

Biocon Ltd.

Accumulate

Sector: Pharmaceuticals

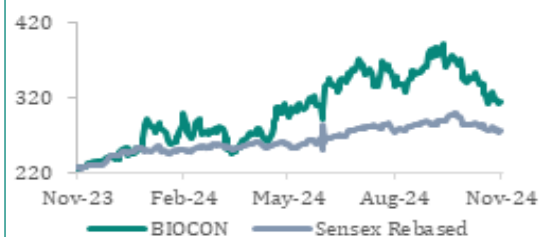
20th November 2024

Key Changes	Target ▲	Rating ●	Earnings ▼	Target	Rs.376
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	BIOS:IN	77,578	BIOCON	532523	12 Months
				CMP	Rs.327
				Return	+15%

Data as of: 19-11-2024

Company Data			
Market Cap (Rs. cr)	39,271		
52 Week High — Low (Rs.)	396 - 231		
Enterprise Value (Rs. cr)	53,942		
Outstanding Shares (cr)	120.1		
Free Float (%)	0.39		
Dividend Yield (%)	0.2		
6m average volume (lakhs)	89.1		
Beta	1.5		
Face value (Rs.)	5.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	60.6	60.6	60.6
FII's	5.6	5.9	5.9
MFs/Institutions	13.7	14.3	14.4
Public	16.8	16.0	15.8
Others	3.2	3.2	3.2
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7.4%	3.4%	40.6%
Absolute Sensex	0.9%	7.6%	23.5%
Relative Return	-8.3%	-4.2%	17.1%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	14,756	16,087	19,053
Growth (%)	32.1	9.0	18.4
EBITDA	4,164	4,863	5,959
EBITDA Margin (%)	28.2	30.2	31.3
PAT Adjusted	1,034	953	1,373
Growth (%)	37.1	-7.8	44.0
Adjusted EPS	8.6	7.9	11.4
Growth (%)	37.1	-7.8	44.0
P/E	30.7	39.8	27.6
P/B	1.6	1.8	1.7
EV/EBITDA	12.8	12.1	9.7
ROE (%)	6.6	6.3	6.8
D/E	0.7	0.6	0.6

Increasing Demand, Positive Outlook

Biocon Ltd is a biopharmaceutical company that develops therapies for chronic diseases such as autoimmune, cancer and diabetes. The company has developed and introduced novel biologics, biosimilars, differentiated small molecules and affordable recombinant human insulin and analogues.

- In Q2FY25, Biocon's consolidated revenue grew 3.7% YoY to Rs. 3,590cr, primarily driven by strong sales in the biosimilar segment.
- Biosimilar segment saw a 10.8% YoY increase in revenue to Rs. 2,182cr, driven by robust performance in the US, UK, and emerging markets such as South Africa. Biocon received a VAI classification for Biocon Biologics Park, Bengaluru. We believe this will enable Biocon to launch the approved products, thereby improving the growth prospects and earnings visibility for Biocon.
- In contrast, the generics segment experienced a 7.7% YoY decline in revenue to Rs. 624cr, mainly due to pricing pressure in both API's and formulations. In addition, reduced demand and a planned shutdown at one of the company's API facilities impacted revenue. However, generics segment showed signs of recovery with the launch of the company's first GLP-1 generic in the UK.
- Revenue from Syngene, the research services arm, fell 2.1% YoY to Rs. 891cr, but it saw early signs of recovery in its discovery services. This rebound is primarily fuelled by the new pilot project.

Outlook & Valuation

Biocon's Q2FY25 performance remained stable, supported by strong biosimilars that offset declines in generics. Similar trends are expected ahead, with substantial growth projected in the coming years, driven by strategic collaborations, market expansion, and new product launches supported by the recent VAI classification. The Generics and Syngene segments are also poised to grow, benefiting from partnerships, manufacturing advancements and recovery in the US biotech funding. **Therefore, we reiterate our Accumulate rating on the stock with a revised target price of Rs. 376 based on 33x FY26E adjusted EPS.**

Quarterly Financials Consol.

