

Biocon Ltd



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Biocon Ltd.

CMP	Target	Recommendation
₹: 413.65	₹: 435,447	Buy

Key Data	
Bloomberg	BIOS IN
Market Cap (bn)	₹: 497.3 / US\$ 6.6
Share in issue (mn)	12003
3-mon avg. daily val (mn)	₹: 3116.2 / US\$ 41.6
52 week range	₹: 455 / 211.05
Stop Loss	₹: 397

Biocon Ltd (BIOS) is an integrated biotechnology company in India that encompasses all critical stages of drug development. The company is well positioned in biosimilars, particularly in the developed markets, supported by its R&D capabilities, large pipeline and strong management team. We believe that BIOS partnerships with Mylan (for MABs insulin analogues) and Sandoz, recent approvals for multiple biosimilars in US and EU as well as progress made on other lead candidates validate its capabilities, establish it as an interesting play on the global biosimilars opportunity.

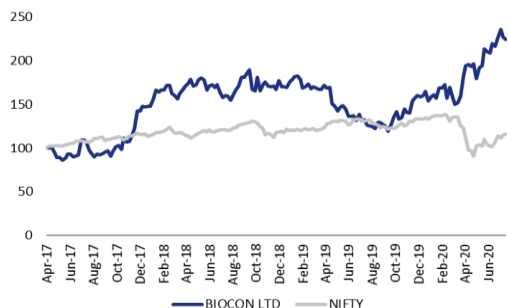
BIOS management has received USFDA approvals for biosimilar Insulin Glargine, Semglee making it third product under BIOS /Mylan collaboration to be approved in US. Similarly, partner Mylan has received U.S. FDA approval for biosimilar Adalimumab, Hulio, in which BIOS Biologics has shared economic interests.

Management is confident of achieving biologics revenue of \$ 1 bn by FY22, through an improvement in market share and new launches in biosimilars in the US, EU and emerging markets. BIOS has a strong pipeline of biosimilars to be launched over next 3-5 years across various markets. Given its record, the biosimilar products have good potential to garner market share despite the competition. We remain positive on the business prospects of BIOS, and it's launch pipeline. In the next few quarters, we expect Itolizumab's approval for use in COVID patients to be a large meaningful opportunity.

BIOS revenue in 1QFY21 stood at Rs16,710mn, which is 7.0% above consensus estimates and up 6%/14% QoQ/YoY. The beat came on the back of higher biosimilar sales and continued growth in generics business (led by higher demand for APIs across markets). During the quarter, BIOS also received approval for Semglee in the US, which is a biosimilar of Lantus (insulin glargine). Insulin Glargine represents US\$2.2bn market in the US and BIOS is the third player in that market and the only biosimilar player with a vial version too.

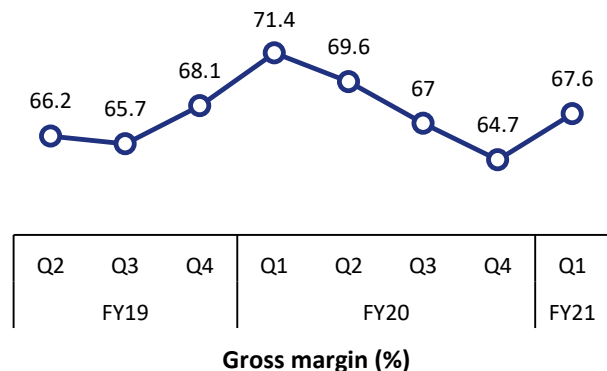
Key Risk: Slower ramp-up of its biosimilars business (lower penetration and delayed launches)

Relative Price Performance



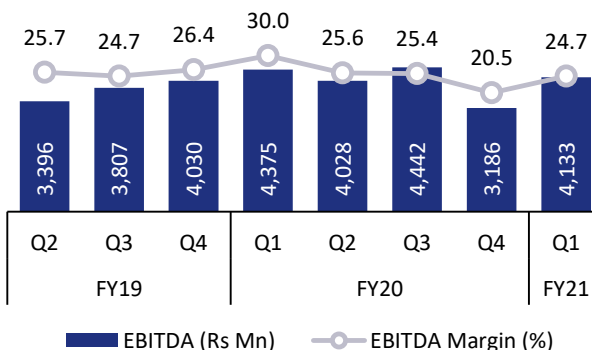
Source: Bloomberg

Gross margins



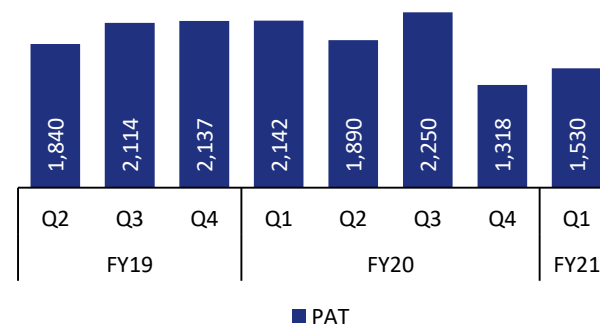
Source: Company, JMFS Research

EBITDA margins



Source: Company, JMFS Research

PAT (Rs Mn)



