MANAGEMENT DISCUSSION AND ANALYSIS

CHANGING R&D ENVIRONMENT

According to a World Economic Outlook Report published by the International Monetary Fund (IMF) in January 2018, the global economy is expected to grow by 3.9% in 2018, compared to 3.7% in 2017. Increasingly, greater focus on R&D-driven innovation is seen as a key driver for delivering economic growth. Empirical studies have shown that increasing Gross Domestic Expenditure on R&D (GERD) as a percentage of GDP is an indicator of the competitiveness of a country's economy and growth.

Global R&D investments are expected to increase by 4.14% in 2018 to USD 2.19 trillion on a Purchasing Power Parity (PPP) basis, compared to 3.4% growth in 2017. The life sciences industry continues to be one of the major investors in R&D and is expected to account for more than USD 180 Bn[1] in 2018, growing at about 4% per year. Life sciences R&D involves the development of pharmaceuticals, biotech products, agricultural products, medical devices and animal testing and research.

THE R&D CHALLENGE

As economic growth trends improve, the increased focus on investment in R&D is expected to continue across both the life sciences and non-life sciences sectors. At the same time, these sectors face ongoing challenges in improving the Return on Investment (ROI) of investments in R&D, often brought about through a combination of pricing pressure, the need to invest in new capabilities to keep pace with advances in technology and heightened regulatory scrutiny that have increased the duration, cost and complexity of conducting research into new products.

In order to overcome these challenges while delivering on the potential of innovation companies are increasingly seeking to partner their R&D activities to integrated Contract Research Organisations (CROs).

CRO INDUSTRY

Integrated CROs provide services across the discovery, development and manufacturing stages of the lifecycle of a new life science product. These same services and capabilities can also support scientifically focussed non-life sciences industries and help them to not only reduce costs but also increase their scope for innovation. Increasingly, in addition to traditional project delivery related activities, clients are engaging CROs to provide value added services, data-driven insights and to help them navigate the changing drug development landscape to deliver the next generation of medicines.

This move to more complex, added value services is changing the client-CRO relationship from being primarily a service provider to becoming a strategic partner.

The global CRO market value for drug discovery and development stood at USD 32 Bn in 2017 and is expected to reach USD 45 Bn[2] by 2022.

[1] 2018, Global R&D Funding Forecast
[2] Grandview Research Report

As the cost and complexities of developing new therapies continue to rise, companies will increasingly look to collaborate with integrated CROs like Syngene that have the scale, technology and expertise to drive efficiency into the discovery research and development process.

SYNGENE'S PERFORMANCE REVIEW

Operational Performance

Syngene's business is broadly categorised into three main business verticals: Dedicated R&D Centres, Discovery Services and Development and Manufacturing Services.

Dedicated R&D Centres: During FY18, Syngene's Dedicated R&D Centres continued to gain excellent traction with the expansion and extension of our collaborations with Bristol-Myers Squibb (BMS) and Amgen Inc. The distinctive feature of this vertical is its ability to offer complex services, at scale, that are tailor-made to the client's specific requirements and then to integrate that capability into the clients own R&D processes, systems and culture to make it an integral part of their own R&D network.

As part of our strategic collaboration with Amgen, the scientific team at the Syngene Amgen Research and Development Centre (SARC) was strengthened by increasing the headcount from 100 to 185 scientists. Additionally, the supporting infrastructure was doubled from 25,000 sq. ft. to 50,000 sq. ft. A similar facility and headcount expansion was undertaken to support our collaboration with BMS and the collaboration contract was extended to 2026. Together, the expansion and extension of these ongoing collaborations with BMS and Amgen are indicative of their growing confidence in Syngene's value proposition and the strong track record of delivery the Syngene teams have had in partnership with their client colleagues.

Discovery Services: Syngene's Discovery Services vertical received a positive boost with the signing of a strategic collaboration with GlaxoSmithKline (GSK). The partnership will focus on accelerating the discovery of new drug candidates using Syngene's discovery services platforms. Syngene will set up a customised discovery research laboratory for GSK where its scientists will work closely with GSK's global R&D teams in identifying new drug candidates across several therapeutic areas. During the year we also strengthened our capabilities in the areas of immuno-oncology, new antibody discovery platforms, Next Generation Sequencing, CAR-T cell proof-of-principle studies and successfully generated bio similarity assay-data for multiple clients to support their regulatory filings.

