HDFC securities
Click. Invest. Grow.
20 YEARS

Initiating Coverage

Syngene International Ltd.

10-February-2021

RETAIL RESEARCH

Syngene International Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs 574	Buy on dips to Rs 558-562 band and add more on dips to Rs 512-516	Rs 614	Rs 659	2 quarters

HDFC Scrip Code	SYNINTEQNR
BSE Code	539268
NSE Code	SYNGENE
Bloomberg	SYNG: IN
CMP Feb 10, 2021	574
Equity Capital (Rs cr)	400
Face Value (Rs)	10
Equity Share O/S (cr)	40
Market Cap (Rs cr)	22952
Book Value (Rs)	63
Avg. 52 Wk Volumes	728141
52 Week High	644.6
52 Week Low	201.7

Share holding Pattern % (Dec, 2020)	
Promoters	70.6
Institutions	20.1
Non Institutions	9.3
Total	100.0

Fundamental Research Analyst
Kushal Rughani
kushal.rughani@hdfcsec.com

Our Take:

Syngene International is a leading contract research organisation (CRO) in India. The company's established market position is reflected in its large clientele of around 362 companies, including 8 of the top 10 global pharmaceutical majors such as Bristol-Myers Squibb Co (BMS), Baxter International Inc (Baxter) and Amgen Inc. (Amgen). Company has increased its client base from 256 in FY16 to 362 in FY20. Syngene has dedicated R&D (research and development) centres for BMS, Amgen, Baxter and Herbalife. The company's business model is relatively insulated from regulatory challenges and price erosion unlike other Indian pharma companies. Syngene has not been impacted by regulatory issues - either facility inspection or product approvals. This implies better earnings visibility for the company backed by strategic partnerships which ensures higher stickiness, continuous client additions, increasing R&D outsourcing by global innovators and focus of the company to evolve from a CRO to a CRAMS company. Company reported ~9% increase in revenue and 11% EBITDA growth during 9MFY21 which was driven by strong performance across all businesses and continued growth momentum in Discovery Services.

The company has forayed into commercial manufacturing for innovator customers (CMO segment) with a small molecule API facility in Mangalore (~US$ 75mn investment in phase I) and a biologics manufacturing capacity in Bangalore. Contract manufacturing being stickier than contract research, could provide further growth in business over the next two-three years. The share of biologics has been increasing (both in terms of number of drugs approved and spending on drugs) across regulated pharma markets and we expect this to translate into strong demand for Syngene's offering in biologics manufacturing. Indian CMO peers largely operate in the small molecule segment and Syngene's capabilities in biologics remains a key differentiator. To meet the growing demand from clients, Syngene continues to make investments focused on increasing capacity and building capabilities. Company achieved milestones by commissioning the first phase of the new R&D centre in Hyderabad, commencement of the API manufacturing facility in Mangaluru (to be commissioned in FY22) and expansion of the R&D facility in Bengaluru during FY20.

During FY20, the company invested a total of Rs 750cr (US$ 108mn) in ongoing capex programme. Of the total capex, 40% was in the commercial API manufacturing facility, 26% in Discovery Services, 11% in a Biologics manufacturing facility and 23% in the Dedicated Centres and Development Services. Company is on track to take total asset base to US$ 550mn by the end of FY21. It will continue to invest in core businesses of dedicated centres, discovery and development services in line with business visibility. The company's revenues

RETAIL RESEARCH

are expected to witness high double-digit growth on yoy basis in FY21 along with steady operating margins (> 30%) supported by the anticipated healthy growth in the global contract research industry and higher growth in Asia, and Syngene's new business additions. We believe that as capex intensity will reduce post FY21, and with new capacities/capabilities ramp up, return ratios should see improvement post FY21.

View & Valuation:

Revenues grew at 16% CAGR in FY16-20 due to new clients' addition on a regular basis and scaled up revenues from existing clients. Eight of the top 10 global pharma companies have been availing services for the past five years. Total revenue grew 10% yoy at Rs 2012cr driven by strong growth in discovery services business and continued good performance in development services business in FY20. Discovery Services constituted 32% of revenue, Dedicated R&D Centres constituted 31% while Development Services and Manufacturing contributed the remainder. Asset turnover from this mega capex will be a significant determinant for improvement in return ratios. With marquee client additions like Amgen, Zoetis, Herbalife, GSK, etc, and multiple year extension of BMS and Baxter contracts, the company remains well poised to capture opportunities in the global CRO space.

