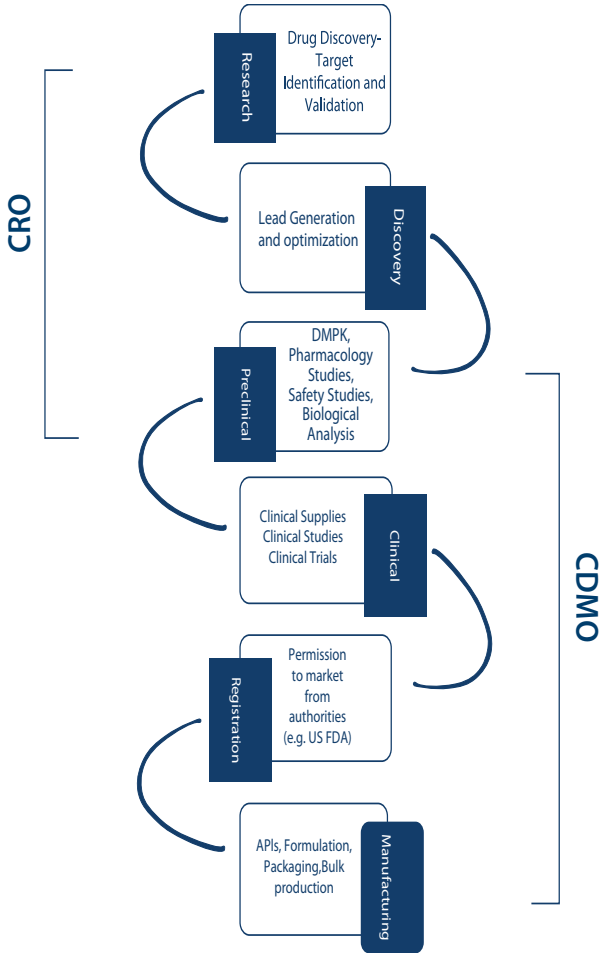
Management Discussion and Analysis

Syngene Overview

Syngene is a contract research, development, and manufacturing services company that offers a broad range of scientific services from the earliest stages of discovery to commercial supplies. This positions the Company as an end-to-end service provider within its sector. With more than 5600 skilled scientists, advanced technological capabilities and in-depth scientific expertise, Syngene stands out as a preferred partner for biopharmaceutical companies seeking integrated drug discovery, development and manufacturing services. Although its primary focus is on the pharmaceutical sector, Syngene also collaborates with companies in nutrition, animal health, consumer products, and specialty chemicals. The Company has worked with some 400 clients primarily situated in the United States, Europe and the UK.

The drug discovery value chain and Syngene's role as a service provider (CRO and CDMO)

Syngene provides end-to-end services as a Contract Research Organization (CRO) and a growing range of services as a Contract Development and Manufacturing Organization (CDMO) for large and small molecules.



As a CRO, the Company offers discovery research services and dedicated facilities which are designed and ring-fenced to meet a client's exclusive requirements. The dedicated centers house multi-disciplinary scientific teams and essential services with infrastructure tailormade to meet the client specifications.

In Discovery Services, the Company provides end-to-end research services from target selection and high throughput screening to drug candidate delivery for development.

As a CDMO, the Development Services division delivers services required for clinical supplies to support clinical trial programs and provides clinical studies relating to safety, efficacy, and tolerability of the chosen drug candidates. Our modern, high performance manufacturing plants for large and small molecules, combined with our expertise in managing products from the early stages of development through to commercial-scale manufacturing, make us an attractive partner for clients seeking a single, reliable provider of services to progress their product to market.

The Company offers different collaboration models ranging from long-term relationships with dedicated R&D facilities to Full-Time Equivalent (FTE) and Fee-for-Service (FFS) arrangements.

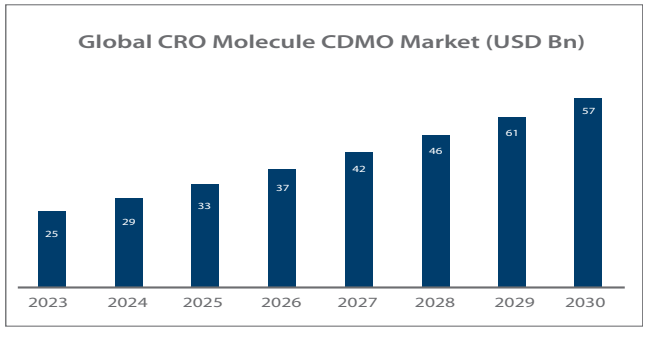
Contract Research Organizations (CRO)

Contract Research Organizations (CROs) provide research services to the pharmaceutical, biotechnology, medical device and other industries in the form of services outsourced on a contract basis.

From basic research to candidate selection, a wide range of activities are outsourced to CROs, including assay development, target validation, lead optimization, genetic engineering, hit exploration and safety and efficacy tests in animal models. The contract research industry has experienced rapid growth over the past decade with the pharmaceutical industry continuing to invest heavily in R&D, with a focus on developing innovative therapies to address unmet medical needs. The pharmaceutical industry is facing increasing pressure to reduce the time and costs associated with drug development. As a result, many companies are exploring new approaches to R&D including the use of digital technologies and collaborations with external partners.

(i) Contract Research Services - market size and attributes

The global CRO market size was valued at USD 25 bn in 2023 and is expected to expand at a CAGR of 12% to USD 57 bn in 2030[1]. The growth of the CRO market is driven by factors such as increasing R&D activities in the pharmaceutical and biotechnology industries, rising demand for outsourcing activities and a growing trend in strategic partnerships and collaborations.

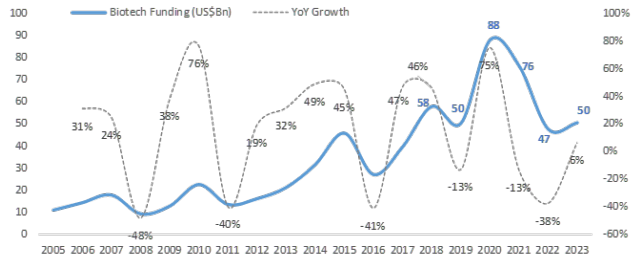


[1] *Goldman Sachs : India: Healthcare: Custom Research and Manufacturing Services*

(ii) Key industry trends

Biotech funding:

The pandemic triggered an unprecedented surge in funding within the biotech sector resulting in increased outsourcing of research projects. As the macro-economic landscape changed, biotech funding has returned to normalized levels. This decrease in funding has prompted numerous biotech companies to prioritize late-stage programs, diverting resources away from early-stage discovery and causing a slowdown in the outsourcing of early-stage services. Nevertheless, the current cyclical trend in biotech funding mirrors patterns seen over the last two decades. While 2023 was challenging for biotech funding, January to March 2024 funding levels were the highest in last 14 quarters - at levels similar to those in 2020/21. While the recovery in biotech funding is at an early stage, the long term trend indicates that biotechnology could be one of the most attractive investment destinations for capital, with a trajectory that has accelerated over the last decade.



[2] US biotech funding

Inflation Reduction Act:

It is premature to draw definitive conclusions about the effects of the Inflation Reduction Act; a thorough analysis over time is necessary. Nevertheless, concerns about its potential impact could generate ripple effects on new drug innovation.

Diversification of supply chains:

The COVID-19 pandemic and recent geopolitical events have highlighted the risks linked with dependency on a single supply source. Disruptions induced by the pandemic gave rise to supply chain challenges across multiple sectors, including the pharmaceutical industry. Consequently, companies are exploring options for their supply requirements to increase the resilience of their supply chains. This involves diversifying their supplier base to mitigate the risks associated with possible disruptions ensuring uninterrupted continuity of the supply chain.

Geopolitical shifts are currently favouring outsourcing in the contract research sector to countries such as India. While factors such as global trade policies, political and economic stability, low operating cost advantage, growing technical expertise and availability of skilled labour in emerging markets all influence the choice of an outsourcing destination, we believe India is well positioned to gain from this shift.