Development and Manufacturing Services: During FY18, Syngene's Development and Manufacturing group registered good growth on the back of a strong performance in the Chemical Development segment. Syngene's Current Good Manufacturing Practices (cGMP) manufacturing facilities help clients move up the value chain by taking projects in their final stages of development towards commercialisation. Construction activities at the upcoming API manufacturing facility at Mangalore commenced during the year and the facility is scheduled to be completed and become operational in FY20.

KEY BUSINESS HIGHLIGHTS OF FY18

Dedicated R&D Centre	Strategic Collaborations	New Facilities	Regulatory Audits
• Expansion of Syngene Amgen R&D Centre for Amgen • Expansion and extension of collaboration with BMS till 2026	• GSK – multi-year collaboration focusing on accelerating the discovery of new drug candidates using Syngene's discovery services platforms • Zoetis – strengthening of Syngene's non-life sciences business and its presence in the animal health sector • Merck KGaA – collaboration extended till 2019; Merck and Syngene have been working jointly on various discovery research projects in the area of Protein Technology, Molecular Biology, Cell Science, Antibody Discovery and ADC since 1998 • Multi-year manufacturing agreement with a Japanese specialty company to manufacture a novel chemical entity for the Japanese market	• Commissioning of the biologics manufacturing plant • Strengthened our bio equivalence study capabilities by setting up an additional 76 bed Human Pharmacology Unit (HPU) • Incorporated Syngene USA Inc., a wholly-owned subsidiary in the US to have a strong local footing to serve our clients better • Commencement of construction of the upcoming commercial-scale API manufacturing facility at Mangalore	Pharmaceuticals and Medical Devices Agency (PMDA) Japan quality audit, marking entry into the Japanese market (one of the most stringent markets)

HUMAN RESOURCES

Syngene focusses on collaborative learning and engagement for its employees as a key component of delivering its corporate strategy. Through a range of HR-led initiatives we offer diverse opportunities to our staff to hone their scientific and leadership skills through customised training programs as well as by the opportunity to interact and work with high-performing teams from various global client organisations. Syngene supports a culture of meritocracy as a way to build a competent and engaged workforce, which we see as key to the growth of both employees and also our business.

During the year we continued to hire, retain and develop a multi-talented and diverse workforce to support the delivery of our strategic priorities. In FY18, we added a further 650 employees, taking total headcount to 4,144 for the year. Of this, 3,540 were scientists across multiple disciplines.The retention rate among campus hires rose to 86%, while the overall attrition rate continued to decrease to 16%, which is below the industry average.

Talent management and personal development is seen as a critical component of Syngene's success. Consequently, the Company continues to step up investment in identifying and recruiting top talent and implementing a range of initiatives aimed to further develop the scientific, leadership and service delivery skills of employees. During FY18, total training hours stood at 33,753, an 85% increase over FY17.

Periodic behavioural and technical training was provided to help individuals and teams stay up to date with the latest developments in their domains. The Company also provided specialist training to high-potential individuals to prepare them to take on bigger roles within the organisation as well as to ensure that they move along a path of structured advancement. LAB or Leadership and Beyond, a customised training program, was launched during the year to support the development of leadership skills within the organisation. More than 350 Managers participated in this program during the year.

The positive work atmosphere at Syngene is built on a solid foundation of 'respect for all'. During the year we made good progress on our gender diversity activities. 'Stree@Syngene', our diversity and inclusion initiative, works towards creating a work environment that gives equal opportunities to all employees, with a particular focus on improving gender diversity and also help all employees to strike a balance between their professional aspirations and personal lives. Over the last four years, the proportion of female employees in Syngene's total work force has increased from 16% in FY15 to 20% in FY18.

