

EBITDA miss; Biosimilars execution remains critical

July 23, 2021

ADD (no change)

CMP: Rs 398

Target Price: Rs 420 (Rs 430) ▼

Potential Upside: 6%

Market Data

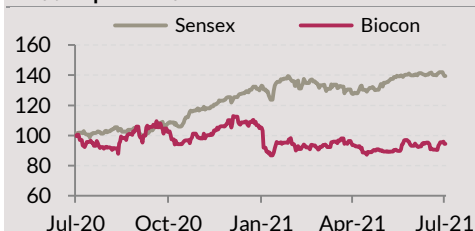
No. of shares	: 1,201 mn
Free Float	: 39%
Market Cap	: USD 6,424 mn
52-week High / Low	: Rs 488 / Rs 363
Avg. Daily vol. (6mth)	: 4.1 mn shares
Bloomberg Code	: BIOS IB Equity
Promoters Holding	: 61%
FII / DII	: 16% / 7%

Key growth driver %	FY22E	FY23E	FY24E
Biosimilars	21%	26%	38%
Gross margin	70.0%	70.1%	70.1%
EBITDA margin	24.6%	26.5%	27.0%

Result Update (Rs mn)

Y/E March	Q1'22	YoY	QoQ
Net Sales	17,606	4%	-4%
Gross margin	65.2%	-279 bps	-352 bps
EBITDA	3,893	-11%	-11%
EBITDA margin	22.1%	-362 bps	-173 bps
Adj. PAT	1,294	-25%	21%
Biosimilars	7,581	10%	14%

Relative performance



Source: Bloomberg, Axis Capital

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Pharmaceuticals | Result Update

- ◆ EBITDA missed our/consensus estimate by 19%/15% on weak sales performance in generics (-22% YoY) and muted show in Biosimilars (10% YoY).
- ◆ Growth momentum would depend on outcome for Insulin Interchangeability goal date in Jul'21 end, inspection outcome for Aspart/ Beva in Malaysia/India.
- ◆ Execution weak, but long-term growth visibility remains (Biosimilars pipeline). Cut FY22/23E EPS by 22%/10%. **ADD** with roll over TP of Rs 420 (36x Jun'23).

Muted revenue growth

Revenue grew 4% YoY to Rs 17.6 bn (below our/ consensus estimate) due to moderate growth in Biosimilar sales, up 10% YoY (+14% QoQ), on growth in India formulations (Covid led) and steady market share of key products (Pegfilgrastim, Trastuzumab) in US, Research services (+41% YoY), while Generics sales declined 22% YoY due to pricing pressure in formulations and Covid disruption in API.

EBITDA below estimates due to lower sales and gross margin

Gross margin at 65.2% decreased 279 bps YoY (-352 bps QoQ) due to adverse sales mix and higher inventories level in Q1. Steady staff/other expenses led to EBITDA at Rs 3.8 bn (-11% YoY/ QoQ), below our/ consensus estimate, and margin was at 22.1% (-362 bps YoY). Reported PAT was at Rs 844 mn (-51% YoY) and PAT adjusted for impact of JV and forex gain was at Rs 1.29 bn (-25% YoY).

Key highlights from management call

Maintained FY22 guidance of higher growth in Biosimilars (vs 21% in FY21) and expects flattish growth in generics business (API and formulations). Expects strong growth FY23 onwards led by increasing traction in Biosimilars led by market and portfolio expansion, strong ANDA pipeline, capacity expansion in generics segment along with growth in research services. USFDA has scheduled PAI# for bAspart in Malaysia plant in Q3CY21; gBevacizumab launch expected in Europe in Q2'21 but remains uncertain on USFDA inspection timelines. Expects Glargine to get interchangeability designation given USFDA goal date in Jul'21 end.

Outlook and valuations – maintain ADD

We note improving Biosimilars opportunity is unlocking value for Biosimilar players globally, as seen in Celltrion^ (31% EPS CAGR CY20-22E, trades at 51x/ 43x CY21/ CY22) and Samsung Biologics^ (39% EPS CAGR CY20-22E, trades at 157x/ 124x CY21/ CY22). Cut FY22/23E EPS by 22%/10% on weak execution. Roll over TP to Rs 420 (36x Jun'23E) vs Rs 430 earlier given 30% EPS CAGR over FY21-23E led by strong Biosimilars portfolio/ pipeline. **ADD** stays.