Syngene has outperformed pharmaceutical sector over the past 2-3 quarters. The outperformance came on the back of expectations of rise in research and development programmes of innovators and the expansion of its contract manufacturing business. We expect Syngene to deliver revenue/Adj. PAT CAGR of 16%/20% over FY20-23E as 1) major capex is completed 2) company has gained new capabilities in NCE manufacturing and biologics research/manufacturing and 3) favorable industry/currency tailwinds. We like the company as it has got very strong business model, excellent clientele, focused management team, strong balance sheet and heavy capex done over the past two years. Given expensive valuations of 37.5x FY23E EPS, we feel that investors' can accumulate the stock on correction. We recommend buy on declines to Rs 558-562 band (36.5x FY23E EPS) and add more on dips to Rs 512-516 band (33.5x FY23E EPS) with base case fair value of Rs 614 (40.0x FY23E EPS) and bull case fair value of Rs 659 (43.0x FY23E EPS) over the next 2 quarters.

Syngene International Ltd

Financial Summary

Particulars (Rs cr)	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Total Revenues	585	519	12.6	520	12.4	1,826	2,012	2,229	2,648	3,132
EBITDA	176	154	14.8	156	13.2	537	618	673	835	1018
Depreciation	70	57	22.3	69	1.5	164	219	276	304	333
Other Income	17	15	13.3	14	23.2	75	82	68	80	93
Interest Cost	7	7	-4.1	7	7.6	32	35	29	25	19
Tax	14	14	3.6	10	41.6	84	105	66	108	144
APAT	102	92	11.3	84	21.7	332	412	368	477	613
EPS (Rs)						8.3	10.3	9.2	11.9	15.3
RoE (%)						18.0	19.9	15.7	17.7	19.4
P/E (x)						69.3	55.7	62.3	48.1	37.5
EV/EBITDA (x)						42.5	36.9	33.9	27.3	22.4

(Source: Company, HDFC sec)

Q3FY21 result highlights

Syngene reported healthy 13% yoy increase in revenue led by discovery services and traction from dedicated R&D segment. EBITDA margin improved 20bps despite higher employee cost and other expenditure in the quarter. PAT for the quarter grew 11% yoy at Rs 102cr.

Employee cost have increased on account of addition of Hyderabad R&D facility and new research facility in Bangalore and the balance due to senior and mid-level leadership hiring.

Depreciation for the quarter increased 22% yoy while for 9MFY21 it has increased 30% yoy at Rs 205cr. The increase on a year on year basis is mainly owing to the investments in the Hyderabad facility, expansion at main Bangalore campus and the commencement of the Mangalore commercial API plant at the end of the last financial year. During the quarter, the company expanded Hyderabad facility by adding 50% more space to the current facility over there. The capex for this expansion has been fully booked and is reflected in the reported figures.

Syngene International Ltd

Capex in the FY20 was at US$ 108mn; $43mn in manufacturing plant, $28mn in discovery service and $12mn in biologics and rest in dedicated services and development services.

Capex in 9MFY21 was at US$ 53mn; US$ 8mn for Mangaluru API plant, US$ 16mn for Discovery Services, US$ 7mn for biologics and US$ 15mn for dedicated and US$ 7mn for development centres.

Company has done cumulative capex of US$ 75mn at its Mangalore API plant, currently validation batches ongoing, to be commercialized in FY22. It would be amortised over the next 18 years. The company's plans to take its total asset base to US$550 million by end of FY21 - might marginally spill-over to H1FY22.

Its collaboration with Deerfield Discovery and Development (3DC) in advanced integrated discovery projects highlights and recruitment of 225 scientists in FY21E shows the underlying strength in business. 3DC has awarded four antibody IDD projects in the oncology and autoimmune segments, which will be executed in FY22. The company remains aggressive on the capex front due to order book visibility.

Employee cost gone up 23% for FY20 due to 1) ~12% accounted by ongoing employee cost, 2) 4% due to addition of Hyderabad R&D facility and new research facility in Bangalore and 3) the balance due to senior and mid-level leadership hiring.

Mangalore API manufacturing plant- Total investments of US$ 75mn, commenced operations in March 2020, has an asset life of 18 years, will undergo qualification/validation/regulatory clearances before starting large scale manufacturing in Q4FY21E, full capacity utilization may take place in the next 3-5 years.

Syngene was a beneficiary of the Service Export Incentive Scheme (SEIS) till last year. This benefit is no longer available from the current financial year. Adjusted for this, its underlying Revenue from Operations grew around 12% yoy in the first nine months.

Strong business profile with integrated presence across discovery, development and manufacturing services
Syngene has presence across discovery, development and contract manufacturing services for small and large molecules. The key cost base in R&D is the employee. Employee cost in India is much lower than most global and Asian peers. This gives Indian CROs a high cost advantage. Syngene has total ~5000 employees with an average salary of ~Rs. 11lk p.a. which is significantly lower as per global peers. Also

rising wage inflation over last few years has been offset by INR depreciation. The company operates through four verticals, namely a) dedicated R&D centres for global majors like BMS, Baxter, Amgen and Herbalife; b) discovery services; c) development; and d) manufacturing services. The company's Mangalore plant (for commercial scale manufacturing of APIs/novel drugs/small molecules) commenced operations in March-2020 and is currently undergoing qualification testing. Scaling up of manufacturing over the medium term is expected to diversify the company's revenue stream and strengthen its position in the drug-discovery-to-manufacture value chain.