The Company has implemented a robust framework of policies and procedures aimed at protecting the interests and well-being of all employees and preventing discrimination. Mandatory training programmes on Prevention of Sexual Harassment (POSH), Information Security and Safety Awareness were conducted during the year to sensitise employees on these issues and create a cohesive workplace. Through 'Kavach', our corporate safety initiative, a wide range of activities were undertaken to bring about a cultural change in the organisation's mind-set towards workplace safety and to further improve our safety systems and processes. Over 4000-manhours of training on safety and compliance was conducted during the year, in particular, specialist training on the handling of pyrophoric materials was given to over 1000 chemists.

FINANCIAL PERFORMANCE

During FY18, revenues grew by 17% to Rs. 14,849 Mn compared to Rs. 12,716 Mn in the previous financial year. This growth was driven by robust performances across all business verticals and was complemented by treasury gains. FY18 revenue includes an export incentive scheme benefit of Rs. 470 Mn from the previous years realised during the current year.

Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA) grew by 10% to Rs. 5,266 Mn from Rs. 4,780 Mn in FY17. Net profit grew by 6% to Rs. 3,054 Mn vis-à-vis Rs. 2873 Mn during FY17. The net cash position as on March 31, 2018 was Rs. 3,200 Mn. Syngene continues to benefit from the tax incentives applicable to Special Economic Zones (SEZs) and the effective tax rate for the year was 18%.

The following table sets out the balance sheet as on March 31, 2018 (FY18) and March 31, 2017 (FY17):

(Rs. in Mn)

Particulars	FY18	FY17	Change
ASSETS			
Non-current assets			
Property, plant and equipment	10,121	7,944	27%
Capital work-in-progress	1,554	1,749	-11%
Intangible assets	183	160	14%
Financial assets			
(i) Derivative assets	1,078	1,056	2%
(ii) Other financial assets	81	33	145%
Deferred tax assets (net)	724	637	14%
Income tax assets (net)	506	443	14%
Other non-current assets	441	485	-9%
Total non-current assets	**14,688**	**12,507**	**17%**
Current assets			
Inventories	860	322	167%
Financial assets			
(i) Investments	1,577	5,404	-71%
(ii) Trade receivables	2,668	1,987	34%
(iii) Cash and cash equivalents	2,527	2,345	8%
(iv) Bank balances other than (iii) above	7,147	2,928	144%
(v) Derivative assets	886	941	-6%
(vi) Other financial assets	847	835	1%
Other current assets	690	479	44%
Total current assets	**17,202**	**15,241**	**13%**
Total assets	**31,890**	**27,748**	**15%**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2,000	2,000	-
Other equity	15,204	12,131	25%
Total equity	**17,204**	**14,131**	**22%**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	5,855	6,898	-15%
(ii) Derivative liabilities	118	-	-
Provisions	290	199	46%
Other non-current liabilities	587	517	14%
Total non-current liabilities	**6,850**	**7,614**	**-10%**
Current liabilities			
Financial liabilities			
(i) Borrowings	781	972	-20%
(ii) Trade payables	2,035	1,025	99%
(iii) Derivative liabilities	13	10	30%
(iv) Other financial liabilities	2,047	1,296	58%
Provisions	135	134	1%
Income tax liabilities (net)	128	78	64%
Other current liabilities	2,697	2,488	8%
Total current liabilities	**7,836**	**6,003**	**31%**
Total equity and liabilities	**31,890**	**27,748**	**15%**

Non-current Assets

During FY18, non-current assets grew by 17% primarily due to:

- investments in tangible assets for the Syngene Research Centre, Biologics Manufacturing Plant, the upcoming Mangalore API facility and expansion of facilities across the three main business verticals;

- increase in fair value of premiums paid on forex contracts maturing beyond 12 months and interest rate swap; contracts;

- increase in Minimum Alternate Tax (MAT) credit entitlement and income tax deposited under dispute.

Working Capital

Working capital increased from Rs. 9,238 Mn in FY17 to Rs. 9,366 Mn in FY18.

The increase was due to:

- growing cash reserves invested in fixed deposits;

- realisation of Rs. 615 Mn from insurance company towards loss incurred due to the fire incident in 2016;

- increased inventories, receivables and payables reflecting business growth.

Shareholders' Funds

The equity share capital of the Company comprises 200,000,000 equity shares of Rs. 10 each.

