

BSE SENSEX

85,103

S&P CNX

25,961



Stock Info

Bloomberg	BIOS IN
Equity Shares (m)	1337
M.Cap.(INRb)/(USD\$)	513.1 / 5.7
52-Week Range (INR)	425 / 291
1, 6, 12 Rel. Per (%)	-1/12/-4
12M Avg Val (INR M)	1446
Free float (%)	45.5

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	175	204	232
EBITDA	34	42	48
Adj. PAT	5	12	15
EBITDA Margin (%)	8.8	10.4	10.7
Cons. Adj. EPS (INR)	3.0	7.1	9.4
EPS Gr. (%)	97.4	139.4	32.4
BV/Sh. (INR)	184.1	195.0	207.1

Ratios

Net D:E	0.7	0.6	0.5
RoE (%)	2.2	5.1	6.4
RoCE (%)	3.1	3.9	4.3
Payout (%)	5.5	5.6	5.6

Valuations

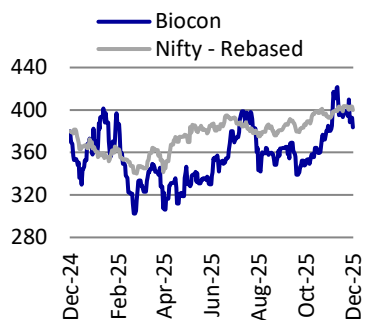
P/E (x)	129.6	54.2	40.9
EV/EBITDA (x)	16.1	13.2	11.5
Div. Yield (%)	0.0	0.1	0.1
FCF Yield (%)	-0.1	3.7	4.6
EV/Sales (x)	3.2	2.7	2.4

Shareholding pattern (%)

As of	Sep-25	Jun-25	Sep-24
Promoter	54.5	54.5	60.6
DII	22.1	22.8	14.4
FII	6.8	6.2	6.2
Others	16.7	16.5	18.8

FII includes depository receipts

Stock performance (one-year)



CMP: INR384

TP: INR460 (+20%)

Buy

Integration to bring scale and clarity

Full BBL consolidation simplifies structure despite dilution

- Biocon (BIOS) is fully integrating Biocon Biologics (BBL) by acquiring the remaining stake of 23.3%. In addition to the share swap, BIOS is raising additional capital through a QIP of up to INR45b, subject to shareholder approval, for the cash component payable to Viatris.
- The deal will eliminate the minority interest as BBL will become a wholly owned subsidiary of BIOS. However, the addition of equity shares would result in EPS dilution.
- Accordingly, we trim our earnings estimates by 9%/8% for FY27/FY28. We value BIOS on SOTP basis (22x 12M fwd EV/EBITDA for biologics business, 53% stake in Syngene, and 10x EV/EBITDA for generics business) to arrive at a TP of INR460.
- While the equity dilution and QIP process may create a near-term drag on stock price, business prospects remain encouraging on the back of a) product launches (namely insulin aspart) in biologics segment and subsequent market share gain, b) scale-up of generics business, and c) growth/operating leverage in Syngene business. Maintain BUY.

Transaction details

- Currently, BIOS holds a 76.7% stake in BBL. Other BBL shareholders include Viatris, Serum Institute, True North, and Tata Capital, among others, cumulatively holding a 23.3% stake.
- BIOS will acquire the 23.3% stake through an issuance of 171.3m shares of BIOS at INR405.8 per share and cash consideration of USD400m.
- The cash consideration will be paid through bridge/interim funding and QIP (up to INR45b; USD500m) by BIOS. After the merger of BIOS and BBL, Mr. Shreehas Tambe will assume charge as MD and CEO of the combined entity and Mr. Kedar Upadhye will become CFO. Mr. Siddharth Mittal will transition to a broader leadership role within the Group.
- The transaction values BBL at USD5.5b and simplifies its equity structure.

