

Disappoints; long-term levers intact

BIOS' 2Q earnings was below JMFe. Generics performance was lower due to API pricing pressure and planned shutdown; meanwhile, lower licensing income QoQ led to BBL miss. The 2024 inclusions for Fulphila/ Ogivri by a large payor, two payor additions for Semglee and unbranded Humira addition by CVS are indeed the key positive readouts. bHumira's slow ramp-up has been apparent and Aspart delay is in the price. However, Syngene's guidance cut was the key negative development. Over the next 2-3 quarters, we expect healthy growth in existing biosimilars with formulary additions and some recovery in generics. A positive outcome for Aflibercept and Aspart/Beva approval could bolster Street confidence, in our view. We adjust our earnings to factor in lower guidance for Syngene and generics business. We continue to believe that as key levers play out over the next 2-3 years, the stock can re-rate significantly. We maintain BUY with an SOTP-based Sep'24 TP of INR 340.

- Generics business slows; Syngene lowers guidance:** The generics business reported a growth of 8.6%YoY (6% miss) driven by higher statin volumes and formulation sales (c. INR 2bn). A contraction in demand for some API products on account of pricing pressures, coupled with phasing of supplies due to a planned maintenance shut down impacted the performance and led to a lower guidance. In the U.S., the Company acquired an oral solid dosage manufacturing facility of Eywa Pharma Inc. located in Cranbury, New Jersey. Vizag supplies are expected to begin in FY25, post qualification by global regulators. Research Services delivered positive performances across all divisions led by Development and Manufacturing Services (led by Zoetis), while the Dedicated Centers business showed sustained growth. However, Syngene lowered their revenue guidance to mid-teens (vs. high-teens earlier) due to slowdown in US biotech funding.
- Base business momentum strong; bHumira ramp-up to be gradual:** Biosimilars revenue were below JMFe at INR 19.7bn (-2%QoQ). Lower licensing revenues sequentially led to the decline. Fulphila and Ogivri gained market share in 2Q and with a large payor (100mn lives) adding them to their 2024 preferred medical drug list, growth will further pick up, in our view. The adoption of bHumira in the US has been slow but CVS' formulary listing wef Oct'23 for unbranded adalimumab is a relief. BBL's key near-term triggers – bAspart and bBeva are delayed by 2-3 quarters at the very least. The company expects Malaysia reinspection in 4Q. Two large payors have added Semglee which could trigger a fresh round of market share gains. The aforementioned triggers will likely sustain single-digit growth in base business. We await an update on bAflibercept (under litigation – order awaited). The clinical trials and filing for Ustekinumab, Denosumab and bHumira interchangeable trials remain on track.
- Key Financials:** Revenue: INR 34.6bn (+49%YoY; +1%QoQ) and was -7%/-4% vs. JMFe/consensus. EBITDA: INR 7.4bn (+58%YoY; +4%QoQ). Core EBITDA margins recovered to 32% in line with management guidance. There were certain exceptional items pertaining to PLI accrual reversal and Stelis-acquisition related expenses. R&D for the quarter was at INR 2.6bn (10% of ex Syngene revenues).

Jainil Shah
jainil.shah@jmfl.com | Tel: (91 22) 66303155

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	340
Upside/(Downside)	49.5%
Previous Price Target	370
Change	-8.1%

Key Data – BIOS IN

Current Market Price	INR227
Market cap (bn)	INR273.0/US\$3.3
Free Float	33%
Shares in issue (mn)	1,200.6
Diluted share (mn)	1,200.6
3-mon avg daily val (mn)	INR901.9/US\$10.8
52-week range	295/192
Sensex/Nifty	64,905/19,425
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	-11.8	-7.8	-17.6
Relative*	-10.2	-12.0	-23.0

