

BIOCON LTD

Neutral

24-Oct-16

Company Update

CMP	1003
Target Price	
Previous Target Price	880
Upside	
Change from Previous	-

Market Data

BSE Code	532523
NSE Symbol	BIOCON
52wk Range H/L	1020/431
Mkt Capital (Rs Cr)	20,117
Av. Volume(,000)	110
Nifty	8,693

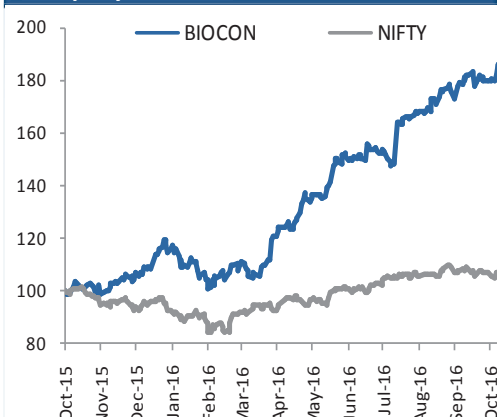
Stock Performance

	1M	3M	12M
Absolute	4.4	128.4	111.5
Rel.to Nifty	6.4	122.1	94.9

Share Holding Pattern-%

	2QFY17	1QFY17	4QFY16
Promoters	60.7	60.7	60.7
Public	37.5	37.4	37.4
Others	1.8	1.9	--
Total	100.0	100.0	100.0

Company Vs NIFTY



Biocon has reported Revenue of Rs. 946 Cr(up by 20%) as compared to revenue of Rs. 789 Cr in the corresponding quarter of FY16. Revenue of the Business has declined by 4% in 2QFY17 as compared to the 1QFY17. The business was impacted as some of the key products were brought under drug price control in India by Drug Price Control Orders (DPCO). Company has also discontinued Abraxane drug, which is one of the key products in the company's Oncology portfolio. This was a product that Biocon had in-licensed from Abraxis Biosciences and this company got acquired from Celgene thereafter. Celgene has decided, for strategic reasons to discontinue this product for supplies to Biocon. Company is expected to launch some key products later this financial year but did not mention its market size so we need to wait to get some clarity regarding that to judge full potential of it. Considering mid-term uncertainties we maintain 'Neutral' rating on this stock.

