



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Charulata Gaidhani (022) 67141446

Result update@ Dalal & Broacha

BUY

Current Price	590
Target Price	760
Upside/Downside	29%
52 Week Range	651/430

Key Share Data

Market Cap (Rs.bn)	114.68
Market Cap (US\$ mn)	1668.80
No of o/s shares (mn)	200.0
Face Value	10.0
Monthly Avg.vol (BSE+NSE) Nos'000	77
BSE Code	539268
NSE Code	SYNGENE
Bloomberg	SYNG IN Equity

Price performance



% Shareholding

	Jun-18	Mar-18
Promoters	71.65	74.45
FII	17.81	15.59
DII	2.14	2.44
Others	8.4	7.52
Total	100	100

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY16	11,070.0	27.7	3,794.0	34.3	2,428.0	38.7	12.1	48.6	23.7	14.3
FY17	12,009.0	14.2	4,076.0	33.9	2,873.0	18.3	14.4	41.1	20.3	13.0
FY18	14,231.0	16.8	4,648.0	32.7	3,054.0	6.3	15.3	38.6	17.8	13.6
FY19E	17,327.2	20.1	5,838.2	33.7	3,612.3	18.3	18.1	32.7	17.8	15.2
FY20E	21,621.5	23.5	7,260.2	33.6	4,423.3	22.5	22.1	26.7	18.2	16.9

Syngene Q1FY19 results were below estimates. However, the clarification relating to one off sales of Rs 400 mn being sold at cost indicates normalcy in business, wiping out concerns to profitability raised yesterday.

Robust revenue growth, business margins intact

Revenues increased 39% yoy (-1% qoq) to Rs 4060 mn. Syngene's robust revenue growth came from biologics manufacturing, discovery services and chemical development services. The revenues include higher material pass through billings of Rs 400 mn, which is a one off. Excluding the one off, revenues grew 25% to Rs 3660 mn indicating a 22% constant currency growth and 3% benefit from rupee depreciation.

Raw material costs increased significantly at 32% of sales (24% in Q4FY18) thereby reducing gross margins by 790 bps yoy(-100 bps qoq) to 68.3%. Excluding the one off material costs, gross margins were at 75.7% (-50 bps yoy, +640 bps qoq). Other expenses were 51% yoy (19% qoq) higher at Rs 600 mn in view of safety and compliance. Other expenses include forex gain of Rs 106 mn.

EBITDA margins dropped 600 bps yoy (-460 bps qoq) to 27%. EBITDA grew 14% yoy (de-grew 15% qoq) to Rs 1085 mn. Excluding the one off, EBITDA margins were at 30%. PBT was 9% higher (-20% qoq) at Rs 831 mn. PAT grew 7% yoy (-22% qoq) to Rs 662 mn due to higher taxes. EPS for the quarter was at Rs 3.31.

Key highlights of the quarter

- Baxter extended its contract with Syngene upto 2024, with an expansion in the services offered.
- Syngene commenced services for GSK Global during the quarter.
- Syngene received Rs 810 mn towards insurance claims for the damage to its facilities on account of the fire incident in December'16.
- The construction of Syngene's API site at Mangalore is in progress. The plant is expected to be commissioned by Q3FY20.

Outlook & Valuation

The refurbishment of Syngene's damaged labs was completed, making available 35000 sq ft, thereby eliminating capacity constraints faced over the last 5 quarters. Syngene's research services business continues healthy growth and profitability.

At Rs 590, Syngene trades at 27x FY20E EPS of Rs 22.2. We are positive on the developments at Syngene. We recommend investors to BUY Syngene with a one year target of Rs 760 per share.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