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	81,840	1,11,742	1,46,685	1,69,693	1,92,701
Sales Growth (%)	14.6	36.5	31.3	15.7	13.6
EBITDA	19,702	25,117	33,673	43,038	50,053
EBITDA Margin (%)	24.1	22.5	23.0	25.4	26.0
Adjusted Net Profit	7,595	7,541	8,685	15,528	21,727
Diluted EPS (INR)	6.3	6.3	7.2	12.9	18.1
Diluted EPS Growth (%)	4.3	-0.7	15.2	78.8	39.9
ROIC (%)	7.3	3.8	3.6	5.0	6.0
ROE (%)	9.5	5.7	4.6	7.4	9.6
P/E (x)	35.9	36.1	31.4	17.6	12.5
P/B (x)	3.2	1.5	1.4	1.3	1.1
EV/EBITDA (x)	15.3	18.3	13.4	10.7	8.7
Dividend Yield (%)	0.2	0.7	0.7	0.0	0.7

Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2023

Exhibit 1. SOTP valuation

	Sep'25 EBITDA	%	Gross Multiple	Valuation
Generics	7,892	100%	14	1,10,491
Syngene	15,181	55%	24	1,98,565
Biocon Biologics	23,569	66%	21	3,26,663
EV				6,35,719
Less: Holding Co. Discount for BBL and Syngene (20%)				1,05,046
Less: Net Debt				1,53,706
Equity Valuation				3,76,967
No of Shares				1,201
TP				314
bAflibercept NPV				25
TP				339
TP (rounded off)				340

Source: JM Financial

Exhibit 2. Valuation – PE



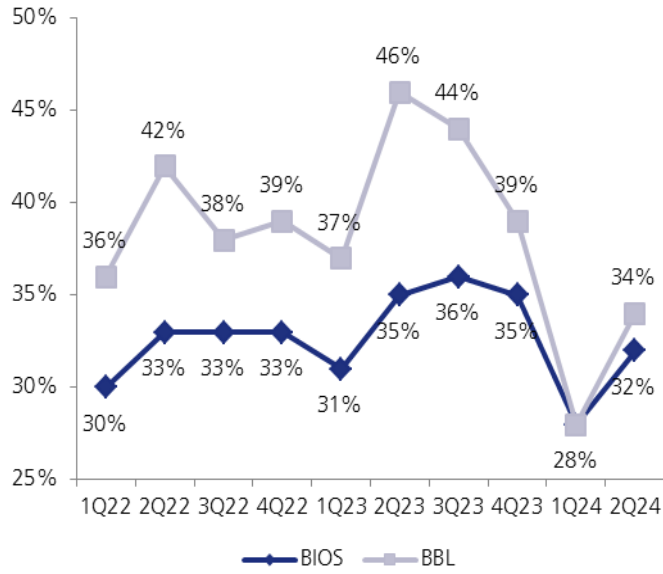
Source: Bloomberg, JM Financial

Exhibit 3. Valuation – EV/EBITDA



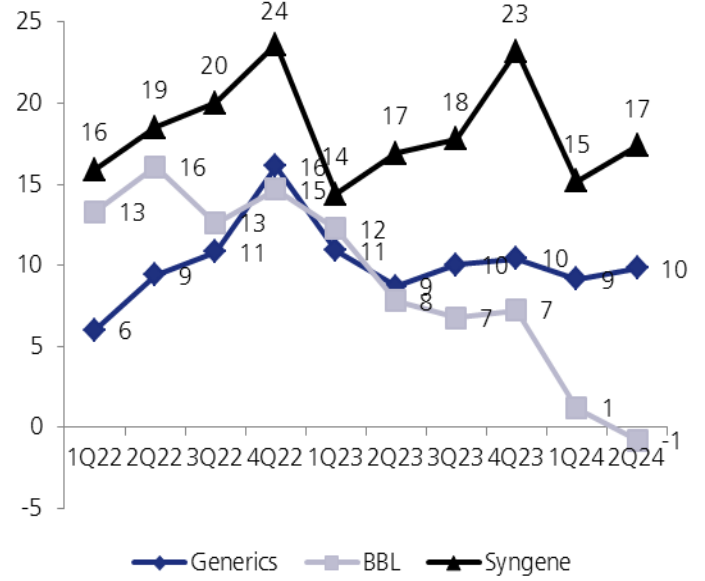
Source: Bloomberg, JM Financial

Exhibit 4. Core EBITDA margins recover



Source: Company, JM Financial

Exhibit 5. Segmental PBT margins



Source: Company, JM Financial

Exhibit 6. Market share of key molecules increase

US	Sep'23	Jun'23	Sep'22
Fulphila	19%	16%	11%
Ogivri	12%	11%	10%
Semglee	11%	12%	9%

