



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Charulata Gaidhani (022) 67141446

Result update@ Dalal & Broacha

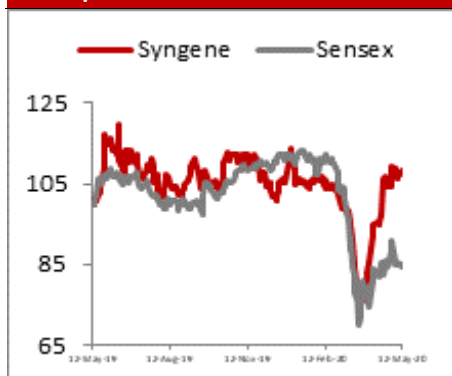
BUY on Dips

Current Price	335
Target Price	377
Upside/Downside	13%
52 Week Range	201/368

Key Share Data

Market Cap (Rs.bn)	130
Market Cap (US\$ mn)	1725
No of o/s shares (mn)	400
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	406
BSE Code	539268
NSE Code	SYNGENE
Bloomberg	SYNG:IN

Price performance



% Shareholding	Mar-20	Dec-19
Promoters	70.69	70.70
FII	13.41	14.80
DII	9.30	7.85
Others	6.60	6.65
Total	100	100

Syngene Q4FY20 results were in line with expectations. Revenues were at \$84.5 mn vs. our estimate of \$85 mn from discovery services and development, the profitability improvement was better than estimates due to larger share of discovery services (32%) leading to favorable product mix.

Profitability improvement due to better mix

Sales increased 14 % yoy Rs 6073 mn vs. our estimate of Rs 6205 mn due to growth in discovery services and development & manufacturing. **Gross profit** grew 21% yoy to Rs 4631 mn. **Gross margins were at 76.3%, highest so far (+430 bps yoy/ +410 bps qoq)**, due to better sales mix and lower power costs.

Employee costs increased 25% yoy to Rs 1641 mn due to increase in headcount from the Hyderabad facility, additions to second line of management as well as normal growth.

EBITDA grew 28% yoy to Rs 2041 mn. Ebitda margins were at 33.6%(+360 bps yoy/ +400 bps qoq), **highest in the last 12 quarters.**

Depreciation +41% Rs 623 mn, in view. Interest +16 % Rs 93 mn.

Profit before tax was at Rs 1530 mn (19% yoy/+43% qoq).

Adjusted PAT excluding exceptional income +20% yoy/+30% qoq to Rs 1202 mn. Adjusted EPS was at Rs 3 Vs. our estimate of Rs 2.9.

Higher contribution from Discovery services to continue

In FY20, the contribution from discovery services increased from 29% to 32%, improving profitability. Discovery services grew 22% during the year, higher than dedicated centres and development & manufacturing. Syngene benefitted from Covid19, due to client pressure on execution of projects. We expect the benefit to continue going forward, given the robust order book and strong business environment in R & D projects.

Outlook & Valuation

At CMP, Syngene trades at 28x FY22E EPS of Rs 12.1. We have valued Syngene as a weighted average of DCF (20%), 30x P/E (40%) and 18x EV/EBITDA (40%). In view of the lockdown, Syngene is operating at 70% capacity and expects to work full capacity by end May. We strongly believe Syngene's profitability will improve in view of better product mix and larger focus on research services. We recommend investors to **BUY on Dips with a target price of Rs 377.**

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	Adj. PA1	% Growth	EPS	EV/EBITDA		RoE (%)	RoCE (%)
								PE (x)	(x)		
FY18	14,231	17	4,648	32.7	3,054	6	15.3	21.9	28.3	17.8	12.5
FY19	18,256	28	5,387	29.5	3,335	9	16.7	20.1	24.3	16.9	12.2
FY20	20,119	10	6,179	30.7	3,408	2	8.5	39.3	21.2	19.0	14.0
FY21E	23,245	14	7,233	31.1	3,693	8	9.2	36.3	18.3	14.5	11.8
FY22E	27,369	19	8,480	31.0	4,676	27	11.7	28.6	15.2	16.0	12.8

**Syngene Concall KTAs**

1. Currently running at 70% operations, to reach normal by end May. Supply chain has normalized, with Syngene part of essential services; hence do not expect any issues.
2. Pandemic had positive impact in Q4FY20, due to client pressure on completion of orders by March.
3. Expect Q1FY21 growth to be flat, with normal operations from Q2FY21 onwards.
4. Robust performance in Discovery services and healthy in development services. Robust demand for services, have good visibility for order book.
5. Raw material costs at 25% of sales due to higher contribution from discovery services. Further 2% margin improvement due to lower power costs.
6. Expect EBITDA degrowth by 30% in Q1FY21, due to lockdown up to April 20. Thereafter expect double-digit EBITDA growth.
7. Validations and regulatory certifications for Mangalore plant will be done by Q4FY21, after which the plant will be commercialized.
8. Expect double-digit sales growth in FY21, PAT will be at FY20 levels due to uncertainties related to COVID 19. However, we have factored in a nominal growth in view of margin improvement and the business environment for research services.