Established client relationships; healthy client addition in the last one year - The company has long-term research contracts with reputed clients like BMS, Baxter, Amgen and Herbalife. About 25% of its customers have engaged with the company for over five years. Syngene has also increased its client base by 30 customers to over 362 clients in FY20. The deeper engagements and client additions provide revenue visibility for Syngene over the medium term.

Company's diverse business and its operations

Syngene derives ~95% of its revenues from exports. In terms of classification on a contractual basis, it derives ~31% of revenues from long term dedicated contracts with a contractual commitment of five years and more. In this case, the company offers a dedicated, customised and ring-fenced infrastructure in line with client's requirements. These dedicated centres are generally multi-disciplinary, full time engagements, which support the R&D requirements of clients.

The remaining part comes from 1) discovery services (32% of revenues; full time equipment (FTE)) and 2) development & manufacturing services [37% of revenues; fee for service (FFS)]. Diversified revenue streams along with a strong control over costs has resulted in stable and consistent margin trajectory (~30%) over last 10-12 years.

The discovery services vertical consists of multiple client engagements across discovery chemistry and discovery biology based service offerings. It entails an in-depth understanding of discovery chemistry and discovery biology pertaining to small and large molecules. The development and manufacturing segment encompasses the services, which support a molecule once it moves beyond in-vivo testing to preclinical studies and clinical development. It also includes manufacturing of molecules for clinical supplies and commercialisation.

In FTE contracts, the company does billing based on the number of scientists deployed. In this case, there is an agreement with clients for minimum utilisation of a specific number of scientists dedicated to their work. The scope of services and deliverables under FTE contracts generally evolves over time. FTE contracts are generally renewable annually. FFS contracts are mostly short-term in nature. In FFS contracts, the agreement is for fixed price for agreed services within a defined scope.

The company has developed long-term relationships with many clients, including four long-duration multi-disciplinary partnerships, each with a dedicated research centre, with four of the world's leading global healthcare organisations, Bristol-Myers Squibb Company (BMS), Abbott Laboratories (Singapore) Pte Ltd (Abbott), Baxter International Inc. (Baxter) and Amgen.

BMS - The first dedicated centre was set up for BMS in 2009 and engages over 500 scientists. Under the new agreement in Q3FY18, Syngene has set up an additional new facility. The duration of the collaboration has been extended to 2026.

Baxter – Dedicated centre developed in 2013. The Baxter Global Research Centre has a multidisciplinary team of about > 175 scientists who work on product and analytical development, preclinical evaluation in parenteral nutrition and renal therapy. The company has recently expanded its contract with Baxter till 2024. Under the new extension of contract, Syngene will set up additional infrastructure as well as increase the size of its scientific team.

Amgen - In Q2FY17, the company announced the establishment of a dedicated centre for Amgen, Inc. in Bengaluru. This centre, named Syngene Amgen Research and Development Centre (SARC), was Syngene's fourth such exclusive R&D centre and first for a biologics company.

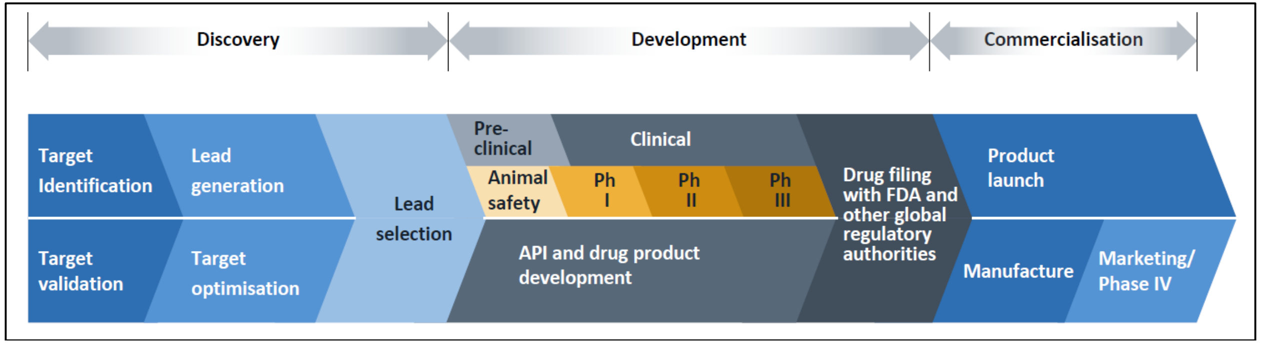
Herbalife - in Q3FY17, Herbalife announced the opening of its first R&D centre in India in Partnership with Syngene. The 3000 sq ft facility is located inside the Syngene Bengaluru campus.