Considering these and other demand drivers for the CRO industry, we are optimistic about the growth opportunity for outsourcing of R&D services.

iii) Syngene's Research Services

The Company offers its Research Services through various flexible models, which include shared resources and infrastructure as well as the option of a dedicated facility. These are referred to as Discovery Services and Dedicated R&D Centres, respectively.

Discovery Services

a) About the services

Our Discovery research services span the entire spectrum of early-stage research from target identification to delivery of drug candidates for further development. Syngene's flexible approach enables clients to choose functional services or Integrated Drug Discovery solutions from our experienced SynVent team. In functional areas, our services cover Chemistry, Biology, Safety Assessment & Toxicology, and Computational & Data Sciences. Our integrated drug discovery service, SynVent, encompasses the functional domains with a program management approach across various stages of the drug discovery process.

The Discovery Chemistry team provides a diverse range of platform capabilities including synthetic and medicinal chemistry, library synthesis, analytical support, and purification. We bring to the table deep expertise in PROTACs, antibody drug conjugates, peptides, and oligonucleotides. The Discovery Biology team works on cutting-edge research into cell engineering, antibody discovery, protein sciences, assay biology, ***in vivo*** pharmacology, genomics, and translational sciences. We also offer a full DMPK suite, both in vitro ADME and ***in vivo*** PK studies.

The Safety Assessment team offers exploratory studies as well as full GLP packages. We also offer specialty studies such as ***in vitro*** cytotoxicity, skin irritation, phototoxicity, skin sensitization, as well as medical device testing.

All our Discovery Services are supported by an advanced informatics capability that enables faster, more efficient decision-making. Our computational and data science capabilities extend across target intelligence, multi-omics data analysis, systems modelling, molecular modelling, drug repurposing, predictive modelling, and multiparameter optimization.

b) Syngene's strategy

Our strategy is to provide end-to-end therapeutic discovery capabilities including differentiating technologies and platforms spanning all disciplines, disease areas, and therapeutic modalities. The Company delivers high-value innovation using its platforms and scientific capabilities. A key priority is ensure world class productivity through investment in digitization and automation. Having supported a client candidate identification, we aim to retain the client through the later stages of development and manufacturing by offering rapid and smooth transitions at every stage in the value chain.

c) progress made during the year

We continue to strengthen our end-to-end suite of capabilities to take client projects through the entire discovery and preclinical development paradigm for a range of modalities, including traditional small molecules, specialty chemistry platforms such as peptides, oligonucleotides, and PROTACs, biologics, antibody-drug conjugates (ADCs), and cell and gene therapy.

We also strengthened our SynVent leadership team and improved the operating model. SynVent™ offers clients an alternative to the traditional model for outsourcing integrated drug discovery (IDD) in which the client takes responsibility for the project leadership and holds accountability for defining and delivering objectives. Instead, The SynVent experts will design the discovery process, project manage completion and provide feedback and advice as the project progresses.

Discovery Services enabled several clients to achieve key milestones including identification of: a small molecule therapeutic candidate for a rare endocrine disorder; four bi-specific antibodies advanced

into IND-enabling studies within 15 months of project initiation; two novel biologics lead molecules for an additional program. Syngene scientists were listed as co-inventors in four patents.

Planning for future growth, the Company acquired 17 acres of land in Genome Valley, Hyderabad, close to the current research campus.

d) Capability and capacity additions during the year

- The biologics discovery platform was expanded through creation of Syngene's first proprietary, naive camelid antibody library. We launched the Induced Pluripotent Stem Cells (iPSCs) platform to provide an alternative to animal models of disease for predicting efficacy outcomes in human clinical trials.
- Additional chemistry laboratories were added and local operations of both assay biology and in vitro drug metabolism and pharmacokinetic (DMPK) functions were opened on the Hyderabad campus. The co-location of chemistry, biology, and DMPK enables more effective cross-functional collaboration on integrated projects and reduces turnaround time for the Design-Make-Test-Analyse drug discovery cycle.
- A centralized compound management facility which serves as a central storage facility for all compounds synthesized by Syngene was commissioned in Hyderabad.
- In vivo pharmacology validated new ***in vivo*** models - two models for collagen-induced arthritis and a cystitis model
- The DMPK team developed sensitive bioanalytical methods for measuring quantities of antisense oligonucleotides (ASOs), a drug class of increasing interest to the discovery community. The methods developed enable measurement of both ASOs and their metabolites in different matrix samples such as blood plasma, cerebrospinal fluid and brain homogenate, in support of regulatory submissions.

Dedicated R&D Centers

(i) About the centers

The Dedicated R&D Centers offer a "turn-key" solution to clients. They provide everything required to advance research projects, including highly trained scientific personnel, management, cutting-edge infrastructure, operating systems, processes and procedures that comply with regulatory requirements. These Dedicated Centers are exclusively operated for a single client and are set within a scientific ecosystem that facilitates fast scaling up of operations when needed.

The facilities are usually part of long-term strategic partnerships for five years or longer. Client representatives are co-located in the Dedicated Center premises, thereby creating a truly collaborative environment with real-time and continuous exchange of ideas which fosters creativity and learning for all stakeholders

Syngene currently operates dedicated R&D centers for three clients: Bristol-Myers Squibb, Baxter Inc. and Amgen Inc. These collaborations have expanded consistently over the duration of the contracts.

(ii) Syngene's strategy

Extend and expand the dedicated R&D centres

The Company remains focused on continuing to strengthen the existing partnerships with Amgen, Bristol Myers Squibb and Baxter through the dedicated centers. Such partnerships provide revenue visibility over the medium to long-term with predictable cash flows. The Company is also exploring opportunities to expand the partnerships with these clients beyond the dedicated center model.

Progress made during the year

A new kilo laboratory was inaugurated as an extension of the Syngene Amgen R&D Center (SARC) in Bangalore which will accelerate the advancement of Amgen R&D projects.

Revenue from Research services (Dedicated Centers+ Discovery Services) - was flat compared with last year. While Dedicated Centers grew at a steady pace, Discovery services was impacted by the slow down in biotech funding in the US resulting in spend optimization by clients. The contribution to total Syngene revenue from Research Services was at approx. 60% for the year compared to 65% in the previous year.

Overall outlook for Research Services:

The year was challenging for the research services industry as a whole as US biotech funding challenges impacted client spending on research projects. However, we have seen a return to biotech funding with January to March 2024 funding levels being the highest in last 14 quarters, similar to funding levels in 2020/21. With increasing R&D spend and propensity to outsource by our clients, we believe that the long term growth drivers for the industry are intact. Furthermore, India's concerted effort to position itself as an attractive outsourcing destination, coupled with a strategic drive to increase supply chain resilience, may yield long-term advantages. While short-term challenges may arise due to funding issues or pharmaceutical companies focusing their efforts on late-stage pipeline projects, the sustained investment in pipeline development is expected to persist in the long run.

In the dedicated centers, the Company will continue to focus on the needs of its long-term strategic partners through investment in new capabilities and continuous improvement in services.

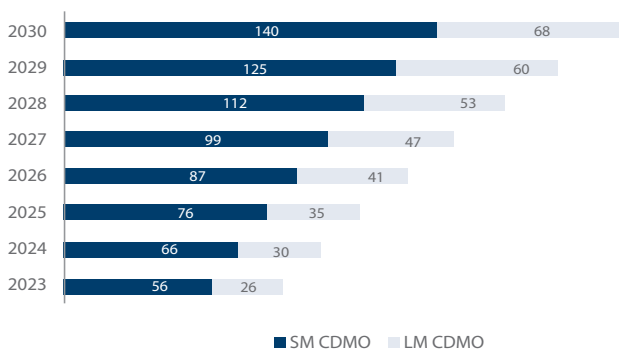
Contract Development and Manufacturing Services (CDMO)

CDMOs specialize in the development, scale-up and manufacturing of drug products for clinical trials and commercial distribution. They offer a range of services that include drug development, process development, analytical testing, formulation development, scale-up, manufacturing, packaging and distribution. These services can be provided on a stand-alone basis, or as part of a complete end-to-end service offering.

i) Contract development and manufacturing services – market size and attributes

The global CDMO market (comprising small and large molecules) was valued at USD 82 bn in 2023[1] and is expected to grow at a CAGR of 14% to reach a market size of USD 208 Bn in 2030. Like the CRO market, the growth in CDMO activity has accelerated, driven by the increased outsourcing.

