

RESEARCH REPORT

SYNGENE INTERNATIONAL LTD



PREPARED BY:

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About

Syngene (established in 1993) as a Biocon subsidiary is India's first Contract Research Organization (CRO) which expanded later to be an integrated service provider offering end-to-end drug discovery, development, and manufacturing services on a single platform (CRAMS). Total research & manufacturing infrastructure for the company is spread across 1.9 million square feet across locations.

Key Business

- Discovery Services for new drug candidates
- Drug development services from pre-clinical to clinical trials
- Manufacturing services including clinical & commercial supplies
- Dedicated R&D Facilities for clients

Synopsis of Financials

- Q4 revenue from operations declined by 8% year-on-year.
- Operating EBITDA for the quarter was up 1% to INR317 crores.
- Reported profit after tax was up 6% year-on-year at INR189 crores.
- Full year revenue from operations was INR3,489 crores, up 9% year-on-year.
- Reported profit after tax for the full year was INR519 crores, up 12% from last year.
- Operating EBITDA margin stood at 35% against last year's 32%.

Stock data (as 17th July 2024)

Nifty Price	: 24,613
52 week High (in Rs.)	: 860
52 week Low (in Rs.)	: 608
Market Cap. (in Crore)	: 30,271 CR
NSE Code	: SYNGENE

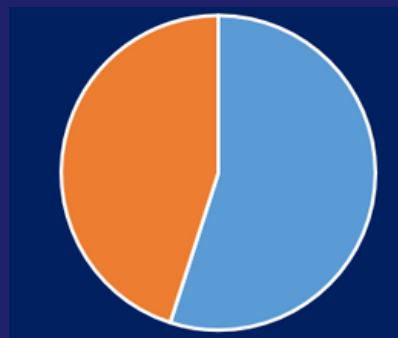
Stock data



-NIFTY50

-SYNGENE

Shareholding Pattern (March 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2024	March 2023	March 2022
Sales	3,489	3,193	2,604
Sales Growth %	9.26%	22.61%	19.22%
Expenses	2,472	2,251	1,806
Operating Profit	1,017	942	798
OPM %	29%	30%	31%
Net Profit	510	464	396
EPS in Rs	12.69	11.57	9.88

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	768	786	994	808	910	854	917
Expenses	552	555	680	596	656	622	600
Operating Profit	216	231	314	212	254	232	317
OPM %	28%	29%	32%	26%	28%	27%	35%
Other Income	15	17	23	24	14	26	16
Interest	12	14	10	10	13	11	13
Depreciation	90	95	96	102	105	108	111
Profit before tax	130	140	231	123	151	138	209
Tax %	22%	22%	23%	24%	23%	19%	10%
Net Profit	102	110	179	93	116	112	189

Source: Screener

Key Ratios

Ratio	Numerator	Denominator	31 March 2024	31 March 2023	Variance %
(a) Net profit ratio	Profit for the year *	Total income	15%	14%	0.1%
(b) Return on equity ratio	Profit for the year *	Average equity	12%	14%	-11%
(c) Debt equity ratio	Borrowings	Equity	3%	16%	-79%
(d) Debt service coverage ratio	Earnings before interest, taxes, depreciation and amortisation * = Net profit before tax and exceptional item + Depreciation and amortisation + Finance costs	Total debt service in preceding twelve months = Finance costs + Repayment of short term borrowings + Repayment of long term borrowings	2.08	3.31	-37%
(e) Return on investment	Interest income on deposits + Net gain on mutual funds	Average Investment in deposits and mutual funds	6%	5%	16%
(f) Return on capital employed	Earnings before interest and taxes* = Net profit before tax and exceptional item + Finance costs	Capital Employed = Tangible Net Worth (Total equity - Intangibles assets) + Total Borrowings - Deferred Tax Asset	14%	16%	-10%
(g) Net capital turnover ratio	Revenue from operations	Average Working capital Current assets – Current liabilities	3.28	2.94	12%
(h) Current ratio	Current assets	Current liabilities	1.69	2.04	-17%
(i) Inventory turnover ratio	Cost of chemicals sold = Purchases of chemicals, reagents and consumable + Changes in inventories	Average inventory	3.16	3.36	-6%