The company owns the largest CRO facility in India, spread over 13,00,000 sq. ft. in Bengaluru. The facility has been accredited with major regulatory compliance. It operates laboratory and manufacturing facilities to standards that are consistent with the requirements of its large global clients. In the last three years, the US FDA has cleared five audits without 483 observations.

Apart from this, it is in the process of establishing a new commercial-scale facility in Mangaluru (SEZ) to manufacture novel small molecules for innovator companies as it plans to foray into commercial manufacturing for customers. The company has signed commercial contracts for late stage products with existing clients. Of this, two molecules have already been commercialised and the company has started supply of intermediaries for these products. The company's existing facility at Bengaluru would initially support SIL's CMO business. This novel CMO business would extend the company's services to existing customers. Its aim is to position itself as a leading one-stop shop manufacturer of both API and dose solutions so that clients can meet their complete manufacturing requirements with one contract service provider. Commercial scale API manufacturing facility at Mangaluru is a significant step in this direction.

The company intends to evolve from CRO into a contract research and manufacturing services (CRAMS) organisation with commercial-scale manufacturing capabilities. This is in keeping with company's plan to leverage its existing relationships with clients and provide forward integration on the discovery and development.

Key steps in the drug development process



Strong parentage

Syngene is a 70.2% subsidiary of Biocon and is likely to receive continued financial support from the parent. Business operations of both the companies differ: Biocon manufactures and markets biopharmaceutical formulations, while Syngene undertakes contract research for pharmaceutical, biotechnology, nutrition, agrochemical, animal health and consumer goods companies. Operating margins are expected to sustain in the range of 30-33% over the medium term driven by ramp up in the facilities in Bangalore and Mangalore and effective cost control measures.

Increasing role of CROs in the R&D value chain

Healthcare CROs are playing an increasingly valuable role in the industry value chain, contributing at different stages throughout the drug discovery and development process. As the industry matures, R&D service providers have also acquired a breadth of scientific experience, newer technological capabilities, and the expertise to navigate regulatory complexities. With extensive scientific expertise, CROs serve as partners in innovation while delivering a broad spectrum of their clients' early-stage research needs, reducing time to market for a drug, and promoting cost efficiency.

Partnerships have become essential in the pharma industry

For big pharma companies, CRAMS offer an opportunity to manage costs, have flexible operations and realise efficiencies in R&D and related functions. Some of the key reasons as why that outsource include focus on core competencies, flexibility, and lack of capacity. In addition, big pharma companies have been looking to realign their business models to the changing landscape, which has accelerated the push towards outsourcing. Pharma is an innovation-driven industry that keeps developing new molecules however, competition from generics is intensifying.

As a result, R&D efficiency and manufacturing cost controls are needed more than ever, creating a significant need for high-quality outsourcing companies. Utilising services of CDMOs helps big pharma companies avoid redundant manufacturing capacity. For instance, capex incurred before drug approval could turn redundant in case the product is unable to clear clinical trials or get regulatory approval. Similarly, reduction of operating expenses and time to market are other key factors driving growth for CDMOs. There is ample scope for structural growth of the CRAMS market, as the partnership model has not got explored yet. In India, the players like Syngene has got more than 20 years of experience in the CRAMS business and enjoy tremendous trust among clients.

Different types of engagement models with clients

CRO contracts range from strategic partnerships to functional service agreements for a specific function or more one-off transactional contracts. Furthermore, these contracts could be for a specific compound, set of trials, therapeutic area or geography. Contracts can be both long-term and short-term full-time equivalent (FTE) contracts or fee for service (FFS) contracts (generally short term in nature). In FTE contracts, billing is generally done based on the number of scientists deployed. In long-term contracts, a client agrees to the minimum utilisation of a specified number of scientists, who are dedicated to that particular client. The scope of services and deliverables under FTE contracts generally evolves over time.

High Entry Barriers

Barriers to entry in the CRAMS business are high, and companies excelling on parameters like scale, consistency, quality and technical expertise get rewarded very big. The entry barriers are high, as it takes many years to build strong relationships with clients. Trust is an important element in this business, and innovator companies generally prefer to focus only on select vendors with whom they have higher comfort around IP protection, usually vendors with a solid long execution track record. Furthermore, this business can be sticky, with innovators preferring to go with a CRO/CDMO that has been involved in discovery and development when it comes to the commercialisation of the drug as well.

