



**Investment Idea**

## Profile:

**Syngene International Limited (Syngene)** is among the world's leading Contract Research Organisations (CROs), providing integrated discovery and development services for novel molecules across multiple platforms, including small molecules, large molecules, antibody drug conjugates and oligonucleotides. It caters to global pharma companies as well as industry leaders in segments such as biotechnology, nutrition, animal health, consumer goods and specialty chemicals.

## Key Triggers:

- **Syngene records strong Q4 and FY19 growth :** It reported strong revenue growth of 30% for Q4 FY19, with revenues growing to Rs 555 Cr from Rs 426 Cr in the prior year quarter. The growth was driven by strong performances in both Discovery Services and Development Services. EBITDA for the quarter was up 24% to Rs. 181 Cr, while PAT was up 19%. On a full year basis, revenue recorded robust 28% growth from Rs. 1485 Cr in FY18 to Rs. 1901 Cr in FY19.
- **Capex investment programme:** It has added capacities and new capabilities in previous years which are expected to contribute strongly going forward to drive future growth and its ongoing initiatives have already beginning to have a positive impact.
- **Attractive and diversified client base:** It has strengthened its partnerships with key strategic clients such as Baxter, Merck KGaA, Bristol-Myers Squibb, Amgen and GSK as well as improved its position within the emerging biopharma segment.

May 2, 2019

## Valuation Metrics

CMP (Rs.)	605
<b>Target Price (Rs.)</b>	<b>700</b>
CNX NIFTY	11724
52 Week H/L	659/500
Market Cap (Rs. In Cr.)	12120
P/E (ttm)	36.6
EPS (ttm)	16.58
P/BV (ttm)	6.1
Book Value (ttm)	98.42
Industry	Pharmaceuticals

## Shareholding Pattern (%)

	Mar' 19	Dec' 18
Promoters	71.05	71.06
Non Promoter- Non Public	1.02	1.08
Public	27.93	27.86
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

## Valuation & View:

Management is expecting good revenue visibility with good profit margin. Its growth is driven by increase sales from existing clients and acquisition of new clients. **At the current price of Rs 605, the stock is trading at ttm P/E multiple of 36.6x. Hence, we recommend 'BUY' for the target price of Rs. 700 for 12 months perspective.**

## Key Risks:

- Significant capex investment over next few years
- Currency fluctuation (USD/INR)

**Note:** It has recommended issue of **Bonus Shares in the ratio of 1:1** and will intimate the record date in due course.

## Peer Comparison:

Companies	CMP	P/BV	P/E	Mcap (Cr.)
<b>Syngene International Ltd</b>	<b>605</b>	<b>6.1</b>	<b>36.6</b>	<b>12242</b>
Divi's Laboratories Ltd.	1713	7.2	34.9	45519
Laurus Labs Ltd.	389	2.7	42.7	4159
RPG Life Sciences Ltd.	230	2.3	35.9	381

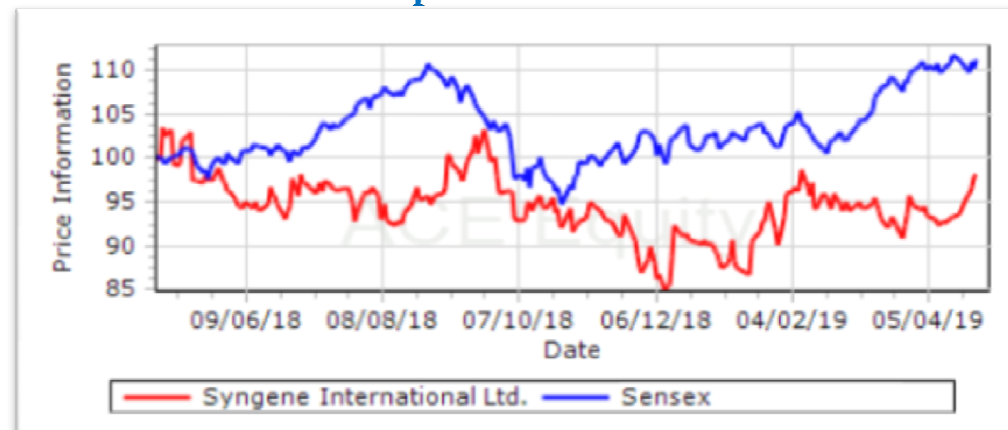
Source: Aceequity

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## Quarterly Financial Performance (Rs. in Cr.)

Particulars	201903	201803	% YoY
Net Sales	533.90	409.10	30.51
Total Expenditure	373.90	310.90	20.26
PBIDT (Excl OI)	160.00	98.20	62.93
PAT	100.10	84.50	18.46
PBIDTM% (Excl OI)	29.97	24.00	597 bps
PBIDTM%	33.86	35.61	-175 bps
PATM%	18.75	20.66	-191 bps
Adj. EPS(Rs)	5.01	4.23	18.46

## Chart comparison with Sensex



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