Source: Annual Report

Yearly Results

Particulars	March 2024	March 2023	March 2022
Equity Capital	402	401	401
Reserves	3,856	3,217	2,897
Borrowings	555	815	1,022
Other Liabilities	1,339	1,398	1,245
Total Liabilities	6,152	5,831	5,564
Fixed Assets	2,850	2,667	2,393
CWIP	838	177	346
Investments	548	918	1,034
Other Assets	1,916	2,069	1,790
Total Assets	6,152	5,831	5,564

Synopsis Quarter Results

Con-Call May 24: Key Highlights

Challenges and Trends:

- Tough year in the pharma-based research sector due to reduction in funding flowing into the U.S. biotech segment.
- Slowdown in biotech funding affected discovery services.
- Development services saw a softer quarter than expected in the fourth quarter.
- Positive signals in the market regarding funding environment for biotech.
- Acceleration in interest from big biopharma companies to de-risk their businesses and supply chains.
- Expectation of a rebound in revenue in the second half of the fiscal year.

Investments and Capex:

- Executed USD55 million of capex during the year.
- USD60 million of capex planned for the upcoming year.
- Investments in research services, development and manufacturing, and common infrastructure.
- Strategic growth areas such as new therapy modalities and technology advancements.

Capacity and Expansion:

- Operationalization of a new capability for purifying and separating special compounds.
- Acquisition of 17 acres of land in Genome Valley in Hyderabad to support research discovery services.
- Addition of new capabilities and capacity in research business.

Client Interactions and Market Shifts:

- Increase in client visits and audits, indicating a step up post-pandemic in interest from clients.
- Shift observed in client queries towards diversification of risk and suppliers away from China.
- Increasing engagement with clients to showcase capabilities and value proposition.

Attrition and Human Resources:

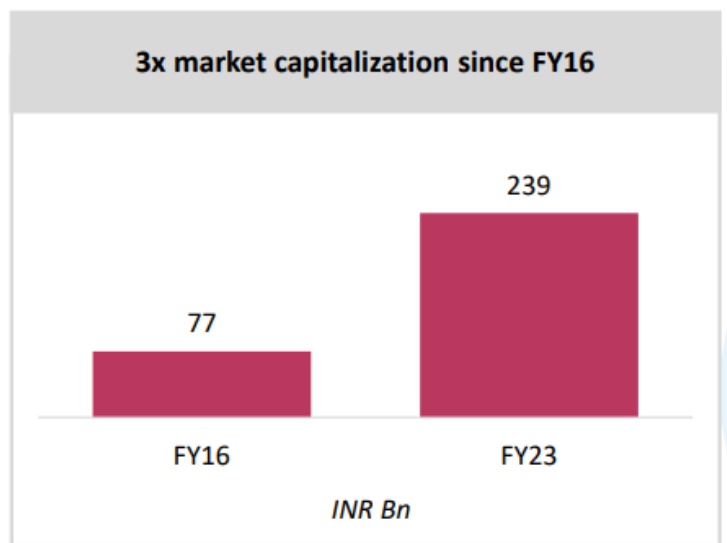
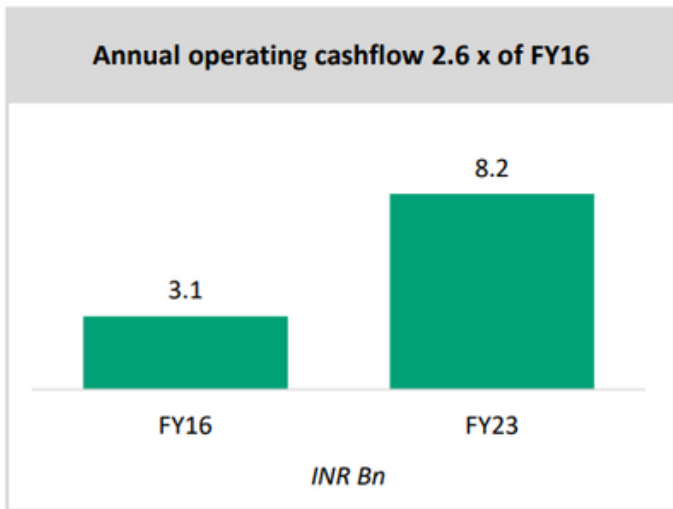
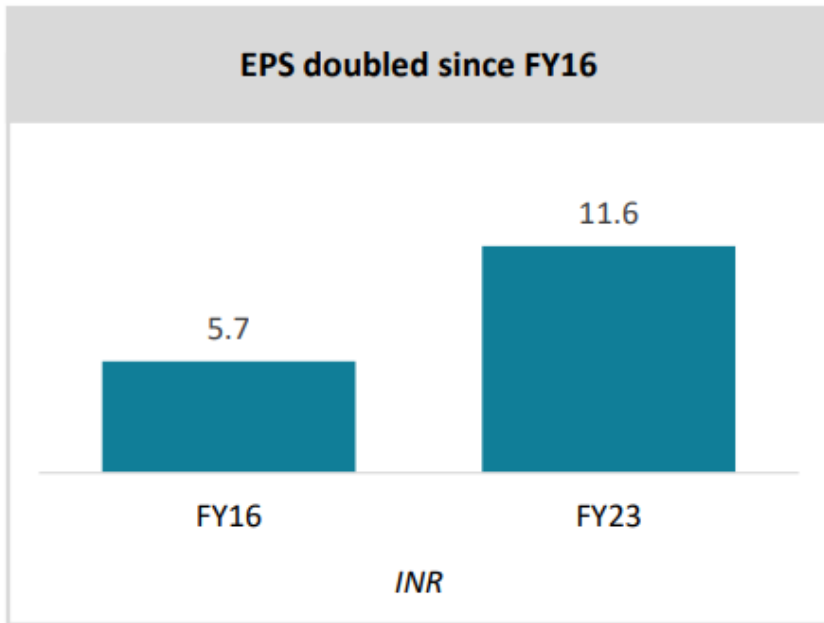
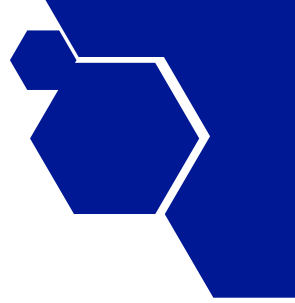
- Attrition rates have come down post-pandemic peak.
- Continuous renewal of capabilities through hiring and retention strategies.

Focus on quality rather than quantity in hiring practices.

Future Outlook:

- Expectation of improved demand situation during the year.
- Guidance for high single digit to low double-digit growth on a constant currency basis for the upcoming year.
- Plan to invest in digitization, ESG initiatives, and new capabilities to stay competitive in the market.
- Anticipation of a return to stronger growth in the second half of the year.