In order to penetrate the global CRAMS market, companies need a robust structure to adapt to the requirements of developed countries and offer customised solutions to sponsors. However, with stringent regulations, greater complexity of molecules and better quality requirements, clients are demanding higher-caliber scientists, infrastructure, quality management systems and safety assessments.

Moderate risks related to stabilisation and scale-up of recently completed capex

Syngene has completed and commercialised about 55% of the planned capex in FY20. This was incurred towards its API manufacturing facility in Mangalore and new research centres at Hyderabad. The capex is being funded through internal accrual and liquid surplus. APIs will be sold to innovators to meet their commercial requirements for launching new molecules. The balance capex of Rs 650 crore for the expansion in research facility at Bengaluru and phase-II of Hyderabad is expected to be completed in the medium term. Syngene will remain exposed to risks related to stabilisation and ramp-up in production and services at the recently commercialised facilities. Any time or cost overruns in the balance capex or subdued demand in API segment will remain the key monitorables.

Key Concerns

High customer and geographic concentration

Syngene derives ~62% of its revenues from its top 10 customers and ~76% of its revenues from US. This exposes the company to revenue risks arising from loss of customers to competitors and region-specific challenges. However, Syngene’s periodic addition of customers, stated intent to gradually diversify its customer base going forward and presence of customers globally across regions provides comfort to an extent.

Growing competition in the contract research space

With the industry poised for healthy growth over the next few years, several global and domestic players are increasing presence in contract research. This is likely to increase competition and pricing pressure for Syngene. However, the company's robust infrastructure and talent of employees, constant focus on compliance and safety and well established client relationships are likely to mitigate competitive threats to a large extent. It also has early-mover advantage and long-tenure contracts with its customers, thus partially offsetting the competitive intensity.

Zero client tolerance for IP and Data

With stringent regulations, greater complexity of molecules and better quality requirements, the customers demand higher-caliber scientists, infrastructure, quality management systems and safety assessments. Intellectual property (IP) or Data protection are most important parameters any issues on that front may lead the company to lose the client and may lead to litigation.

Vulnerability to unfavourable forex movement

With about 96% of its revenues from overseas markets, the company's revenues and margins are susceptible to risks arising from adverse forex movements including appreciation of rupee against dollar. However, the hedging mechanisms adopted by the company mitigate the risk to an extent.

CMO business prone to higher US FDA scrutiny

The company has signed commercial contracts for two late stage products with existing clients. Starting the commercialisation business would complete chain of business from discovery and development to commercialisation of products. However, the CMO opportunity would come along with higher risk of US FDA scrutiny. In the event of adverse findings from the agency there is a risk of loss of business.
Although any deviation in the same could result in reputational risks and other penalties for the company, historical absence of regulatory issues in clinical trials provides comfort to a large extent.

Large Capex needs to be commissioned, ramped up and productive soon so that the negative impact on return ratios can be eliminated.

Company Background

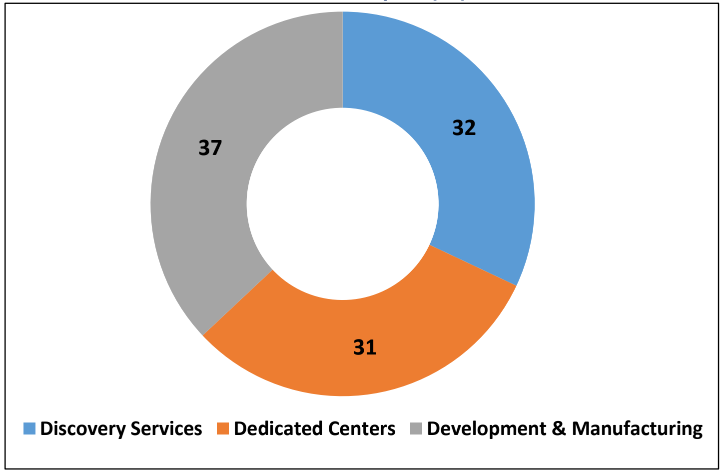
Syngene International is a leading contract research organisation (CRO), which supports R&D programmes of global innovative companies. It offers integrated services across the drug discovery and development value chain, and provides research services in medicinal chemistry and biology to innovator pharmaceutical companies. The innovative capabilities for novel molecular entities ("NMEs") cater to a wide range of industrial sectors, including pharmaceutical, biotechnology, nutrition, animal health, consumer and speciality chemical companies. The company has highly qualified team of 5,000 employees and support from strong parentage. Syngene works with clients from around the world to find solutions to their research, development and manufacturing challenges for small and large molecules while improving productivity, speeding up time-to-market and lowering the cost of innovation. Syngene caters to 362 global players including Bristol-Myers Squibb (BMS), Abbott, Baxter and Amgen, among others.