Conference Call takeaways

- Management indicated a considerable reduction in holdco discount on BIOS due to the buyback of stakes from BBL shareholders.
- The lock-in period for BBL shareholders would be six months if they intend to liquidate BIOS shares, as per regulatory norms.
- Differential swap ratio for Viatris is due to the separate structure for Viatris stake buyback (part shares and part cash consideration).
- The entire compulsory convertible preference shares (CCPS) structure collapses with Viatris transaction.
- BBL's cash flow, IP and global footprint will stay within the company. BBL would become a wholly owned subsidiary of BIOS.
- Dividend restrictions as a part of debt covenant remain on BBL.
- Biologics business is expected to generate free cash flow in the medium term, subject to product approval/launches.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- BIOS acquired biosimilar business of Viatris to emerge as a leading global integrated company in the biologics segment. The commercial footprint of Viatris complemented BIOS's product development/manufacturing capabilities.
- Additional investment in BBL will also boost the biologics business. However, this structure partly led to a holding company discount to the valuation of biologics business in BIOS.
- The buyback of the minority stake would eliminate this discount. The addition of shares due to QIP would dilute EPS to some extent, as per our calculation. We reduce our EPS estimates by 9%/8% for FY27/FY28 to factor in this transaction.
- BIOS remains in good stead for a broad-based scale-up across biologics, generics and CDMO, driving strong earnings revival over FY26-28.
- We value BIOS on SOTP basis (22x 12M fwd EV/EBITDA for biologics business/ 53% stake in Syngene and 10x EV/EBITDA for the Generics business) to arrive at a TP of INR460. Maintain BUY.

Biocon consolidates biosimilar powerhouse, signaling next phase of global scale-up

- The proposed merger of BIOS and BBL marks a strategic step toward the full integration of the biosimilars franchise.
- After the acquisition, BBL will operate as a wholly owned subsidiary of BIOS, following the consolidation at the agreed valuation of USD5.5b.
- Currently, BIOS holds a 76.7% stake in BBL.
- BIOS has proposed to acquire shares of minority shareholders with a 23.3% stake in BBL held by Viatris, Serum Institute, True North, and Tata Capital for a consideration of USD1.2b.
- The transaction is expected to be completed in 4QFY26, subject to regulatory and shareholder approvals.

Integration executed via equity swap + cash settlement

- The acquisition will be funded through a combination of fresh issue and cash.
- The fresh issue of 171.3m is priced at INR405.8 per share for an aggregate amount of USD773m and the cash consideration is USD400m.
- The shares held by Serum Institute, Tata Capital, and True North with a total stake of 16.8% will be acquired via a share swap ratio of 0.7: 1, i.e., 70.28 BIOS shares for every 100 BBL shares, valued at USD358m in total.
- In contrast, the shares held by Viatris with a stake of 6.5% will be acquired for USD815m funded via a fresh issue of USD415m and cash of USD400m.
- The equity deal will be settled at a swap ratio of 0.6:1, i.e., 61.7 BIOS shares for every 100 BBL shares, whereas the cash component will be settled via proceeds raised through QIP.
- In addition to the QIP of INR45b (USD500m), BIOS will issue commercial papers worth INR18b in a private placement to meet the interim cash payment to Viatris until the fundraise is completed.

Post-integration structure: EPS takes a tactical hit as BIOS absorbs BBL

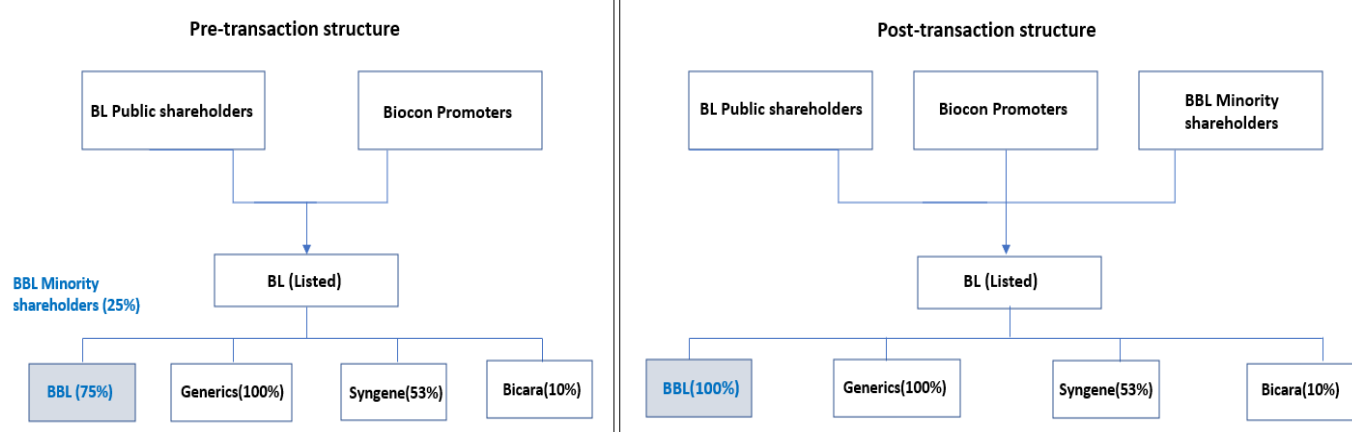
- After consolidation, promoter ownership moderates to 44.4% from 54.5%, while non-promoter holding contracts to 37.2% from 45.6%, reflecting dilution due to share issuance to BBL minority shareholders and equity infused via the planned fundraise.