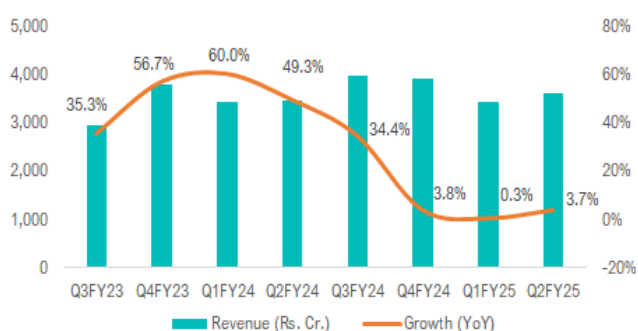
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	3,590	3,462	3.7	3,433	4.6	7,023	6,885	2.0
EBITDA	718	900	-20.2	1,755	-59.1	2,473	1,707	44.8
Margin (%)	20.0	26.0	-600bps	51.1	-3110bps	35.2	24.8	1040bps
EBIT	298	510	-41.6	1,350	77.9	1,648	960	71.6
PBT	98	214	-54.1	1,146	-91.4	1,244	398	212.5
Rep. PAT	27	173	-84.3	862	-96.9	889	322	176.4
Adj PAT	-42	150	n.m.	628	n.m.	586	251	133.3
EPS (Rs)	-0.1	1.1	n.m.	5.5	n.m.	5.4	1.9	133.3



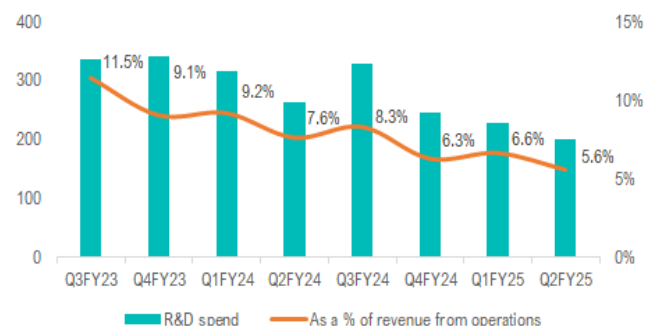
Key concall highlights

- The company is prioritising work with the US Food and Drug Administration (FDA) to address observations at its Bengaluru and Malaysia facilities, enabling near-term US product launches. These, along with launches in other regions, are expected to drive significant revenue and margin growth.
- Biocon has signed licensing agreements with leading pharmaceutical companies in the Middle East and Brazil to commercialise its GLP-1 products in these important regions, expanding its presence in the global GLP-1 market.
- A major achievement in Q2FY25 was securing a tender to supply Everolimus tablets in the MoW market, with deliveries expected to commence this quarter.
- As of September 30, 2024, the group's net debt stood at \$1.4bn, with \$1.27bn attributed to the biological segment.
- The company's capex remains around \$90mn to \$100mn this year, split equally between maintenance and expanding insulin production in Malaysia, a strategic investment given the high demand and pricing potential.
- In August 2024, the company signed a settlement and licensing agreement with Janssen and J&J, paving the way to commercialise its biosimilar Ustekinumab, Yesintek, in Europe, the UK, Canada and Japan.
- Biocon's portfolio company, Bicara Therapeutics, a US-based clinical stage biotech firm, successfully completed its IPO in September, raising \$362mn, reducing Biocon's stake to 10.7%.