Particulars	Q1FY19	Q4FY18	Q1FY18	yoy	qoq	FY18	FY17	Var %
Net Sales	4060	4091	2911	39%	-1%	14231	12009	19%
Cost of Raw								
Materials	-1288	-1256	-811			-4164	-3522	
Employee Expenses	-1077	-1041	-860			-3796	-3086	
Other Expenses	-600	-503	-398			-1623	-1325	
Total Expenses	-2965	-2800	-2069	43%	6%	-9583	-7933	21%
						-		
EBITDA ex OI	1095.0	1291.0	842.0	30%	15%	4648.0	4076.0	14%
EBITDA margin	27.0%	31.6%	28.9%			32.7%	33.9%	
Interest	-79	-71	-53			-227	-175	
Depreciation	-373	-342	-319			-1314	-1143	
Other Income	188	166	172			618.0	707.0	
						-		
Profit before tax	831.0	1044.0	642.0	29%	20%	3725.0	3465.0	8%
Tax	-169	-199	-140			-671	-592	
						-		
Profit after tax	662.0	845.0	502.0	32%	22%	3054.0	2873.0	6%
PAT margin	16.3%	20.7%	17.2%			21.5%	23.9%	
Equity	2000	2000	2000			2000	2000	
No. of equity shares	200	200	200			200	200	
EPS - Diluted	3.31	4.23	3.10			15.27	14.37	