Exhibit 1: Holdings before and after the transaction

Particulars	Pre-Transaction holding (%)	Post transaction holding (%)
No of Equity shares (in b)	1.34	1.63
Biocon promoters	54.5	44.4
Biocon Non-promoters	45.6	37.2
BBL Minority shareholders	-	10.5
Others	-	1.2
Proposed fund raise	-	6.7
Total	100	100

Source: MOFSL, Company

Exhibit 2: Company structure before and after the consolidation



Source: MOFSL, Company

- Considering the elimination of minority interest and dilution of equity shares, we reduce FY27/FY28 EPS estimates by 9%/8%. At the same time, this eliminates the holding company discount applied to BBL.

Exhibit 3: EPS estimates

Particulars	FY27E	FY28E
EPS pre transaction	7.8	10.2
EPS post transaction	7.1	9.4
% chg	-9	-8

Source: MOFSL, Company

Value accretive: Strategic value unlock from consolidation

- **Corporate simplification:** The merger streamlines the group structure and removes the historical holdco discount, thereby maximizing value for shareholders.
- **Operational synergies:** Integration enables synergistic deployment of manufacturing assets/shared services, strengthening execution across the value chain.
- **Commercial leverage:** A unified platform allows Biocon to cross-utilize its global commercial infrastructure, geographic footprint accelerating market access and scaling penetration across biosimilars/complex peptide opportunities.

Exhibit 4: Comparison table of investment details

BBL Shareholder	Investment time	Amount invested	Consideration @INR405 per share of BIOS
True-North	Jan-20	INR5.4b	INR7.2b (USD80m)
Tata Capital	Jul-20	INR2.3b	INR2.5b (USD28m)
Viatis	Feb-22	-	USD815m (INR73.3b)
Serum	Apr-23	USD300m	USD250m (INR22.5b)

Source: MOFSL, Company

Exhibit 5: Segment-wise revenue/EBITDA of generics/biosimilar/Syngene

Particulars	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Segment revenue (INRm)	34623	36037	39171	34327	35904	38214	44170	39430	43093
Generic	6764	7034	7184	6593	6243	6864	10480	6970	7740
YoY Growth (%)	8.6	-2.0	-4.4	-5.8	-7.7	-2.4	45.9	5.7	24.0
Biosimilar	19687	21329	23578	20834	21816	22890	24630	24580	27353
YoY Growth %	97.4	41.6	20.2	3.4	10.8	7.3	4.5	18.0	25.4
Syngene	9101	8535	9169	7900	8910	9437	10180	8750	9110
YoY Growth %	18.5	8.6	-7.8	-2.2	-2.1	10.6	11.0	10.8	2.2
Segment Reported EBITDA (INRm)	7413	5767	9161	6209	6864	7857	10780	7650	8350
Generic	1070	910	920	590	360	390	2430	10	430
YoY Growth %	164.2	-6.3	-283.6	-43.3	-66.4	-57.1	164.1	-98.3	19.4
Biosimilar	4530	3640	5640	4740	4690	4870	5400	6620	6690
YoY Growth %	111.7	0.8	-1.6	3.7	3.5	33.8	-4.3	39.7	42.6
Syngene	2541	2315	3169	1698	2448	2836	3436	2240	2150
YoY Growth %	17.4	0.2	0.9	-19.9	-3.7	22.5	8.4	31.9	-12.2