Key Developments

1. Syngene is amongst the largest player in research services and manufacturing. The service offerings include small & large molecules, antibody drug conjugates (ADC), and oligonucleotides.
2. The company has recently added new capabilities for stability, analytical and bio-analytical services, viral testing and bioinformatics.
3. Added 31 clients during the year. Number of clients 362.
4. Syngene commissioned a new research facility at Bengaluru with the following infrastructure
 - a. Multi disciplinary labs in biology, QC microbiology and other research areas, spread across 150,000 sq. ft.
 - b. Expanded discovery services across 13000 sq. ft., which will enable Syngene to undertake research projects in immuno- oncology, microbiom and other niche indications.
5. Cleared USFDA inspection of the small molecule bio analytical laboratory within clinical development with no observations.
6. Commissioned the Mangalore facility during the quarter.
7. Due to the lockdown Syngene's research operations, which were shut, resumed on April 20, 2020. Currently Syngene is operating at 70% capacity.
8. Syngene has, in partnership with Mylab Discovery Solutions Pune, agreed to supply reagents for use in its COVID19 RT PCR testing kits.
9. The company has converted one of its labs at Bengaluru to a RT PCR testing facility.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

Particulars	Q4FY20	Q3FY20	Q4FY19	yoy	qoq	FY20	FY19	Var %
Net Sales	6073	5191	5339	14%	17%	20119	18256	10%
Cost of Raw Materials	-1442	-1442	-1496			-5194	-5726	
Employee Expenses	-1641	-1523	-1312			-5804	-4727	
Other Expenses	-949	-687	-931			-2942	-2416	
Total Expenses	-4032	-3652	-3739	8%	10%	-13940	-12869	8%
EBITDA ex OI	2041.0	1539.0	1600.0	28%	33%	6179.0	5387.0	15%
EBITDA margin	33.6%	29.6%	30.0%			30.7%	29.5%	
Interest	-93	-98	-80			-346	-323	
Depreciation	-623	-570	-441			-2193	-1642	
Other Income	205	200	208			816	751	
Profit before tax	1530	1071	1287	19%	43%	4456	4173	7%
Exceptional Income/(Expenses)	0	0	0			713	0	
PBT incl Excep. Income	1530	1071	1287			5169	4173	
Tax	-328	-149	-286			-1048	-838	
Tax - Exceptional	0	0	0			0	0	
Tax - Normal	-328	-149	-286			-1048	-838	
Profit after tax excl. exceptional	1202	922	1001	20%	30%	3408	3335	2%
<i>PAT margin</i>	<i>19.8%</i>	<i>17.8%</i>	<i>18.7%</i>			<i>16.9%</i>	<i>18.3%</i>	
<i>PAT incl. exceptional</i>	1202	922	1001			4121	3335	
Equity	4000	4000	2000			4000	2000	
No. of equity shares	400	400	200			400	200	
EPS - excl. excep.	3.01	2.31	5.01			8.52	4.35	
EPS - incl. excep.	3.005	2.305	5.005			10.3	16.7	