Financial summary (Consolidated)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Sales (Rs mn)	63,005	71,058	83,828	1,05,675	1,28,127
EBITDA (Rs mn)	16,031	16,526	20,601	27,995	72,943
Adj. PAT (Rs mn)	6,628	5,979	7,975	13,205	16,418
Con. EPS* (Rs)	-	-	8.2	12.0	13.8
EPS (Rs)	5.5	5.0	6.6	11.0	13.7
Change YoY (%)	(8)	(10)	33	66	24
RoE (%)	10.4	8.3	10.1	15.4	17.3
RoCE (%)	13.2	10.1	9.6	13.8	41.6
P/E (x)	72.1	79.9	59.9	36.2	29.1
EV/E (x)	30.3	29.7	22.4	16.5	6.1

Source: *Consensus broker estimates, Company, Axis Capital

^ Celltrion and Samsung Biologics estimates, as per Bloomberg

PAI - pre-approval inspection

Key concall highlights

Particulars	Comments
Outlook	<ul style="list-style-type: none"> Despite Covid and operational challenges impacting growth across segments, Biocon expects strong growth FY23 onwards led by growth in Biosimilars on market expansion and portfolio expansion, strong ANDA pipeline, capacity expansion in generics segment along with growth in research services R&D investment (ex-Syngene) in the range of 12-15% of sales, but expected to be higher than FY21 as 3 more Biosimilars go into clinical trials Remains uncertain on timeline to achieve USD 1 bn Biosimilar sales (USD 378 mn in FY21; ~USD 101 mn in Q1FY22).
Biosimilars	<ul style="list-style-type: none"> Significant contribution from Itolizumab sales led to 10% growth; ex-Covid led sales, Biosimilars growth would have been flat. Core EBITDA margin was at 36% with EBITDA of Rs 2.71 bn (+9% YoY) and PBT stood at Rs 1.01 bn (-4% YoY). Q1 margin impacted due to higher contribution from Covid led sales Itolizumab (lower margin), higher staff cost on annual increments and lower margin from emerging market business Insulin Glargine to see ramp-up in CY22 by participating in formulary cycle; expects interchangeability designation for Glargine (goal date Jul'21) under 351(k) pathway but it is not expected to provide significant rise in sales outlook bAspart – plans to launch in Germany, Austria and Poland in Q2FY21; FDA has scheduled pre-approval inspection of Malaysia plant in support of BLA for bAspart bBevacizumab – marketing approval for from TGA, Australia, MHRA, UK; uncertain on USFDA inspection timelines Expect growth in Emerging Markets to be more than 25% led by higher penetration in existing products and market expansion; contribution share from Emerging Markets was at 60% in Q1'22 (usually at 55%) due to higher sales Itolizumab in these markets
Generics	<ul style="list-style-type: none"> In Q1FY22, sales declined by 22% YoY and PBT fell by 70% YoY to Rs 290 mn. Sales were impacted to the extent of Rs 750 mn due to operational and supply chain challenges in API manufacturing led by high Covid cases and pricing pressure in US generics market. Biocon's API is fermentation based which requires oxygen; lack of oxygen availability during second Covid wave and ~16% of workforce being Covid positive in 2 months impacted operations Expects recovery from Q2'22 as operations normalize; expect API sales to be flat Launched two products in US – Labetalol HCL (Tablet; US market size: USD 63 mn) and Esomeprazole Mg (DR capsules; USD 230 mn). New launches (expected in Q3/Q4'21) to drive growth in H2'22 Expects uptake in FY23 with more launches in US and commissioning of additional facilities (Hyderabad and Vizag). On track to commission greenfield Immunosuppressants API manufacturing facility in Vizag, in FY22, followed by qualification and validation in FY23
Novel	<ul style="list-style-type: none"> Equillum (partner) had an End-of-Phase 1 meeting with the US FDA, which confirmed a path to advance Itolizumab into a single Phase 3 pivotal study for aGVHD; study is expected to commence in Q4CY21 In Europe, Itolizumab was given orphan designation for the treatment of acute and chronic GVHD by Committee for Orphan Medicinal Products
Capex	<ul style="list-style-type: none"> Biosimilars – expects USD 100 mn for FY22; USD 125 mn in FY21 Generics – expects Rs 5 bn in FY22 (Rs 2.5 bn in FY21) and higher in FY23; plans to invest Rs 20 bn in 3 years Research – expects USD 100-120 mn in FY22 (USD 65 mn in FY21)
Bicara Therapeutics	<ul style="list-style-type: none"> Developing pipeline of bi-functional antibodies that exploit recent advances in immune-oncology Biocon ceded control over the Board of Directors and operations to enable it to operate independently Cumulative investment in Bicara was at USD 40 mn of which USD 15 mn still pending on balance sheet, which will reflect in FY22 as share of profit/ loss from JV in P&L Expects Bicara's loss to be reported in P&L for next 2-3 quarters
Management appointments	<ul style="list-style-type: none"> John Shaw, Vice-Chairman and Non-Executive Director, Biocon, will retire from Biocon's Board of Directors due to health reasons, on July 23, 2021. Dr S Vijaya Kumar was appointed Head of Operations to lead the Manufacturing, Projects and EHS (Environment, Health and Safety) functions for the Generics business. Kumar is an industry veteran with more than 30 years of extensive experience across manufacturing and engineering in global, diversified setups.