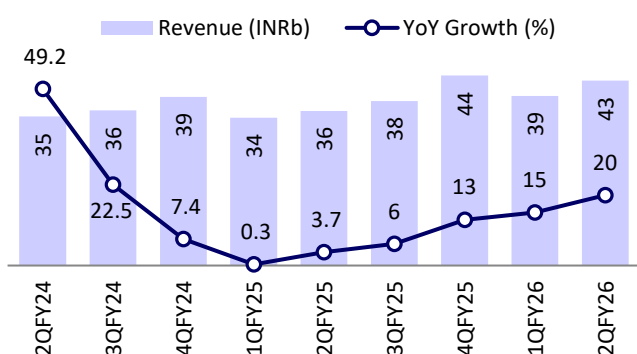
Source: MOFSL, Company

Valuation and view

- BIOS remains in good stead for a broad-based scale-up across biologics, generics and CDMO, driving strong earnings revival over FY26-28.
- We trim our EPS estimates by 9%/8% for FY27/FY28 to factor in this transaction.
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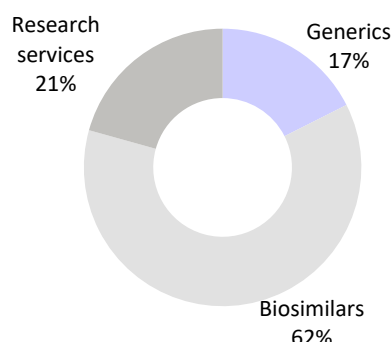
Story in charts