Reserves and Surplus

The total reserves and surplus of the Company increased by 22% in FY18 vis-à-vis FY17. The increase was due to the accumulation of profits earned during FY18 and an increase in Other Comprehensive Income arising out of Mark-to-Market (MTM) gains on designated forex and interest rate swap contracts outstanding as on March 31, 2018.

Non-current Liabilities

Non-current liabilities mainly include:

- Long-term borrowings in the form of External Commercial Borrowing (ECB) facility of USD 100 Mn and Buyer's Credit facility of USD 6 Mn availed for capital expenditure at the Bangalore and Mangalore campuses of the Company. Of these, USD 18.5 Mn will fall due for repayment in the next 12 months;

- Deferred revenues relating to assets funded by third parties that are to be amortised over the useful life of the assets or the period of contract to Other Operating Income.

Statement of Profit and Loss

The following table details key components of the Statement of Profit and Loss for the fiscals ended March 31, 2018 (FY18) and March 31, 2017 (FY17):

(Rs. in Mn)

Particulars	FY 18	FY 17	Change
Total Revenue	14,849	12,716	17%
Expenses			
Cost of chemicals, reagents and consumables consumed	3,817	3,218	19%
Employee benefits expense	3,796	3,086	23%
Finance costs	227	175	30%
Depreciation and amortisation expense	1,314	1,143	15%
Other expenses	2,709	1,858	46%
Foreign exchange fluctuation (net)	(739)	(229)	223%
Total Expenses	11,124	9,251	20%
Profit before tax	3,725	3,465	8%
Tax expenses	671	592	13%
Profit for the year	3,054	2,873	6%

Operating Revenue

During FY18, consolidated revenue grew by 17% to Rs. 14,849 Mn compared to last year's revenues of Rs. 12,716 Mn. The growth was driven by a strong business momentum in all three verticals complemented by the key achievements of the year.

Cost of Materials Consumed

The material cost consists of raw materials consumed and change in stock. In FY18, material costs as a percentage of the Company's overall revenue from operations increased by 40 bps, reflecting a change in the composition of its revenues among the key verticals.

Employee Benefit Expenses

The Employee Benefit Expenses comprise the following items:

- Salaries, wages and bonus

- Contributions to Provident Fund and other funds

- Contributions towards Gratuity provisions

- Amortisation of employee stock compensation expense

- Welfare expenses

The above expenses increased by 23% during FY18, driven largely by increased employee headcount and annual salary increments to employees.

Foreign Exchange Fluctuation

Forex fluctuation includes gains arising from Syngene's hedging policy, yielding an average realisation rate of Rs. 68.5/USD in comparison with the average spot rate of Rs. 65/USD.

Other Expenses

Other expenses primarily include power and fuel costs, professional fees, selling expenses such as freight outwards, provision for doubtful debts and other general overheads. Overall cost grew by 46% in FY18 compared to FY17. The increase in expenses was driven by the expansion of facilities, increased expenditure on safety and write-off of one of the assets associated with the non-renewal of customer contract.

Depreciation and Amortisation

During this fiscal, the depreciation and amortisation increased to Rs. 1,314 Mn from Rs. 1,143 Mn in FY17. This increase is due to the commissioning of new facilities during the year.

Finance Costs

The finance cost increased to Rs. 227 Mn in FY18 from Rs. 175 Mn in FY17 due to the growing cost of funds and finance lease charges.

Tax Expenses

EPS (diluted) for the year grew by 6.05% to Rs. 15.43 in FY18 as against Rs. 14.55 in the previous year.

Earnings Per Share (EPS)

EPS (diluted) for the year grew by 6.05% to Rs. 15.43 in FY18 as against Rs. 14.55 in the previous year.

Risks and Concerns

Syngene acknowledges that risk is integral to business and is committed to proactively managing it in an effective manner. The Company's risk management objective is to maintain an effective and sustainable balance between risk and return and ensure that it operates within the Board-approved risk framework. The Company's Board regularly assesses critical risks across the business as well as the overall risk exposure and reviews and maintains oversight of the Company's risk management architecture.

