

**Price:** 322

**Recommendation:** Buy

**Industry:** Pharmaceuticals

**Sector:** Healthcare

**Report Date:** 01-May-2025

Biocon Limited is a global biopharmaceutical company focused on biosimilars, generics, and research services. Leveraging a vertically integrated model, it drives innovation and market expansion. With FDA approvals, strategic launches, and robust financial growth, Biocon is committed to regulatory excellence, operational efficiency, and enhancing shareholder value through sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2131 Cr	Operating Profit(Year)	166 Cr	Operating Profit Margin	7.79 %
Previous Year	1993 Cr	Operating Profit(Quarter)	31.3 Cr	EBITDA Margin	21.26 %
Current Quarter	563 Cr	PAT (Year)	106 Cr	Net Profit Margin	4.98 %
Previous Quarter	525 Cr	PAT (Quarter)	-3.60 Cr	EPS	5.01
Revenue (QYoY)	563 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	2664	Sales Growth	1.43 %	Sales Growth	7.24 %
PEG Ratio	-132	PAT Growth	-896.99 %	Sales Growth QYoY	0.0 %
EV/EBITDA	106	EPS Growth	406.06 %	PAT Growth	-212.5 %
P/B	3.55	Dividend Yield	0.16	PAT Growth QYoY	-115.0 %
Capital Allocation		Holdings		Leverage	
RoE	0.97 %	Promoter	60.6 %	Debt/Equity	0.20
RoA	0.79 %	FII	5.67 %	Debt	2185 Cr
RoCE	2.64 %	DII	15.7 %	Market Cap	38635 Cr
RoIC	8.89 %	Public	17.8 %	Enterprise value	40601 Cr
		No of Shares	120 Cr	Cash Equivalents	219 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Biocon Limited's Q3 FY25 earnings call highlighted significant progress across its business segments, emphasizing strategic initiatives and operational milestones. The company successfully completed four FDA audits across three sites, secured multiple product approvals, and finalized deferred milestones under the Viatris acquisition agreement. Key regulatory achievements included approvals for biosimilar Ustekinumab in the U.S., Europe, and Japan, and the decentralized procedure approval for generic Liraglutide in the EU. Biocon also launched commercial supplies from its Cranbury facility, strengthening its U.S. manufacturing footprint. These developments underscore Biocon's commitment to regulatory excellence and its focus on expanding its global presence in biosimilars, generics, and research services.

Biocon's business strategies are centered on leveraging its vertically integrated model and expanding its product portfolio. The biosimilars segment demonstrated robust growth, driven by increased market shares in the U.S. and Europe for products like Ogivri and Fulphila. The company is preparing for multiple launches, including biosimilar Bevacizumab and Aspart, and generic Liraglutide in the U.K. and EU. In generics, Biocon is focusing on peptides and complex molecules, with plans to launch Semaglutide globally by FY27. Research services, led by Syngene, returned to growth, supported by collaborations with large pharma companies and integrated biologics projects. These strategies reflect Biocon's emphasis on innovation, market expansion, and operational efficiency.

Future growth perspectives for Biocon are promising, with a clear line of sight for new product launches and scaling opportunities. The company expects mid-teens growth in its generics business, driven by peptide launches and increased API volumes. Biosimilars are poised for sustained growth, with five U.S. launches and three global launches planned in the next year. Biocon is also investing in capacity expansion, including doubling its insulin drug substance and drug product manufacturing capabilities. These initiatives, coupled with strategic partnerships and cost optimization measures, position Biocon for long-term growth and profitability across its segments.

Biocon's constructive outlook is supported by its strong financial performance and operational resilience. Q3 FY25 revenue from operations grew 10% year-on-year to INR 3,821 crore, with core EBITDA at INR 1,007 crore and a margin of 26%. The company maintained healthy R&D investments at 7% of revenues, fueling its pipeline development. With regulatory clearances, strategic product launches, and a focus on cost leadership, Biocon is well-positioned to capitalize on emerging opportunities in biosimilars, generics, and research services, ensuring sustainable growth and enhanced shareholder value.