Exhibit 1: BIOS revenue grew 20% YoY in 2QFY26



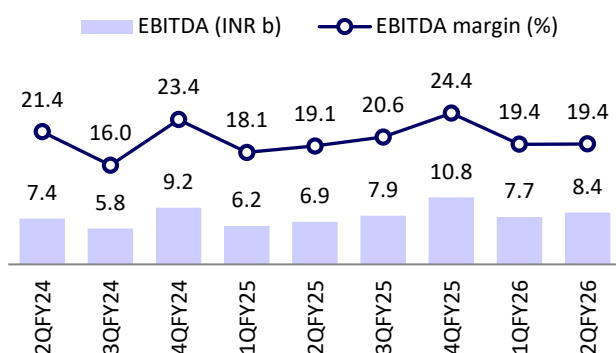
Source: Company, MOFSL

Exhibit 2: Biosimilars contributed 62% to the total revenue



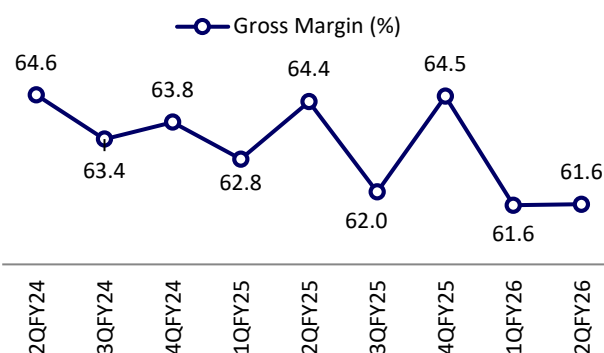
Source: Company, MOFSL

Exhibit 3: EBITDA margin expanded 30bp YoY in 2QFY26



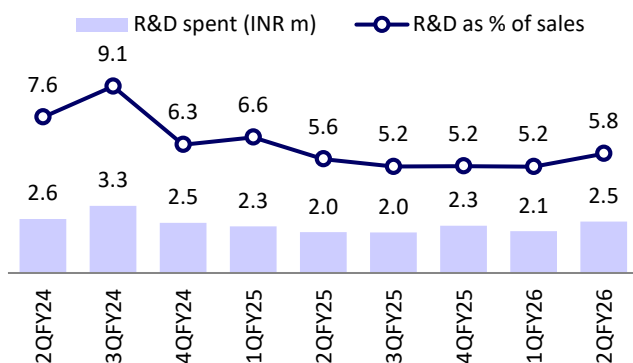
Source: Company, MOFSL

Exhibit 4: GM consistent on a QoQ basis



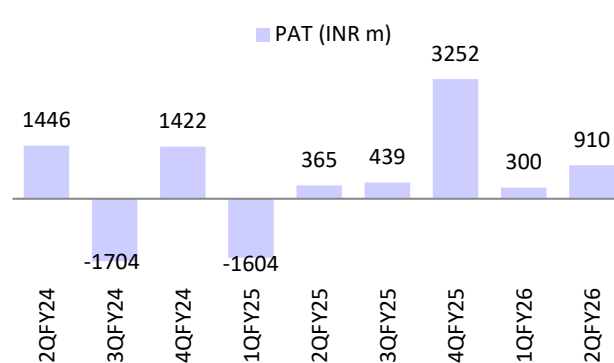
Source: Company, MOFSL

Exhibit 6: R&D expense as % of sales increased 60bp QoQ



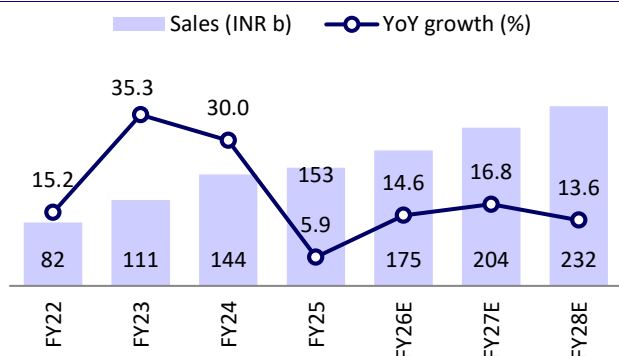
Source: Company, MOFSL

Exhibit 5: Net profit at INR910m in 2QFY26



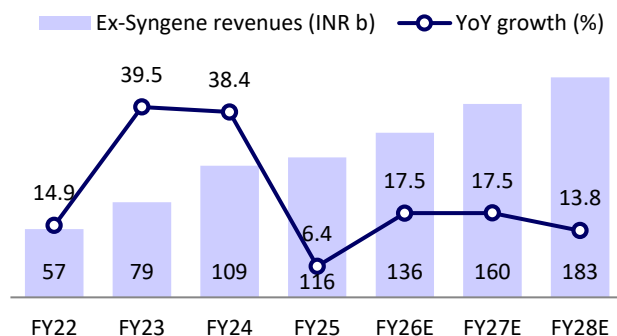
Source: Company, MOFSL

Exhibit 7: Expect revenue CAGR of ~15% over FY25-28



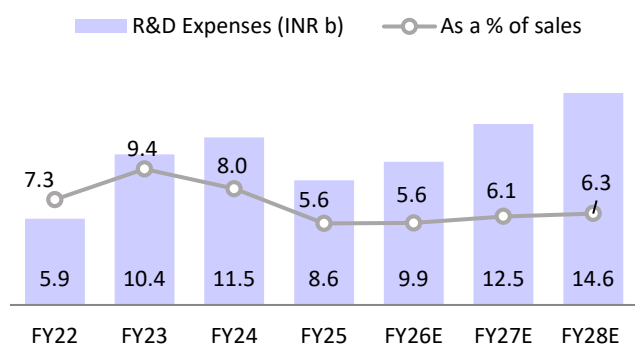
Source: Company, MOFSL

Exhibit 6: Ex-Syngene revenue growth driven by new biosimilar launches and the ramp-up of existing products



