delivered good performance in our dedicated centres, Development and Manufacturing Services. So, the benefits of our broad operating spend and the investments we've made over the years building our divisions outside of Discovery Services is really giving us some resilience there.

Now let me turn to the financials. Revenue from operations came in at INR854 crores, it's up 9% year-on-year. I take the currency out, that's about 7% growth on a constant currency basis. Operating EBITDA was almost flat, that came in at INR232 crores, and profit after tax before exceptional items was up around 4% over the corresponding quarter last year, that's INR115 crores.

So, looking at performance over the first 9 months of the year, revenue from ops grew 17%. PAT before the exceptional item was up 16%. That shows pretty good growth through the year so far, but front loaded, which is what we've talked about at the midyear. To give you some broader industry context, let me go back to the fundamentals. If you were to plot the funding that's gone into venture capital backed biotech over the last decade, it's evident that we see a long-term growth trend, and then with a real spike as we went through the pandemic.

What looks to be happening over the last 12 months is a reversion back to that long-term trend. It's finding a new stable level, and I think that returns is back to a sustained upwards trajectory. In many ways, we're back in 2019 or 2020 at a time in which we all considered a pretty healthy one for biotech and for the industry.

But with that gap in funding that reflects the change from peak to mean, and I believe that gap will work its way through the systems, biotech is starting to access funding again and they in turn will then start to place project and Discovery Services with companies like us to take those molecules through to the next stage.

Typically, you'd expect a lag of a few quarters between funding inflows into biotech and funding -- flow of that funding into new project commissioning within our industry. Hence, we expect a little bit slower growth coming out of the U.S. biotech segment for 1, 2, maybe 3 more quarters before it annualizes out.

At the same time, I am encouraged by some of the signals in the market. Large and midsized pharma segment continue to deliver sustained growth in demand for outsourced research, development and manufacturing. This trend from big pharma, coupled with an uptick that we saw in request for proposals or RFPs for research services from the biotech segment during the third quarter suggests we might be at the beginning of a recovery mode, although I'm going to be much better placed to comment on that at the end of this quarter when we get to the full year results.

In the meantime, we're seeing some interesting structural dynamics. Those companies that have funding are increasingly searching for best value. There's a bit of an element of price sensitivity going on. That's a good scenario for companies like ours, given our relative

operating cost advantage, particularly in Discovery Services, where labour cost is a higher percentage of the total cost to deliver a service.

There's another segment in the industry made up of large and medium-sized bio and pharma companies which just aren't reliant on venture funding. And they're looking for supply chain resilience. I think one of the big learnings coming out of the pandemic was think very carefully about how your supply chain are structured. And we've all got used to talking about that as the China Plus One trend. This is a medium- to long-term trend. I think India is well positioned to benefit from it, and as a leading provider in our marketplace, we're pretty well positioned to benefit from that.

So, looking ahead, we expect the fourth quarter performance for Syngene to be better than this quarter. That's a sequential comment. Given the slower growth in the third quarter, we believe mid-teens revenue growth guidance is more likely to come in now at double digit for the full year.

So, moving to some of the operational updates. In Manufacturing Services, we concluded the acquisition of the Stelis Biopharma facility announced in July '23. The facility will significantly increase our biologics manufacturing capacity to pretty much double the current installed capacity. But we've got to complete the revalidation and the upgrading of that facility and that will be the priority during the calendar year ahead.

The quarter saw good operational delivery within biologics, particularly in our manufacturing partnership with Zoetis. And in Discovery Services, we added Assay Biology to our operations in Hyderabad. We completed the DMPK and Compound Management activities that are located there and we continue to expand our service offerings from Hyderabad.

So let me conclude my remarks by reiterating that we're continuing to execute on our strategy. Next quarter is likely to be better than this one. The longer-term indicators for health care look positive, and we've got good reasons to remain optimistic, and I think stay the course strategically.

With that, let me hand over to Sibaji to talk a little bit more about the financials.

Sibaji Biswas:

Thank you, Jonathan, and good afternoon, everyone. As Jonathan highlighted, while we like others are currently navigating a period of demand adjustment in Discovery Services due to shifts in the biotech funding landscape, we believe that general industry conditions remain positive. The biotech funding is beginning to settle down at levels prevailing before the onset of the pandemic and this is likely to lead to improved demand growth for our industry in a few quarters from now.