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

SYNGENE FINANCIALS

P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (₹)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	14,231	18,256	20,119	23,245	27,369	Net Profit	3,054	3,335	4,121	3,693	4,677
Raw materials	(4,164)	(5,726)	(5,194)	(5,811)	(6,842)	Add: Dep. & Am	1,314	1,642	2,193	2,960	3,327
Employee costs	(3,796)	(4,727)	(5,804)	(6,965)	(8,358)	Cash profits	4,368	4,977	6,314	6,653	8,004
Other Expenses	(1,623)	(2,416)	(2,942)	(3,236)	(3,689)	(Inc)/Dec in					
Cost of sales	(9,583)	(12,869)	(13,940)	(16,012)	(18,889)	-Sundry debtor	(681)	(719)	(595)	(222)	(784)
Operating Profit	4,648	5,387	6,179	7,233	8,480	-Inventories	(538)	426	182	(402)	(122)
Depreciation	(1,314)	(1,642)	(2,193)	(2,960)	(3,327)	-Loans/advanc	1,174	-	-	-	-
PBIT	3,334	3,745	3,986	4,273	5,153	-Sundry credit	1,010	200	(7)	81	410
Other income	618	751	816	640	973	-Others	92	159	240	206	258
Interest	(227)	(323)	(346)	(298)	(281)	Change in WC	1,057	66	(180)	(338)	(239)
Profit before tax	3,725	4,173	4,456	4,616	5,845	CF from Oper. a	5,425	5,043	6,134	6,315	7,765
Provision for tax	(671)	(838)	(1,048)	(923)	(1,169)	CF from Inv. act	402	(11,805)	(8,197)	(5,637)	(7,573)
Adjusted PAT	3,054	3,335	3,408	3,693	4,676	CF from Fin. act	942	892	(1,358)	(1,198)	(561)
Minority Interest	-	-	-	-	1	Cash generated	6,769	(5,870)	(3,421)	(520)	(370)
Extraordinary Items	-	-	713	-	-	Cash at start of	5,273	9,674	4,520	2,611	2,657
Reported PAT	3,054	3,335	4,121	3,693	4,677	Cash at end of t	9,674	4,520	2,611	2,657	2,981
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	2,000	2,000	4,000	4,000	4,000	OPM	32.7	29.5	30.7	31.1	31.0
Reserves	15,204	17,684	17,741	21,434	25,174	NPM	20.6	17.5	19.7	15.5	16.5
Net worth	17,204	19,684	21,741	25,434	29,174	Tax rate	(18.0)	(20.1)	(23.5)	(20.0)	(20.0)
Lease liab	-	151	873	-	-	Growth Ratios (%)					
Secured loans	5,855	3,617	-	-	-	Net Sales	16.8	28.0	10.1	14.1	18.7
Unsecured loans	781	1,907	3,089	3,089	3,089	Operating Profit	14.0	15.9	14.7	17.1	17.2
Current Maturities	2,047	3,440	4,948	3,750	4,125	PAT	6.3	9.2	2.2	8.3	26.6
Total debt	8,683	8,964	8,037	6,839	7,214	Per Share (Rs.)					
Other non curr. Liab	587	1,778	1,880	1,880	1,880	Net Earnings (₹)	15.3	16.7	8.5	9.2	11.7
Derivative liab	118	393	1,924	1,924	1,924	Cash Earnings (₹)	21.8	24.9	15.8	16.6	20.0
CAPITAL EMPLOYED	26,592	30,970	34,455	36,077	40,192	Dividend	1.0	1.5	-	-	2.0
Gross block	16,833	21,539	29,347	36,888	41,938	Book Value	86.0	98.4	54.4	63.6	72.9
Accumulated depreciation	(6,529)	(8,171)	(10,364)	(13,324)	(16,651)	Free Cash Flow	29.1	(33.8)	(5.2)	1.7	0.5
Net block	10,304	13,368	18,983	23,564	25,287	Valuation Ratios					
Capital WIP	1,554	2,737	2,341	2,000	1,000	P/E(x)	21.9	20.1	39.3	36.3	28.6
Total fixed assets	11,858	16,105	21,324	25,564	26,287	P/B(x)	3.9	3.4	6.2	5.3	4.6
Investments	1,577	7,560	8,127	6,127	9,127	EV/EBIDTA(x)	28.3	24.3	21.2	18.3	15.2
Fin. Assets	928	1,138	1,014	1,217	1,460	EV/SALES (x)	9.2	7.2	6.5	5.7	4.7
Def. tax assets	1,671	2,004	2,182	2,618	3,142	Div. Yield(%)	0.30	0.45	0.00	0.00	0.60
Inventories	860	434	252	654	777	FCF Yield(%)	8.70	-10.09	-1.54	0.51	0.14
Sundry debtors	2,668	3,387	3,982	4,204	4,988	Return Ratios (%)					
Cash & bank	9,674	4,520	2,611	2,657	2,981	ROE	17.8	16.9	19.0	14.5	16.0
Right of use assets	-	-	864	-	-	ROCE	12.5	12.2	14.0	11.8	12.8
Other current assets	626	662	816	816	816						
Sundry creditors	(2,035)	(2,235)	(2,228)	(2,309)	(2,718)						
Acceptances	(2,761)	(3,397)	(4,113)	(4,936)	(5,923)						
Provisions	(425)	(584)	(824)	(1,030)	(1,288)						
Working capital	11,486	5,301	1,958	1,767	1,636						
Derivative assets	1,951	1,376	448	493	542						
CAPITAL DEPLOYED	26,592	30,970	34,455	36,077	40,192						



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 subject company in the past twelve months	No



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

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
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141439	Midcaps
Mr. Avinash Tanawade	Avinash.tanawade@dalal-broacha.com	022 67141449	Banking & Financial Services
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT , Media & Telecom
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Ms. Nidhi Babaria	Nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141432	Associate

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