Europe	Jul'23	Jun'23	Jul'22
Fulphila	8%	7%	4%
Ogivri	4%	5%	5%
Semglee	2%	2%	1%
Abevmy	7%	5%	1%
Hulio	6%	6%	6%
Nepexto	2%	1%	1%

Source: Company, JM Financial

Exhibit 7. 2Q24 Result Review

Biocon (INR mn)	-	P&L	2Q23A	2Q24E	% YoY	2Q24E	% change	2Q24E (cons)	% change	1Q24A	% QoQ
Net Sales			23,197	34,623	49.3%	37,171	-6.9%			34,226	1.2%
Other op income			0	0		0				0	
Revenue			23,197	34,623	49.3%	37,171	-6.9%	35,921	-3.6%	34,226	1.2%
Raw Material/FG			10,280	11,270	9.6%	12,415	-9.2%			12,096	-6.8%
Gross Profit			12,917	23,353	80.8%	24,756	-5.7%			22,130	5.5%
- % of revenue			55.7%	67.4%	1177 bps	66.6%				64.7%	279 bps
Staff Cost			5,403	6,224	15.2%	5,910	5.3%			5,793	7.4%
Other expenses			5,568	9,713	74.4%	9,590	1.3%			9,193	5.7%
EBITDA			4,707	7,416	57.6%	9,256	-19.9%	8,251	-10.1%	7,144	3.8%
EBITDA (%)			20.3%	21.4%	113 bps	24.9%	-348 bps			20.9%	55 bps
Other Income			645	1,579		950	0.6621053			935	
Interest			300	2,477		2,400				2,330	
Depreciation			2,308	3,893		3,600				3,580	
Add: Share of profit/(loss) of Associates			-283	-242		-500				-332	
Exceptional items			-170	-240		0				0	
PBT			2,461	2,383	-3.2%	3,706	-35.7%			1,837	29.7%
Tax			1,473	416		778				348	
Tax Rate (%)			59.9%	17.5%		21.0%				18.9%	
Minority Interest			349	471		673				475	
PAT (Reported)			469	1,256		2,254				1,014	
PAT Margin (%)			2.0%	3.6%		6.1%				3.0%	
Adjusted PAT			1,608	1,454	-9.6%	2,254	-35.5%	1,431	1.6%	1,014	43.4%
Adj. PAT Margin (%)			6.9%	4.2%	-273 bps	6.1%				3.0%	124 bps
Adj. EPS			1.3	1.2	-9.6%	1.9	-35.5%			0.8	43.4%
Biocon - Cost margins			2Q23A	2Q24E	% YoY	2Q24E	% change			1Q24A	% QoQ
Raw material cost/sales			44.3%	32.6%	-1177 bps	33%	-85 bps			35.3%	-279 bps
Staff cost/sales			23.3%	18.0%	-532 bps	16%	208 bps			16.9%	105 bps
Other expenditure/sales			24.0%	28.1%	405 bps	26%	225 bps			26.9%	119 bps
Biocon - Segmental Revenue			2Q23A	2Q24E	% YoY	2Q24E	% change			1Q24A	% QoQ
Generics			6,074	6,764	11.4%	7162	-5.6%			7,003	-3.4%
Biosimilars			9,766	19,687	101.6%	20,945	-6.0%			20,148	-2.3%
Novel Biologics			0	0		0				0 NM	
Research services			6,445	9,101	41.2%	9,064	0.4%			8,081	12.6%
Less: Inter-segmental revenue			-890	-929	4.4%	0				-1,006	-7.7%
Biocon - Segmental PBT			2Q23A	2Q24E	% YoY	2Q24E	% change			1Q24A	% QoQ
Generics			541	664	22.7%	748	-11.2%			641	3.6%
			8.9%	9.8%		10%				9.2%	
Biosimilars			708	-152	-121.5%	1,523	-110.0%			243	-162.6%
			7.2%	-0.8%		7%				1.2%	
Research services			1,300	1,581	21.6%	2,308	-31.5%			1,229	28.6%
			20.2%	17.4%		25%				15.2%	

