

(Investment Idea

BIOCON LIMITED

Biocon, one of India's premier biotech company has put up excellent performance during Quarter ended December '06.

Biocon's consolidated top line (including contract research) grew by 23.7 % to Rs.246.5 crore. Research Services (Contract Research revenues spurted by 125% to Rs.57.2 crore) and Biopharmaceuticals delivered strong growth supported by Statin exports to US market and technology and licensing revenues. OPM% improved to 31.4% (29.6%) due to greater contribution by high margin Research business. Raw material cost declined significantly due to backward integration on account of Biotech Park. Company aims to sustain margins going forward despite doubling of its R&D expenditure. PBT growth was subdued at 9% to Rs.57.6 crore, primarily due to increased depreciation arising from commencement of Biocon's Biotech Park. PAT (after minority interest) spurted by 26.1% to Rs.55.3 crore.

Future Outlook

• Biocon is planning to market its newly launched cancer drug BIOMAb EGFR in several Asian and African markets besides Middle East. For the Pakistan market, It has signed an exclusive licensing agreement for marketing with Ferozsons Laboratories, the oncology drug company in Pakistan. BIOMAb EGFR has already made successful debut in Indian market and will shortly commence label expansion trials for Non Small Cell Lung Cancer and Giloma.

- Company's Oral Insulin program too has successfully completed Phase I Human clinical trials and expects to enter Phase II Human Clinical Trials later this year.
- Biocon has signed an MOU for a JV with Abu Dhabi based NMC group, for strategic marketing and manufacturing a range of biopharmaceuticals for Gulf Cooperation Council Companies.
- Company will be incurring capex of Rs.100 crore in FY08.
- Over next few years, Biocon is targeting to grow topline @ CAGR of ~25% and bottomline @ CAGR of ~30% with increasing contribution from high value added products.

At CMP of Rs. 410/-, the share (Rs.5/- paid up) is trading at 20.5 times FY 2007 expected Consolidated EPS of Rs. 20/- and 14.1 times FY 2008 Expected Consolidated EPS of Rs.29. In view of excellent business prospects, we recommend to "BUY" the share at CMP.

Disclosures:

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