BIOCON Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
<b>Dr Reddy's Labs</b>	98791.17	18.42	21.39%	4.27%	15.81%	11.83%	1.69%
<b>Lupin</b>	95677.77	33.35	14.14%	1.67%	10.97%	0.30%	39.48%
<b>Zydus Lifesci.</b>	89378.73	19.71	20.67%	0.61%	16.96%	12.39%	33.34%
<b>Aurobindo Pharma</b>	72017.71	20.27	11.53%	2.34%	8.53%	3.50%	-9.69%
<b>Sun Pharma.Inds.</b>	439630.15	37.28	16.69%	2.89%	10.46%	4.30%	22.66%

Aspect	Commentary
<b>Revenue</b>	Biocon's revenue grew 7.24% QoQ to INR 563 Cr, reflecting steady operational performance. The YoY growth of 1.43% indicates moderate expansion, supported by strategic launches and increased market share in biosimilars and generics.
<b>Profit &amp; Loss</b>	Operating profit for the year stood at INR 166 Cr, with a margin of 7.79%. Quarterly PAT was negative at INR -3.60 Cr, signaling challenges in profitability despite robust revenue growth. EPS growth of 406.06% highlights improved earnings potential.
<b>Profitability Matrix</b>	Operating profit margin of 7.79% and EBITDA margin of 21.26% indicate efficient cost management. Net profit margin at 4.98% reflects profitability pressures, but RoIC of 8.89% suggests effective capital utilization in core operations.
<b>Valuation Matrix</b>	Trailing P/E of 2664 and PEG ratio of -132 suggest high valuation concerns. EV/EBITDA at 106 indicates premium pricing. Dividend yield of 0.16% is modest, while P/B ratio of 3.55 reflects reasonable asset valuation.
<b>Growth (YoY)</b>	Sales growth of 1.43% YoY indicates stable revenue expansion. PAT growth of -896.99% highlights significant profitability challenges. EPS growth of 406.06% suggests improved earnings per share despite PAT decline.
<b>Growth (QoQ)</b>	Sales growth of 7.24% QoQ reflects strong operational performance. PAT growth of -212.5% QoQ signals profitability concerns. EPS growth QoQ remains positive, showcasing resilience in earnings despite quarterly challenges.
<b>Capital Allocation</b>	RoE of 0.97% and RoA of 0.79% indicate modest returns on equity and assets. RoCE of 2.64% reflects limited efficiency in capital deployment. Cash equivalents of INR 219 Cr provide liquidity for operational needs and growth initiatives.
<b>Holdings</b>	Promoter holding at 60.6% ensures strong ownership control. FII and DII holdings at 5.67% and 15.7% respectively reflect institutional interest. Public holding of 17.8% indicates balanced ownership structure supporting market confidence.
<b>Leverage</b>	Debt/Equity ratio of 0.20 reflects low leverage, ensuring financial stability. Total debt of INR 2185 Cr is manageable given the enterprise value of INR 40601 Cr. Healthy market cap of INR 38635 Cr supports long-term growth prospects.

**Analyst viewpoint:** Biocon Limited demonstrates strong potential for short to mid-term growth, driven by its robust operational performance and strategic initiatives. The company reported a 7.24% QoQ revenue growth to INR 563 crore, supported by increased market share in biosimilars and generics. Key regulatory approvals, including biosimilar Ustekinumab in major markets and generic Liraglutide in the EU, further strengthen its global presence. Biocon's vertically integrated model and focus on innovation position it well for upcoming launches, such as biosimilar Bevacizumab and Aspart, alongside peptide-based generics. Despite challenges in profitability, as reflected in the quarterly PAT of INR -3.60 crore, EPS growth of 406.06% showcases resilience and improved earnings potential. The company's commitment to capacity expansion and cost optimization measures underscores its readiness to capitalize on emerging opportunities in biosimilars, generics, and research services.

While Biocon's valuation metrics, such as a trailing P/E of 2664 and EV/EBITDA of 106, suggest premium pricing, its operational efficiency and strategic growth initiatives justify a bullish outlook. The biosimilars segment remains a key growth driver, with multiple launches planned globally, while the generics business is expected to achieve mid-teens growth through peptide launches and increased API volumes. Promoter holding of 60.6% and a low debt/equity ratio of 0.20 reflect financial stability and strong ownership control. However, profitability pressures, as indicated by a net profit margin of 4.98%, warrant close monitoring. Overall, Biocon's strategic focus, regulatory achievements, and operational resilience make it a compelling buy recommendation for investors seeking exposure to the healthcare sector.

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