Biosimilars and novel molecule pipeline update

Mylan partnered program	
Insulin Glargine	<ul style="list-style-type: none"> In Sep'20, launched in the US market in both vial and pen presentations at 65% discounted price Expects share ramp-up after next formulary cycle in CY22 Expects interchangeability designations from USFDA; goal date is end of Jul'21
Trastuzumab	<ul style="list-style-type: none"> Expects gradual pick-up in market share given chronic nature of the drug Witnessed positive trend in market share, at 9% in overall market by end of Q1'22 vs 8% in Q4'21
Pegfilgrastim	<ul style="list-style-type: none"> Market share stagnant at ~17%; ramp-up expected on increased production capacity and targeting another 1/3rd of the market (340B segment) coupled with new contracting cycle
Bevacizumab	<ul style="list-style-type: none"> Approval from European Commission in Apr'21; will launch the product in Germany, Austria, Poland in Q2'22 In Feb'20, Biocon/Mylan submitted BLA with USFDA in US (USD 3 bn); filing under review; goal date deferred Awaiting USFDA response on remote inspection of manufacturing facility; management optimistic on launch in FY22
Insulin Aspart	<ul style="list-style-type: none"> Received European Commission approval for Europe market (USD 666 mn) in Feb'21; launch timeline not disclosed Currently in Global Phase 3 trials – BLA under review by USFDA for US market (USD 1.5 bn) FDA scheduled pre-approval inspection of Malaysia facility in Q3CY21 in support of BLA for bAspart
Adalimumab	<ul style="list-style-type: none"> USFDA approval in Jul'20; launch will be in Jun'23 (patent settlement)
Etanercept	<ul style="list-style-type: none"> Received marketing authorization from EU in Jun'20; launched in Aug'20; US filing expected in near term
Biocon's own programs	
Itolizumab	<ul style="list-style-type: none"> Equillum (partner) had an End-of-Phase 1 meeting with the US FDA, which confirmed a path to advance Itolizumab into a single Phase 3 pivotal study for aGVHD; study is expected to commence in Q4CY21. In Europe, Itolizumab was given orphan designation for the treatment of acute and chronic GVHD by Committee for Orphan Medicinal Products. Company ramped up production of the drug to meet demand for Covid-19 patients in India in Q1'22. Biocon out-licensed the product to Sun Pharma which sells it under the brand, Itolizac

Exhibit 1: EBITDA decline on lower sales and gross margin

	Reported					Axis Est.		Reported		
	Q1'21	Q4'21	Q1'22	YoY chg	QoQ chg	Q1'22E	vs. Est. (%)	FY22E	FY21	YoY chg
Net Sales	16,938	18,421	17,606	4%	-4%	19,333	-9%	83,828	71,058	18%
Material costs	5,416	5,756	6,121	13%	6%	6,090	1%	25,148	22,085	14%
Gross Profit	11,522	12,665	11,485	0%	-9%	13,243	-13%	58,680	48,973	20%
Employee expenses	3,937	4,521	4,360	11%	-4%	4,524	-4%	20,544	17,410	18%
R&D expenses	1,070	1,270	1,200	12%	-6%	1,309	-8%	7,205	5,530	30%
Net other expenses	2,157	2,482	2,032	-6%	-18%	2,610	-22%	10,852	9,507	14%
Total Expenses	12,580	14,029	13,713	9%	-2%	14,533	-6%	63,750	54,532	17%
EBITDA	4,358	4,392	3,893	-11%	-11%	4,801	-19%	20,079	16,526	21%
Adj EBITDA (ex-Licensing inc., forex and R&D)	5,328	5,512	4,823	-9%	-13%	6,109	-21%	27,284	22,146	23%
Other income	183	2,054	472	158%	-77%	225	110%	950	2,545	-63%
Depreciation	1,668	1,843	1,948	17%	6%	1,950	0%	8,193	7,151	15%
Interest	125	339	199	59%	-41%	180	11%	699	577	21%
PBT	2,748	4,264	2,218	-19%	-48%	2,896	-23%	12,137	11,343	7%
Tax	809	694	573	-29%	-17%	637	-10%	2,670	2,215	21%
Share of JV profit	-36	-698	-561	1458%	-20%			150	-792	-119%
Adjusted PAT	1,719	1,070	1,294	-25%	21%	2,017	-36%	8,279	5,979	38%
Extra ordinary income/ (exp.)	-	1,496	(450)			0		0		
Reported PAT	1,719	2,566	844	-51%	-67%	2,017	-58%	8,279	7,405	12%
EPS	1.4	0.9	1.1	-25%	21%	1.7	-36%	6.9	5.0	38%
Costs as a % of sales										
Gross margin (%)	68.0%	68.8%	65.2%	-279 bps	-352 bps	68.5%	-327 bps	70.0%	68.9%	108 bps
EBITDA margin (%)	25.7%	23.8%	22.1%	-362 bps	-173 bps	24.8%	-272 bps	24.0%	23.3%	70 bps
Adj EBITDA margin (%)	31.5%	29.9%	27.4%	-406 bps	-253 bps	31.6%	-421 bps	32.5%	31.2%	138 bps
Material cost	32.0%	31.2%	34.8%	279 bps	352 bps	31.5%	327 bps	30.0%	31.1%	-108 bps
Employee cost	23.2%	24.5%	24.8%	152 bps	22 bps	23.4%	136 bps	24.5%	24.5%	1 bps
Other expenditure	12.7%	13.5%	11.5%	-119 bps	-193 bps	13.5%	-196 bps	12.9%	13.4%	-43 bps
Income tax rate (%)	29.4%	16.3%	25.8%	-361 bps	956 bps	22.0%	383 bps	22.0%	19.5%	247 bps