Global Pharmaceutical CDMO Market Size (USD Bn)

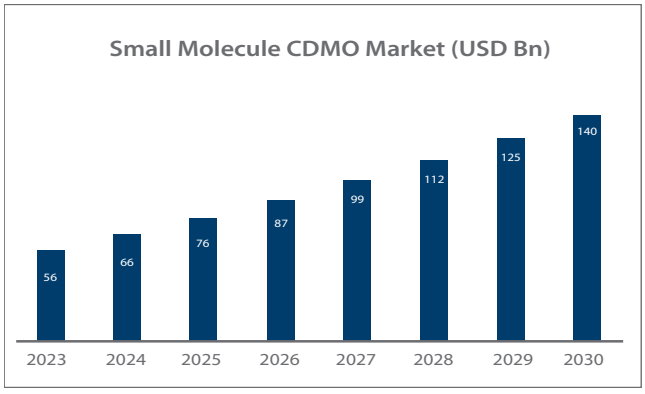


[3] *Goldman Sachs India Healthcare: Custom Research and Manufacturing Service Report dated April 2024*

(ii) Small molecule development and manufacturing services market

A typical small molecule CDMO offers services in clinical scale drug substance and drug product development, clinical scale manufacturing services and commercial scale development and manufacturing services.

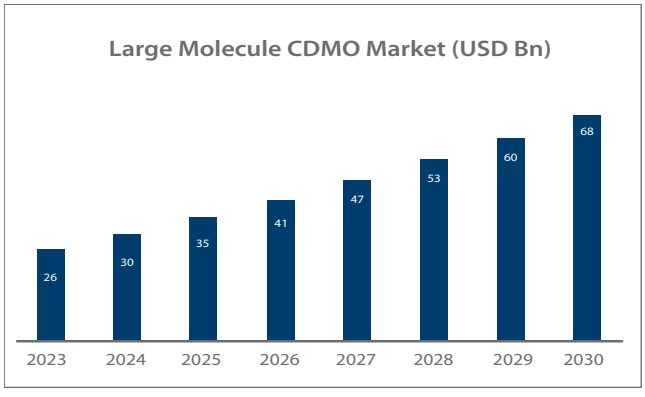
The global small molecule CDMO market stood at USD 56 bn in 2023 and is expected to grow at a CAGR of 14% to reach a market size of USD 140 Bn by 2030[2].



[4] *Goldman Sachs India Healthcare: Custom Research and Manufacturing Service report dated April 2024*

(iii) Large molecule development and manufacturing services market

The large molecule market size is currently estimated at USD 26 bn[3] and is forecast to grow at a CAGR of 15% to reach the market size of USD 68 bn in 2030.



[5]*Goldman Sachs : India: Healthcare: Custom Research and Manufacturing Service report dated April 2024*

Drug development for large molecules can be divided into two sections: drug product (DP) development, which includes filling the drug substance into the primary container and drug substance (DS) development, which includes the development of master and working cell banks, manufacturing process development, and scale-up.

(iv) Syngene's development and manufacturing services

Development Services:

In Development Services, Syngene offers preclinical development, API and drug product development for both small and large molecules. We engage in drug development services from lead generation to clinical supplies of drug substance and drug product. We also support our clients in drug filing with US FDA and other regulatory authorities.

Syngene's Development Services strategy

a) Integrated approach leveraging existing capabilities:

Providing end-to-end chemical manufacturing control (CMC) support for a drug development requires many specialized resources. Clinical supplies, manufacturing, and stability, along with an in-house team of regulatory experts and qualified personnel help achieve faster regulatory filing and first-in-human studies while maintaining tight control over quality and expenditure. Syngene's credentials include delivery of integrated CMC programs, including moving drug candidates from lead optimization to IND dossier submission in under 12 months.

b) Progress made during the year

We maintained our focus on integrating the Development Services division, solidifying our position as a comprehensive provider of CMC services. Throughout the year, we acquired additional scientific expertise and capabilities, demonstrated through the successful execution of projects for our clients. Development Services has consistent demand from repeat orders and upholds high standards of operational delivery.

We demonstrated our scientific excellence leading to enhanced yields, resolution of complex issues, successful crystallization, and delivery of complex dosage forms for multiple clients.

Capability and capacity additions during the year:

- A process research and development laboratory was opened and integrated with a process safety laboratory, an analytical laboratory, and a kilo laboratory. This integrated facility aims to decrease turnaround time and facilitate a quicker transition from early-stage research to production of viable drug candidates. A new non-GMP capability center was established to address the market's need for agile, cost-effective early-phase development and scale-up services.
- To enable end-to-end delivery of High Potent and Chiral compounds, Supercritical Fluid Chromatography (SFC) for purification was introduced.

Syngene has attracted a growing interest from animal health clients seeking collaboration on projects related to API development and manufacturing. In response to this demand, the Company has established a dedicated facility exclusively for animal health, focusing on the manufacturing of cGMP-grade APIs. This dedicated manufacturing facility manufacturing for Animal Health positions the company as a leading supplier for animal health discovery, development and manufacturing services.

Syngene's Manufacturing Services:

Manufacturing Services completes the integrated approach available to our customers for both small and large molecule projects.

Small molecule commercial manufacturing services –

The Company has an integrated small molecule offering including process development, nGMP supplies and clinical and commercial supplies. The Company has a state-of-the-art small molecule commercial manufacturing facility in Mangalore which has successfully completed the US Food and Drug Administration (US FDA) approval, an important building block for the company's small molecule commercial manufacturing strategy.

Syngene offers current Good Manufacturing Practices (cGMP) manufacturing from benchtop volume to commercial scale as well as end-to-end solutions from GLP-Tox batches to clinical supplies, scale-up, launch and commercial manufacturing.

Large molecule development and manufacturing services

The Company is a fully integrated custom biomanufacturer. Our solutions include mammalian and microbial capabilities for clinical and commercial supplies. We have a strong track record in terms of experience and know-how across monoclonal antibodies, bispecific, antibody fragments, recombinant proteins, glycoproteins, mRNA, microbial (E. coli and Pichia) and microbiome Live Biotherapeutic Product (LBP).

Our biologics manufacturing facility can accommodate multi-product production campaigns simultaneously, based on a single-use technology platform. It is designed to support clients during long-term commercial manufacturing campaigns. Our facility has a wide range of the latest technology combined with rich experience in handling cell culture-based products.

(a) Strategy: (Provide end-to-end solutions for development and manufacturing

We aim to focus on quality of service, delivery speed and cost efficiency, with modern infrastructure allowing for competitive pricing in small molecules manufacturing.

The Company also aims to capitalize on high demand for both biologics and biosimilars manufacturing at clinical and commercial scale. Monoclonal antibodies (mAbs) continue to dominate the biologics market and will be a key area for growth. To excel as a biologics Contract Development and Manufacturing Organization (CDMO), our strategy involves achieving the status of the most cost-efficient manufacturer per gram by leveraging three factors: a high-performing cell line with a target titer of 5-10 g/L; adept management of staffing and facility automation at the recently acquired biologics manufacturing facility; and securing a competitive supply chain. Additionally, we will explore backward integration for certain costly components to enhance cost competitiveness.

Progress made during the year

Our plan to deliver commercial biologics manufacturing solutions materialized with a ten-year agreement with animal health specialist, Zoetis, in 2022. Starting in the fourth quarter of FY2023, the commercial production of drug substance is underway with the team executing scheduled batches throughout FY24.

