



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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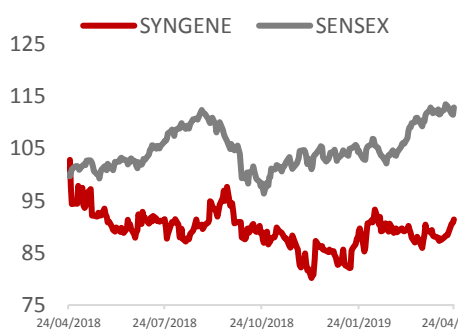
BUY

Current Price	609
Target Price	752
Upside/Downside	24%
52 Week Range	699/509

Key Share Data

Market Cap (Rs.bn)	122.00
Market Cap (US\$ mn)	1736
No of o/s shares (mn)	200.0
Face Value	10.0
Monthly Avg.vol (BSE+NSE) Nos'000	190
BSE Code	539268
NSE Code	SYNGENE
Bloomberg	SYNG IN Equity

Price performance



Syngene Q4FY19 results were in line with expectations. While revenues exceeded estimates, the earnings were in line.

Robust revenue & profit growth, 1:1 bonus

Sales Rs 5331 mn +31% yoy/ + 14% qoq driven by discovery services & development services. Other expenses including forex loss of Rs 79 mn increased 85% to Rs 931 mn, on lower base due to forex gain of Rs 309 mn in Q4FY18. EBITDA increased 24% to Rs 1600 mn. EBITDA margins were at 30% (-40 bps yoy/ -10 bps qoq). PAT was at Rs 1001 mn vs our estimate of Rs 1006 mn. EPS for the quarter was at Rs 5.01.

Syngene declared a bonus in the proportion 1:1.

Key highlights of the quarter

- During the quarter, Syngene's revenues increased 25% on a constant currency basis.
- The company added 15 new clients during the year. Syngene has also increased the scope of its relationship with existing clients like BMS, Baxter, GSK Global and Merck to name a few.
- Discovery services now contribute 30% to the topline from 26% earlier.
- The construction of Syngene's API site at Mangalore is in progress. The plant is expected to be commissioned by Q4FY20.
- The company expects sales growth of 25% in FY20.
- The companies guided that the margins will be under pressure due to high depreciation and lower other income.
- Syngene plans to incur capex of \$550 mn over the next 2 years towards:
 - Doubling the capacity of its Biologics plant at Bengaluru
 - Commissioning of the Mangalore API facility
 - Setting up of R & D centres in Hyderabad and Bengaluru.

% Shareholding

	Mar-19	Dec-18
Promoters	71.05	71.09
FII	16.51	16.95
DII	4.79	3.90
Others	7.65	8.09
Total	100	100

Outlook & Valuation

We are positive on the growth plans of Syngene. The company's efforts in strengthening its capabilities and leadership in research services augur well for its business growth going forward. We have marginally lowered our estimates in view of the higher capex spend. At CMP, on P/E basis the stock is currently trading at 23.8x FY21E EPS of Rs. 25.6. **We recommend investors to BUY Syngene with a target price of Rs 752, indicating an upside of 24%.**

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth EPS	PE (x)	RoE (%)	RoCE (%)
FY17	12,009.0	14.2	4,076.0	33.9	2,873.0	18.3	14.4	42.4	20.3
FY18	14,231.0	16.8	4,648.0	32.7	3,054.0	6.3	15.3	39.9	17.8
FY19	18,256.0	28.0	5,368.0	29.4	3,316.0	8.6	16.6	36.7	16.8
FY20E	23,294.7	24.7	7,002.4	30.1	4,095.3	23.5	20.5	29.7	17.6
FY21E	29,917.9	27.1	9,466.4	31.6	5,110.7	24.7	25.6	23.8	18.4



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Dr. Kenneth Barr to head Discovery Services

Syngene appointed Dr. Kenneth Barr as Sr. Vice President of Discovery Services. Dr. Barr has 20 years of experience in drug discovery for both small & large molecules. His experience includes working with both big and small pharmaceutical companies like Merck & Forma Therapeutics. At Syngene, Dr. Barr will focus on cross functional collaboration between discovery services.