Source: Company, JMFS Research

Financials – Balance Sheet and Profit & Loss Statement

Balance Sheet		(Rs. mln)	
Year Ending	FY 2018	FY 2019	FY 2020
ASSETS			
Total Cash & ST Investments	13222	10563	9978
Total Receivables	10639	12918	12237
Inventories	7225	10316	14359
Other Current Assets	4286	6795	8100
Total Current Assets	41486	48885	53250
Net Property, Plant & Equipment	44086	55396	70980
Long-term Investments	217	1474	1056
Other Long-Term Assets	14108	16169	19152
Total LT Assets	58411	73039	91188
Total Assets	99897	121924	144438
LIABILITIES			
Short-term Borrowings	4933	9267	14277
Accounts Payable	10053	11983	13251
Curr. Income Taxes Payable	891	1238	1279
Other Current Liabilities	5536	7897	11273
Total Current Liabilities	21413	30385	40080
Long-Term Debt	17898	15256	13053
Other Non-Current Liabilities	4101	9214	17474
Total Liabilities	43412	54855	70607
Minority Interest	4677	6089	6773
Additional Paid In Capital	4032	4171	6238
Comprehensive Inc. and Other	47776	56809	60820
Total Common Equity	56485	67069	73831
Total Equity	56485	67069	73831
Total Liabilities And Equity	99897	121924	144438

Source: Bloomberg, JMFS Research

Consolidated

Profit & Loss Statement		(Rs. mln)	
Year Ending	FY 2018	FY 2019	FY 2020
Total Revenue (adj)	39781	53811	62115
Growth (%)	3.4%	35.3%	15.4%
Other operational income	1453	1333	1557
Gross Profit	39781	53811	62115
Selling General & Admin Exp.	22061	26387	29161
R & D Exp.	2158	2899	4392
Depreciation & Amort.	3851	4478	5522
Other Operating Expense/(Income)	7271	10588	12531
Operating Expense., Total	35341	44352	51606
EBIT	4440	9459	10509
Operating Income	4440	9459	10509
Net Interest expense	230	-203	-154
EBT	6100	12149	11860
Taxes	1569	2123	3151
Extraordinary items	0	0	0
Reported net profit	3724	9053	7482
Adjusted net profit	3332.31	8909.87	7430.20
Margin (%)	9.36	16.82	12.05
Diluted EPS (Rs.)	3.14	7.60	6.30
Divident per share (Rs.)	0.50	0.50	0.50
Payout (%)	16.11	6.63	8.02

Source: Bloomberg, JMFS Research

Consolidated

Financials – Key Ratios, DuPont Analysis and Key Ratios

Cash flow statement			(Rs. mln)
Year Ending	FY 2018	FY 2019	FY 2020
Reported net profit	3724	9053	7482
Depriciation and amort.	3851	4478	5522
Others	76	-1907	1527
Cash from operations (a)	6586	11333	12880
Change in investments	-12593	-39115	-57178
Capital expenditure	-7348	-12217	-15971
Others	12499	43400	56599
Cash flow from investments (b)	-7442	-7932	-16550
Change in capital	0	-1009	5070
Dividend	-787	-793	-701
Change in loans	-1141	75	126
Others	172	429	829
Cash flow from financing (c)	-1756	-1298	5324
Change in cash (a+b+c)	-2612	2103	1654
Free Cash Flow	-796	-888	-3162

Source: Bloomberg, JMFS Research

Consolidated

Key Ratios			
Year Ending	FY 2018	FY 2019	FY 2020
ROC (%)	6.54	12.41	9.55
ROE (%)	7.43	16.05	11.69
ROA (%)	3.84	8.16	5.62
Debt / Equity ratio (x)	40.42	36.56	37.02
Current ratio (x)	1.94	1.61	1.33
EV/EBIDTA (x)	43.96	27.13	21.22
Interest Coverage Ratio	6.76	13.42	15.69
Margins			
EBITDA margin (%)	20.84	25.90	25.81
EBIT margin (%)	11.16	17.58	16.92
Net income margin (%)	9.36	16.82	12.05
DuPont			
Assets / Equity	1.77	1.82	1.96
Sales / Assets	0.40	0.44	0.43
EBIT / Sales	11.16	17.58	16.92
PBT / EBIT	1.37	1.28	1.13
Net Profit / PBT	0.61	0.75	0.63
P/E	94.12	39.91	42.81
P/BV	6.88	6.01	4.84
BV (Rs. per share)	43.17	50.82	55.88

Source: Bloomberg, JMFS Research

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