Beyond enhancing our expertise in monoclonal antibodies, our portfolio was broadened to include service offerings for Good Manufacturing Practice (GMP) manufacturing of plasmid DNA and mRNA.

(b) Capability and capacity

- The acquisition of the multi-modal biologics manufacturing facility from Stelis Biopharma Ltd was completed at gross value of Rs 617 crores. Once operational, the acquisition will add 20,000 litres of biologics drug substance manufacturing capacity to the Company's existing capabilities. The acquisition also includes a commercial scale, high speed, fill-finish unit, an essential capability for drug product manufacturing. The facility is expected to be operational in the second half of FY25, subject to regulatory approvals.
- Processes for GMP manufacturing were developed for mRNA-based product therapies in the context of advanced therapy medicinal products (ATMP) from microbial platforms
- A state of the art, digitally-enabled Quality Control Laboratory was commissioned to support our growing biologics operations

Overall, Development and Manufacturing Services revenue grew by 26%. The share of Development and Manufacturing Services was 40% of total revenue from operations in FY24, compared to 35% in the previous year.

Outlook for Development and Manufacturing Services:

The fundamentals of the Company's small molecule CDMO Services are robust including an integrated platform for development and commercial manufacturing. The small molecule GMP will help capture potential commercial manufacturing opportunities for novel molecules. The Company also has capability and capacity for non-GMP manufacturing of small molecules to provide greater flexibility and speed for clients.

For large molecules, the Company is well-positioned to capture its share of the increasing demand for biologics development and manufacturing. Our capacity of ~30KL delivered via single use reactors positions us competitively in the mid-sized biologics segment (100 – 600 kgs of Active Biologic Ing redient/yr).

Essential Functions

Quality:

Determined to operate as a world-class quality organization with the benefit of evolving technology, The Company has continued to invest in capability building with a new state-of-the-art biologics QC and microbiology lab equipped with an interconnected digital infrastructure and cutting-edge technology. This is the latest step in the ongoing digitization journey as part of which key initiatives like electronic batch records, automation in preventive maintenance, a paperless validation system, and the use of artificial intelligence in investigations has been implemented.

Moving towards paperless operations, the new quality facilities have been designed as paperless facilities, and new digitization initiatives have made an additional contribution. The new systems not only enhance data management and reduce human errors, but also reduce the cumulative carbon footprint and deliver cost saving by reducing paper usage.

The operational excellence program, including green and black belt projects, has also contributed to achieving efficiency and consistency while significantly improving productivity.

Successful completion of the US FDA inspection of the Mangalore manufacturing facility with no 483 observations is a testimony to our quality systems and processes.

IT:

Significant strides were made in digital transformation across the organization. Notably, the adoption of Electronic Laboratory Notebooks (ELNs) was completed within both the Development and Manufacturing services divisions, following the prior transitioning of our Discovery Services labs to 100% digital environments with ELNs in the previous financial year.

As part of our pharma 4.0 efforts, we completed the implementation of the electronic Batch Manufacturing Records (eBMR) in our manufacturing units. The incorporation of paper on glass and integration with shop floor equipment has facilitated real-time data capture and analysis, fostering enhanced productivity and accuracy within our manufacturing operations.

In the fourth quarter, we implemented Material Requirement Planning (MRP) with a focus on inventory optimization. Through improved planning processes, facilitated by MRP, we aim to minimize excess inventory, thus effectively reducing costs and enhancing operational efficiency.

The artificial intelligence/machine learning (AI/ML) journey in Quality Control began with the implementation of an AI-based tool, leveraging natural language processing (NLP), to expedite the review of investigation reports. We anticipate reducing the number of investigation report review cycles from 5 to 2 using this tool.

Multiple proof-of-concept pilots for employing generative AI across various use cases were undertaken, including the generation of Quality SOPs, equipment validation documents, and a GenAI-based lead generation tool. While some of these use cases have already been implemented, others are in progress.

The compound management and registration technology was installed during the year. This platform offers compound registration, storage, distribution, and tracking capabilities. The service has opened a new avenue of business for the Company and the first client has already signed up with a contract including the hosting of 70,000 compounds.

We are continuously investing to upgrade HR processes (Employee lifecycle: hire to retire) to improve the employee experience in terms of HR support. As part of this, we have implemented SAP SuccessFactors, a comprehensive solution designed to oversee the entire employee lifecycle. Modules including: Recruitment, Onboarding, Performance Management, Compensation & Benefits, and Learning Management and Employee Central which aims to empower employees with self-service capabilities, have already been implemented.

Strategic sourcing

Strategic sourcing demonstrated resilience amid global disruptions as a result of our multi-source supplier base complemented by a strengthened local supply ecosystem. The establishment of local warehouses for global suppliers in discovery services and development of alternate sources for other goods has resulted in a decreased delivery lead time. Developing a local partner network in niche chemistry areas for development services has helped to reduce dependency on China. Within manufacturing services, efforts to optimize raw material delivery schedules and cost competitiveness while strengthening GMP compliance continue. Multi-year agreements with freight forwarders, AEO (Authorized Economic Operator) Tier 3 accreditation and alternate routing options in face of disruption add to the speed and resilience of our supply chain.

In the context of the Science Based Targets initiative (SBTi) to decarbonize supply chain, we have committed to work with ~200 key suppliers to reduce their greenhouse gas emissions. The Company conducted its annual supplier summit in November 2023 as part of our supplier relationship management program to nurture strategic partnerships for mutual growth and the achievement of common goals.

Operational excellence

Embedding operational excellence in our operations is a daily responsibility for leaders at every level in the Company. Safety, quality and integrity are values that underpin everything we do. Beyond this, we used recognized operational excellence techniques such as Lead and Six Sigma to eliminate waste and drive efficiency in every operation.

This year marked significant achievements in strengthening our systems and processes using multiple approaches: our Lean Six Sigma academy; implementation of 5S to create a tidy, well-organized workplace; fostering innovation and idea management through the Japanese Kaizen process; problem-solving with Why-Why analysis; and efficient operations management using SQDECC (Syngene's in-house process to monitor and improve Safety, Quality, Delivery, Engagement, Compliance, and Cost).

Our Lean Six Sigma academy has educated 32 Black Belts, 121 Green Belts, 81 Yellow Belts, and 2500+ White Belts across the organization during the year. The SQDECC teams conducted almost 300 problem-solving Why-Why analyses and employees generated more than 5000 Kaizen ideas this year.

Our dedication to operational excellence has been recognized at external forums with 21 awards in national and regional competitions organized by the American Society of Quality (ASQ), Confederation of Indian Industry (CII) and Quality Circle Forum of India (QCFI). One of our projects also qualified for consideration in the International Convention on Quality Control Circles (ICQCC) 2024.

Human Resources

Syngene operates with a highly skilled workforce, composed predominantly of scientists, who make up 88% of our team. This year, the company continued to invest in its workforce by recruiting and developing talent to maintain our capacity for sustainable growth.

Syngene hired both seasoned professionals from the industry and new graduates. These fresh recruits play a vital role in our talent pipeline and we are committed to investing in their professional development. Through the Syngene Training Academy (STA), we equip them with the essential skills required for high-performance in an industrial science setting. The STA provides technical and life skills training over a six-month period, ensuring a solid foundation for their careers.

Our talent development strategy was invigorated by the introduction of "My Future Plan," a transformative initiative to develop a high-performance culture. "My Future Plan" revolutionizes our approach to performance reviews and talent development discussions. By moving beyond traditional evaluations, it encourages a forward-looking dialogue about each individual's career progression.

Our commitment to continuously improving the employee experience is underpinned by our annual employee experience survey. The insights gathered from this survey are analyzed to formulate action plans that address key findings and enhance overall workplace satisfaction. This systematic approach ensures that we are responsive to the needs of our workforce and are consistently working towards an enriching and fulfilling work environment.

FY24 Financial Performance

The consolidated financial performance of the Company for FY24 (in Rs Mn) is discussed below.