Source: Company, Axis Capital, Note: (1) PAT adjusted for forex gain/loss, (2) Q1FY22 PAT adjusted for share of loss from JV and (3) Q4FY21 PAT adjusted for one-time valuation gain for Bicara of Rs 1.64 bn.

Exhibit 2: Muted revenue growth as growth in Biosimilars and Research services offset by weak Generics business

(Rs mn)	% of Q1'22 sales	Q1'21	Q4'21	Q1'22	YoY chg	QoQ chg	FY20	FY21	YoY chg
Generics	28%	6,214	5,704	4,863	-22%	-15%	22,070	23,359	6%
Biosimilars	43%	6,916	6,636	7,581	10%	14%	23,151	28,002	21%
Novel Biologics	1%	-	105	110	NA	NA	-	-	NA
Research Services	34%	4,216	6,586	5,945	41%	-10%	20,119	21,843	9%
Licensing fees#	1%	100	80	100	0%	25%	311	399	28%
Less (inter segment revenue)	-5%	-408	-610	-893			-2,335	-2,146	
Total Revenue		16,938	18,421	17,606	4%	-4%	65,340	73,204	12%
Total (ex-one off & Research Services)		12,722	11,835	11,661	-8%	-1%	45,221	51,361	14%

Source: Company, Axis Capital, # Licensing fees distributed among different business segments

Exhibit 3: Gross R&D spend was in line with annual guidance

Rs mn	Q1'21	Q4'21	Q1'22	YoY chg	QoQ chg	FY20	FY21	YoY chg
Gross R&D expense	1,420	1,360	1,360	-4%	0%	5,270	6,270	19%
% of biopharma sales	11.2%	11.5%	11.7%	50 bps	17 bps	11.7%	12.2%	55 bps
Revenue (expensed in P&L)	1,070	1,270	1,200	12%	-6%	4,392	5,530	26%
% of biopharma sales	8.4%	10.7%	10.3%	188 bps	-44 bps	9.7%	10.8%	105 bps
Capital	350	90	160	-54%	78%	878	740	-16%
% of biopharma sales	2.8%	0.8%	1.4%	-138 bps	61 bps	1.9%	1.4%	-50 bps

Source: Company, Axis Capital

Exhibit 4: EBIT margin decline for Biosimilars and Generic business

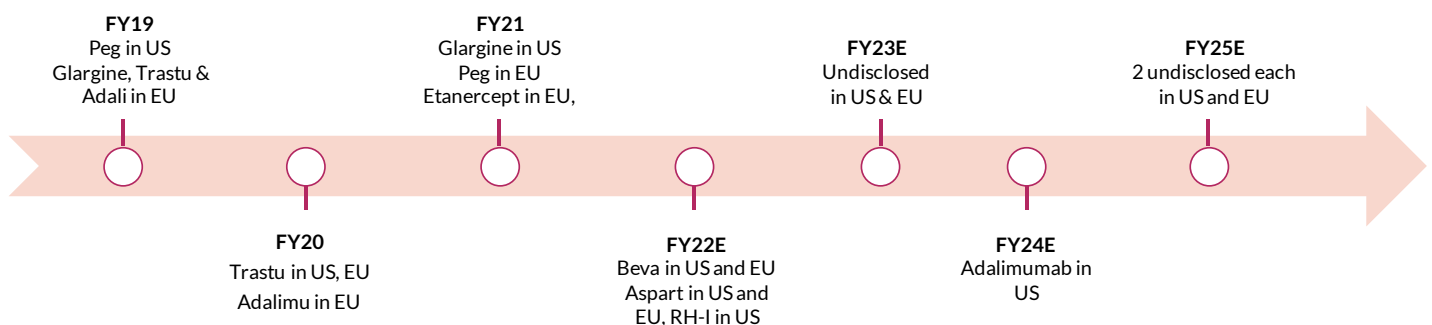
Segmental EBIT margin (%)	Q1'21	Q4'21	Q1'22	YoY chg	QoQ chg	FY20	FY21	YoY chg
Generics	15.5	12.7	6.0	-944 bps	-667 bps	15.3	12.9	-244 bps
Biosimilars	15.2	10.3	13.3	-194 bps	299 bps	18.5	13.0	-544 bps
Novel Biologics	NA	NA	NA	NA	NA	NA	NA	NA
Research Services	15.7	23.9	15.9	20 bps	-794 bps	22.1	19.9	-227 bps
Total	14.3	19.9	9.0	-534 bps	-1097 bps	17.0	14.8	-220 bps