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	81,840	1,11,742	1,46,685	1,69,693	1,92,701	
Sales Growth	14.6%	36.5%	31.3%	15.7%	13.6%	
Other Operating Income	0	0	0	0	0	
Total Revenue	81,840	1,11,742	1,46,685	1,69,693	1,92,701	
Cost of Goods Sold/Op. Exp	27,184	36,631	49,139	55,999	63,591	
Personnel Cost	18,801	21,810	24,643	27,151	29,869	
Other Expenses	14,967	16,994	26,110	29,696	33,723	
EBITDA	19,702	25,117	33,673	43,038	50,053	
EBITDA Margin	24.1%	22.5%	23.0%	25.4%	26.0%	
EBITDA Growth	19.2%	27.5%	34.1%	27.8%	16.3%	
Depn. & Amort.	8,142	11,131	14,984	16,039	16,506	
EBIT	11,560	13,986	18,689	26,999	33,547	
Other Income	2,127	3,759	4,694	5,430	6,166	
Finance Cost	676	4,190	9,499	9,224	8,322	
PBT before Excep. & Forex	13,011	13,555	13,884	23,205	31,391	
Excep. & Forex Inc./Loss(-)	-1,111	-2,914	0	0	0	
PBT	11,900	10,641	13,884	23,205	31,391	
Taxes	2,115	2,541	2,499	4,177	5,964	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-837	133	1,300	2,500	4,300	
Reported Net Profit	6,484	4,627	8,685	15,528	21,727	
Adjusted Net Profit	7,595	7,541	8,685	15,528	21,727	
Net Margin	9.3%	6.7%	5.9%	9.2%	11.3%	
Diluted Share Cap. (mn)	1,200.6	1,200.6	1,200.6	1,200.6	1,200.6	
Diluted EPS (INR)	6.3	6.3	7.2	12.9	18.1	
Diluted EPS Growth	4.3%	-0.7%	15.2%	78.8%	39.9%	
Total Dividend + Tax	600	1,801	1,801	0	1,801	
Dividend Per Share (INR)	0.5	1.5	1.5	0.0	1.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	9,831	8,971	13,184	22,705	31,691	
Depn. & Amort.	8,142	11,131	14,984	16,039	16,506	
Net Interest Exp. / Inc. (-)	-445	3,066	9,499	9,224	8,322	
Inc (-) / Dec in WCap.	-7,895	-5,010	-3,142	883	1,016	
Others	4,753	2,653	0	0	0	
Taxes Paid	-2,620	-2,286	-2,499	-4,177	-5,964	
Operating Cash Flow	11,766	18,525	32,025	44,674	51,570	
Capex	-19,227	-1,80,344	-26,500	-42,940	-11,000	
Free Cash Flow	-7,461	-1,61,819	5,525	1,734	40,570	
Inc (-) / Dec in Investments	1,640	1,58,464	0	0	0	
Others	596	1,233	0	0	0	
Investing Cash Flow	-16,991	-20,647	-26,500	-42,940	-11,000	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	0	-718	-1,801	0	-1,801	
Inc / Dec (-) in Loans	3,517	1,36,061	11,000	-5,000	-29,000	
Others	-1,096	-4,856	-9,499	-9,224	-8,322	
Financing Cash Flow	2,421	1,30,487	-300	-14,224	-39,123	
Inc / Dec (-) in Cash	-2,771	6,411	5,226	-12,490	1,447	
Opening Cash Balance	9,401	6,824	13,235	18,461	5,971	
Closing Cash Balance	6,630	13,235	18,461	5,971	7,418	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	84,325	1,78,669	2,01,553	2,17,082	2,37,007	
Share Capital	6,003	6,003	6,003	6,003	6,003	
Reserves & Surplus	78,322	1,72,666	1,95,550	2,11,079	2,31,004	
Preference Share Capital	0	0	0	0	0	
Minority Interest	10,375	46,219	48,219	51,219	55,219	
Total Loans	49,040	1,77,707	1,72,707	1,67,707	1,38,707	
Def. Tax Liab. / Assets (-)	-5,545	-2,735	-2,735	-2,735	-2,735	
Total - Equity & Liab.	1,38,195	3,99,860	4,19,744	4,33,273	4,28,198	
Net Fixed Assets	1,04,201	3,66,643	3,78,159	4,05,060	3,99,554	
Gross Fixed Assets	99,240	1,23,512	1,48,512	1,62,512	1,72,512	
Intangible Assets	17,126	2,75,469	2,76,969	3,05,909	3,06,909	
Less: Depn. & Amort.	46,368	58,213	73,197	89,236	1,05,742	
Capital WIP	34,203	25,875	25,875	25,875	25,875	
Investments	15,799	19,310	19,310	19,310	19,310	
Current Assets	77,872	1,27,922	1,23,330	1,15,718	1,21,206	
Inventories	22,982	42,437	34,159	36,263	36,956	
Sundry Debtors	20,582	35,732	32,150	34,868	36,956	
Cash & Bank Balances	17,475	24,001	29,227	16,737	18,184	
Loans & Advances	1,894	704	704	704	704	
Other Current Assets	14,939	25,048	27,090	27,145	28,406	
Current Liab. & Prov.	59,677	1,14,015	1,01,055	1,06,815	1,11,872	
Current Liabilities	45,620	91,276	85,102	89,800	94,130	
Provisions & Others	14,057	22,739	15,953	17,015	17,743	
Net Current Assets	18,195	13,907	22,275	8,902	9,334	
Total - Assets	1,38,195	3,99,860	4,19,744	4,33,273	4,28,198	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	9.3%	6.7%	5.9%	9.2%	11.3%	
Asset Turnover (x)	0.5	0.4	0.3	0.3	0.4	
Leverage Factor (x)	2.1	2.4	2.5	2.3	2.2	
RoE	9.5%	5.7%	4.6%	7.4%	9.6%	