Particulars	FY24	FY23	Change (%)
Revenue from operations	34,886	31,929	9%
Other income (refer note 1)	906	709	28%
Reported revenue	35,792	32,638	10%
Costs of chemicals, reagents and consumables consumed	9,302	8,602	8%
Employee benefits expense	9,607	8,876	8%
Other expenses	5,275	4,689	13%
Foreign exchange fluctuation gain/(loss), net	(558)	(418)	34%
EBITDA	11,050	10,053	10%
Depreciation and amortisation expenses	4,259	3,665	16%
EBIT	6,791	6,388	6%
Finance costs	472	452	4%
PBT	6,319	5,936	6%
Tax (refer note 2)	1,133	1,292	-12%
PAT before exceptional item	5,186	4,644	12%
Exceptional item (refer note 3)	86	0	N/a
PAT after exceptional item	5,100	4,644	10%
Normalized PAT (before exceptional items/one-offs) (refer note 4)	**4,827**	**4,644**	4%
Other comprehensive income for the year	1,426	(972)	N/a
Total comprehensive income for the year	6,526	3,672	78%

FY24 financial performance includes the following adjustments:

Note 1. The Company recorded interest income on an income tax refund of Rs 158 Mn pursuant to an Income Tax Tribunal order for Financial Years 2009-10 and 2010-11. This has been presented as income in the financial results under the heading 'Other Income'.

Note 2. Reversal of income tax provision amounting to Rs 232 Mn based on favourable tax assessment orders received during the year.

Note 3. Exceptional item (net of tax) in FY24 pertains to transaction costs relating to the acquisition of the multi-modal facility from Stelis Biopharma Limited.

Note 4. Normalized PAT for FY24 is after adjusting interest income referred to in Note 1 (net of tax Rs 127 Mn) and reversal of income tax provision of Rs 232 Mn.

Particulars	FY24	FY23	Change (%)
Revenue from operations	34,886	31,929	9%
EBITDA from the operations	10,144	9,344	9%
PAT before exceptional items	5,186	4,644	12%
Normalized PAT (before exceptional items/one-offs)	4,827	4,644	4%

Revenue

Revenue from operations increased by 9%, from Rs 31,929 Mn in FY23 to Rs 34,886 Mn in FY24. This growth was driven by strong performance in Development and Manufacturing Services and steady performance from our dedicated centers. The share of development and manufacturing services grew from 35% last year to around 40% in FY24, while the share of Dedicated Centres was maintained at 26%. Challenging funding environment for US Biotech companies impacted the demand growth in Discovery Services leading to slower overall growth compared to the previous year.

Syngene's approach of building robust and diversified business model across the CRO and CDMO services, along with a strong focus on execution, enabled the company to be resilient during the period.

Other income for the period increased by 28% to Rs 906 Mn. This was primarily due to interest income from an income tax refund, which was partially offset by lower interest income on liquid investments as our cash balance reduced due to the payment for the acquisition of the manufacturing facility from Stelis Biopharma and repayment of the ECB loan.

Including the other income, total revenue growth for the year was at 10% year on year, increasing from Rs 32,638 Mn in FY23 to Rs 35,792 Mn in FY24.

Cost of materials consumed

The cost of materials consumed in FY24 increased by 8% to Rs 9,302 Mn, accounting for 27% of revenue from operations similar to the % of revenue in FY23. Efficiency gains driven by implementation of Sales Inventory and Operation Process and yield improvements enabled the company to optimize the material cost despite increase in share of revenue from Development and Manufacturing Services which inherently have higher material cost to revenue % compared to research services.

Employee benefits expense

The employment costs was Rs 9,607 million during the year reflecting an increase of 8%. The Company maintained a consistent employee cost-to-revenue ratio at approximately 28%, similar to the preceding year. Headcount declined compared to the previous year as we adjusted the recruitment strategy in response to the slowdown in demand growth for discovery services, which was partially offset by annual salary increments.

Other expenses

Other expenses recorded a 13% rise compared to the previous year, attributed to repair and maintenance costs driven by new assets added in previous years, along with increased administrative and selling expenses as the company continued to invest in commercial activities.

Partially offsetting this increase were reduced direct costs, primarily in power and utility expenses, which demonstrated a year-on-year decline. This favorable trend is indicative of reduced utility input costs and an uptick in the utilization of green energy across our facilities.

Foreign exchange fluctuation

The Company made an exchange loss of Rs 558 Mn during FY23 as against an exchange loss of Rs 418 Mn in the previous year. The loss was largely on account of the hedge rates being lower than the prevailing market rates.

Depreciation and amortisation expense

Depreciation and amortization increased to Rs 4,259 Mn from Rs 3,665 Mn in FY23. This is driven primarily by asset additions over the last 12 months and new building leases entered during the period.

Finance costs

The Finance costs increased by 4% to Rs 472 Mn in FY24 compared to Rs 452 Mn in FY23 driven by the increase in interest rates, exchange rate difference on foreign currency borrowings and the interest component of lease liabilities on new properties taken on lease. This is partially offset by reduced interest expense due to repayment of ECB during the year.

Tax expenses

Tax expenses for the year stood at Rs 1,133 Mn in FY24 in comparison to Rs 1,292 Mn (before exceptional items) in FY23.

The effective tax rate decreased from 21.8% in FY23 to 17.9% in FY24. This decrease is due to a tax provision reversal related to the previous year of Rs 232Mn. Adjusted for that, the underlying tax rate for the year was around 21.6%.

Profitability

The Company's reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in FY24 grew by 10% to Rs 11,050 Mn compared to Rs 10,053 Mn in FY23.

EBITDA margin for the year was at 30.9% compared to 30.8% in FY23.

Excluding other income, EBITDA from operations was at Rs 10,144 Mn in FY24 compared to Rs 9,344 Mn in FY23, an increase of 9% year-on-year, resulting in a margin of 29.1% of revenue from operations for the year as compared to 29.3% in the previous year.

Profit After Tax before exceptional items increased by 12% from Rs 4,644 Mn to Rs 5,186 Mn. Adjusted for two tax related one-offs: the tax provision reversal in the fourth quarter; and interest income on income tax refunds in Q3 FY24, the profit after tax grew by 4%.

Profit After Tax (PAT) after exceptional items increased by 10% to Rs 5,100 Mn, as against Rs 4,644 Mn in FY23.

Other Comprehensive Income

Other comprehensive income includes re-measurement gains/losses on defined benefit plans and gains/losses on hedging instruments designated as cash flow hedges. The decrease/increase is primarily due to mark-to-mark gain/loss on the hedge instruments.

Analysis of the Consolidated Balance Sheet: The following table exhibits the Company's balance sheet as on 31st March, 2024 and 31st March, 2023:

(in Rs Mn)

	31 Mar 2024	31 March 2023	Change (%)
ASSETS			
Non-current assets			
Property, plant and equipment	23,783	23,834	0%
Capital work-in-progress	8,368	1,769	373%
Right-of-use assets	4,024	2,169	86%
Investment property	411	481	-14%
Other intangible assets	282	185	52%
Intangible assets under development	13		NA
Financial assets	2,578	3,293	-22%
Deferred tax assets (net)	407	696	-42%
Income tax assets (net)	1,923	1,381	39%
Other non-current assets	137	249	-45%
Total non-current assets	41,926	34,057	23%
Current assets			
Inventories	2,385	3,328	-28%
Financial assets	16,083	19,866	-19%
Other current assets	1,122	1,059	6%
Total current assets	19,590	24,253	-19%
Total assets	**61,516**	**58,310**	**5%**

EQUITY AND LIABILITIES			
Equity			
Equity share capital	4,020	4,014	0%
Other equity	38,557	32,166	20%
Total equity	42,577	36,180	18%
LIABILITIES			
Non - current liabilities			
Financial liabilities	4,651	7,247	-36%
Provisions	407	437	-7%
Other non-current liabilities	2,438	2,564	-5%
Total non-current liabilities	7,496	10,248	-27%
Current liabilities			
Financial liabilities	4,131	4,659	-11%
Provisions	727	510	43%
Current tax liabilities (net)	476	147	223%
Other current liabilities	6,109	6,566	-7%
Total current liabilities	11,443	11,882	-4%
Total equity and liabilities	**61,516**	**58,310**	**5%**

Non-current assets

The increase in non-current assets was primarily due to investments in tangible assets in research services including buying new land in Hyderabad, automated compound management facility and DMPK biology lab. Other investments were made in Development and Manufacturing Services, including the acquisition of multimodal biomanufacturing facility from Stelis Biopharma Limited, support infrastructure such as a quality control and testing laboratory for biologics manufacturing and additional capabilities for the small molecule business.

