

Syngene International

SELL

CMP Rs609

Target Rs400

Downside 34%

Result Highlights

- ✓ **FY22 guidance** – Mid teens growth in revenues. EBIDTA margin expected to stay flat at around 30%. Investment-led growth to result in single digit profit growth. Capex of Rs7.5-9bn.
- ✓ Single digit growth in FY22 PAT (excluding exceptional items) leads to 12% cut in ours and even more so for consensus FY22 estimates
- ✓ Healthy end to FY21 with underlying revenue +13%, excluding export incentives. Growth driven by discovery, manufacturing and dedicated centres.
- ✓ Company to incur Rs2bn capex on a viral vector facility in the current fiscal; project would be completed in 2 years
- ✓ Phase 3 of the Hyderabad facility would be completed by year-end with addition of 300 scientists, taking total strength to 600 at the facility

Our view: We cut FY22 estimates by 12% to account for the slower PAT growth guidance. Also, marginally trim FY23 estimates as we factor in revenue start from Mangalore API facility and BMS collaboration which, coupled with margin improvement, would offset the lower base effect of FY22. Our rating and TP remain unchanged as most of the impact of tepid guidance would be felt in current fiscal while FY23 would see a rebound in revenues and ~250bps rise in margin yoy, driven by operating leverage and completion of investments.

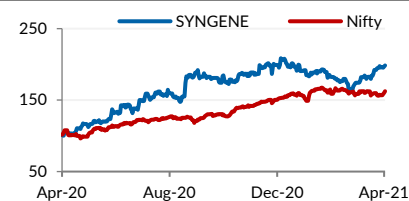
Exhibit 1: Result table

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Revenues	6,586	5,845	12.7	6,073	8.4
RM + inventory changes	(1,615)	(1,477)	9.3	(1,442)	12.0
Staff	(1,826)	(1,760)	3.8	(1,641)	11.3
Other expenses	(991)	(846)	17.1	(949)	4.4
Operating profit	2,154	1,762	22.2	2,041	5.5
OPM (%)	32.7	30.1	256 bps	33.6	-90 bps
Depreciation	(700)	(697)	0.4	(623)	12.4
Interest	(66)	(71)	(7.0)	(93)	(29.0)
Other income	184	171	7.6	205	(10.2)
PBT	1,572	1,165	34.9	1,530	2.7
Tax	(316)	(143)	121.0	(328)	(3.7)
Effective tax rate (%)	20.1	12.3	783 bps	21.4	-134 bps
PAT	1,256	1,022	22.9	1,202	4.5
PAT margin (%)	19.1	17.5	159 bps	19.8	-72 bps
Exceptional Item	350	-	-	-	-
PAT	1,606	1,022	57.1	1,202	33.6

Stock data (as on Apr 28, 2021)

Nifty:	14,865
52 Week h/l (Rs)	645 / 301
Market cap (Rs/USD mn)	243440/3274
Outstanding Shares	400
6m Avg t/o (Rs mn):	302
Div yield (%):	-
Bloomberg code:	SYNG IN
NSE code:	SYNGENE

Stock performance



	1M	3M	1Y
Absolute return	13.9%	3.6%	96.6%

Shareholding pattern (As of Dec'20 end)

Promoter	70.6%
FII+DII	20.1%
Others	9.3%

Δ in stance

(1-Yr)	New	Old
Rating	SELL	SELL
Target Price	400	400

Financial Summary

	FY21	FY22	FY23
Net Revenue	21,843	25,119	30,897
YoY Growth	9%	15%	23%
EBIDTA	6,547	7,485	10,211
YoY Growth	8%	14%	36%
PAT	4,048	4,021	5,912
YoY Growth	-2%	-1%	47%
ROE	14.1%	13.4%	17.0%
EPS	10.1	10.1	14.8
P/E	60.2	60.6	41.2
BV	70.5	80.0	94.2
P/BV	8.6	7.6	6.5