Syngene has an established risk management architecture embedded within the business to support the identification and effective management of risks across all its areas of business. Each business unit within the Company is responsible for identifying, managing and reporting risk in accordance with the Board-approved risk management policy and standards. Risks are then consolidated into a corporate risk register, which provides the Board and management with an overview of the Company's risk profile. The Board, through the Audit and Risk Committee, assesses Syngene's principal risks, including those that could threaten its business model, future performance, solvency or liquidity as well as assessing actions taken to manage the identified risks.

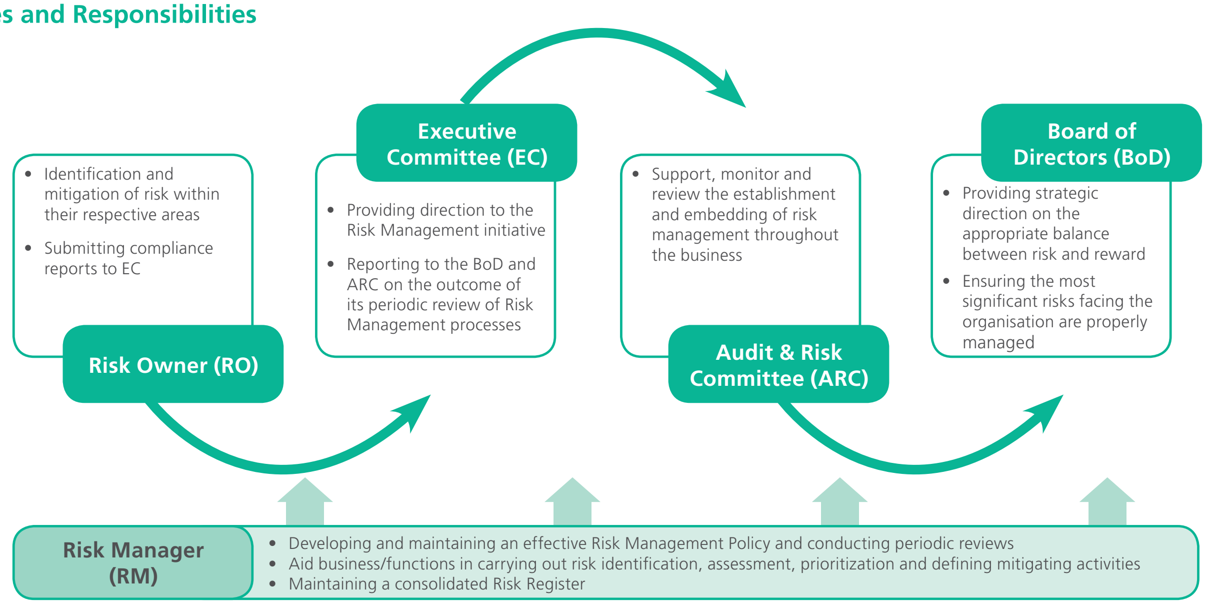
Risk Management Process

The Company has a robust identification, monitoring and reporting mechanism to ensure that all significant risks are identified, and mitigation controls put in place. Each business unit develops a comprehensive list of risks relevant to their area of operation. These risks are then documented and maintained in a 'Risk Register' by the Risk Manager. Likelihood and impact analysis is performed to assess the criticality of the risks identified in the risk register. The probability and cumulative effect on the business unit and on the company as a whole are determined through these analyses.

Based on the quantitative analysis, risks are prioritised and ranked. Under the risk mitigation plan, the Company responds with appropriate control measures to either terminate, transfer, tolerate or treat risks.

The Executive Committee reviews the Risk Register, including the mitigation plan, on an ongoing basis and conducts a complete review at least annually with the Board. When, during the course of business, new risks are identified, the Executive Committee reports these to the Board.

Roles and Responsibilities



Syngene's Risk Profile

The key business risks facing the Company and the steps taken to mitigate their impact are detailed below:

Financial Risk:

1. **Currency Risk:** While the Indian rupee is the primary operating currency of the company, Syngene earns a substantial proportion of its revenue in US dollars. Furthermore, the company also incurs a large portion of its operating and capital expenses, such as expenditure on specialized equipment and raw materials in US dollars. This exposes Syngene to currency risk arising from exchange rate fluctuations and may adversely impact its financial results. The company mitigates this risk by hedging its foreign exchange exposure, however, volatility in the currency market, hedging costs and regulatory barriers may prevent Syngene from effectively hedging all its currency exposure. As a result, hedging activities cannot and may not eliminate all currency risks.