Working Capital (Current assets, less current liabilities)

Working capital decreased to Rs 8,148 Mn in FY24 from Rs 12,372 in FY23. This decrease is attributable to focused programs on working capital improvement across receivables, inventory and payables. While the Company built up inventory during the pandemic to de-risk the business which is now being optimized, the Company implemented Sales Inventory and Operations Process that also enabled in working capital management.

Equity share capital

The Company's equity share capital comprises of approximately 402 million equity shares of Rs 10 /- each.

Other equity

Other equity comprises the share premium, retained earnings, cash flow hedging reserves and other reserves. The total reserves and surplus of the Company increased by 20% in FY 24 as a result of the accumulation of profits earned during the year and the movement in items of other comprehensive income.

Non-current liabilities:

Non-current liabilities include:

Long-term borrowings in the form of a Foreign Currency Term Loan (FCTL) facility of USD 20 Mn to fund the capital expenditure of the Company. Deferred revenues relating to assets funded by third parties that are to be amortized over the useful life of the assets/period of contract to Other operating Income.

The debt: equity ratio of the Company as on 31 March 2024 is almost negligible (0.03) compared to 0.16 as on 31 March 2023 due to repayment of ECB loan of $50 million.

Net Cash position:

Taking into account investments in inter-corporate deposits with financial institutions, deposits with banks, cash and cash equivalents and investments in overnight mutual funds, the Company is net cash positive as of 31 March 2024. The net cash position decreased from Rs 9,561 Mn as of 31st March 2023 to Rs 9,353 Mn as of 31st March 2024.

Contingent liabilities:

Contingent liabilities include tax and other proceedings that arise from time to time in the ordinary course of business. Contingent liabilities stood at Rs 6,321 Mn as of 31 March 2024 in comparison with Rs 6,219 Mn as of 31 March 2023. The above includes income tax disputes of Rs. 6,194 Mn (FY09, FY12 to FY22), while the assessment order for FY19 is pending.

Other than the matters disclosed above, the Company is involved in taxation matters that arise from time to time in the ordinary course of business. Management is of the view that these will not have any material adverse effect on the Company's financial position or results of operations.

Risks, Concerns and Mitigation Strategy

Risks and Concerns

Risk Management is an integral part of management practice in the Company and is correlated with the execution of its strategic priorities. An Enterprise-wide Risk Management framework provides a holistic approach to identification, monitoring, reporting and mitigating risks that could impact performance. Risk mitigation is reviewed regularly under a governance process involving the Executive Risk Committee and the Board Risk Committee.

The Executive Risk Committee assesses the probability, velocity and severity of all enterprise risks. Emerging risks are identified and discussed with the risk committees along with the mitigation action plan. Every enterprise risk has an identified risk owner from the Executive Committee and the risk owner, in addition to providing a quarterly update on the mitigation status, also leads a full risk review once a year with the Board risk committee.

The Enterprise Risk Management framework is aligned to SEBI regulations and risks have been categorized into sectoral, operational, sustainability/ESG, financial, and information/cyber security risks. In line with the strategy update five additional risks were identified and have been included in the table below.

The following table provides a summarized view of the major risks and mitigation plans in the risk framework. Risk classification is based on probability, velocity and impact of the risk on the business.

Risks and mitigation plan in action

	Risks	Risk mitigation actions
	Sectoral Risks	
1	Risk arising from customer concentration – risk of loss of revenue in the event of the loss of a key customer	The company's commercial strategy emphasizes acquiring new clients, thereby diminishing reliance on any one customer. A key objective is to fortify relationships with major clients through the establishment of long-term contractual agreements, fostering a deep connection that enhances longevity and mutual interdependence. Customer-centricity is at the core of the company values and initiatives have been rolled out focusing on performance management, customer engagement, and process simplification, to further improve customer satisfaction.
2	Risk arising from failure to keep pace with emerging client technology requirements Scientific research is evolving rapidly with innovative technology driving product advancement and new therapeutic approaches. Syngene's clients, which operate at the forefront of innovation, choose Syngene for its access to the latest skills and technology, enhancing the speed and effectiveness of their discovery research.	Throughout the year, the Science and Technology committee of the board convened four times to oversee technological advancements. The company has strategically invested in cutting-edge technology, including artificial intelligence, new scientific developments, automation and expanded capabilities. This investment program ensures the company remains at the forefront of innovation, equipped to provide its customers with the latest and most advanced technological solutions.
3	Risk of loss of business to competition arising from decisions taken with inadequate understanding of competition.	Enhancing our market intelligence capability is a strategic priority, where insights serve as a foundational element in the development of all new business cases and service offerings.

	Risks	Risk mitigation actions
4	Risk arising from not being aligned with clients' sustainability goals thereby getting excluded from clients' consideration.	The Company successfully determined and submitted science-based targets in 2023 which are currently awaiting review. The Company monitors and reports progress so that stakeholders can track progress.
	Operational Risks	
5	**Risk arising from lack of progress in biologics/large molecules development and manufacturing services leading to potential loss of business opportunities and inadequate return on investment.** Syngene has expanded into contract manufacturing over the recent years. Large molecule manufacturing is an important pillar of Syngene's manufacturing strategy, and the Company has made investments in mammalian and microbial facilities to manufacture large molecule drug substance.	The Company successfully completed the US FDA audit of the biologics manufacturing facility to enable the execution of the long-term collaboration with Zoetis and has delivered batches at the full run rate since Q4 FY23. A new biologics manufacturing unit was acquired to provide additional contract manufacturing capacity. The facility will be equipped with the latest manufacturing technology. It is expected to be operational in the second half of FY25. The Company has an active biologics process development capability which will continue to focus on delivering high yielding titers as a competitive advantage.
6	**Risk arising from failed execution of the Integrated Drug Discovery (IDD) strategy** Clients opting for an asset-light model, preferring to outsource the entire drug discovery value chain, find the IDD capability to offer IDD attractive. This approach is commonly adopted by venture capital-funded biotech firms, and larger biopharma companies are increasingly embracing it to maintain flexibility in capital investment.	Significant investments have been made to enhance capabilities and leadership in strategic, scientific, and program management areas to drive the design and implementation of Integrated Drug Discovery (IDD) programs. The commercial strategy includes a comprehensive client engagement plan aimed at fostering portfolio and revenue growth.