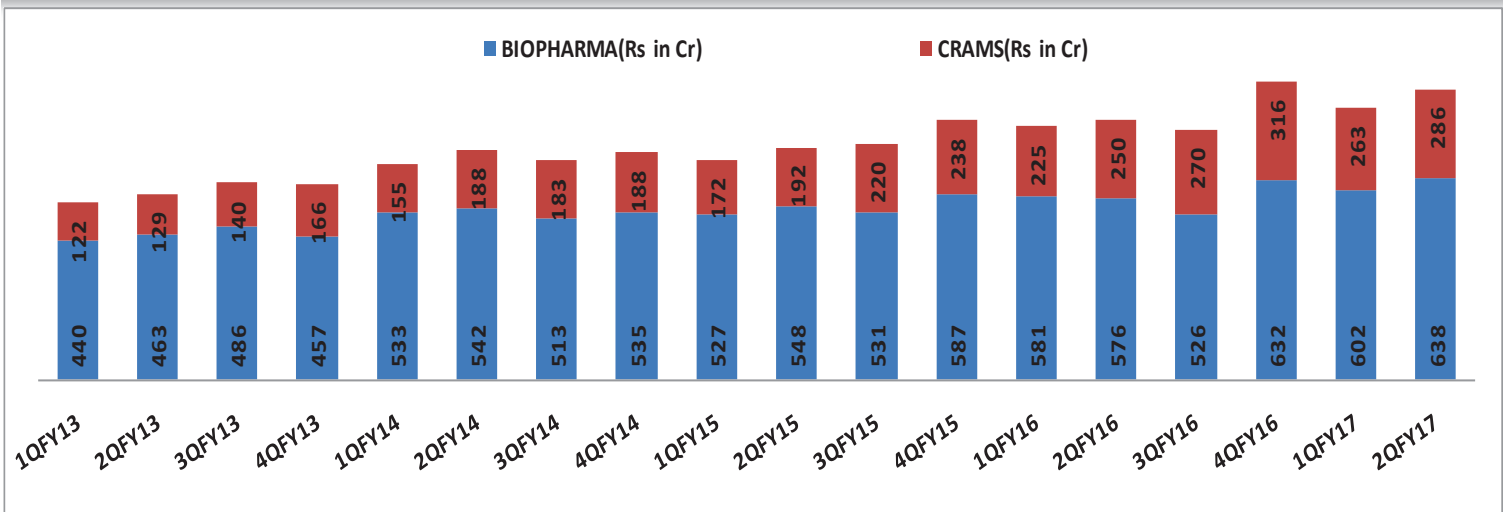
Q2FY17_Result Update

- EBITDA rose 45% to Rs 277 Cr; Net Profit stood at Rs 147 Cr a growth of 52% over last year.
- Small Molecules business has reported revenue of Rs 389 Cr, a growth of 15% led by a better product-mix of differentiated APIs and a higher contribution from statins.
- Net R&D expenditure during the quarter stood at Rs. 65 Cr, an increase of 14% YOY. At a Gross level, R&D spends in Q2 were Rs 113 Cr.
- Novel Biologics and Biosimilars reported a growth of 26% at Rs 96 Cr on account of good performance in key emerging markets.
- Branded Formulations business includes our finished dosages business in India and overseas including UAE. Q2 FY17 sales at Rs 137 Cr reported a growth of 15%.
- Licensing Income this quarter stood at Rs 32 Cr while Other Income reported was Rs 52 Cr.
- Research business through Syngene reported revenue of Rs. 286 Cr (up by 14%) as compared to the revenue of Rs.250 Cr in the corresponding quarter of FY16.

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	2148	2538	2933	3143	3570
EBITDA	517	475	518	617	784
Net Profit	338	509	414	497	896
EPS	17	25	21	25	30
P/E	14.1	10.8	20.5	18.9	19.0

(Source: Company/Eastwind)

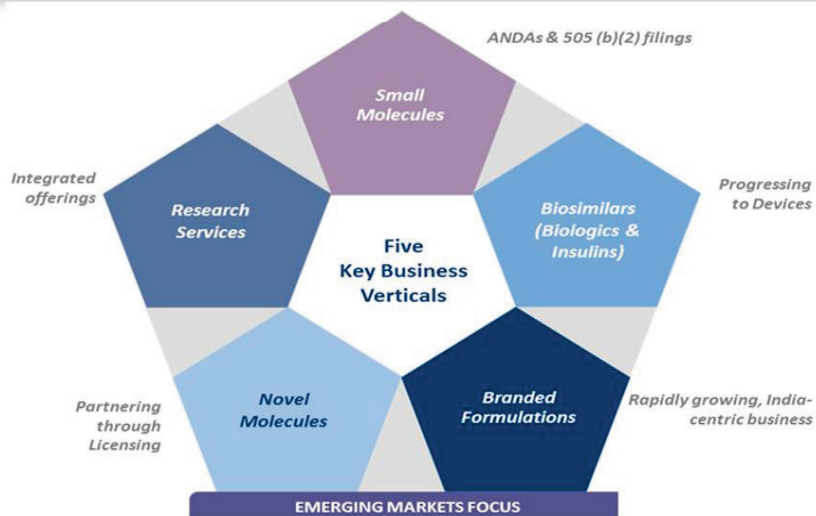
Segment Revenue



Management Speak/ Key take aways From Conference call

- Biocon will soon file for Trastuzumab in the US market. Currently, the company is waiting to get marketing rights for the drug in Europe in the next 12-18 months.
- Management is on track to generate 1000 Cr Revenue from branded formulation segment till FY19
- European Medicines Agency (EMA) accepted for review Marketing Authorization Application (MAA) for proposed biosimilar Trastuzumab co-developed by Biocon and Mylan; first MAA for Trastuzumab biosimilar to be submitted in the regulated markets
- Biocon's partner Fujifilm has launched Ready to use prefilled Insulin Glargine Pen in Japan in Earlier this Year . This device has been accepted by Doctors & Patients . Commercialization of this device will soon begin in EU & US
- Our Malaysia facility has been approved. We expect commercial sales to start from that plant in H2
- Biocon has stopped Abraxane, a drug in its cancer portfolio, in Q2. No sales were factored in the last quarter and no sales will be for next two quarters as well. The loss for the drug will be around Rs 75 crore for Biocon