In terms of classification on a contractual basis, it derives about 31% of revenues from long term dedicated contracts with a contractual commitment of five years and more. In this case, the company offers a dedicated, customised and ring-fenced infrastructure in line with client's requirements. These dedicated centres are generally multi-disciplinary, full time engagements, which support the R&D requirements of clients. The remaining comes from 1) discovery services (32% of revenues; full time equipment (FTE)) and 2) development & manufacturing services [37% of revenues; fee for service (FFS)]. The discovery services vertical consists of multiple client engagements across discovery chemistry and discovery biology based service offerings. It entails an in-depth understanding of discovery chemistry and discovery biology pertaining to small and large molecules.

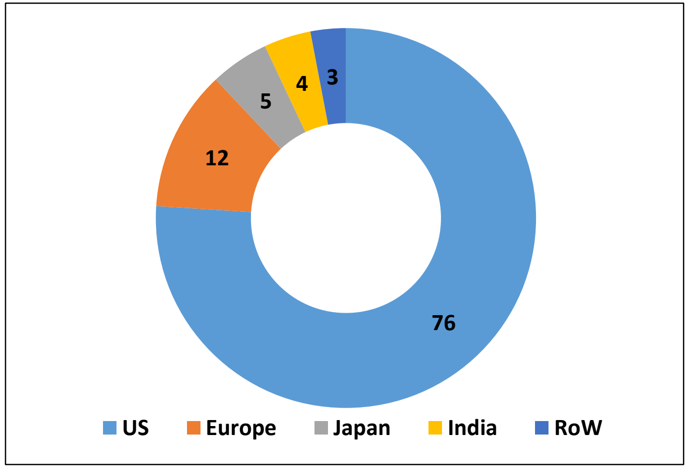
In FTE contracts, the company does billing based on the number of scientists deployed. In this case, there is an agreement with clients for minimum utilisation of a specific number of scientists dedicated to their work. The scope of services and deliverables under FTE contracts generally evolves over time. FTE contracts are generally renewable annually. FFS contracts are mostly short-term in nature. In FFS contracts, the agreement is for fixed price for agreed services within a defined scope.

Syngene International Ltd

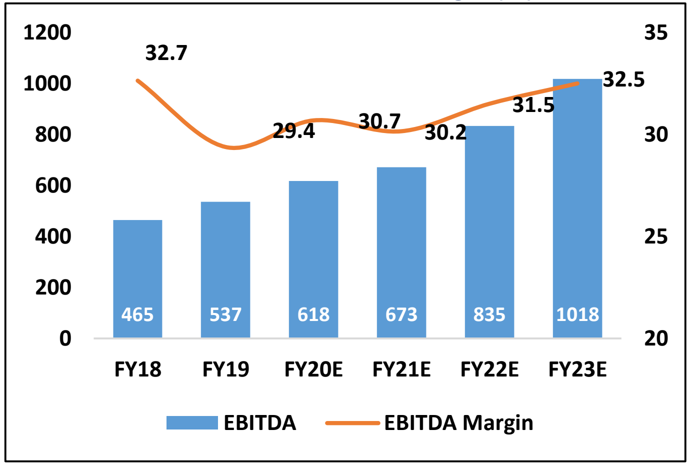
Revenue Split (%)



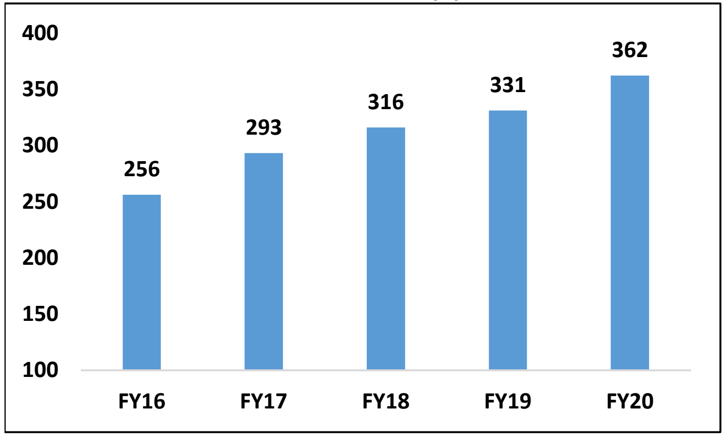
Clients Mix (%)



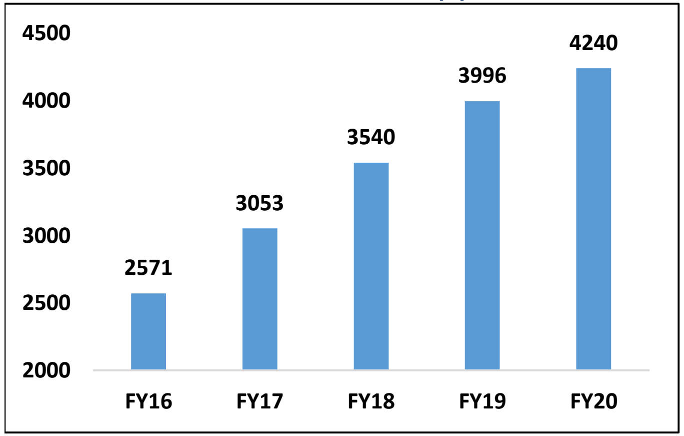
EBITDA and EBITDA Margin (%)