7	Risks arising from ineffective execution of projects in development services	The deployment of a project management framework using the in-house SynPro tool, underpins the successful execution of client projects. Projects are monitored with QUOTIF (Quality, On-time, In Full) as a measure of project completion to client specifications. Ongoing efficiency enhancement initiatives and improved operational integration contribute to consistent and sustained project delivery.
8	Risk arising from inability to establish a world class, global sales / marketing / commercial operation. Syngene serves a global clientele, predominantly situated in North America, Europe, and Japan. To establish and sustain strong relationships with existing and prospective customers, an efficient and customer-centric commercial organization is essential.	Syngene has built a seasoned, global sales team led by experienced leaders located in key markets worldwide. The team provides proximity to clients, resulting in improved customer engagement, streamlined access, and heightened responsiveness. Ongoing initiatives continue to simplify and enhance processes at all customer touchpoints.
9	Risk arising from inadequate infrastructure planning and execution Investing in state-of-the-art infrastructure is essential for growth of all divisions. Timely delivery of this infrastructure is crucial as any delays jeopardize our capacity to achieve the planned growth.	Regular assessments of short-term and long-term infrastructure needs are conducted through a company-wide executive-level infrastructure committee, overseen by the Chief Financial Officer. Incorporating infrastructure planning as a vital component of the annual planning process, the capex budget is allocated to accommodate infrastructure expansion in alignment with our 5-year plan.
	Risks	**Risk mitigation actions**
10	Risk arising from inability or delay in obtaining pharma regulatory approvals that could potentially lead to loss of business or delayed revenue.	In a highly regulated sector, engagement with regulators at both the state and national levels is essential. This includes closely monitoring applications to ensure timely approvals and promptly addressing any queries raised. We aim to align with government entities on the regulatory requirements specific to the CRO/CDMO industry. This entails having a structured advocacy campaign through industry associations to communicate industry needs and promote collaboration. To enhance governance, we advocate for the implementation of digital tracking systems for licences and permits. These systems would enable efficient monitoring of applications, as well as the tracking of expiry dates and compliance with license conditions.
11	Risk arising from the inability to create a commercially viable business in small molecules from early-stage development to commercial manufacturing	Syngene has made investments in a cutting-edge manufacturing facility compliant with both US FDA and EMA standards, featuring cGMP operations, systems, and processes. The USFDA audit was completed in May 2023 with zero observations. We are currently expecting to start pilot projects which precede substantial multi-year contracts if successful.
12	Risk arising from inadequate project management leading to project delays, client dissatisfaction and loss of business. As a component within an time-sensitive value chain, it is imperative that customer projects are executed with the appropriate level of quality and adherence to committed timeframes. Achieving this necessitates a company-wide program management capability to ensure on-time and high-quality operations.	Investments in creating a program management capability with extensive experience and proficiency, coupled with technology upgrades and staff training, are ensuring the consistent and effective management of projects across the organization. The enhancement of capabilities and institutionalized changes has led to a continual improvement in project delivery, thereby enhancing customer satisfaction.

13	Risks arising from ineffective execution of scalable systems, processes, technologies, consistent with creating a scalable global organization.	A scalable global organization design and operating model are pivotal for operating as an international business. We prioritize implementing systems and policies that bolster global operations, ensuring seamless functionality across regions. Additionally, we establish a robust sourcing model to fortify our global supply chain for optimized efficiency and resilience. Upholding compliance with global laws and regulations is essential to safeguard our operations and reputation. We are committed to executing our agreed global hiring plan, emphasizing integration and retention strategies to maximize the potential of talent recruited for various business roles. Furthermore, we proactively implement tax-efficient corporate structures to enhance operational effectiveness. Central to our approach is providing cross-cultural training and education to employees, fostering understanding, inclusivity, and effective collaboration within our diverse global workforce. Through these concerted efforts, we solidify our position as a globally competitive and culturally sensitive organization.
14	Risk arising from inability to attract, train and retain a skilled workforce	Syngene's operations are delivered by a highly trained, experienced workforce, of which ~69% are scientists. Throughout the year, the company continued to recruit, develop and retain employees, ensuring the necessary capabilities for scalable and sustained growth. In addition to bringing in experienced industry professionals, the Company initiated campaigns and collaborations with universities and institutions to attract recent graduates, who now represent a substantial portion of new hires at Syngene. The company invests in the training and development of these fresh hires, providing them with a strong foundation for their scientific careers. The relationship with an immediate supervisor is an important one. In order to enhance skills in this area, a company-wide management development program has been implemented to foster leadership skills. The Company remains committed to ensuring equal opportunities and fair compensation for all employees, regularly conducting salary benchmarking and calibration to maintain competitive pay and reward levels within the labor markets in which we operate.
15	Risk arising from disruption in operations caused by shortage of water Water plays a crucial role in our operational processes. Bearing in mind the water constraints in Bangalore, the company monitors and manages the use of freshwater onsite and conducts forward planning in terms of installation and use of water storage capacity.	The company has adopted a blend of approaches to guarantee water supply for all operational plants. These methods encompass the extensive recycling of used water, rainwater harvesting, and the installation of on-site water tanks to mitigate potential disruptions in external supplies. Aligned with its sustainability goals, the company has invested in innovative techniques to curtail water consumption, resulting in a notable 46% reduction in freshwater demand. As part of a strategic risk mitigation plan, Syngene strategically distributes its operations across multiple geographies to counteract potential resource disruptions in any specific location.

	Risk	Mitigation
16	Risk arising from failure to adhere to Standard Operating Procedures (SOP) and meet industry compliance and operating norms Biopharma, and the broader spectrum of life science operations, are subject to rigorous regulations and demand meticulous attention to maintain consistent output quality. Standard Operating Processes must be followed rigorously without any deviation in all operations.	The Company has established a comprehensive industry and regulatory standard SOP framework ensuring staff undergo periodic training and testing on SOPs. Line management, aided by a digital platform, actively monitors operational adherence.
17	Risk arising from lack of inventory planning and management leading to material wastage, delays in project execution and higher costs of operations	Enhanced emphasis on minimizing inventory days by employing advanced materials and operations planning methods and processes. In manufacturing, the Sales Inventory & Operating Process facilitates demand-driven material ordering to effectively manage inventory levels through a material resources planning tool.
18	Lack of scalable, simple and digitized processes leading to inefficient ways of working and customer dissatisfaction	Simplifying and digitizing processes will optimize efficiency, improve productivity and increase agility and responsiveness to market dynamics. Awareness and training in streamlined processes is provided to our workforce, fostering a collective drive towards continuous improvement and operational excellence.
19	Risk arising from inability to ensure adequate management of safety hazards within operations. Our operations involve inherent risks associated with the handling of hazardous chemicals and sensitive biological entities. Additional safety concerns include working with heavy engineering, at height and with high temperatures.	Safety is a paramount concern throughout the organization. Various initiatives have been implemented to instill a safety culture and instigate a "safety first" mentality from the day an employee joins the Company and throughout their tenure. Responsibility for safety sits with leaders at all levels and across all parts for the Company. A Company-wide safety program, KAVACH, features a governance framework that monitors shifts in mindset and behavior in every operating unit and function and these are examined alongside other safety metrics in the quarterly executive safety meetings. Safety awareness is promoted through communication campaigns and reinforced through closely monitored safety operating protocols. Encouraging near-miss reporting, the organization fosters an environment where learnings are openly discussed and shared across all levels.
	Risk	**Mitigation**
20	Risk arising from disruption in the global supply chain leading to delayed delivery of client projects Efficient operations are dependent on a robust and reliable supply chain. Any disruption to supply chain operations, such as a global pandemic or geopolitical events, can affect our capacity to deliver client projects.	Taking account of recent events, enhancing resilience in sourcing and logistics has been of primary importance, leading to investments in global category management processes and the expansion of partnerships with a diverse range of global suppliers and logistics partners. An important part of this was the establishment of a network of vendor partners, in collaboration with other companies, to build a local ecosystem that can supplement global sourcing efforts.
21	Risk arising from failure to uphold high standards of business integrity and ethics	The Anti-Bribery and Anti-Corruption (ABAC) policy is applicable to everyone in our workforce as well as our vendors. The standards are included in the Code of Conduct that forms part of the contract of employment. There is also a mandatory employee training refresher to ensure complete understanding. Vendors are required to adhere to the company's ABAC compliance standards, covered in the Vendor Code of Conduct. Vendors also undergo training during onboarding and periodic refreshers. ABAC compliance is integral to governance reviews with all active vendors subjected to the ABAC compliance verification program.
22	Risk arising from non-compliance with Environmental / Health/ Safety regulations	The Company systematically oversees all regulations concerning environment, health, and safety through its governance process to guarantee continuous compliance. The compliance assurance process is streamlined through an internal portal and reinforced by a dedicated legal and regulatory help desk. Daily compliance monitoring is overseen by a team of EHSS professionals who conduct Gemba safety walks as part of an ongoing improvement process to regularly assess and ensure adherence. In addition, all non-compliances reported by employees are addressed using the CAPA (corrective action, protective action) approach.