Source: Company, Axis Capital

Exhibit 5: RoCE declined QoQ

Segmental ROCE (%)	Q1'21	Q4'21	Q1'22	YoY chg	QoQ chg	FY20	FY21	YoY chg
Generics	13.2	7.8	3.1	-1006 bps	-467 bps	11.9	8.1	-385 bps
Biosimilars	17.5	17.2	23.6	610 bps	647 bps	17.9	22.9	503 bps
Novel Biologics	NA	NA	NA	NA	NA	NA	NA	NA
Research Services	11.7	22.3	13.1	140 bps	-920 bps	20.5	15.4	-511 bps

Source: Company, Axis Capital

Exhibit 6: Biocon Biologics timelines – Biosimilars launch visibility every year


Source: Company, Axis Capital

Exhibit 7: Pegfilgrastim market share trend vs. peers

Pegfilgrastim brand name	Player	May'20	Jun'20	Sep'20	Dec'20	Mar'21	Apr'21	May'21
Fulphila	Biocon/Mylan	14%	14%	15%	16%	16%	17%	17%
Udenyca	Coherus	49%	50%	51%	46%	43%	41%	39%
Neulasta	Amgen	35%	35%	31%	31%	26%	28%	25%
Ziextenzo	Sandoz	2%	2%	3%	7%	14%	14%	16%
Nyvepria	Pfizer	-	-	-	-	0%	2%	3%

Source: Bloomberg

Exhibit 8: TRx count has increased in Q4'21

Pegfilgrastim (TRx Count)	Player	May'20	Jun'20	Sep'20	Dec'20	Mar'21	Apr'21	May'21
Fulphila	Biocon/Mylan	3,676	3,878	4,325	5,251	5,543	5,194	5,213
Udenyca	Coherus	12,977	14,142	14,475	14,884	14,670	12,286	11,965
Neulasta	Amgen	9,232	9,890	8,901	10,072	8,908	8,429	7,685
Ziextenzo	Sandoz	489	528	922	2,108	4,812	4,210	4,846
Nyvepria	Pfizer	489	-	-	-	123	489	796

Source: Bloomberg

Exhibit 9: Trastuzumab market share trend vs. peers

Trastuzumab brand name	Player	May'20	Jun'20	Sep'20	Dec'20	Mar'21	Apr'21	May'21
Ogivri	Biocon/Mylan	3%	4%	6%	7%	8%	8%	9%
Kanjinti	Amgen	17%	18%	20%	27%	30%	30%	32%
Herceptin	Roche	81%	78%	72%	62%	55%	54%	48%
Trazimera	Pfizer	0%	0%	2%	4%	6%	7%	9%
Ontruzant	Merck/ Samung	-	-	0.1%	0.3%	0.8%	1.1%	1%

Source: Bloomberg

Exhibit 10: Gradual pick-up in TRx count

Trastuzumab (TR Count)	Player	May'20	Jun'20	Sep'20	Dec'20	Mar'21	Apr'21	May'21
Ogivri	Biocon/Mylan	3,813	6,401	7,885	9,405	9,483	8,688	8,762
Kanjinti	Amgen	23,449	27,587	27,897	35,187	35,492	31,514	30,537
Herceptin	Roche	1,14,906	1,23,614	1,00,961	80,590	63,939	56,889	45,295
Trazimera	Pfizer	277	708	2,715	4,727	6,659	7,175	8,934
Ontruzant	Merck/ Samung	-	7	84	356	944	1,128	1,237

Source: Bloomberg

Exhibit 11: Insulin Glargine market share trend vs. peers

Insulin Glargine brand name	Player	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21
Semglee	Biocon/Mylan	0.02%	0.2%	0.2%	0.2%	0.8%	1%	1%	1%	2%
Lantus	Sanofi	20%	20%	19%	19%	19%	19%	19%	18%	18%
Lantus Solostar	Sanofi	54%	55%	55%	55%	56%	55%	56%	56%	56%
Basaglar	Eli Lilly	26%	26%	25%	25%	24%	25%	24%	24%	24%