2. **Credit Risk due to default on contractual obligations by clients:** As a scientific service provider, Syngene earns all its revenue through client service contracts. Any default on or delay in timely payment by a client may have an adverse impact on the Company's earnings and cash flow. Syngene addresses this risk through its credit risk policy and by regularly monitoring the credit ratings of its key clients as well as regularly monitoring its overall credit exposure. Additionally, business development efforts are focused on forging broad collaborations with credible organizations across multiple industries and markets to lessen the exposure to any particular client or industry group. Depending on the nature and duration of client collaborations, the Company may include milestone-based payment terms in its agreements to lessen the total credit exposure through the life of the contract.

Operational Risk:

3. **Capacity Expansion and Asset Utilization Risk:** Syngene's business development activities are focused around both new client acquisition as well as expanding the scope of engagement with existing clients to include a broader range of services. Over the years, there has been a steady increase in demand for its services. To match this growing demand, the Company is required to adjust, align and expand its capacity on an ongoing basis. Any inability to expand capacity to meet rising demand may restrict future growth. Setting up new capacity may require access to additional capital, which in turn may be dependent on the Company maintaining strong financials and a good credit rating. Furthermore, returns from investment in new capacity is dependent on future demand expectations materializing and becoming actual demand for services.

4. **Manpower Risk:** Syngene's ability to perform cutting edge research and provide innovative and effective solutions to clients largely depends on its scientific manpower. Loss of any key human resource or a higher attrition amongst its scientific teams can impact its business operations and affect the quality and timeline of service delivery. Attracting and retaining the right talent is critical to ensuring future growth and expansion of operations. To mitigate the impact of manpower risk, Syngene invests in talent development and employee engagement initiatives to nurture employee skills, deliver an engaging, welcoming working environment and to support staff in building successful careers. Competition for talented staff is a challenge within the CRO industry and the Company may not always be able to attract sufficient staff to meet of its requirements.

5. **IT Risk:** Syngene's operations rely on its IT infrastructure and IT systems. Data security is particularly critical for Syngene's operations as data, usually held in digital form is often the key output of the services provided to clients and is central to the IP rights created for and owned by our clients. Any failure to keep this data secure may adversely affect the value of the services provided to clients and consequently impact the Company's reputation and business model. Failure to maintain data confidentiality may severely impact business integrity, our reputation and may lead to legal and regulatory issues and loss of revenue. Extensive IT security systems and controls have been implemented to mitigate this risk. These systems and controls are regularly evaluated against the changing threat scenarios and additional investments are made to maintain an appropriate level of IT security. Despite the measures taken, the Company's IT systems may still be vulnerable to new cyber security threats and any failure in this area could lead to a breach of data confidentiality which in turn may result in a loss to the business.

Strategic Risk:

6. **Risk of Reduction in R&D Spending by clients:** As a service provider, Syngene's growth and ability to expand its operations are dependent on its client's ability to invest in R&D as well as willingness to outsource the delivery of this R&D. Any adverse trend in client R&D spending or a reduction in their willingness to outsource delivery of R&D may have an adverse impact on Syngene's growth prospects. Demand for Syngene's services can also be impacted by any negative perception of the CRO industry due to the actions of other CROs which may result in reduced outsourcing by clients. Despite the Company's efforts towards strengthening its competitive position in the industry, these macro-economic factors beyond its control may have a material adverse effect on its operations.

7. **Risk of over dependence on few clients:** Syngene's top 10 clients contribute approximately 65% of its revenue. Any loss of business or a significant reduction in business from any of these clients can adversely impact operations, revenues and future growth prospects. The volume of outsourcing done by these clients to Syngene may also vary year-on-year. Any M&A activity within this client group may adversely impact the ongoing relationship with client and the Company may cease to receive any further work from the acquired entity. In order to reduce the impact of this risk on its operations, Syngene's business development activities strive to expand its client base to a larger group of client company's and to other industry segments.