23	Risk from inadequate management capability: ineffective leadership, poor decision-making, talent gaps, and operational challenges.	The Company has an ongoing program to strengthen leadership capabilities through targeted programs that enhance the skills of both current and emerging leaders. To ensure continuity, we implement rigorous succession planning processes and attract external leaders to fill critical management gaps. Clear job descriptions aligned with organizational goals promote accountability, while performance management based on well-defined KPIs drives continual improvement. Through focused training and coaching, we empower our managers and leaders to excel, fostering a culture of success and driving organizational growth.
	Financial Risks	
24	Risk arising from adverse outcomes relating to tax positions	The Company adopts a prudent approach to tax planning, relying on the insights of multiple tax experts to ensure strict adherence to tax laws and regulations. When required, the Company retains the right to challenge unfavorable tax rulings and seeks guidance from professional advisors as deemed necessary.
25	Risk arising from non-compliance with laws due to inadequate governance framework for regulatory compliance management and reporting	Substantial investments have been made to establish a comprehensive system for overseeing and maintaining compliance. This is backed by guidance from specialized experts. To ensure convenient access to expert advice and stay current with legal and regulatory mandates, the company has instituted a dedicated legal and regulatory help desk. Furthermore, third-party audits are routinely conducted to evaluate the efficacy of the company's compliance governance.
	Information/Cyber Security Risks	
	Risks	Risk mitigation actions
26	Risk arising due to failure to comply with data privacy and confidentiality requirements related to personal and client data	The Company has formulated a data privacy policy aligning with top industry standards and global regulations on data privacy. To uphold policy compliance, a governance framework has been instituted to record data privacy details. Additionally, a thorough communication and training initiative has been implemented to educate all employees about the policy.
27	Risk arising from inadequate cybersecurity controls leading to loss of data	The Company has adopted a multi-layered cybersecurity strategy, employing cutting-edge solutions to avoid cyber-attacks. This framework undergoes regular reviews and upgrades to stay abreast of emerging threats. For robust cybersecurity management, the company has instituted governance aligned with international standards, including ISO27001, and conducts routine vulnerability assessments to rigorously test the system. Furthermore, an ongoing education and awareness program has been initiated for employees to enhance their understanding of cyber threats and phishing risks.

28	Risk arising from failure to implement the identified digital initiatives as per IT strategy and plan leading to an adverse impact on future growth The Company has embraced digitization throughout its core operations and essential functions to enhance productivity, streamline processes, and augment capabilities in data-based analytics and control. Deviation from the timeline in implementing digital initiatives may have adverse effects on operations.	As described in the Company's approved IT strategy and plan, numerous digital initiatives have been deployed across the organization. The plan prioritizes the digitization of transactional processes, automation, the integration of process flows, and the enhancement of deep data analytics capabilities. To oversee the implementation of various IT programs, a governance structure and periodic reviews have been established.
29	Lack of redundant, robust infrastructure to sustain the new digital initiatives needs	As new digital initiatives are implemented, it is crucial to prioritize the deployment of redundant infrastructure to minimize the risk of single points of failure. This involves strategically deploying backup systems and resources to ensure continuous operation and prevent any disruption. By doing so, the reliability and resilience of our digital ecosystem are enhanced, underscoring our commitment to delivering uninterrupted services and maintaining operational excellence.

Environment, Social Governance (ESG)

The Company is committed to delivering shared value to all stakeholders. It has established an Environment, Social and Governance (ESG) framework, which is delivered by the Executive ESG Council under the oversight of the Stakeholder and ESG Committee of the Board.

The company reports on its sustainability journey with reference to the Global Reporting Initiative (GRI) Universal Standards 2021. Where applicable, it also indicates alignment with the United Nations Sustainable Development Goals and the Sustainability Accounting Standards Board disclosures.

The Company's stakeholders, which include investors, the workforce, clients, suppliers, regulators, media, and government organizations, participated in a materiality assessment in 2021 to determine critical concerns linked to the company's ongoing business operations. Keeping these concerns in mind, the Executive ESG Council identified the following material ESG topics for reporting purposes:

- Environment: energy consumption and efficiency; water consumption and efficiency; waste management
- Social: occupational health & safety; talent acquisition and retention; diversity, equity, and inclusion; and community investment
- Governance: corporate governance and business ethics; digitization and cybersecurity; supply chain; regulatory

The Executive ESG Council, comprising the Managing Director & Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, and Head of Corporate Affairs, have reviewed proposed 5-year targets for all material issues.

An Environmental Management System (EMS) certified under ISO 14007, ensures that environmental protection is embedded at all levels of the organization, and environment metrics are tracked to ensure continuous improvement. During the year, the company has explored new avenues and technologies to help minimize its environmental impact through improving energy efficiency, effective waste management, discharge control, and the protection of valuable resources.

During the year, the Company took an important step forward in its contribution towards protecting the planet. The company committed to Science Based Targets (SBTi), which will involve reducing its near-term greenhouse gas (GHG) emissions by 50% by 2033 to align with the Paris Agreement limiting global warming to 1.5°C. The 10-year targets underpinning the SBTi commitment will be monitored annually and progress reported through the annual Carbon Disclosure Project (CDP) submission. As part of committing to these targets, the company conducted its first externally verified Greenhouse Gas Emission (GHG) audit to identify its major contributors to its Scope 1, 2, and 3 emissions.

The social dimension focuses on the Company's relationships with various stakeholders, including employees and the communities where it operates. As a service-oriented company, the Company recognizes the importance of being a responsible employer and values talent acquisition, retention, diversity, equity, and inclusion. Building and maintaining strong relationships with adjacent communities is also a vital aspect of the Company's sustainability efforts.

The Company's governance framework emphasizes transparency, compliance, and accountability at all levels to establish a strong foundation for effective management. One of its essential governance activities involves setting standards for suppliers. The supplier code of conduct outlines the company's expectations for corporate behavior, human rights, labor standards, and environmental practices. All suppliers must comply with the code of conduct, and their performance is evaluated using a third-party ESG framework.

The Company is a member of the United Nations Global Compact and its progress is tracked annually by ESG rating agencies, including EcoVadis, CDP, Sustainalytics and MSCI.

The Company publishes an annual ESG report, highlighting initiatives and achievements related to environmental, social, and governance topics. The ESG FY23 Report was independently assured for the first time.

Internal Controls

A robust internal control mechanism is a prerequisite to ensure that an organization functions ethically, complies with all legal and regulatory requirements and observes the generally accepted principles of good corporate governance. It is an extension of the overall corporate risk management framework as well as is an integral part of the accounting and financial reporting process.

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. The control mechanism provides for well documented policies/guidelines, authorizations, and approval procedures to ensure the orderly and efficient conduct of its business. This includes adherence to Company's policies, safeguarding of its assets, the prevention and detection of frauds and errors, ensuring the accuracy and completeness of the accounting records and the timely preparation and presentation of reliable financial information. The Company believes that its experienced and qualified employees play a key role in fostering an environment in which controls, assurance, accountability, and ethical behaviour are accorded high importance.

The Company has engaged Ernst & Young LLP to carry out an internal audit of its activities on a periodic basis. The internal auditors also provide an objective view and reassurance of the internal controls, as well as simultaneously auditing transactions. They report directly to the Audit Committee of the Board, which ensures process independence. The

Audit Committee, comprising of Independent Directors, reviews the adequacy and efficacy of the internal controls, as well as the effectiveness of the risk management process across the Company.

Cautionary Statement

The Management of Syngene has prepared and is responsible for the financial statements that appear in this report. These statements conform to the accounting principles generally accepted in India and include amounts based on informed judgments and estimates. Syngene's projections, estimates and expectations described in this report should be interpreted as 'forward-looking statements' that can be impacted by various internal and external risks. Risks associated with market, strategy, technology, operations, and stakeholders can significantly impact the business and the actual results may differ substantially or materially from those expressed or implied.