Source: Bloomberg

Exhibit 12: Revenue assumptions; Biosimilars to drive growth

(Rs mn)	% of FY21 sales	FY21	FY22E	FY23E	FY24E	CAGR (FY21-24E)
Generics	32%	23,359	24,527	27,470	30,767	10
Biosimilars*	38%	28,002	35,266	48,807	60,189	29
Novel Molecules	0%	-	-	-	-	NA
Research Svcs	30%	21,843	26,185	32,108	40,456	23
Total	100%	73,204	85,978	1,08,385	1,31,412	22
EBITDA		16,526	20,601	27,995	34,633	28
EBITDA margin		23.3%	24.6%	26.5%	27.0%	

Source: Company, Axis Capital; * Biosimilar includes part of sales from branded formulation business

Exhibit 13: Growth visibility remains on key assets

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Glargine	61	115	262	735	1,331	1,527
Trastuzumab	94	454	1,738	2,347	2,567	2,459
Adalimumab	-	-	332	472	443	2,770
Pegfilgrastim	994	3,181	2,814	3,041	3,821	3,298
Etanercept	-	-	159	254	382	286
Bevacizumab	-	-	-	466	1,259	1,892
Insulin Aspart	-	-	-	66	866	1,217
Rh-Insulin	-	-	-	-	397	729
Incremental PAT	1,149	3,750	5,306	7,380	11,066	14,178
Base business PAT	6,089	2,878	673	595	666	746
Total PAT	7,238	6,628	5,979	7,975	11,733	14,924
YoY Growth (%)	107	-8	-10	33	47	27

Source: Company, Axis Capital

Exhibit 14: Biosimilars assets at fair valuation

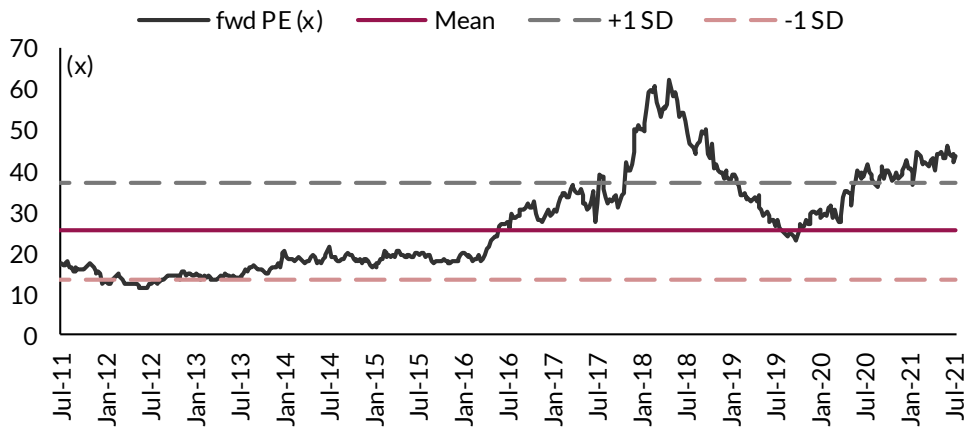
Segments	P/E (x)	Jun'23E EPS (Current)	Value per share (Rs)	Equity value (Rs mn)
Generics	9	4.1	37	44,417
Biosimilar	32	8.7	277	3,32,483
Novel Molecules	-	-	-	-
Research Services	35	4.7	164	1,97,179
Unallocable	10	(5.8)	(58)	(69,510)
SoTP TP (Rs)	36	11.7	420	5,04,569
Axis TP	36	11.7	420	5,04,287
CMP (Rs)	398			
No. of shares (mn)	1,200			
Market Cap (Rs mn)	4,77,600			
			Equity value (Rs mn)	Eq. value (USD mn)
Biologics: Mkt Cap - Equity value of biz (ex-biologics)*			2,52,149	3,327
Standalone value of Biologics			3,32,483	4,386

Source: Company, Axis Capital; Date as of 23 Apr 2021, *assuming 20% Hold Co discount in research services (Syngene)

Exhibit 15: Change in estimates

	FY22E			FY23E		
Rs mn	Previous	Revised	% change	Previous	Revised	% change
Sales	89,542	83,828	(6)	1,11,714	1,05,675	(5)
EBITDA	22,823	20,601	(10)	30,138	27,995	(7)
EBITDA margin %	25.5	24.6	-358bps	27.0	26.5	-180bps
PAT	10,261	7,975	(22)	14,657	13,205	(10)
EPS (Rs)	8.6	6.6	(22)	12.2	11.0	(10)

Source: Axis Capital

Exhibit 16: 1-year forward P/E band


Source: Bloomberg

Financial summary (Consolidated)