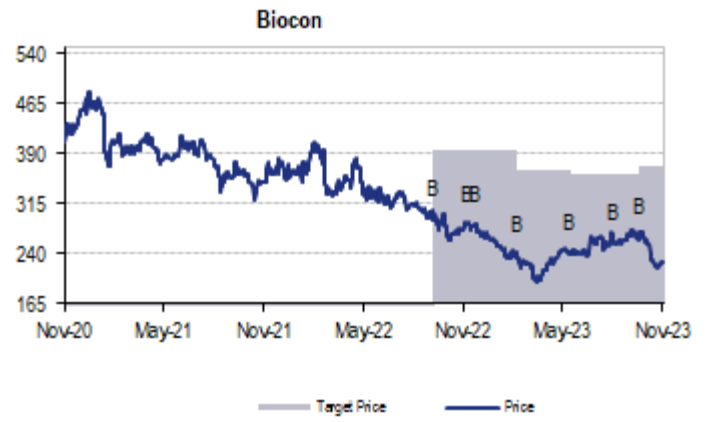
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	70.2	148.8	167.9	180.8	197.4	
ROIC	7.3%	3.8%	3.6%	5.0%	6.0%	
ROE	9.5%	5.7%	4.6%	7.4%	9.6%	
Net Debt/Equity (x)	0.2	0.8	0.6	0.6	0.5	
P/E (x)	35.9	36.1	31.4	17.6	12.5	
P/B (x)	3.2	1.5	1.4	1.3	1.1	
EV/EBITDA (x)	15.3	18.3	13.4	10.7	8.7	
EV/Sales (x)	3.7	4.1	3.1	2.7	2.3	
Debtor days	92	117	80	75	70	
Inventory days	102	139	85	78	70	
Creditor days	94	168	109	111	109	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
16-Sep-22	Buy	395	
15-Nov-22	Buy	395	0.0
30-Nov-22	Buy	395	0.0
15-Feb-23	Buy	365	-7.6
24-May-23	Buy	360	-1.4
12-Aug-23	Buy	360	0.0
27-Sep-23	Buy	370	2.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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