Against that backdrop, I would now like to cover the third quarter results, followed by an overview of the first 9 months of the year. I'll also provide an update on guidance for the current full year before concluding my commentary. Overall, the third quarter performance was consistent with our expectations.

We reported 9% growth in revenue from operations, which translates to around 7% on a constant currency basis. The growth was primarily driven by Development and Manufacturing Services with commercial manufacturing of biologics playing a key role. We are now delivering commercial manufacturing for Zoetis at the indicated run rate of USD 50 million per year. We continue to produce clinical batches for other clients, and once the Stelis facility comes online in the second half of the next financial year, we expect to see continued growth in our Biologics business.

Our small molecule development services demonstrated steady growth attributed to repeat orders from the clients and the expansion of our clinical formulation business. In this area, especially in the early-stage development projects from biotech, we have seen some project deferment as the industry scouts for new funds.

Moving to the profitability metrics. Operating EBITDA remained at the same level as last year. Operating EBITDA margin currently stands at around 27% compared to 29% last year. We achieved better operating leverage through enhanced capacity utilization in Development and Manufacturing Services, especially in biologics manufacturing. However, the fixed cost base in the research business, primarily in Discovery Services, impacted the margin due to the slowdown in demand.

Let me now turn to some of the other cost lines. I'll explain the key changes and trends we saw in the quarter. The cost of raw materials was around 28% of the revenue for the third quarter compared to 26% in the previous year, which is an increase of 15% year-on-year, primarily reflecting the shift of business mix towards development and manufacturing services, which inherently involves a higher component of material cost.

Staff costs rose by around 10% versus last year due to increments and key hires in scientific and commercial roles. Direct costs, largely power and utility expenses, showed a decline of 4% year-on-year.

This favourable trend reflects reduced utility input costs and an increase in captive green energy consumption compared to the previous year. In quarter 3, 87% of our total energy consumption was from renewable sources, an increase from 75% in the previous year. Hyderabad operations staff has now started to use green energy from quarter 3, and we have also commenced work in bringing renewable energy sources of power to the newly acquired biologics manufacturing facility.

Other operating costs grew by 21% year-on-year, and it is broadly in line of what we saw in the last quarter. This increase over last year primarily came from new facilities added during the last 1 year, including new equipment and infrastructure, resulting in higher facility costs. We also had increased commercial activity, leading to higher travel sales and marketing expenses as well as hiring of key talent in the business.

The hedge loss for the quarter came in close to INR12 crores compared to about INR16 crores in the same period last year. The spot rate averaged around INR83.3 per US dollar during the quarter against our hedge rate of around INR82. Depreciation charges increased by 14% year-

on-year, driven primarily by asset additions across business divisions over the last 12 months and rent from new leases entered during the period.

Operating profit or EBIT declined by 9% in comparison to the last year and EBIT margin is around 14% versus 17% in the preceding year. The acquisition of biologics manufacturing facilities from Stelis Biopharma Limited was completed effective 1st December 2023. While we will be capitalizing the preoperative costs directly linked to the commissioning of the plant, there are some recurring costs like lease, rentals and power that will continue to be expensed off in the line with the standard accounting practices.

I would like to remind you that we guided for some dilution of operating margins in the short term because of cost incurred in this facility. Some of that is reflected in the current quarter and the remainder will be fully reflected when the plant goes live in the second half of the next financial year. The finance costs reduced from INR14 crores to INR11 crores, mainly due to repayment of an ECB loan of \$50 million, partly offset by increase in interest component of the new leases entered during the period.

Other income increased 70% year-on-year. This was primarily due to a INR16 crores interest income from an income tax refund, which was partially offset by lower interest income on liquid investments as our cash balance reduced to the payment for the acquisition of the manufacturing facility from Stelis Biopharma. While we continue to have a strong balance sheet, you should also consider in the modelling that our lower cash balance will be to lower interest income, resulting in a corresponding impact on PAT.