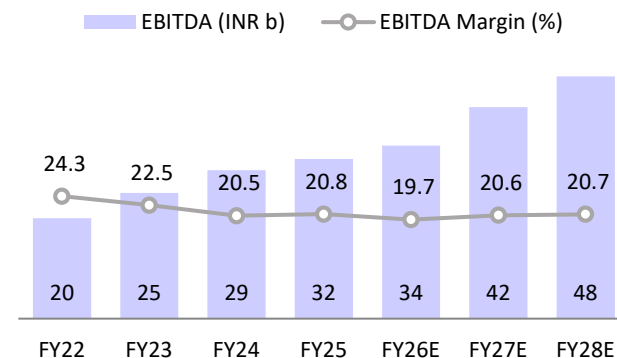
Source: Company, MOFSL

Exhibit 8: R&D spending to increase 70bp as a % of sales over FY25-28



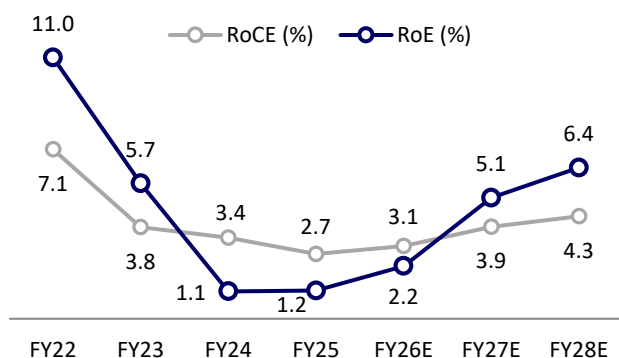
Source: Company, MOFSL

Exhibit 7: EBITDA margin to remain in the range of 20-21% over FY25-28



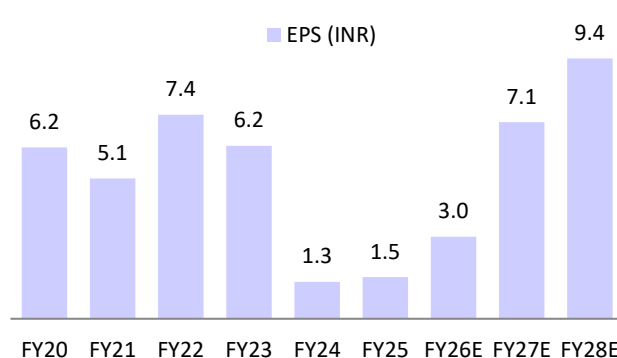
Source: Company, MOFSL

Exhibit 8: RoE expected to witness improvement over FY25-28



Source: MOFSL, Company

Exhibit 9: EPS to register a CAGR of 84% over FY25-28



Source: MOFSL, Company

Financials and valuations

Income Statement (Consolidated)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Income	81,845	110,774	144,051	152,617	174,880	204,339	232,086
Change (%)	15.2	35.3	30.0	5.9	14.6	16.8	13.6
Total Expenditure	61,922	85,810	114,580	120,907	140,470	162,341	183,982
EBITDA	19,923	24,964	29,471	31,710	34,411	41,998	48,104
Change (%)	20.4	25.3	18.1	7.6	8.5	22.0	14.5
Margin (%)	24.3	22.5	20.5	20.8	19.7	20.6	20.7
Depreciation	8,150	11,131	15,690	16,860	19,100	20,733	23,277
EBIT	11,773	13,833	13,781	14,850	15,311	21,265	24,827
Int. & Finance Charges	686	4,183	9,750	8,970	9,940	8,000	7,680
Other Income - Rec.	2,674	2,674	4,100	1,817	3,670	3,530	3,680
Extraordinary income	-3,946	-1,042	7,940	11,200	-290	0	0
Share in Profits in JV		-1,666	-840	2	0	0	0
PBT	9,815	9,616	15,231	18,899	8,751	16,795	20,827
Tax	2,116	2,560	2,280	4,580	1,761	3,561	4,499
Tax Rate (%)	21.6	26.6	15.0	24.2	20.1	21.2	21.6
Minority Interest	1220	1810	2748	4168	2,220	1,648	990
Adjusted PAT	8,825	7,491	2,166	2,452	4,840	11,586	15,339
PAT	6,479	5,246	10,203	10,147	4,770	11,586	15,339
Change (%)	45.2	-15.1	-71.1	13.2	97.4	139.4	32.4
Margin (%)	7.9	4.7	7.1	6.6	2.7	5.7	6.6

Consolidated Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	6,003	6,003	6,003	6,003	6,003	8,171	8,171
Other Reserves	78,322	172,667	191,827	210,437	214,940	225,878	240,357
Net Worth	84,325	178,670	197,830	216,440	220,943	234,048	248,528
Loans	51,466	180,190	162,760	177,555	176,055	174,555	173,055
Minority Interest	10,375	46,220	54,910	60,685	62,905	64,553	65,543
Deferred liabilities	25827	52440	17480	38945	38,945	38,945	38,945
Capital Employed	171,993	457,520	432,980	493,625	498,848	512,101	526,071
Gross Block	103,295	127,440	144,540	174,302	197,009	212,873	224,941
Less: Accum. Deprn.	46,528	54,670	70,360	87,220	106,320	127,053	150,330
Net Fixed Assets	56,767	72,770	74,180	87,082	90,689	85,820	74,611
Capital WIP	34,203	25,880	39,850	41,017	30,910	22,046	16,478
Investments	15,879	20,700	10,000	13,827	13,827	13,827	13,827
Intangibles	15,824	269,200	272,850	276,615	287,680	287,680	287,680
Curr. Assets	78,334	128,880	161,180	166,855	178,109	216,942	259,410
Inventory	22,982	42,440	49,440	49,311	56,971	63,955	72,480
Account Receivables	20,582	35,730	62,310	54,879	64,682	76,137	86,476
Cash and Bank Balance	17,475	24,010	22,590	41,202	14,305	27,597	44,513
Loans & Advances	17,295	26,700	26,840	21,463	42,152	49,252	55,940
Curr. Liability & Prov.	29,014	59,910	125,080	91,771	102,367	114,213	125,935
Account Payables	27,709	58,420	117,310	87,247	97,843	109,689	121,411
Provisions	1,305	1,490	7,770	4,524	4,524	4,524	4,524
Net Current Assets	49,320	68,970	36,100	75,084	75,742	102,729	133,475
Appl. of Funds	171,993	457,520	432,980	493,625	498,848	512,101	526,071