Particulars	Q4FY19	Q3FY19	Q4FY18	yoy	qoq	FY19	FY18	Var %
Net Sales	5339	4671	4091	31%	14%	18256	14231	28%
Cost of Raw Materials	-1496	-1426	-1256			-5313	-4164	
Employee Expenses	-1312	-1189	-1041			-4727	-3796	
Other Expenses	-931	-650	-503			-2848	-1623	
Total Expenses	-3739	-3265	-2800	34%	15%	-12888	-9583	34%
EBITDA ex OI	1600.0	1406.0	1291.0	24%	14%	5368.0	4648.0	15%
EBITDA margin	30.0%	30.1%	31.6%			29.4%	32.7%	
Interest	-80	-82	-71			-323	-227	
Depreciation	-441	-429	-342			-1642	-1314	
Other Income	208	173	166			751.0	618.0	
Profit before tax	1287.0	1068.0	1044.0	23%	21%	4154.0	3725.0	12%
Tax	-286	-198	-199			-838	-671	
Profit after tax	1001.0	870.0	845.0	18%	15%	3316.0	3054.0	9%
PAT margin	18.7%	18.6%	20.7%			18.2%	21.5%	
Equity	2000	2000	2000			2000	2000	
No. of equity shares	200	200	200			200	200	
EPS - Diluted	5.01	4.35	4.23			16.58	15.27	