Turning now to tax. Our effective tax rate stands at around 19% this quarter due to shift in business mix towards tax units with lower tax debt. Our profit after tax growth before exceptional items was around 4% year-on-year. During the quarter, we had an exceptional item of INR3 crores net of tax attributable to transaction costs related to the acquisition of Stelis. PAT after exceptional items grew at 2%.

Now moving to the performance for 9 months. Revenue from operations grew 17% in reported currency and at 13% at constant currency. This growth was primarily driven by development and manufacturing services and steady performance from the dedicated centres. Operating EBITDA grew by 12% with a margin of around 27% against 28% last year.

The trend of expenses in the first 9 months of the year broadly mirrors that of the third quarter. The cost of raw materials increased by 28% due to the shift in business mix towards Development and Manufacturing Services and even the rate we guided earlier for the full year. The operating EBIT margin is at 15% versus 16% in the previous year.

Other income increased by 55% attributed to the higher cash balance and improved interest yields. As mentioned earlier, the increase was also due to the INR16 crores interest from an income tax refund. The finance costs increased, reflecting higher interest rates and the interest component of lease centres. This was offset by a lower interest cost as we repaid the ECB loan during the quarter.

Currently, we carry \$35 million, which is approximately INR290 crores debt in our balance sheet. And our balance sheet could support both the payments, 1 for the acquisition and the other for the repayment of the debt in the same quarter. At the end of the quarter, we are net debt negative. And I repeat, net debt negative with INR397 crores of net cash balance reflecting the continued strength of our balance sheet.

Overall, we reported a resilient performance for the 9 months despite external headwinds to record a 16% year-over-year increase in profit after tax before exceptional items. After exceptional items, it was 13% year-on-year.

Coming to capex now. We have executed around \$40 million of capex in the first 9 months of the year, primarily directed towards adding new capabilities and capacity in the research business. Close to 50% of this capex was invested in Hyderabad as we opened our automated compound management facility and the DMPK biology lab for integrated small molecule study. The rest of the capex was invested in Development and Manufacturing Services, including support infrastructure such as a quality control and testing laboratory for biologics manufacturing and additional capabilities for the small molecule business.

The fundamentals of the outsourcing industry continue to be strong and our commitment to long-term investment plans remain unchanged although we'll carefully calibrate and stage-gate immediate investment needs. Consistent with our usual practice, we will phase our investments over the coming quarters, aligning with the pace of execution and with the prevailing demand environment. Our internal cash flow remain robust, providing assurance that all current organic expansion plans will be financed from internal accruals, eliminating the necessity to rely on external credit for expansion of our infrastructure.

Now let me comment on updated guidance for the rest of the year. Consistent with what we told you last quarter, we saw growth, but at a lower level in the third quarter. Projections for the fourth quarter indicate a quarter-on-quarter improvement and should mark 1 of our largest revenue quarters for this year. However, it is worth remembering that Zoetis project was fully operational in the fourth quarter last year, which will result in a comparatively modest year-on-year growth for the quarter 4 this year.

We consider the slower growth in Discovery Services as transient and while the exact timing of recovery is uncertain, you will watch the uptick in RFP inflow that Jonathan mentioned closely in the coming weeks as an early indicator for improved growth in the next financial year.

I'll provide guidance on the year end at our next call. By then, we should have better visibility of how the market is shaping up. For the current full year, we anticipate double-digit growth in revenue. With respect to capital expenditures, about \$20 million of additional capex spend is expected in projects under execution, and we expect the capex for the full year to come around \$60 million. This is below our last guidance of \$80 million in the second quarter call as it has been moderated to balance investments in research business to revenue growth visibility.

In conclusion, our twin-engine strategy, focusing on research services and Development and Manufacturing Services reinforces our status as one stop shop partner and brings with it a degree of resilience. We see the biotech funding situation already on a recovery mode, and we expect stronger growth to return in the later part of this calendar year.

With this, I conclude my remarks, and we'll be happy to take your questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Shaleen Kumar from UBS Securities. Please go ahead.

Shaleen Kumar: So, Jonathan, if I look at the implied growth of 4Q, while sequentially it will be better, but given the double-digit growth for the year, I think we should be somewhere low single digit to possibly negative growth year-on-year. I mean, and you also mentioned that there will be a lag between VC funding improvement to -- and then growth coming back. So, while I'm not asking for the guidance for FY '25, but can there be a reason for us to see any material change beyond 4Q in near term?