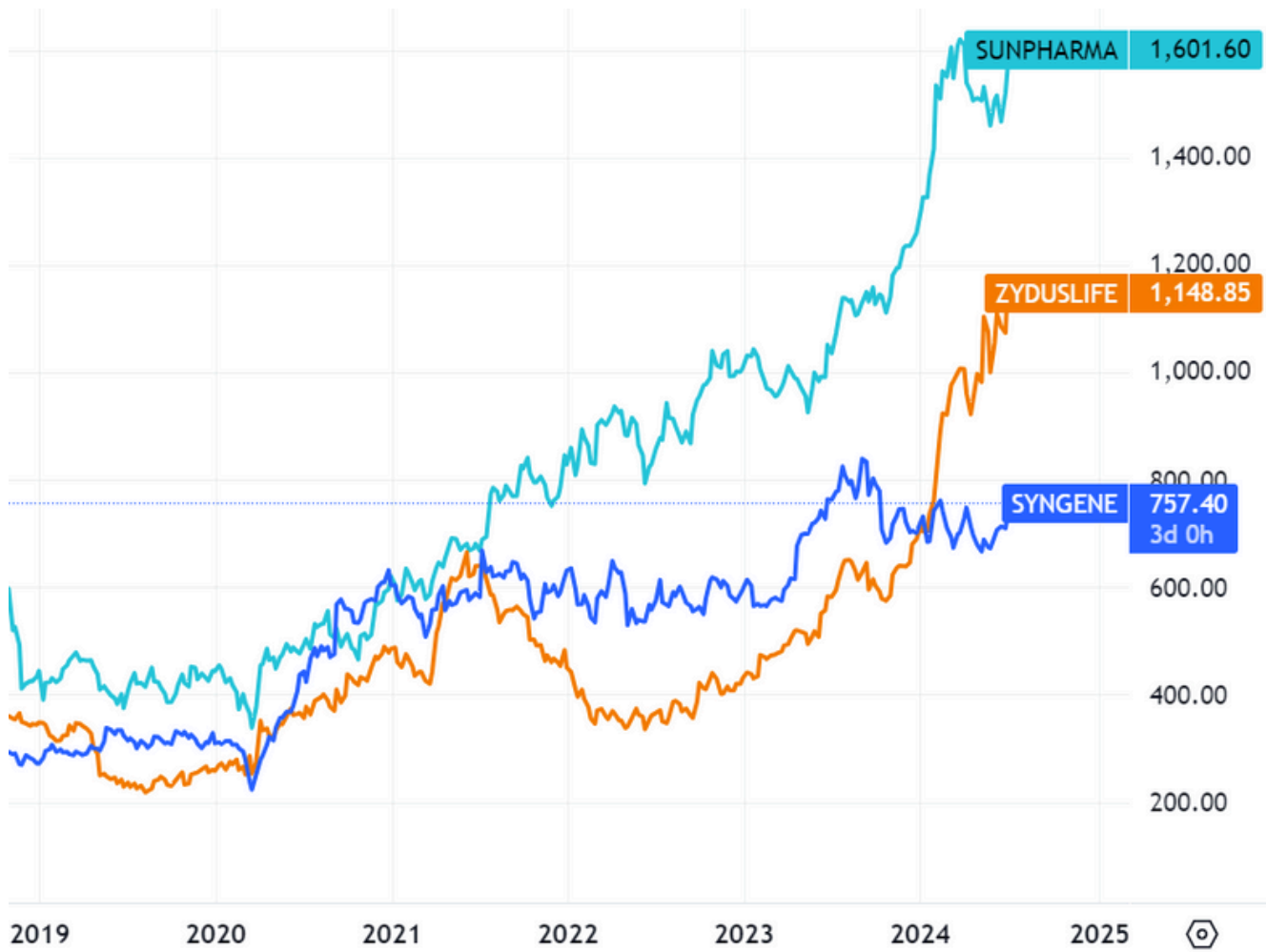
Revenue Highlights



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Sun Pharma.Inds.	1602.40	38.41	384469.54	0.84	2658.74	28.70	11982.90	9.63	17.32
Zydus Lifesci.	1150.90	29.95	115807.50	0.26	1246.10	94.59	5533.80	10.44	22.34
Syngene Intl.	757.40	58.55	30488.09	0.17	188.60	5.54	916.90	-7.79	14.74

Source: Screener

Final Outlook



SYNGENE : SELL | LTP: 752.10

Stock is trading at 6.63 times its book value. Company has a low return on equity of 13.4% over last 3 years.

Dividend payout has been low at 10.3% of profits over last 3 years

Promoter holding has decreased over last 3 years: -15.8%

Long term shareholders have made money, with a gain of 17% per year over half a decade. If the fundamental data continues to indicate long term sustainable growth, the current sell-off could be an opportunity worth considering.

SELL is recommended in this situation according to my analysis