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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	12,009.0	14,231.0	18,256.0	23,294.7	29,917.9	Net Profit	2,873.0	3,054.0	3,316.0	4,095.3	5,110.7
Raw materials	(3,522.0)	(4,164.0)	(5,313.0)	(6,871.9)	(8,676.2)	Add: Dep. & Amort.	1,143.0	1,314.0	1,642.0	1,951.8	2,979.0
Employee costs	(3,086.0)	(3,796.0)	(4,727.0)	(6,145.1)	(7,681.4)	Cash profits	4,016.0	4,368.0	4,958.0	6,047.2	8,089.7
Other Expenses	(1,325.0)	(1,623.0)	(2,848.0)	(3,275.2)	(4,094.0)	(Inc)/Dec in					
Cost of sales	(7,933.0)	(9,583.0)	(12,888.0)	(16,292.2)	(20,451.6)	-Sundry debtors	(135.0)	(681.0)	(719.0)	(508.0)	(1,055.9)
Operating Profit	4,076.0	4,648.0	5,368.0	7,002.4	9,466.4	-Inventories	55.0	(538.0)	426.0	(539.8)	(264.0)
Depreciation	(1,143.0)	(1,314.0)	(1,642.0)	(1,951.8)	(2,979.0)	-Loans/advances	(340.0)	1,174.0	-	-	-
PBIT	2,933.0	3,334.0	3,726.0	5,050.6	6,487.4	-Sundry creditors	281.0	1,010.0	200.0	494.9	716.8
Other income	707.0	618.0	751.0	400.0	200.0	-Others	77.0	92.0	159.0	146.0	182.5
Interest	(175.0)	(227.0)	(323.0)	(331.4)	(301.4)	Change in WC	(62.0)	1,057.0	66.0	(406.8)	(420.6)
Profit before tax	3,465.0	3,725.0	4,154.0	5,119.2	6,385.9	CF from Oper. activities	3,954.0	5,425.0	5,024.0	5,640.3	7,669.2
Provision for tax	(592.0)	(671.0)	(838.0)	(1,023.8)	(1,277.2)	CF from Inv. activities	(5,648.0)	402.0	(11,805.0)	(5,692.0)	(6,514.8)
Adjusted PAT	2,873.0	3,054.0	3,316.0	4,095.3	5,108.7	CF from Fin. activities	(68.0)	(1,105.0)	(482.0)	(468.0)	(1,702.0)
Minority Interest	-	-	-	-	1.0	Cash generated/(utilised)	(1,762.0)	4,722.0	(7,263.0)	(519.7)	(547.6)
Extraordinary Items	-	-	-	-	1.0	Cash at start of the year	7,199.0	5,273.0	9,738.0	4,369.0	4,851.5
Reported PAT	2,873.0	3,054.0	3,316.0	4,095.3	5,110.7	Cash at end of the year	5,273.0	9,738.0	4,369.0	4,851.5	5,518.3
Balance Sheet	FY17	FY18	FY19	FY20E	FY21E	Ratios	FY17	FY18	FY19	FY20E	FY21E
Equity capital	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	OPM	33.9	32.7	29.4	30.1	31.6
Reserves	12,131.0	15,204.0	17,684.0	21,311.3	25,718.1	NPM	22.6	20.6	17.4	17.3	17.0
Net worth	14,131.0	17,204.0	19,684.0	23,311.3	27,718.1	Tax rate	(17.1)	(18.0)	(20.2)	(20.0)	(20.0)
Def. Tax Liab.+Minority I	78.0	-	-	-	-	Growth Ratios (%)					
Secured loans	6,898.0	5,855.0	3,617.0	3,617.0	2,617.0	Net Sales	14.2	16.8	28.0	24.7	27.1
Unsecured loans	972.0	781.0	1,907.0	1,907.0	1,907.0	Operating Profit	7.4	14.0	15.5	30.4	35.2
Total debt	7,870.0	6,636.0	5,524.0	5,524.0	4,524.0	PAT	18.3	6.3	8.6	23.5	24.7
Other non curr. Liab	517.0	587.0	1,778.0	1,778.0	1,778.0	Per Share (Rs.)					
Derivative liab		118	393	393	393	Net Earnings (EPS)	14.4	15.3	16.6	20.5	25.6
CAPITAL EMPLOYED	22,596.0	24,545.0	27,379.0	31,006.3	34,413.1	Cash Earnings (CPS)	20.1	21.8	24.8	30.2	40.4
Gross block	13,319.0	16,833.0	21,539.0	27,567.2	33,601.0	Dividend	2.0	1.0	1.5	2.0	3.0
Accumulated depreciati	(5,215.0)	(6,529.0)	(8,171.0)	(10,122.8)	(13,101.8)	Book Value	70.7	86.0	98.4	116.6	138.6
Net block	8,104.0	10,304.0	13,368.0	17,444.4	20,499.2	Free Cash Flow	(8.5)	29.1	(33.9)	(0.3)	5.8
Capital WIP	1,749.0	1,554.0	2,737.0	2,000.0	2,000.0	Valuation Ratios					
Total fixed assets	9,853.0	11,858.0	16,105.0	19,444.4	22,499.2	P/E(x)	42.4	39.9	36.7	29.7	23.8
Investments	5,404.0	1,577.0	7,560.0	7,560.0	7,560.0	P/B(x)	8.6	7.1	6.2	5.2	4.4
Fin. Assets	1089.0	928.0	1138.0	1365.6	1638.7	EV/EBIDTA(x)	30.4	25.4	22.8	17.4	12.7
Def. tax assets	1565.0	1671.0	2004.0	2404.8	2885.8	EV/SALES (x)	10.3	8.3	6.7	5.2	4.0
Inventories	322.0	860.0	434.0	973.8	1,237.7	Div. Yield(%)	0.33	0.16	0.25	0.33	0.49
Sundry debtors	1,987.0	2,668.0	3,387.0	3,895.0	4,950.9	FCF Yield(%)	-1.39	4.78	-5.57	-0.04	0.95
Cash & bank	5,273.0	9,738.0	4,369.0	4,851.5	5,518.3	Return Ratios (%)					
Loans & advances	1,174.0	-	-	-	-	ROE	20.3	17.8	16.8	17.6	18.4
Other current assets	1,071.0	626.0	662.0	662.0	662.0	ROCE	13.0	13.6	13.6	16.3	18.9
Sundry creditors	(1,025.0)	(2,035.0)	(2,235.0)	(2,729.9)	(3,446.7)						
Acceptances	(3,784.0)	(4,872.0)	(6,837.0)	(8,204.4)	(9,845.3)						
Provisions	(333.0)	(425.0)	(584.0)	(730.0)	(912.5)						
Working capital	5,774.0	9,439.0	1,710.0	1,597.2	1,468.1						
Derivative assets	-	1,951.0	1,376.0	1,513.6	1,665.0						
CAPITAL DEPLOYED	22,596.0	24,545.0	27,379.0	31,006.3	34,413.1						



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