



Research



FUNDAMENTAL RESEARCH:- BIOCON LTD:- RESULT UPDATE

HOLD

CMP:: 321

Date::24th JULY 2010

HOLD

STOCK INFO (TTM Basis)

| | |
|-------------------|---------------------|
| Sector | Pharma |
| Market cap | 6417cr |
| Equity Capital | 100cr |
| Face value | Rs 5 |
| Book value | Rs 78.27 |
| EPS | Rs 13.66 |
| P/E | 23.49 |
| P/BV | 4.1 |
| 52 week H/L | 335.7/200 |
| Avg Daily Vol | 1.99 ac(2 Wk Avg) |
| Incorporation | 1978 |
| Listed At | NSE/BSE |
| Managing Director | Kiran Mazumdar Shah |
| Promoter Holding | 60.92 % |
| FII/MF's (in %) | 3.77/8.38% |

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Fairwealth Research Desk initiated a Buy on Biocon Limited at Rs 258 on 10th Feb 2010 with target price of Rs 375.

We rate Biocon Ltd as HOLD with a target price of Rs 375.

Biocon Quarterly Results Highlights;

The top-line of the company (on consolidated basis) increased by 33.54% YoY to Rs 662.28cr as against Rs 495.93cr.

The EBITDA expanded by 27.21% to Rs 140.76.cr against Rs 110.65cr.

The net profit improved by 35.68 % YoY to Rs 79.86cr due to impressive growth in its major business segments.

COMPANY PROFILE

Biocon, promoted by Kiran Mazumdar Shaw, in 1978, is India's largest biotechnology company (by revenue). It is a research-driven, global healthcare company focusing on domestic and global unmet medical needs in cancer, diabetes and inflammatory diseases. It develops and delivers novel therapeutics.

Its presence in biopharmaceuticals, custom research, clinical development and biological provide multiple revenue streams to balance risk, to drive innovation, deliver products and accelerate growth.

Biocon Park (SEZ), Asia-Pacific's largest integrated biotech hub worth US\$20bn, is meant to meet escalating global demand for generics and biopharmaceutical products and symbolizes high value innovation.

RESULT ANALYSIS (Consolidated)

| Particulars (In crores) | Jun'10 | Jun'09 | Var% Y-o-Y | Mar'10 | Var% Q-o-Q |
|---------------------------|--------|--------|------------|--------|------------|
| Net Sales | 662.28 | 495.93 | 33.54 | 656.84 | 0.83 |
| Add: Other Income | 9.49 | 9.36 | 1.39 | 8.82 | 7.60 |
| Total Income | 671.77 | 505.29 | 32.95 | 665.66 | 0.92 |
| Less: Expenditure | 531.01 | 394.64 | 34.56 | 526.45 | 0.87 |
| PBIDT | 140.76 | 110.65 | 27.21 | 139.21 | 1.11 |
| Less: Interest | 6.97 | 5.62 | 24.02 | 3.32 | 109.94 |
| PBDT | 133.79 | 105.03 | 27.38 | 135.89 | -1.55 |
| Less: Depreciation | 37.54 | 32.44 | 15.72 | 36.68 | 2.34 |
| PBT | 96.25 | 72.59 | 32.59 | 99.21 | -2.98 |
| Less: Tax | 16.39 | 13.73 | 19.37 | 14.35 | 14.22 |
| PAT | 79.86 | 58.86 | 35.68 | 84.86 | -5.89 |
| EPS | 3.99 | 2.94 | 35.68 | 4.24 | -5.89 |
| CEPS | 5.87 | 4.565 | 28.59 | 6.077 | -3.41 |
| OPM% | 21.25 | 22.31 | - | 21.19 | - |
| NPM% | 12.1 | 11.9 | - | 12.9 | - |

During the quarter ended on 30th Jun, 2010, the net sales of the company reported an increment of 33.54% on y-o-y basis to Rs 662.28cr as against Rs 495.93cr during the corresponding quarter last year. The impressive top-line performance of the company was largely contributed by biopharma, insulins, immunosuppressants and statins business.

The operating profit for June quarter increased by 27.21% to Rs 140.76cr against Rs 110.65cr, largely on account of increased income of the company. Net profit for the quarter rose by an impressive 35.68% y-o-y basis to Rs 79.86cr as against Rs 58.86cr during the corresponding quarter last year.

However, on Q-o-Q basis, net sales witnessed an increase of 0.83% to Rs 662.28cr as against Rs 656.84cr in FY 2010. Operating profits surged by 1.11% to Rs 140.76cr as against Rs 139.31cr. The bottom-line decreased by 5.89% to Rs 79.86cr in Jun quarter as against Rs 84.86cr in the Mar. quarter, largely due to increase in interest cost, depreciation and tax expense.

Bio-pharma business posted 37% YoY growth in revenue during the quarter, demonstrating excellent growth in the company's core business that includes insulins, immuno-suppressants, satins and branded formulations.

The company also signed a long-term pact with the US bio-pharma firm Optimer Pharmaceuticals Inc for the commercial manufacturing of active pharma ingredient OPT80 during the quarter. The drug is among a new class of macrocyclic antibiotics and is being developed by Optimer to treat serious colon infections. It is expected to be commercialized soon.

Company's Statins segment continues to be a strong component of the business. They started a capacity optimization and expansion program last year which has begun to show results, particularly in the Hyderabad facility which began operations in this quarter.

Domestic Branded Formulations business, the existing verticals in branded formulations (Diabetology, Oncotherapeutics, Nephrology and Cardiology) has posted a combined strong YoY growth of 28%. It will launch two new divisions in Q2 FY11 – Comprehensive Care and Immunotherapy. These new divisions will target physicians and specialists in hospitals and intensive care settings. In Q2 FY11, Biocon's Nephrology division will launch Advacan, a drug for renal & heart transplant recipients. In the Cardiology segment, Clotide (Eptifibatide) and Myokinase (Streptokinase) maintain their No 1 and No 2 rankings in their respective categories.

Company's German subsidiary Axicorp has posted strong results in this quarter with a 37% YoY growth in sales. Its research services business, Syngene and Clinigene grew to combined sales of Rs 72 crores in Q1 FY11. However, operating profits were impacted by higher costs associated with integrated drug development programs that are expected to yield results in the coming quarters.

In the research pipeline, its novel pipeline has achieved significant milestones including initiation of a Phase 1 study in Type 1 diabetics for IN-105 program, under a US IND. Its novel Anti-CD6 targeting monoclonal antibody (T1h) program has started Phase III clinical trials for Psoriasis with the first set of patients being recruited and dosed.

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