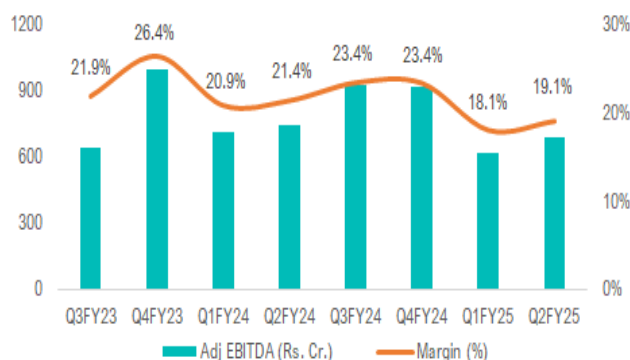
Revenue



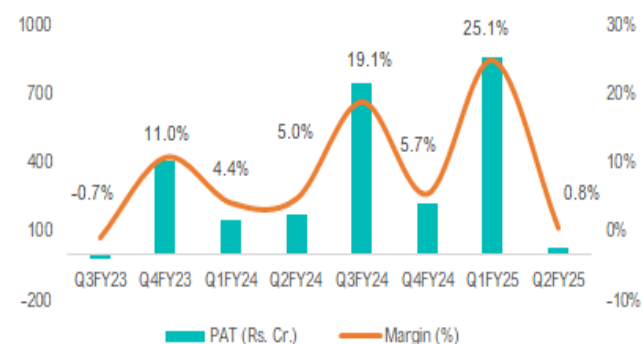
R&D Spend



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	16,495	18,704	16,087	19,053	-2.5	1.9
EBITDA	4,345	5,044	4,863	5,959	11.9	18.1
Margins (%)	26.3	27.0	30.2	31.3	389bps	431bps
Adj. PAT	1,033	1,561	953	1,373	-7.7	-12.0
EPS	8.6	13.0	7.9	11.4	-8.1	-12.3



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	8,184	11,174	14,756	16,087	19,053
% change	14.6	36.5	32.1	9.0	18.4
EBITDA	2,183	2,888	4,164	4,863	5,959
% change	25.1	38.6	60.9	31.1	39.8
Depreciation	814	1,113	1,569	2,169	3,028
EBIT	1,369	1,775	2,595	2,694	2,930
Interest	68	419	974	926	889
Other Income	-318	-458	-96	-18	-61
PBT	983	897	1,525	1,751	1,981
% change	-7.9	-8.7	70.0	14.8	13.1
Tax	212	254	227	438	495
Tax Rate (%)	21.5	28.3	14.9	25.0	25.0
Reported PAT	772	643	1,298	1,313	1,486
Adj.*	111	291	12	-58	-
Adj. PAT	760	754	1,034	953	1,373
% change	4	-1	37	-8	44
No. of shares (cr)	120.1	120.1	120.1	120.1	120.1
Adj EPS (Rs)	6.3	6.3	8.6	7.9	11.4
% change	4.3	-0.7	37.1	-7.8	44.0
DPS (Rs)	0.5	1.5	1.8	0.8	1.1

Cashflow

Y.E March(Rs. cr)	FY22A	FY23	FY24A	FY25E	FY26E
Net inc. + Deprn.	1,586	1,756	2,867	3,482	4,514
Non-cash adj.	317	1,356	455	1,190	1,140
Other adjustments	-	-	-	-	-
Changes in W.C	-726	-1,259	-367	-132	-790
C.F. Operation	1,177	1,853	2,954	4,539	4,864
Capital exp.	-1,923	-1,723	-1,908	-2,428	-2,795
Change in inv.	231	2,983	1,312	-22	-25
Other invest.CF	-8	-15,541	-409	0	0
C.F - Investment	-1,699	-14,282	-1,005	-2,450	-2,820
Issue of equity	43	1,202	31	-	-
Issue/repay debt	309	12,405	-1,313	-150	-150
Dividends paid	-	-72	-203	-101	-137
Other finance.CF	-110	-486	-847	-910	-872
C.F - Finance	242	13,049	-2,333	-1,161	-1,160
Chg. in cash	-280	619	-383	929	885
Closing Cash	663	1,324	1,234	2,162	3,047