Δ in earnings estimates

	FY22e	FY23e	FY24e
EPS (New)	10.1	14.8	-
EPS (Old)	11.4	15.5	-
% change	12%	5%	-

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CON-CALL HIGHLIGHTS

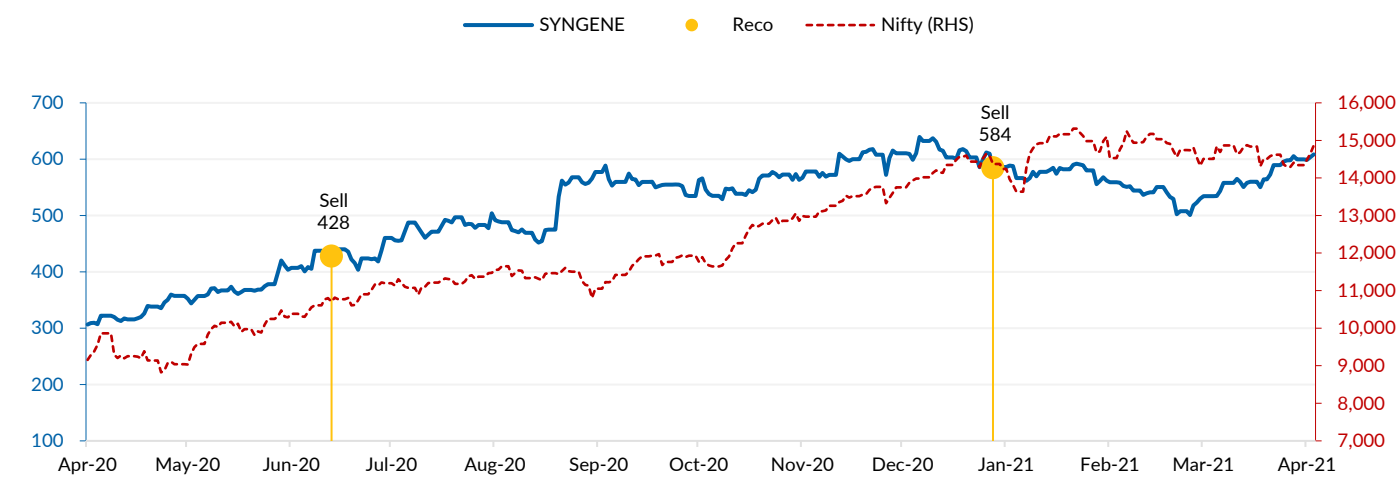
- ✓ The company expects to maintain operations at normal level even though there is covid disruption and expect revenue to grow in mid-teen in FY22E. EBITDA margins to be around 30% and PAT (before exceptional items) growth should be in single digits.
- ✓ Capex for FY22E will be of Rs 7.5-9 bn which will be towards to expanding the existing facility.
- ✓ Revenue growth was driven by across Discovery Services, Manufacturing Services and the Dedicated Centre's.
- ✓ Staff cost has increased due to some facilities which have come back online.
- ✓ The company was operating at near normal level even when the second covid wave started in India.
- ✓ API facility in Mangalore has been audited by Indian authority and is GMP certified facility, and have started engaging with the clients for it. The company expects to get regulatory approval from USFDA in sometime.
- ✓ Number of projects are expected to build in next 2 years and expect good growth from the Mangalore facility.
- ✓ Phase 3 of Hyderabad facility will be completed by the end of the financial year (there will be addition of 300 scientists). The company has 300 scientists currently at the facility.
- ✓ The company will invest in viral vector facility in the current financial year and will produce 200 ltr of viral vector. 1st phase of the plant will require Rs 2bn of investment and will be completed in next 2 years.
- ✓ The company expects to expand the R&D facility and to increase scientist number by 20% in FY22E.
- ✓ Travel restriction have restricted audit of the facilities by clients and authorities. The company has implemented remote audit and many of the facilities have been audited virtually.
- ✓ Syngene has restarted to manufacture remdesivir, a potential treatment for COVID-19 patients, for distribution in India and other countries under a voluntary license agreement with Gilead Inc.
- ✓ The company add 40 new clients in the quarter (cumulatively more than 400 clients).
- ✓ The company extended its collaboration with BMS till 2030. BMS center has more than 600 scientists.

Exhibit 2: Financial summary

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Revenues	18,260	20,120	21,843	25,119	30,897
yoy growth (%)	28.3	10.2	8.6	15.0	23.0
Operating profit	5,390	6,040	6,547	7,485	10,211
OPM (%)	29.5	30.0	30.0	29.8	33.0
EPS (Rs)	8.3	10.3	10.1	10.1	14.8
EPS growth %	8.5	24.1	(1.7)	(0.7)	47.0
P/E (x)	73.3	59.1	60.2	60.6	41.2
P/BV (x)	12.4	11.2	8.6	7.6	6.5
EV/EBITDA (x)	44.2	39.4	37.0	32.4	23.1
Debt/Equity (x)	0.3	0.2	0.3	0.3	0.2
ROE (%)	18.1	17.0	14.1	13.4	17.0
ROCE (%)	18.1	18.0	14.0	12.8	16.5

Source: Company, YES Sec – Research

Recommendation Tracker



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