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	5.4	4.6	1.3	1.5	3.0	7.1	9.4
Cash EPS	9.0	9.0	6.6	15.2	14.6	19.3	20.9
BV/Share	70.3	148.9	164.9	180.4	184.1	195.0	207.1
DPS	0.5	1.1	0.4	0.3	0.2	0.4	0.5
Payout (%)	9.2	24.0	27.7	23.2	5.5	5.6	5.6
Valuation (x)							
P/E	71.1	83.8	289.7	255.9	129.6	54.2	40.9
Cash P/E	37.4	37.2	50.4	22.1	23.0	17.3	16.1
P/BV	4.8	2.2	2.0	1.9	1.8	1.7	1.6
EV/Sales	6.8	5.0	3.8	3.6	3.2	2.7	2.4
EV/EBITDA	27.8	22.2	18.8	17.4	16.1	13.2	11.5
Dividend Yield (%)	0.1	0.3	0.1	0.1	0.0	0.1	0.1
FCF per share	-4.6	0.8	6.3	10.5	-0.2	14.2	17.7
Return Ratios (%)							
RoE	11.0	5.7	1.2	1.2	2.2	5.1	6.4
RoCE	7.1	3.8	3.4	2.7	3.1	3.9	4.3
RoIC	9.8	4.1	3.1	3.0	2.9	3.8	4.3
Working Capital Ratios							
Fixed Asset Turnover (x)	1.5	1.7	2.0	1.9	2.0	2.3	2.9
Debtor (Days)	92	118	158	131	135	136	136
Inventory (Days)	102	140	125	118	119	114	114
Creditors (Days)	124	192	297	209	204	196	191
Working Capital (Days)	142	148	34	81	128	134	140
Leverage Ratio (x)							
Current ratio	2.7	2.2	1.3	1.8	1.7	1.9	2.1
Net Debt/Equity	0.4	0.9	0.7	0.6	0.7	0.6	0.5

E: MOST Estimates

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PAT for the year	7,716	6,430	12,978	14,294	4,840	11,586	15,339
Add Depreciation/amortization	8,142	11,131	15,688	16,870	19,100	20,733	23,277
Interest/Dividends paid/(Recd).	-445	3,066	8,131	7,859	6,270	4,470	4,000
(Inc)/Dec in WC	-9,513	32,349	-35,717	3,422	-6,867	-6,593	-7,143
Others	5,866	-34,451	28,459	-1,833	0	0	0
CF from Operations	11,766	18,525	29,539	40,612	23,343	30,196	35,473
(Incr)/Dec in FA	-19,248	-17,263	-19,316	-23,433	-23,665	-7,000	-6,500
Free Cash Flow	-7,482	1,262	10,223	17,179	-321	23,196	28,973
(Pur)/Sale of Investments	3,457	32,908	2,207	17,166	0	0	0
CF from investments	-16,991	-142,818	-10,045	-2,341	-44,353	-14,101	-13,188
Change in Net Worth	0	0	0	0	0	2,168	0
(Inc)/Dec in Debt	3,213	124,159	-12,712	5,729	-1,500	-1,500	-1,500
Interest Paid	-1,096	-4,856	-8,474	-6,342	-6,270	-4,470	-4,000
Dividend Paid	0	-718	-2,030	-829	-267	-649	-859
Others	307	12,549	-111	-17,098	2,150	1,648	990
CF from Fin. Activity	2,424	131,134	-23,327	-18,540	-5,887	-2,803	-5,369
Inc/Dec of Cash	-2,801	6,841	-3,833	19,731	-26,897	13,292	16,916
Add: Beginning Balance	8,970	6,537	12,999	9,195	41,202	14,305	27,597
Closing Balance	6,169	13,378	9,166	28,926	14,305	27,597	44,513

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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