Balance Sheet

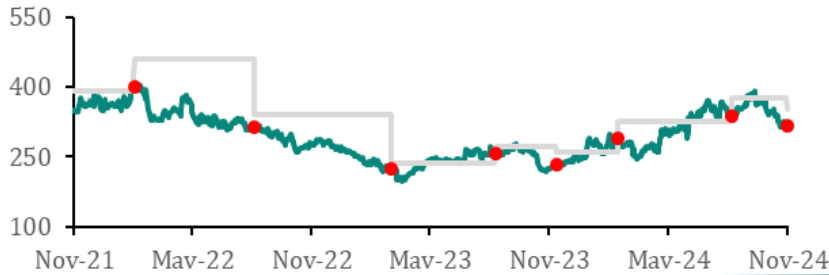
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	663	1,324	1,234	2,162	3,047
Accts. Receivable	2,058	3,573	6,231	6,692	7,831
Inventories	2,298	4,244	4,944	5,520	6,025
Other Cur. Assets	3,363	3,194	2,771	2,637	2,524
Investments	370	742	684	674	664
Gross Fixed Assets	11,145	12,843	14,439	16,120	18,010
Net Fixed Assets	5,677	6,419	8,791	7,114	6,325
CWIP	3,420	3,445	2,613	4,010	4,010
Intangible Assets	1,315	26,662	26,659	27,197	27,753
Def. Tax -Net	-	-	-	-	-
Other Assets	936	2,139	1,828	1,842	1,856
Total Assets	20,394	52,043	56,071	58,169	60,358
Current Liabilities	2,923	6,031	12,562	13,559	14,507
Provisions	92	227	238	261	287
Debt Funds	6,629	22,599	17,295	17,145	16,995
Other Liabilities	1,281	698	702	718	734
Equity Capital	600	600	600	600	600
Res. & Surplus	7,832	17,267	19,183	20,093	21,329
Shareholder Funds	8,433	17,867	19,784	20,694	21,929
Minority Interest	-	-	-	-	-
Total Liabilities	20,394	52,043	56,071	58,169	60,358
BVPS	70	149	165	172	183

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	26.7	25.8	28.2	30.2	31.3
EBIT margin (%)	16.7	15.9	17.6	16.7	15.4
Net profit mgn.(%)	7.9	4.1	6.9	6.3	7.2
ROE (%)	9.2	3.6	6.6	6.3	6.8
ROCE (%)	8.5	3.9	6.1	6.2	6.5
W.C & Liquidity					
Receivables (days)	91.8	116.7	154.1	151.8	150.0
Inventory (days)	308.6	422.9	368.4	359.9	351.9
Payables (days)	216.0	382.8	467.4	467.9	469.0
Current ratio (x)	2.2	1.4	1.0	1.0	1.1
Quick ratio (x)	1.0	0.7	0.5	0.6	0.7
Turnover & Leverage					
Gross asset T.O (x)	0.8	0.9	1.1	1.1	1.1
Total asset T.O (x)	0.4	0.3	0.3	0.3	0.3
Int. covge. ratio (x)	20.2	4.2	2.7	2.9	3.3
Adj. debt/equity (x)	0.7	1.0	0.7	0.6	0.6
Valuation					
EV/Sales (x)	5.8	4.5	3.6	3.6	3.0
EV/EBITDA (x)	21.6	17.5	12.8	12.1	9.7
P/E (x)	52.9	32.9	30.7	39.8	27.6
P/BV (x)	4.8	1.4	1.6	1.8	1.7



Recommendation Summary - last 3 years



Dates	Rating	Target
7-Feb-22	BUY	460
10-Aug-22	HOLD	340
9-Mar-23	HOLD	238
16-Aug-23	HOLD	273
17-Nov-23	ACCUMULATE	260
19-Feb-24	ACCUMULATE	325
20-Nov-24	ACCUMULATE	376

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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