



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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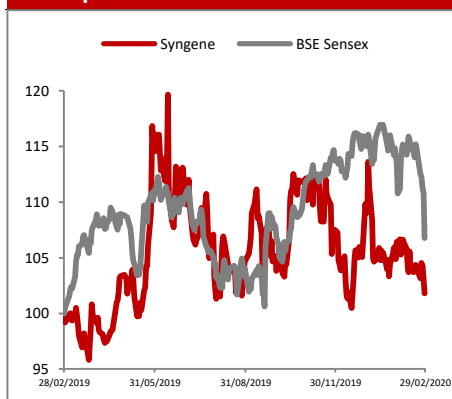
BUY

Current Price	300
Target Price	384
Upside/Downside	28%
52 Week Range	280/368

Key Share Data

Market Cap (Rs.bn)	123
Market Cap (US\$ mn)	1732
No of o/s shares (mn)	400
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	147
BSE Code	539268
NSE Code	SYNGENE
Bloomberg	SYNG:IN

Price performance



% Shareholding

	Dec-19	Sept-19
Promoters	70.7	70.77
FII	14.8	15.68
DII	7.85	5.72
Others	6.65	7.83
Total	100	100

We met the new Chief Financial Officer (CFO) Mr. Sibaji Biswas of Syngene International. The company is confident of robust business growth going forward. We believe Syngene will grow through increased demand for research services, investments in value added services and strengthening of its leadership team over the last few quarters.

KTAs from our meeting

- Syngene has progressed well to establish itself as a preferred partner in India, in terms of research capabilities.
- The growth in global R & D spend has come down to 5% in CY2019, which would increase the emphasis on outsourcing research services to India.
- Syngene has been focusing on investments in niche value added research services, ahead of the business cycle.
 - Investment in Biologics is expected to yield good business in the coming years. The facility has been certified by EUGMP and the Russian regulatory body.
 - Viral testing facility for establishing safety of biological products is the only one in India, enhancing the value chain in discovery biologics.
 - Investment in Chimeric Antigen Receptor T (CAR-T) therapy, the latest line of treatment in oncology using customized medicine, is also expected to attract customers in the near term.
 - Mangalore plant \$80 mn investment on commissioning. Revenue generation from the plant is some time away, as post commissioning there will be validations, regulatory approvals. The facility will manufacture specialty APIs.
- Project phasing in development & manufacturing in H1FY20, lead to adjusted revenue growth of 12% during 9MFY20.
- The company is facing capacity constraints due to increased demand for research services in view of the disruptions in China.
- Syngene will provide guidance on growth in FY21E during its Q4FY20 and FY20 earnings call.

Outlook & Valuation

The management is confident of achieving good growth in view of its capabilities and good demand for its services.

At CMP, Syngene trades at 28x FY21E EPS of Rs 10.8 and 16x FY21E EV/EBITDA.

We recommend investors to BUY Syngene with a target price of Rs 384, indicating an upside of 28%.

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	EV/EBITD			
								PE (x)	A (x)	RoE (%)	RoCE (%)
FY17	12,009	14	4,076	33.9	2,873	18	14.4	20.9	28.8	20.3	13.0
FY18	14,231	17	4,648	32.7	3,054	6	15.3	19.7	25.3	17.8	12.5
FY19	18,256	28	5,387	29.5	3,335	9	16.7	18.0	21.7	16.9	12.2
FY20E	21,177	16	6,091	28.8	3,556	7	8.9	33.8	19.3	15.4	12.2
FY21E	25,591	20	7,629	29.8	4,282	20	10.7	28.1	15.5	16.2	13.5



