

# Biocon Ltd

21<sup>st</sup> April 2010

Buy

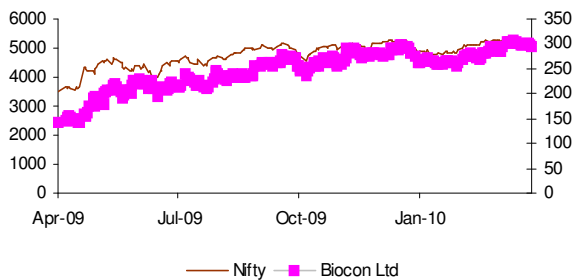
Industry	Pharmaceutical
CMP	INR 302
Target	INR 363
Upside	20%
52 week High/Low	INR 311/136
Market Cap	INR 5883
Average Weekly Volumes	745864
Industry P/E	27.7
Biocon P/E (Annualized EPS)	20.5

Source: Capitaline, unicon research

## Shareholding Pattern (as on 31/03/20)

Promoters	60.92
Institutional Investor	16.26
Public	13.68
Others	9.14

## Stock Performance (Last one year)



Source: Capitaline, unicon research

## Performance (%)

	1Month	3 Month	12Month
Biocon	0.03%	4.70%	98.58%
NIFTY	1.51%	5.32%	54.92%

Source: Capitaline, unicon research

## Analyst

Rabindra Basu

Q4FY10	Unicon Estimates	Actual Results
Revenues	6822	6568
EBITDA	1385	1304
PAT	914	806

## Q4FY10 result Update

- In line with Unicon's estimates of INR 6822, net sales grew by 40.9% YoY to INR 6568 mn in Q4FY10 vs INR 4663 mn in Q4FY09 on account of strong growth from Bio-pharmaceutical and Axicorp
- It's German subsidiary Axicorp's revenues increased 43% from INR 2483 mn in Q4FY10 vs INR 1742mn in Q4FY09. This growth was due to efficient sourcing of products for its business, restructuring of its sales force and winning the AOK, BKK & DAK tenders for several generics
- EBIDTA for the quarter stood at INR 1304 mn, below Unicon's estimate of INR 1385 mn in Q4FY10. EBIDTA grew by 45% on YoY basis.
- EBIDTA margins grew by 60 bps to 19.9% on YoY basis
- PAT grew by 223% to INR 806 mn in Q4FY10 vs INR 249 mn y-o-y below Unicon's estimate of INR 914 mn
- Margins stood at 12.3% an expansion by 700 bps as no exceptional item was reported and interest cost reduced by 46%
- Syngene its research services arm posted a top-line growth of 24% as many clients have reactivated research programs kept on hold. The commencement of operations from its recently-commissioned biologics pilot plant, coupled with formulation development and other new service offerings, positions Syngene as an ideal partner for providing high quality discovery services at competitive prices in both large & small molecules
- Biocon's strategic tie up with Mylan has started reaping its benefits. Highest ever licensing income of INR 206 mn in Q4FY10 has been reported vs INR 64mn in Q4FY09 which is accounted in its biopharmaceutical business. This income was on account of milestone payments received from its strategic tie up with Mylan and is expected to continue until the products get launched. Product launches in emerging and regulated markets are expected in the next 2 years. In this agreement, Biocon will manufacture and develop novel biologics and biosimilars while Mylan will market the products. Its tie up with Amylin and Vaccinex has enabled the company to expand its footprint in drug innovation leading to a risk balance between novel and generics programs

## Valuation and outlook

At the current market price of INR 302, the company trades a PE multiple of 20.5x its annualized EPS of INR 14.7. Thrust is being given in the US to shift to bio-similars to reduce healthcare costs. This move if implemented will benefit companies like Biocon which have built up facilities to meet various quality requirements. All the investments and strategic tie ups undertaken seem to be getting on track. Insulin, immunosuppressant are expected to boost its revenues. Its oral insulin and rheumatoid arthritis trials are on track and if successful will turn the fortunes of Biocon. Keeping in view these factors we maintain a **buy** on the stock with a target price **INR 363**



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	Q4 with Axicorp FY10	Q4 with Axicorp FY09	Growth % Y-o-Y	Q4 without Axicorp FY10	Q4 without Axicorp FY09	Growth % Y-o-Y
Net Sales	6568.0	4663.0	40.9	4085.0	2921.0	39.8
Total Expenditure	5264.0	3764.0	39.9	2879.0	2028.0	42.0
EBIDTA	1304.0	899.0	45.1	1206.0	893.0	35.1
EBIDTA %	19.9	19.3	60bps	29.5	30.6	-110bps
Depreciation	367.0	307.0	19.5	353.0	296.0	19.3
EBIT	937.0	592.0	58.3	853.0	597.0	42.9
EBIT %	14.3	12.7	160bps	20.9	20.4	50bps
Other Income	88.0	203.0	-56.7	65.0	123.0	-47.2
Interest	33.0	62.0	-46.8	28.0	52.0	-46.2
Exceptional Item	0.0	-414.0	-100.0	0.0	-414.0	-100.0
Tax	144.0	-16.0	-1000.0	87.0	-15.0	-680.0
Minority Interest	-42.0	-86.0	-51.2	-32.0	-66.0	-51.5
PAT	806.0	249.0	223.7	771.0	203.0	279.8
PAT %	12.3	5.3	700bps	18.9	6.9	1200bps
EPS	4.0	3.3	21.2	3.9	3.1	25.8



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	FY10 with Axicorp	FY09 with Axicorp	Growth % Y-o-Y	FY10 without Axicorp	FY09 without Axicorp	Growth % Y-o-Y
Net Sales	23678.0	16087.0	47.2	14606.0	11393.0	28.2
Total Expenditure	18963.0	12853.0	47.5	10381.0	8222.0	26.3
EBIDTA	4715.0	3234.0	45.8	4225.0	3171.0	33.2
EBIDTA %	19.9	20.1	-20bps	28.9	27.8	110bps
Depreciation	1401.0	1103.0	27.0	1353.0	1077.0	25.6
EBIT	3314.0	2131.0	55.5	2872.0	2094.0	37.2
EBIT %	14.0	13.2	80bps	19.7	18.4	130bps
Other Income	370.0	646.0	-42.7	325.0	544.0	-40.3
Interest	169.0	177.0	-4.5	148.0	154.0	-3.9
Exceptional Item	0.0	-1472.0	-100.0	0.0	-1472.0	-100.0
Tax	487.0	118.0	312.7	321.0	101.0	217.8
Minority Interest	-96.0	-79.0	21.5	-32.0	-45.0	-28.9
PAT	2932.0	931.0	214.9	2696.0	866.0	211.3
PAT %	12.4	5.8	660bps	18.5	7.6	1090bps
EPS	14.7	12.0	22.5	13.5	11.7	15.4



# Biocon Ltd

## Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

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