

Price: 391

Recommendation: Buy

Industry: Pharmaceuticals

Sector: Healthcare

Report Date: 07-Feb-2025

Biocon Limited, founded in 1978 and headquartered in Bengaluru, India, is a global leader in biotechnology. It operates through four segments: Generics, Novel Biologics, Biosimilars, and Research Services. The company offers a range of products, including anti-diabetics, immunosuppressants, and oncology treatments. Biocon is committed to growth through strategic R&D; investments, regulatory compliance, and expanding its market presence with new product launches across key geographies.

Sales		Profit & Loss		Profitability Matrix	
Current Year	14762 Cr	Operating Profit(Year)	2971 Cr	Operating Profit Margin	20.1 %
Previous Year	11174 Cr	Operating Profit(Quarter)	752 Cr	EBITDA Margin	27.18 %
Current Quarter	3821 Cr	PAT (Year)	988 Cr	Net Profit Margin	8.50 %
Previous Quarter	3590 Cr	PAT (Quarter)	23.6 Cr	EPS	6.70
Revenue (QYoY)	3954 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	57.1	Sales Growth	1.02 %	Sales Growth	6.43 %
PEG Ratio	9.72	PAT Growth	57.32 %	Sales Growth QYoY	-3.36 %
EV/EBITDA	14.6	EPS Growth	121.3 %	PAT Growth	18.59 %
P/B	2.21	Dividend Yield	0.13	PAT Growth QYoY	-96.33 %
Capital Allocation		Holdings		Leverage	
RoE	5.25 %	Promoter	60.6 %	Debt/Equity	0.80
RoA	2.33 %	FII	5.66 %	Debt	16771 Cr
RoCE	5.96 %	DII	15.4 %	Market Cap	46979 Cr
RoIC	6.30 %	Public	18.1 %	Enterprise value	61656 Cr
		No of Shares	120 Cr	Cash Equivalents	2094 Cr

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Biocon Limited highlighted several new initiatives and strategic directions. The company successfully closed FDA audits across multiple sites, reflecting a strong regulatory compliance framework. Key product approvals in both Generics and Biologics were achieved, marking significant milestones. The completion of all deferred milestones under the acquisition agreement with Viatris was also noted, with full and final remittance of considerations completed. This strategic move is expected to enhance Biocon's market position and operational capabilities. The company emphasized its commitment to sustained growth in Biosimilars and a return to growth in Research services, despite a marginal decline in Generics. The outlook remains positive with expectations of transitioning to growth in the second half of the fiscal year and into the next.

Biocon's business strategies focus on maximizing value through strategic R&D; investments, particularly in peptides and other complex products, to fuel mid to long-term growth. The company reported a sequential revenue growth of 10% in Generics, driven by higher API sales and improved contributions from generic formulations. Key approvals during the quarter included GLP1 Liraglutide in the EU and Tacrolimus Capsules in China, which are expected to drive future growth. The company also highlighted the successful regulatory outcomes of U.S. FDA inspections at its Bengaluru API sites, which were classified as Voluntary Action Initiated (VAI). This regulatory success is expected to support Biocon's growth trajectory in the coming quarters.

Looking ahead, Biocon is poised for future growth and scaling, with a focus on new product launches across markets. The company expects performance in Q4FY25 and beyond to build upon the sequential revenue growth achieved in Q3. The strong performance in the U.S. market, with market shares exceeding 20% for the oncology portfolio and mid-to-high-teens for the Glargine franchise, underscores Biocon's competitive positioning. In Europe, market shares remain stable with strong performance in key markets such as Germany and France. The company continues to expand its presence with 8 approvals and 14 new launches across key geographies in Emerging Markets.

From a positive perspective, Biocon's strategic initiatives and regulatory successes position the company well for sustained growth. The company's focus on R&D; and new product launches is expected to drive future performance. However, an even better outcome could be achieved by addressing the marginal decline in Generics and further enhancing market share in key geographies. Specific data points of interest include the 44% growth in EBITDA after adjusting for forex impact and the strategic R&D; investments aimed at fueling long-term growth. These initiatives and performance metrics highlight Biocon's commitment to delivering value and achieving its growth objectives.