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SYNGENE FINANCIALS

P&L (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	12,009	14,231	18,256	21,177	25,591	Net Profit	2,873	3,054	3,335	4,269	4,282
Raw materials	(3,522)	(4,164)	(5,726)	(6,278)	(7,537)	Add: Dep. & Amort.	1,143	1,314	1,642	1,952	2,584
Employee costs	(3,086)	(3,796)	(4,727)	(5,909)	(7,091)	Cash profits	4,016	4,368	4,977	6,221	6,865
Other Expenses	(1,325)	(1,623)	(2,416)	(2,899)	(3,334)	(Inc)/Dec in					
Cost of sales	(7,933)	(9,583)	(12,869)	(15,086)	(17,962)	-Sundry debtors	(135)	(681)	(719)	(225)	(726)
Operating Profit	4,076	4,648	5,387	6,091	7,629	-Inventories	55	(538)	426	(469)	(181)
Depreciation	(1,143)	(1,314)	(1,642)	(1,952)	(2,584)	-Loans/advances	(340)	1,174	-	-	-
PBIT	2,933	3,334	3,745	4,139	5,045	-Sundry creditors	281	1,010	200	79	482
Other income	707	618	751	795	795	-Others	77	92	159	146	183
Interest	(175)	(227)	(323)	(489)	(488)	Change in WC	(62)	1,057	66	(469)	(242)
Profit before tax	3,465	3,725	4,173	4,445	5,352	CF from Oper. activities	3,954	5,425	5,043	5,751	6,623
Provision for tax	(592)	(671)	(838)	(889)	(1,070)	CF from Inv. activities	(5,648)	402	(11,805)	(5,692)	(6,515)
Adjusted PAT	2,873	3,054	3,335	3,556	4,282	CF from Fin. activities	(68)	942	892	(1,068)	(858)
Minority Interest	-	-	-	-	-	Cash generated/(utilised)	(1,762)	6,769	(5,870)	(1,009)	(749)
Extraordinary Items	-	-	-	713	-	Cash at start of the year	7,199	5,273	9,674	4,369	3,674
Reported PAT	2,873	3,054	3,335	4,269	4,282	Cash at end of the year	5,273	9,674	4,369	3,674	3,316
Balance Sheet	FY17	FY18	FY19	FY20E	FY21E	Ratios	FY17	FY18	FY19	FY20E	FY21E
Equity capital	2,000	2,000	2,000	4,000	4,000	OPM	33.9	32.7	29.5	28.8	29.8
Reserves	12,131	15,204	17,684	19,017	22,362	NPM	22.6	20.6	17.5	19.4	16.2
Net worth	14,131	17,204	19,684	23,017	26,362	Tax rate	(17.1)	(18.0)	(20.1)	(20.0)	(20.0)
Def. Tax Liab.+Minority Ir	78	-	-	-	-	Growth Ratios (%)					
Secured loans	6,898	5,855	3,617	3,441	3,141	Net Sales	14.2	16.8	28.0	15.6	20.1
Unsecured loans	972	781	1,907	1,607	1,607	Operating Profit	7.4	14.0	15.9	13.1	25.2
Current Maturities	-	2,047	3,440	3,784	4,162	PAT	18.3	6.3	9.2	6.6	20.4
Total debt	7,870	8,683	8,964	8,832	8,910	Per Share (Rs.)					
Other non curr. Liab	517	587	1,778	1,778	1,778	Net Earnings (EPS)	14.4	15.3	16.7	10.7	10.7
Derivative liab	-	118	393	393	393	Cash Earnings (CPS)	20.1	21.8	24.9	15.6	17.2
CAPITAL EMPLOYED	22,596	26,592	30,819	34,020	37,444	Dividend	2.0	1.0	1.5	2.0	2.0
Gross block	13,319	16,833	21,539	27,567	33,601	Book Value	70.7	86.0	98.4	57.5	65.9
Accumulated depreciatio	(5,215)	(6,529)	(8,171)	(10,123)	(12,707)	Free Cash Flow	(8.5)	29.1	(33.8)	0.1	0.3
Net block	8,104	10,304	13,368	17,444	20,894	Valuation Ratios					
Capital WIP	1,749	1,554	2,737	2,000	2,000	P/E(x)	20.9	19.7	18.0	28.1	28.1
Total fixed assets	9,853	11,858	16,105	19,444	22,894	P/B(x)	4.2	3.5	3.1	5.2	4.6
Investments	5,404	1,577	7,560	7,560	7,560	EV/EBIDTA(x)	28.8	25.3	21.7	19.3	15.5
Fin. Assets	1,089	928	1,138	1,366	1,639	EV/SALES (x)	9.8	8.3	6.4	5.6	4.6
Def. tax assets	1,565	1,671	2,004	2,405	2,886	Div. Yield(%)	0.67	0.33	0.50	0.67	0.67
Inventories	322	860	434	903	1,084	FCF Yield(%)	-2.82	9.70	-11.26	0.05	0.09
Sundry debtors	1,987	2,668	3,387	3,612	4,337	Return Ratios (%)					
Cash & bank	5,273	9,674	4,369	3,674	3,316	ROE	20.3	17.8	16.9	18.5	16.2
Loans & advances	1,174	-	-	-	-	ROCE	13.0	12.5	12.2	14.3	13.5
Other current assets	1,071	626	662	662	662						
Sundry creditors	(1,025)	(2,035)	(2,235)	(2,314)	(2,796)						
Acceptances	(3,784)	(2,761)	(3,397)	(4,076)	(4,892)						
Provisions	(333)	(425)	(584)	(730)	(913)						
Working capital	5,774	11,486	5,150	4,611	4,103						
Derivative assets	-	1,951	1,376	1,514	1,665						
CAPITAL DEPLOYED	22,596	26,592	30,819	34,020	37,444						



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