Jonathan Hunt: I'm not sure I got the question.

Shaleen Kumar: So, I was saying that...

Jonathan Hunt: No, I got that. But your math isn't far. I'm not sure how you concluded negative growth, but that's your math, not mine. But what was the strategic element to it?

Shaleen Kumar: Low single digit, let's say, low single digit would be the growth for the 4Q possibly. I'm saying, can there be a material change in the near term, given the environment is still tough.

Jonathan Hunt: What do you think in terms of the industry, UBS and your colleagues in UBS in the U.S. and UBS in Europe will all have a house view, you'll have a biotech analyst many of whom I know from years ago. What's the UBS view on the future of the U.S. biotech sector? I'm assuming it's positive, you still think it's going to grow, it's going to bounce back.

Shaleen Kumar: It will. Absolutely, there's no question about it, right? It's just a timing thing, right? So, I'm not debating on that funding is not going to come back, absolutely it will. Structural story is intact. My only challenge is -- how should I think about my growth trajectory or recovery trajectory?

Jonathan Hunt: That's why I'm trying to make it into a conversation. So, we both agree there's life still in biotech, and it's viable, vibrant sector for the future. And we're trying to call it is it 1 quarter, 2 quarter, 3 quarters before the funding stabilizes? And again, I could possibly point you back to your own organization's biotech reporting. You guys seem like me to be calling some stabilization in that funding. I think it's going to be a couple of quarters for it all to settle down.

But I don't see it as structural or necessarily strategic. I think, it's temporal. And that was really what I was trying to get at with my comments. It's a slowdown for everybody in Discovery Services that is used to seeing growth come out of the U.S. biotech sector that's funded by new capital flows and formations from private equity. It seems to be levelling at about where we

were in 2019, 2020. And 2019, 2020 was a 10-year bull run in funding going into private equity.

So, I'm not brave enough to call the bottom, but it does look to be stabilizing. And then from that, it will just take a couple of quarters to work through. Outside of biotech, our business and the market fundamentals look pretty solid. Nothing has really changed. Our CDMO strategy is evolving quite nicely, I think. I think the market opportunities are there. Hopefully, that gives you a sense.

Shaleen Kumar: Yes, sure.

Jonathan Hunt: I actually don't think I've said anything that every other CEO in this sector and most analysts have said over the last 2 quarters.

Shaleen Kumar: Sure. No, sure, I agree with you on that. I'm not debating upon this. I'm just -- it's difficult for us also to understand the trajectory of recovery. So, on the CDMO side, right, can -- I mean can you guide us like how the things are shaping up, how the utilization is ramping up, anything visible on any new product API, specifically?

Jonathan Hunt: I made some comments earlier, I did some media interviews and was trying to sort of pull it all into a sort of strategic framework. We took the decision about 5 years ago to sort of accelerate and build out the CDMO side of the business, both small and large molecules, development and commercial manufacturing.

So, if you look at that strategy as a whole, not bad. Over 5 years, we've doubled the revenue in that sector. We're now about 40% of total revenues are coming out of the CDMOs, and the growth rates of the CDMO business in the quarter would have been up in the 20s, 20%, 25% or so quarter-over-quarter growth. So, it's progressing quite well.

Blow-by-blow, client-by-client, production line by production line commentary is not something that we'd give. But we wouldn't have invested in the Stelis acquisition to bring forward by a number of years the capacity build-out that we wanted, if we weren't bumping up against the capacity limit already, which means we've fully sold out everything that we had on the biologics side.

So, I think as a whole, good market opportunity. We've now got capacity to grow into on both sides of the house. We've strengthened our capabilities over 2 or 3 years. It's about execution, which means it's about sales, which means it's about getting out and being visible in the market, and we're doing those things. We'll report that rather than predict it, if that makes sense. So, I'm trying to really paint the strategic picture for you.

Shaleen Kumar: That I completely agree and I'm supportive of that, right? I really like that story. But it's about the visibility, right? I think Zoetis really helped us. Now that's in the base -- so beyond, let's say -- or in fact, from the 4Q onward, how should we think about the growth rate of that segment?