Profit & Loss (Rs mn)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Net sales	63,005	71,058	83,828	1,05,675	1,28,127
Total operating income	63,005	71,058	83,828	1,05,675	1,28,127
Cost of goods sold	(19,895)	(22,085)	(25,148)	(31,597)	-
Gross profit	43,110	48,973	58,680	74,078	1,28,127
Gross margin (%)	68.4	68.9	70.0	70.1	100.0
Total operating expenses	(27,079)	(32,447)	(38,079)	(46,083)	(55,184)
EBITDA	16,031	16,526	20,601	27,995	72,943
EBITDA margin (%)	25.4	23.3	24.6	26.5	56.9
Depreciation	(5,522)	(7,151)	(8,193)	(9,290)	(11,162)
EBIT	10,509	9,375	12,408	18,705	61,780
Net interest	(649)	(577)	(699)	(645)	(580)
Other income	1,614	2,545	950	1,030	1,200
Profit before tax	11,474	11,343	12,659	19,091	62,400
Total taxation	(3,151)	(2,215)	(2,785)	(4,200)	(5,300)
Tax rate (%)	27.5	19.5	22.0	22.0	8.5
Profit after tax	8,323	9,128	9,874	14,891	57,100
Minorities	(1,227)	(1,057)	(1,338)	(1,836)	(2,522)
Profit/ Loss associate co(s)	(289)	(792)	(561)	150	150
Adjusted net profit	6,628	5,979	7,975	13,205	16,418
Adj. PAT margin (%)	10.5	8.4	9.5	12.5	12.8
Net non-recurring items	854	1,426	-	-	-
Reported net profit	7,482	7,405	7,975	13,205	16,418

Balance Sheet (Rs mn)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Paid-up capital	6,000	6,000	6,000	6,000	6,000
Reserves & surplus	61,058	70,269	76,230	82,761	94,521
Net worth	67,058	76,269	82,230	88,761	1,00,521
Borrowing	19,797	36,783	33,105	29,794	26,815
Other non-current liabilities	5,363	15,033	15,033	15,033	15,033
Total liabilities	98,991	1,36,892	1,40,512	1,45,569	1,56,872
Gross fixed assets	90,087	1,00,448	1,20,448	1,34,448	1,46,448
Less: Depreciation	(31,659)	(38,342)	(46,535)	(55,825)	(66,987)
Net fixed assets	58,428	62,106	73,913	78,623	79,461
Add: Capital WIP	21,960	28,002	7,500	7,500	5,000
Total fixed assets	80,388	90,108	81,413	86,123	84,461
Total Investment	9,661	19,519	12,500	12,500	12,500
Inventory	14,359	18,666	17,464	22,016	26,693
Debtors	12,237	12,176	17,225	21,714	26,327
Cash & bank	9,986	20,154	48,023	46,969	59,336
Loans & advances	17,807	24,600	19,211	24,217	29,362
Current liabilities	45,447	48,331	55,324	67,970	81,807
Net current assets	8,942	27,265	46,599	46,946	59,911
Total assets	98,991	1,36,892	1,40,512	1,45,569	1,56,872

Source: Company, Axis Capital

Cash flow (Rs mn)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Profit before tax	11,474	11,343	12,659	19,091	24,090
Depreciation & Amortisation	5,522	7,151	8,193	9,290	11,162
Chg in working capital	(1,651)	(4,238)	4,844	(9,832)	(9,823)
Cash flow from operations	12,831	11,597	22,660	13,963	19,510
Capital expenditure	(18,294)	(17,367)	(20,000)	(14,000)	(12,000)
Cash flow from investing	(15,589)	(36,247)	(20,000)	(14,000)	(12,000)
Equity raised/ (repaid)	-	-	-	-	-
Debt raised/ (repaid)	186	5,872	(3,678)	(3,310)	(2,979)
Dividend paid	(701)	-	(1,444)	(1,444)	(1,444)
Cash flow from financing	3,876	25,640	(5,123)	(4,755)	(4,424)
Net chg in cash	1,118	990	(2,462)	(4,791)	3,086

