

Backward Integration of API & Intermediates and Opportunities in CDMO's

Unlocking Supply Chain Resilience, Margin Expansion, and Global Share of Wallet

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Executive Summary (The Paradigm Shift)

- **The Status Quo:** India is the "Pharmacy of the World," yet it historically imported **70-80%** of its key starting materials (KSMs) and drug intermediates from China.
- **The Strategic Shift:** Geopolitical realignments (China+1 strategy) and the finalized **US BIOSECURE Act** are forcing a structural pivot away from unaligned legacy corridors.
- **The End Game:** Indian players are aggressively building **backward-integrated models** to capture high-margin global CDMO mandates

The Supply Chain Vulnerability (Why We Integrate?)

- **Over-reliance:** High concentration risk in critical therapeutics (e.g., up to **90-100%** import reliance for specific antibiotic intermediates).
- **Margin Volatility:** Raw material price spikes directly compress Indian formulation margins.
- **Regulatory Push:** The Government of India's **Production Linked Incentive (PLI) Scheme** and "Bulk Drug Parks" are actively funding domestic chemical synthesis

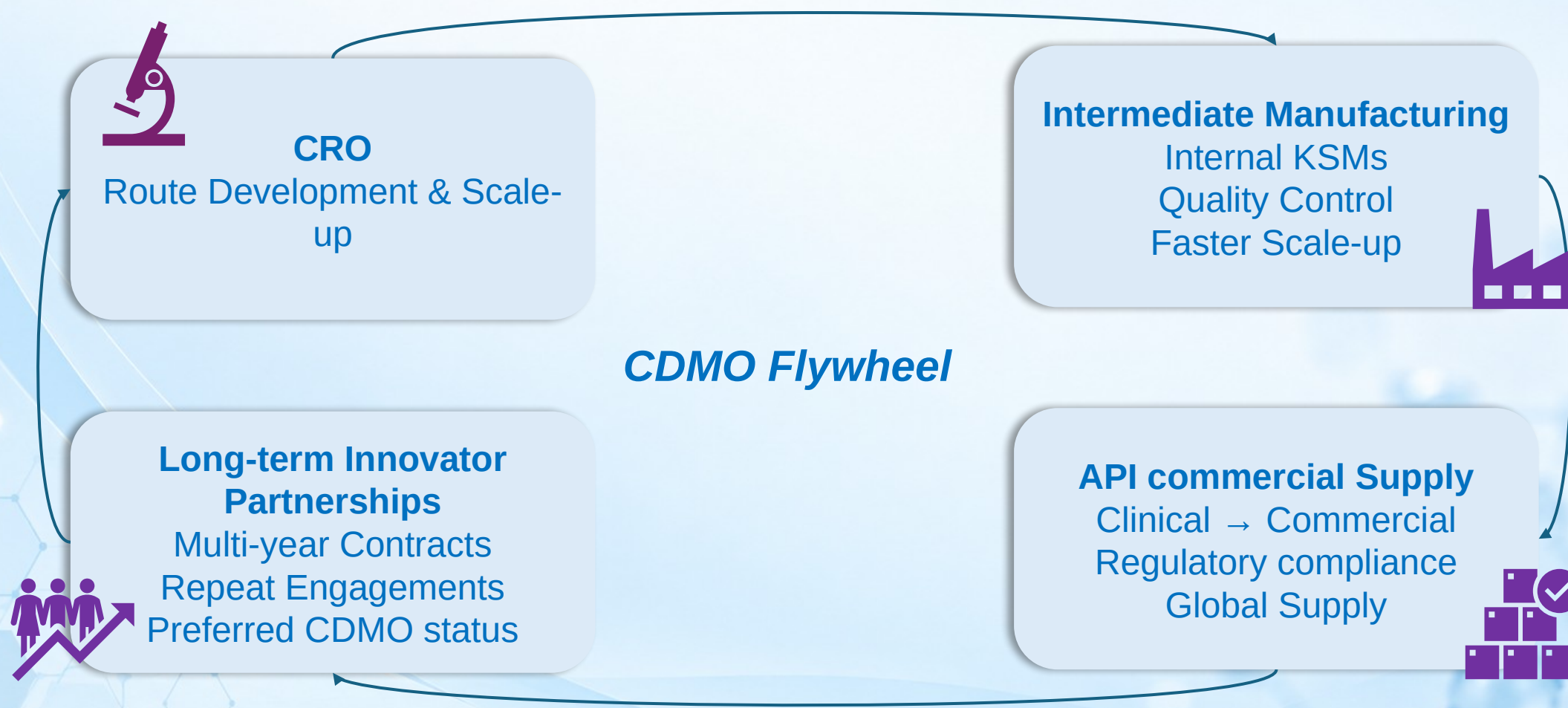
The Economics of Backward Integration

Value Driver	Impact Description	Strategic Outcome
Cost Competitiveness	Eliminates third-party markups on KSMs/Intermediates.	~30-40% lower cost structure than Western peers.
Supply Security	Insulation from external environmental or political shutdowns.	Uninterrupted commercial launch guarantees for global innovators.
Margin Expansion	Shifts the business from low-margin compounding to high-value synthesis.	Meaningful EBITDA accretion through structural multi-step processes.

The Rise of India as a Global CDMO Powerhouse

- **RFP Growth Surge:** Indian CDMOs have witnessed **100%+ RFP volume growth** over recent cycles.
- **Regulatory Maturity:** High concentration of USFDA, EMA, and PMDA approved facilities outside the US.
- **Small Molecule Dominance:** India has become the preferred alternative for complex chemistry and NCE (New Chemical Entity) manufacturing

The Synergy – How Backward Integration Feeds CDMO



Key Focus Area & Emerging Capabilities

Complex Chemistry

Multistep chiral synthesis

High-pressure hydrogenation

Hazardous chemistry

High Potency APIs

Oncology APIs

High containment facilities

Advanced Therapeutics

Peptides

Oligonucleotides

Antibody-drug conjugates

Green Chemistry

Continuous manufacturing

AI optimization

ESG compliance

Case Studies & Industry Pecking Order

Divi's Laboratories

*Custom synthesis &
backward integration*



Divis Laboratories Ltd.

Syngene

Integrated CRDMO

Syngene

Supriya Lifesciences

API to CDMO transition



**SUPRIYA
LIFESCIENCE LTD.**

Structural Risks & Headwinds

Capital Intensity

- ✓ Significant investment required in R&D and specialized assets
- ✓ Long gestation periods before commercial returns materialize
- ✓ Continuous funding needed to expand capabilities and capacity

China Price Retaliation

- ✓ Aggressive price undercutting on KSMs and intermediates
- ✓ Pressure on viability of domestic backward-integration projects
- ✓ Delayed ROI and margin dilution for new investments

Regulatory Compliance Risk

- ✓ Increased scrutiny from USFDA, EMA and other regulators
- ✓ Data integrity and quality system expectations continue to rise
- ✓ Non-compliance can disrupt customer confidence and commercial supply

Talent GAP

- ✓ Limited availability of advanced process chemistry talent
- ✓ Growing demand for expertise in HPAPIs, peptides and complex synthesis
- ✓ Urgent need for industry-academia collaboration and upskilling

*India is no longer just the world's back-office generic pharmacy—it is the indispensable,
fully integrated clinical partner for tomorrow's global medicine.*

Thank You