Jonathan Hunt: Well, it's baked into the guidance we've given to you. We told you where we think we're going to end the year. I think your math is not far off, but I'm not sure if I necessarily agree with the negative growth that you -- at the bottom end of your math figures.

Shaleen Kumar: That's more of a scenario thing, right. So, you can ignore it.

Jonathan Hunt: Correct. And then gut feel now, I mean I'd remind you; our habit is to give guidance for the year ahead in April. I think we'll do that in April. But my expectation is next year offers better opportunities than this year. But that's predicated on the assumption that my view that the biotech funding will work its way through sooner rather than later, turns out to be correct. But I'll be in a much better position to give you guidance in April.

Well, if you don't mind, I'm going to -- you've had 4 questions. Our rule is one. So, I think maybe we need to offer somebody else an opportunity, if that's all right.

Shaleen Kumar: Absolutely, yes, for sure, for sure.

Moderator: The next question is from the line of Avendra Singh, an individual investor.

Avendra Singh: Hi, am I audible?

Moderator: Yes, you are audible.

Jonathan Hunt: You are audible.

Avendra Singh: Mr. Hunt, I just wanted to touch on what's happening on a group level. So, we saw that your predecessor has now come back to the group in a senior management position and there was a lot of talk about synergies across group companies and him working with the individual CEOs. So, I just wanted to get a sense of where that conversation or where those steps have panned out and where you see opportunities across the group playing out?

Jonathan Hunt: Good question. Yes, I mean in some ways, Peter never really went away. I mean it's somebody I've kept a close personal relationship throughout my time at Syngene. Of course, he has been on the Board of Directors at Biocon for a while, and now he's moving into something a little bit more operational.

I think there's many ways in which we can work collaboratively together. We have an interesting relationship with Biocon. They're a customer for ours as well. We're delighted in the services that we provide to them across our business. So, we have to keep that sort of relationship, they're a customer.

There's another element, they're a strategic shareholder. And of course, Kiran was the founder of all 3 companies. But I think wherever you're looking at things where you can get scale benefits or a little bit in procurement, simple things, our physical infrastructure, I don't know if you've ever had the opportunity to come and look at our main campus, but you've got 3 companies operating on 190-acre site.

That's a way of driving efficiency, and I'm highly dependent, I mean, on an literal sense, the electricity coming through the lights, the Internet, the infrastructure on the site are all on an integrated Biocon, Biocon Biologics and Syngene site. So, wherever we can get more together, I think that's in scope.

Avendra Singh:

Understood, understood. And if I can just ask a follow-up to my first question. In terms of your capex, I understand that you have a plan over the next couple of years. But is there a possibility of doing something like we did with the Stelis plant where we sort of have a buy versus build decision and bring up capacity if we see the potential pipeline from buyers?

Jonathan Hunt:

I'm trying to work out what's underpinning that question. Just restate it because I don't want to give you a nonanswer if I can really understand the question better.

Avendra Singh:

So, my question is that you have a capex plan over the next 3, 4 years on your biologics side, right? So, like we saw with Stelis where you all of a sudden brought up that capex by paying a certain amount and being able to bring that capacity online, is there a potential for that to continue happening? Or do you see the pipeline at this point not such that...

Jonathan Hunt:

Right. No, I get it. I mean the first thing I'd say is we've not guided the capital markets on a multiyear capex program. We gave you 1-year guidance, which tends to be our habit. But strategically, we -- I mean we actually did this, this year. We started the year at \$100 million capex. We reduced the expenditure for the year precisely because we had bought the Stelis facility.

So, I'm now not going to build something that looks just like the Stelis facility that I've just bought because we've done it already. So, it's just a straight in swap. The advantageous bit for us is it gets us there quicker so that we have capex available to -- we have capacity available to sell in the market some years sooner than we would have done if we've done an organic build out.

And then the other question is, is there the scope in the future for us doing more deals like that? Only if they present themselves, only I think they are a good use of shareholder funds and create shareholder value. But I would love to have that problem. I'd love to be back in the position where we're running out of capacity because we've sold it all. So that would be a good thing for shareholders, good thing for us.