Key ratios

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
OPERATIONAL					
FDEPS (Rs)	5.5	5.0	6.6	11.0	13.7
CEPS (Rs)	10.8	12.1	13.5	18.7	23.0
DPS (Rs)	1.0	1.0	1.0	1.0	1.0
Dividend payout ratio (%)	16.0	16.2	15.0	9.1	7.3
GROWTH					
Net sales (%)	14.3	12.8	18.0	26.1	21.2
EBITDA (%)	15.0	3.1	24.7	35.9	160.6
Adj net profit (%)	(8.4)	(9.8)	33.4	65.6	24.3
FDEPS (%)	(8.4)	(9.8)	33.4	65.6	24.3
PERFORMANCE					
RoE (%)	10.4	8.3	10.1	15.4	17.3
RoCE (%)	13.2	10.1	9.6	13.8	41.6
EFFICIENCY					
Asset turnover (x)	0.8	0.7	0.8	0.8	0.9
Sales/ total assets (x)	0.5	0.4	0.4	0.5	0.6
Working capital/ sales (x)	0.0	0.0	0.0	0.0	0.0
Receivable days	71	63	75	75	75
Inventory days	112	125	101	103	177
Payable days	103	101	106	106	180
FINANCIAL STABILITY					
Total debt/ equity (x)	0.3	0.5	0.4	0.3	0.2
Net debt/ equity (x)	0.0	0.1	(0.3)	(0.3)	(0.4)
Current ratio (x)	1.2	1.6	1.8	1.7	1.7
Interest cover (x)	16.2	16.2	17.8	29.0	106.5
VALUATION					
PE (x)	72.1	79.9	59.9	36.2	29.1
EV/ EBITDA (x)	30.3	29.7	22.4	16.5	6.1
EV/ Net sales (x)	7.7	6.9	5.5	4.4	3.5
PB (x)	7.1	6.3	5.8	5.4	4.8
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3
Free cash flow yield (%)	(1.1)	(1.2)	0.6	0.0	1.6

Source: Company, Axis Capital

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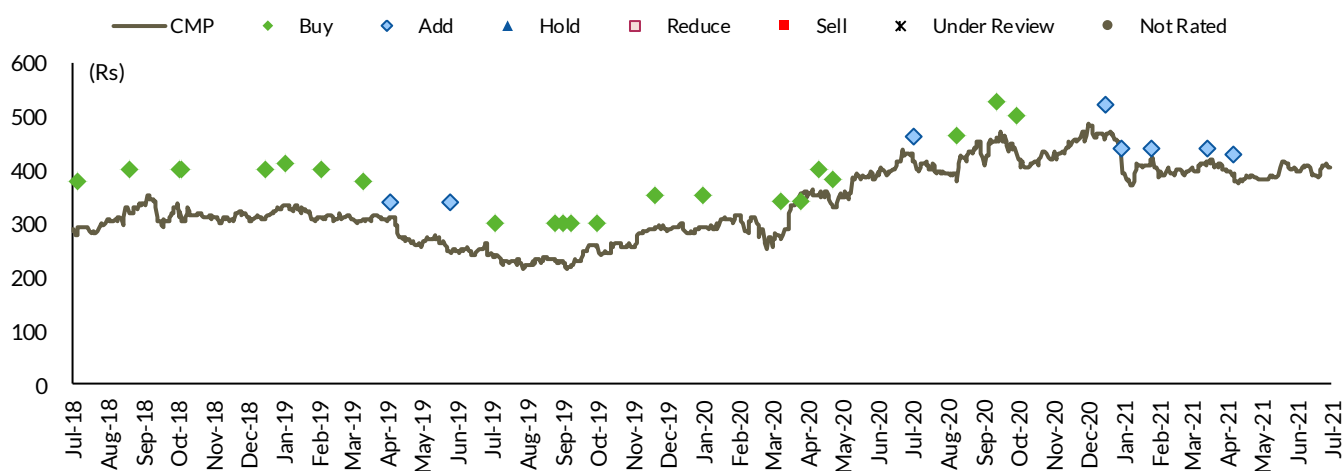
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Ratings	Expected absolute returns over 12 months
BUY	More than 15%
ADD	Between 5% to 15%
REDUCE	Between 5% to -10 %
SELL	More than -10%

Biocon (BION.BO, BIOS IN) Price and Recommendation History



Date	Target Price	Reco	Date	Target Price	Reco	Date	Target Price	Reco
27-Jul-18	375	Buy	23-Sep-19	300	Buy	23-Oct-20	500	Buy
10-Sep-18	400	Buy	1-Oct-19	300	Buy	8-Jan-21	520	Add
24-Oct-18	400	Buy	23-Oct-19	300	Buy	22-Jan-21	440	Add
26-Oct-18	400	Buy	12-Dec-19	350	Buy	16-Feb-21	440	Add
7-Jan-19	400	Buy	24-Jan-20	350	Buy	6-Apr-21	440	Add
25-Jan-19	410	Buy	1-Apr-20	340	Buy	29-Apr-21	430	Add
25-Feb-19	400	Buy	17-Apr-20	340	Buy			
3-Apr-19	375	Buy	4-May-20	400	Buy			
26-Apr-19	340	Add	16-May-20	380	Buy			
17-Jun-19	340	Add	24-Jul-20	460	Add			
26-Jul-19	300	Buy	1-Sep-20	460	Buy			
17-Sep-19	300	Buy	6-Oct-20	525	Buy			

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