BUSINESS MODEL



For reporting purpose, Biocon classifies its operations into four segments i.e. Small Molecules, Biologics, Branded Formulations and Research Services.

Small Molecules includes API's ,immunosuppressants & Generic formulations business

Biologics vertical comprises Novel biologics and Biosimilars, recombinant proteins including rh-insulin, insulin analogs, monoclonal antibodies

Branded Formulations includes finished dosages

Research Services business through Syngene

Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	2,485	2,877	3,090	3,485
Other Income	53	56	53	85
Total Revenue	2,538	2,933	3,143	3,570
COGS	1,045	1,186	1,256	1,330
GPM	42%	41%	41%	38%
Other Expenses	576	707	737	831
EBITDA	475	518	564	688
EBITDA Margin (%)	19%	18%	18%	20%
Depreciation	179	204	221	242
EBIT	296	315	343	446
Interest	8	2	9	10
PBT	408	538	519	652
Tax	98	107	96	257
Tax Rate (%)	24%	20%	18%	39%
Reported PAT	509	414	497	896
Dividend Paid	116	175	119	119
No. of Shares	20	20	20	20

Source: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16
EPS	25	21	25	45
Book Value	135	151	164	203
DPS	6	9	6	6
Payout (incl. Div. Tax.)	0.23	0.42	0.24	0.13
Valuation(x)				
P/E	11	21	19	11
Price / Book Value	2	3	3	2
Dividend Yield (%)	2%	2%	1%	1%
Profitability Ratios				
RoE	19%	14%	15%	22%
RoCE	10%	9%	8%	7%
Turnover Ratios				
Asset Turnover (x)	0.56	0.50	0.48	0.41
Debtors (No. of Days)	75	76	91	86
Inventory (No. of Days)	59	48	53	54
Creditors (No. of Days)	51	44	51	57
Net Debt/Equity (x)	0	0	0	1

Source: Eastwind/Company

BALANCE SHEET

	FY13	FY14	FY15	FY16
Share Capital	100	100	100	100
Reserves and surplus	2,595	2,927	3,171	3,956
Shareholders' funds	2,695	3,027	3,271	4,056
Long term Debt	164	606	770	2,072
Total Borrowings	249	850	1,031	2,467
Non Current liabilities	502	656	608	415
Long term provisions	4	8	15	29.9
Short term Provisions	247	177	158	88
Current liabilities	905	1,136	1,294	1,233
Total liabilities	4,416	5,751	6,375	8,482
Net Fixed Assets	1,823	2,731	3,307	3,910
Non Current Investments	65	65	-	-
Other non Current assets	41	47	137	166
Current assets	2,240	2,639	2,563	3,993
Total Assets	4,416	5,751	6,375	8,482

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	610	538	624	1,227
Depreciation	179	204	221	242
Direct Taxes Paid	(94)	(149)	(133)	(247)
Operating profit before v	758	672	698	818
CF from Op. Activity	471	561	211	526
Proceeds from sale of Cu	1,904	1,642	2,943	2,784
Capital expenditure on fi	(359)	(789)	(838)	(811)
CF from Inv. Activity	(376)	(938)	(509)	(954)
Repayment of Long Term	(21)	(19)	(15)	(54)
Interest Paid	(8)	(1)	(1)	(11)
Divd Paid (incl Tax)	(100)	(150)	(100)	(200)
CF from Fin. Activity	(9)	426	186	1,087
Inc/(Dec) in Cash	87	49	(112)	659
Add: Opening Balance	387	508	574	468
Closing Balance	474	557	463	1,127

Source: Eastwind/Company