I'm not going to predict whether that's going to happen. We're already just digesting the Stelis acquisition. We've got a year, a busy year ahead of turning that facility around so that it's operating as an antibody plant rather than as a vaccines plant. And then simultaneously we're out trying to sell that capacity. Hopefully, that addresses the premise of your question.

Moderator:

The next question is from the line of Sheersh from Apex Capital.

Sheersh:

I just wanted to understand what kind of customer profile are we looking when we are looking for business for our manufacturing plant, especially? Are we looking especially at the

customers like Zoetis who might be willing to go out of China to look for alternate manufacturers?

Or are we more prominently looking for small biotech companies who might not have very big manufacturing orders, but will be very hopeful that they might turn something very successful in future? So, I just wanted to understand what is Syngene is exactly looking for when they go out and do the business development?

Jonathan Hunt:

Super. Practically answer to both of the ones you described is, yes, they are in scope. We're broad enough in our connections with customers and our capabilities. So, I think we've got in development and manufacturing, something to offer everybody in small and large molecules at the clinical development stage, clinical manufacturing scale.

If we then look on at the large molecules, actually, it's sort of almost sector-agnostic. We could deal with the needs of large biotech and biopharma companies, medium size and small. And I think on the small molecules, the ideal customers more likely to be innovation focused rather than a generics business. And those high added value new molecules is the best fit with our capabilities and with our capacities.

So, we're not really a generics API manufacturer in disguise, we're much closer to the innovation science as being the ideal fit. But whether they're small companies or large companies doesn't really make a difference on their underlying need.

Sibaji Biswas:

Is there anyone on in the queue?

Moderator:

Yes. We have the next question from the line of Shaleen Kumar from UBS Securities.

Shaleen Kumar:

Just a bookkeeping question to Sibaji. Sibaji, so with this new biologic capacity acquisition done, how should I think about the depreciation? It has been inching up. So, is this the 3Q run rate is the one we should take or it can be slightly increase from here as well?

Sibaji Biswas:

So, let me repeat what I said in my commentary that first of all, the depreciation is not going to start immediately because we'll have an in-between time where we'll be modifying the plant and the capex will be in CWIP. We'll also be capitalizing the preoperative expenditures directly related to the commissioning, not the other expenditures, which are already in the P&L, as I mentioned.

So once the depreciation starts, we'll evaluate exactly what the life of the assets should be of that. And that process of evaluation is on, and we'll come back with more details in the next quarter. So, I must clarify over here, historically, when our manufacturing and development business was small, we were applying the rules of the research business also in development and manufacturing.

We now understand -- we now have a much bigger share of development and manufacturing and accounting rules and estimates related to that have to really align and get benchmarked

with similar development and manufacturing businesses. And we are actually working on that, and we'll come back with a clear position in the next call when we have this discussion.

Shaleen Kumar: Okay. Okay. And I missed your comment on the tax. Just if you can repeat that, that would be really helpful, tax rate?

Sibaji Biswas: The tax rate is -- it's basically a mix of different facilities because we have SEZ facilities, right? And what happens is that depending on where the growth is coming from, the effective tax rate moves a bit. This quarter, we have seen a lower effective taxes because more revenues have got generated from facilities with lower effective tax rate or lower tax rates. As a result, the weighted average tax rate has gone down a bit. Does that makes sense to you?

Shaleen Kumar: Understood. Yes. But for the full year, is there a guidance for the tax rate? How should I think about it?

Sibaji Biswas: YTD is 22%, so you can assume it will be around that.

Jonathan Hunt: Operator, just 1 more check, see if there's anybody else in the queue that wants to ask a question. If not, I'm getting the sense we're coming awfully close to Republic Day and the holiday and people are drifting off already.

Moderator: Thank you. Ladies and gentlemen, that was our last question for today. I now hand the conference over to Ms. Suruchi Daga for closing comments. Over to you, ma'am.

Suruchi Daga: Thank you, everyone, for joining today's call. If you have any further queries, please do get in touch with our team, and we'll be happy to get back to you. Have a good day, and thanks once again.

Moderator: Thank you. Ladies and gentlemen, on behalf of Syngene International, that concludes this conference call. Thank you all for joining us. You may now disconnect your lines.