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

SYNGENE FINANCIALS											
P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	11,070.0	12,009.0	14,231.0	17,327.2	21,621.5	Net Profit	2,428.0	2,873.0	3,054.0	3,612.3	4,423.3
Raw materials	(3,412.0)	(3,522.0)	(4,164.0)	(4,525.5)	(5,656.8)	Add: Dep. & Amort.	973.0	1,143.0	1,314.0	1,623.8	1,932.0
Employee costs	(2,503.0)	(3,086.0)	(3,796.0)	(4,934.8)	(6,168.5)	Cash profits	3,401.0	4,016.0	4,368.0	5,236.0	6,355.3
Other Expenses	(1,361.0)	(1,325.0)	(1,623.0)	(2,028.8)	(2,535.9)	(Inc)/Dec in					
Cost of sales	(7,276.0)	(7,933.0)	(9,583.0)	(11,489.0)	(14,361.3)	-Sundry debtors	(53.0)	(135.0)	(681.0)	(262.5)	(689.5)
Operating Profit	3,794.0	4,076.0	4,648.0	5,838.2	7,260.2	-Inventories	7.0	55.0	(538.0)	127.4	(293.0)
Depreciation	(973.0)	(1,143.0)	(1,314.0)	(1,623.8)	(1,932.0)	-Loans/advances	646.0	(340.0)	1,174.0	-	-
PBIT	2,821.0	2,933.0	3,334.0	4,214.4	5,328.2	-Sundry creditors	52.0	281.0	1,010.0	(547.2)	372.0
Other income	61.0	707.0	618.0	500.0	400.0	-Others	30.0	77.0	92.0	85.0	127.5
Interest	(84.0)	(175.0)	(227.0)	(199.1)	(199.1)	Change in WC	682.0	(62.0)	1,057.0	(597.3)	(483.1)
						CF from Oper. activities	4,083.0	3,954.0	5,425.0	4,638.7	5,872.3
Profit before tax	2,798.0	3,465.0	3,725.0	4,515.4	5,529.2	CF from Inv. activities	(5,815.0)	(5,648.0)	402.0	(3,282.6)	(4,878.1)
Provision for tax	(370.0)	(592.0)	(671.0)	(903.1)	(1,105.8)	CF from Fin. activities	7,315.0	(68.0)	(1,105.0)	(468.0)	(586.0)
Adjusted PAT	2,428.0	2,873.0	3,054.0	3,612.3	4,423.3	Cash generated/(utilised)	5,583.0	(1,762.0)	4,722.0	888.1	408.2
Minority Interest	-	-	-	-	-	Cash at start of the year	1,226.0	7,199.0	5,273.0	9,674.0	11,341.4
Extraordinary Items	-	-	-	-	-	Cash at end of the year	7,199.0	5,273.0	9,674.0	11,341.4	12,518.7
Reported PAT	2,428.0	2,873.0	3,054.0	3,612.3	4,423.3						
						Ratios	FY16	FY17	FY18	FY19E	FY20E
Balance Sheet	FY16	FY17	FY18	FY19E	FY20E	OPM	34.3	33.9	32.7	33.7	33.6
Equity capital	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	NPM	21.8	22.6	20.6	20.3	20.1
Reserves	8,247.0	12,131.0	15,204.0	18,348.3	22,303.6	Tax rate	(13.2)	(17.1)	(18.0)	(20.0)	(20.0)
Net worth	10,247.0	14,131.0	17,204.0	20,348.3	24,303.6	Growth Ratios (%)					
Def. Tax Liab.+Minority Ir	99.0	78.0	-	-	-	Net Sales	27.7	14.2	16.8	20.1	23.5
Secured loans	7,252.0	6,898.0	5,855.0	5,855.0	5,855.0	Operating Profit	35.0	7.4	14.0	25.6	24.4
Unsecured loans	1,658.0	972.0	781.0	781.0	781.0	PAT	38.7	18.3	6.3	18.3	22.5
Total debt	8,910.0	7,870.0	6,636.0	6,636.0	6,636.0	Per Share (Rs.)					
Other non curr. Liab	535.0	517.0	587.0	587.0	587.0	Net Earnings (EPS)	12.1	14.4	15.3	18.1	22.1
Derivative liab	-	-	118	118	0	Cash Earnings (CPS)	17.0	20.1	21.8	26.2	31.8
CAPITAL EMPLOYED	19,791.0	22,596.0	24,545.0	27,689.3	31,526.6	Dividend	1.0	2.0	1.0	2.0	2.0
Gross block	11,114.0	13,319.0	16,833.0	21,869.6	26,913.5	Book Value	51.2	70.7	86.0	101.7	121.5
Accumulated depreciatio	(5,312.0)	(5,215.0)	(6,529.0)	(8,152.8)	(10,084.8)	Free Cash Flow	(8.7)	(8.5)	29.1	6.8	5.0
Net block	5,802.0	8,104.0	10,304.0	13,716.9	16,828.8	Valuation Ratios					
Capital WIP	2,368.0	1,749.0	1,554.0	1,000.0	500.0	P/E(x)	48.6	41.1	38.6	32.7	26.7
Total fixed assets	8,170.0	9,853.0	11,858.0	14,716.9	17,328.8	P/B(x)	11.5	8.4	6.9	5.8	4.9
Investments	2,766.0	5,404.0	1,577.0	377.0	377.0	EV/EBIDTA(x)	31.4	29.5	24.6	19.3	15.4
Fin. Assets	657.0	1089.0	928.0	928.0	1113.6	EV/SALES (x)	10.8	10.0	8.0	6.5	5.2
Def. tax assets	1381.0	1565.0	1671.0	1671.0	2005.2	Div. Yield(%)	0.17	0.34	0.17	0.34	0.34
Inventories	377.0	322.0	860.0	732.6	1,025.7	FCF Yield(%)	-1.47	-1.44	4.94	1.15	0.84
Sundry debtors	1,852.0	1,987.0	2,668.0	2,930.5	3,620.0	Return Ratios (%)					
Cash & bank	7,199.0	5,273.0	9,674.0	11,341.4	12,518.7	ROE	23.7	20.3	17.8	17.8	18.2
Loans & advances	834.0	1,174.0	-	-	-	ROCE	14.3	13.0	13.6	15.2	16.9
Other current assets	319.0	1,071.0	690.0	690.0	690.0						
Sundry creditors	(744.0)	(1,025.0)	(2,035.0)	(1,487.8)	(1,859.8)						
Acceptances	(2,764.0)	(3,784.0)	(4,872.0)	(5,846.4)	(7,015.7)						
Provisions	(256.0)	(333.0)	(425.0)	(510.0)	(637.5)						
Working capital	7,474.0	5,774.0	9,439.0	10,924.4	11,815.6						
Derivative assets	-	-	1,951.0	2,146.1	2,360.7						
CAPITAL DEPLOYED	19,791.0	22,596.0	24,545.0	27,689.3	31,526.6						



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the	No



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

subject company in the past twelve months	
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Avinash Kumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT, Telecom, Media
Ms. Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141439	Midcaps
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021
Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com