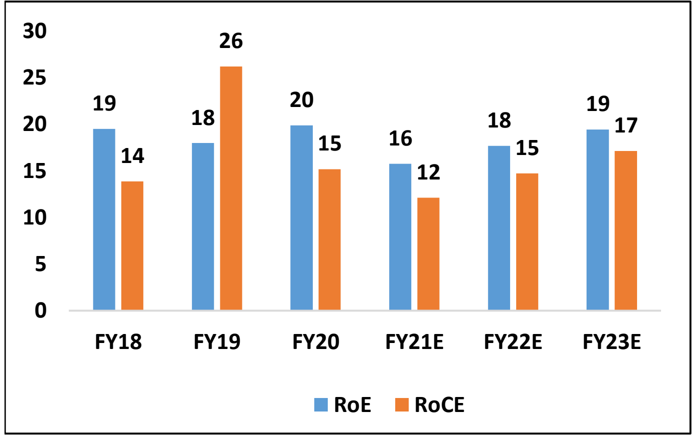
Clients base (#)



Pool of Scientists (#)



Strong Return Ratios



Source: Company, HDFC sec Research

Source: Company, HDFC sec Research

RETAIL RESEARCH

Syngene International Ltd

Financials

Income Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Total Income	**1826**	**2012**	**2229**	**2648**	**3132**
Growth (%)	28.3	10.2	10.8	18.8	18.3
Operating Expenses	1289	1394	1557	1814	2113
EBITDA	**537**	**618**	**673**	**835**	**1018**
Growth (%)	15.5	15.1	8.9	24.1	22
EBITDA Margin (%)	**29.4**	**30.7**	**30.2**	**31.5**	**32.5**
Depreciation	164	219	276	304	333
EBIT	**373**	**399**	**397**	**531**	**685**
Other Income	75	82	68	80	93
Interest expenses	32	35	29	25	19
PBT	415	517	434	585	757
Tax	84	105	66	108	144
RPAT	**332**	**412**	**368**	**477**	**613**
Growth (%)	8.6	24.3	-10.6	29.5	28.5
EPS	8.3	10.3	9.2	11.9	15.3
Adj. PAT	332	353	368	477	613

Balance Sheet

As at March	FY19	FY20	FY21E	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	200	400	400	400	400
Reserves	1768	1776	2101	2501	3009
Shareholders' Funds	**1968**	**2176**	**2501**	**2901**	**3409**
Long Term Debt	347	0	338	277	172
Lease & Derivative Liabs	45	219	208	198	187
Net Deferred Taxes	-155	-199	-181	-181	-181
Long Term Provisions & Others	215	229	229	229	231
Total Source of Funds	**2421**	**2425**	**3096**	**3425**	**3819**
APPLICATION OF FUNDS					
Net Block (incl. CWIP)	1596	2197	2558	2699	2746
Intangible Assets	14	21	21	21	21
Long Term Loans & Advances	175	134	157	188	221
Total Non-Current Assets	**1785**	**2352**	**2736**	**2908**	**2988**
Current Investments	716	738	700	721	800
Inventories	43	25	61	58	69
Trade Receivables	339	398	417	502	588
Cash & Equivalents	437	282	605	687	850
Other Current Assets	229	169	184	208	244
Total Current Assets	**1765**	**1613**	**1971**	**2174**	**2537**
Short-Term Borrowings	191	309	281	239	160
Trade Payables	224	222	248	278	323
Other Current Liab & Provisions	693	967	1034	1088	1167
Short-Term Provisions	21	42	47	52	57
Total Current Liabilities	**1130**	**1539**	**1611**	**1657**	**1706**
Net Current Assets	635	73	360	517	831
Total Application of Funds	**2421**	**2425**	**3096**	**3425**	**3819**