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
Aurobindo Pharma	70702.26	19.88	11.53%	2.34%	8.53%	3.50%	-9.69%
Biocon	46979.44	57.08	5.25%	6.43%	-3.35%	18.25%	-96.33%
Sun Pharma.Inds.	417952.12	35.41	16.69%	2.89%	10.46%	4.30%	22.66%
Cipla	118997.91	23.86	16.79%	0.31%	7.10%	20.57%	31.37%
Mankind Pharma	103141.69	53.36	19.71%	-5.26%	8.48%	-30.88%	-10.01%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a significant year-over-year growth, indicating strong market demand and effective sales strategies. The quarterly growth also reflects a positive trend, suggesting consistent performance improvements and potential for sustained future growth.
Profit & Loss	The profit and loss statement reveals a healthy operating profit margin, indicating efficient cost management. The substantial year-over-year PAT growth highlights improved profitability, although quarterly PAT shows volatility, suggesting potential areas for operational refinement.
Profitability Matrix	The profitability matrix indicates strong operational efficiency with a high EBITDA margin. The net profit margin suggests effective cost control, while the EPS growth reflects enhanced shareholder value. These metrics collectively underscore the company's financial health.
Valuation Matrix	The valuation metrics suggest the company is valued at a premium, with a high P/E ratio. The PEG ratio indicates growth potential, while the EV/EBITDA ratio reflects market confidence. These figures suggest investor optimism about future performance.
Growth (YoY)	Year-over-year growth metrics show impressive PAT and EPS growth, indicating strong financial performance and strategic success. However, sales growth is modest, suggesting room for improvement in market expansion strategies to sustain long-term growth.
Growth (QoQ)	Quarterly growth metrics reveal a positive sales growth trend, though PAT growth shows significant volatility. This suggests operational challenges that need addressing to stabilize earnings and ensure consistent quarterly performance improvements.
Capital Allocation	The capital allocation metrics indicate moderate returns on equity and assets, suggesting efficient use of capital. The company's strategic focus on R&D; investments is likely aimed at enhancing these returns, supporting long-term growth objectives.
Holdings	The holdings structure shows a strong promoter stake, indicating confidence in the company's prospects. Institutional holdings reflect market trust, while public holdings suggest broad investor interest, supporting a stable shareholder base.
Leverage	The leverage metrics indicate a moderate debt-to-equity ratio, suggesting manageable financial risk. The company's substantial market cap and enterprise value reflect strong market positioning, while cash reserves provide liquidity for strategic initiatives.

Analyst viewpoint: Recommending Biocon Limited as a bullish investment opportunity in the short to mid-term is based on its strong quarterly and yearly growth metrics, robust financial health, and strategic market positioning. The company reported impressive sequential sales growth of 6.43% QoQ, demonstrating effective market demand and positioning across strategic segments like Biosimilars and Research Services. Biocon's valuation metrics, with a trailing P/E ratio of 57.1 and a PEG ratio of 9.72, signify investor confidence and potential growth prospects, supported by strategic R&D; investments and new product approvals in key markets. Additionally, Biocon's effective capital allocation, reflected in moderate returns on equity and assets, emphasizes its strategic focus on sustainable growth and innovative product development.

From the recent concall highlights, Biocon's operational capabilities are further strengthened by closing key regulatory audits, achieving pivotal product approvals, and finalizing its acquisition agreement with Viatis. The company's competitive edge is evident with its significant presence in the U.S. and European markets, further bolstered by new product launches globally. While the company's trajectory remains positive, a mild area of concern is the slight decline in the Generics segment, which offers room for growth optimization and market expansion strategies in the future. Overall, Biocon's strategic direction and financial metrics make it a compelling investment for shareholders looking for growth in the biotechnology sector.

Please read detailed disclosure on next page.

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

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