8. **Risk of short-term contracts:** Syngene primarily offers its services either through a Fee-for-Services (FFS) model or a Fulltime Equivalent (FTE) model. FFS services are generally short-term contracts and involve standalone services with defined deliverables. FTE services are generally longer term contracts covering multiple services. Deliverables are not always clearly defined at the start and gets defined as the collaboration progresses. Upon completion of a FFS service, there is a risk of the client not outsourcing any more work to Syngene. The Company's efforts are focused on building long term FTE collaboration with the clients and expanding the scope of engagement to cover multiple services.

Regulatory Risk:

9. **Risk of Changing Regulatory Framework:** The Company operates in and serves clients in a number of highly regulated industries. Regulatory non-compliance can result in termination of contracts, disqualification of data, criminal penalties, loss of clients and business and/or litigation by the affected parties. Adverse observations by regulatory authorities may have long term repercussions on the business and its reputation. The Company has an excellent track record of successful regulatory and compliance audits and maintains a continued commitment to achieving the highest standards of quality compliance.

10. **Political Risk:** The Company serves clients from around the world. Geo-political uncertainties such as increases in protectionist policies and changes in government regulations may impact the business adversely. Changes in government policy towards outsourcing in countries where our clients are based may affect their outsourcing plans. The USA continues to be Syngene's largest market in terms of client concentration and contribution to its total revenues. To mitigate over reliance on revenue from one geographical region the Company actively explores business opportunities in other regions of the world.

Reputational Risk:

11. Reputational risk can arise due to many factors. For example, failure by the Company to comply with environmental standards, employee malpractice, non-compliance to quality standards by vendors or the Company's failure to effectively address the risks in its business can put the reputation of Syngene at risk. Reputational risk can have an adverse impact on revenue or on the market capitalization of the Company as a result of stakeholders taking a negative view of the Company's actions. Syngene emphasizes all employees the need to maintain high standards of integrity in decision making and in our dealings with customers, suppliers and stakeholders. The Company's Code of Conduct provides direction to all staff on safeguarding its reputation.

Catastrophic Risk:

12. Like all businesses, Syngene's operations can be adversely impacted due to a catastrophic event. Besides forces of nature, human negligence can also adversely affect the operations of the Company, resulting in loss or damage to property and lives, delayed service delivery or reduction in operating capacity which could render part or all of its affected facility non-operational leading to revenue losses. The company maintains a Business Continuity Plan (BCP) and a disaster recovery plan to manage challenges arising out of a catastrophic event, however, natural catastrophes are unpredictable, it may not be possible to fully mitigate the impact of a catastrophic event.

Internal Controls

A strong internal control mechanism is a critical element in ensuring that the organization functions in an ethical manner, complies with all legal and regulatory requirements and meets 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.

Syngene's internal control mechanism aims to safeguard its assets as well as authorize, record and report all transactions correctly and on time. The Company has laid down guidelines, policies, processes and structures to enable implementation of appropriate internal financial controls across the organization. These control processes enable and ensure the orderly and efficient conduct of the Company's business, including safeguarding of assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable financial information. The control mechanism ensures that the manual and automated processes for transaction approval and recording are adequately and effectively reviewed.

The management has constituted a body of internal auditors comprising Chartered Accountants who perform periodic audits. The Internal Auditors independently evaluate the adequacy of internal controls and simultaneously audit the transactions. Independence of the audit and compliance is ensured by direct reporting of Internal Auditors to the Audit and Risk Committee of the Board. The Audit and Risk Committee, consisting of Independent Directors, reviews the adequacy and effectiveness of the Company's internal controls and is also periodically briefed on the corrective and preventive action taken to mitigate identified risks.

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.

Note: The Company has incorporated its wholly owned overseas subsidiary, Syngene USA Inc., during the year and it is operational from 1st November, 2017. The Company has therefore prepared consolidated financial statements for the first time for the year ended 31 March, 2018. Comparative figures for year ending March 31, 2017 is based on Standalone Financial Statements.