Syngene International Ltd

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	415	517	434	585	757
Non-operating & EO items	-75	-82	-68	-80	-93
Interest Expenses	32	35	29	25	19
Depreciation	164	219	276	304	333
Working Capital Change	-230	407	40	-80	-162
Tax Paid	-84	-105	-66	-108	-144
OPERATING CASH FLOW (a)	**223**	**991**	**645**	**645**	**711**
Capex	-579	-709	-650	-450	-380
Free Cash Flow	-356	282	-5	195	331
Investments	-6	-7	-6	-31	-33
Non-operating income	75	82	68	80	93
INVESTING CASH FLOW (b)	**-510**	**-635**	**-588**	**-401**	**-321**
Debt Issuance / (Repaid)	-111	-333	338	-61	-103
Interest Expenses	-32	-35	-29	-25	-19
FCFE	-499	-86	305	110	209
Share Capital Issuance	0	200	0	0	0
Dividend	-10	0	-43	-77	-105
FINANCING CASH FLOW (c)	**-153**	**-168**	**266**	**-162**	**-227**
NET CASH FLOW (a+b+c)	-440	189	324	82	163

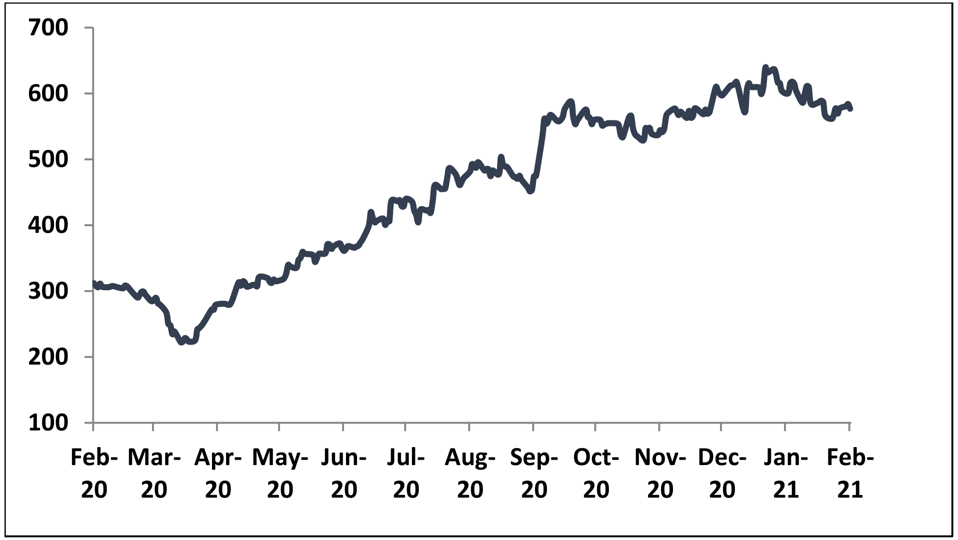
Key Ratios

	FY19	FY20	FY21E	FY22E	FY23E
Profitability (%)					
EBITDA Margin	29.4	30.7	30.2	31.5	32.5
EBIT Margin	20.4	19.8	17.8	20.1	21.9
APAT Margin	18.2	20.5	16.5	18	19.6
RoE	18	19.9	15.7	17.7	19.4
RoCE	26.2	15.2	12.1	14.7	17.1
Solvency Ratio					
Net Debt/EBITDA (x)	-1.1	-1.2	-1	-1.1	-1.3
D/E	0.3	0.1	0.2	0.2	0.1
Net D/E	-0.3	-0.3	-0.3	-0.3	-0.4
PER SHARE DATA					
EPS	8.3	10.3	9.2	11.9	15.3
CEPS	24.8	15.8	16.1	19.5	23.7
BV	49	54	63	73	85
Dividend	0.5	0	1	1.8	2.5
Turnover Ratios (days)					
Debtor days	68	72	68	69	69
Inventory days	13	6	10	8	8
Creditors days	103	98	100	95	94
VALUATION (x)					
P/E	69.3	55.7	62.3	48.1	37.5
P/BV	11.7	10.6	9.2	8	6.8
EV/EBITDA	42.5	36.9	33.9	27.3	22.4
EV / Revenues	12.6	11.4	10.3	8.7	7.3
Dividend Payout (%)	6	-	10.9	15.1	16.3

Source: Company, HDFC sec Research

Syngene International Ltd

One Year Price Chart



Disclosure:
I, Kushal Rughani, MBA author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does not have any material conflict of interest.

Any holding in stock - No
HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:
This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.
This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.
Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.
This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.
HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.
HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.
HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.
HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.
HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.
Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

SEBI Registration No.: INZ000186937 (NSE, BSE, MSEI, MCX) |NSE Trading Member Code: 11094 | BSE Clearing Number: 393 | MSEI Trading Member Code: 30000 | MCX Member Code: 56015 | IN-DP-372-2018 (CDSL, NSDL) | CDSL DP ID: 12086700 | NSDL DP ID: IN304279 | AMFI RegNo.ARN -13549 | PFRDA Reg. No - POP 11092018 | IRDA Corporate Agent Licence No.CA0062 | Research Analyst Reg. No. INH000002475 | Investment Adviser: INA000011538 | CIN-U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

RETAIL RESEARCH