

RESEARCH REPORT

BIOCON LTD



PREPARED BY:

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About

Biocon is engaged in the business of manufacture of biotechnology products and research services.

Key Business

- Biosimilars
- Research Services
- Generics
- Novel Biologics

Synopsis of Financials

- 9% year-on-year revenue growth in Q4 with impact of lower demand for research services in the U.S.
- Acquisition of biologics manufacturing facility from Stelis Biopharma.
- Diverse business platform with strong growth in biomanufacturing.
- Acquisition of land in Genome Valley in Hyderabad for long-term growth.
- Expected completion of facility modifications and qualification in fiscal '25.
- Encouraging new funding in the U.S. biotech sector.
- Syngene expects revenue growth at single digit to low double digits for fiscal '25 on a constant currency basis.
- Operating EBITDA margin to be similar to fiscal '24 levels.
- Net profit growth expected in single digits.
- Overall Performance:
 - Balanced progress in all core business verticals with operational successes and advances in preparation for future growth.
 - Facing and addressing operational challenges.
 - Positive momentum across Generics, Biosimilars, and Syngene.
 - Expectations for growth opportunities in the near term and beyond.
 - Strong focus on new product launches, market expansion, and cost control initiatives.

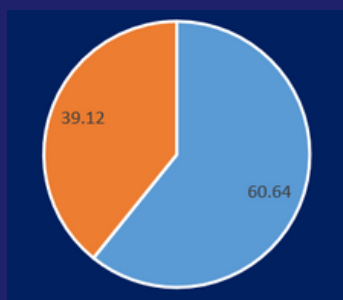
Stock data (as 11th Nov 2024)

Nifty Price	: 24,227.40
52 week High (in Rs.)	: 396
52 week Low (in Rs.)	: 224
Market Cap. (in Crore)	: ₹ 40,886 Cr.
NSE Code	: BIOCON



-NIFTY50
-BIOCON

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	8,184	11,174	14,756
Sales Growth %	14.57%	36.54%	32.05%
Expenses	6,391	8,762	11,540
Operating Profit	1,793	2,412	3,216
OPM %	22%	22%	22%
Net Profit	772	643	1,298
EPS in Rs	5.40	3.85	8.52

Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	2,320	2,941	3,774	3,423	3,462	3,954	3,917
Expenses	1,877	2,352	2,817	2,741	2,745	3,051	3,004
Operating Profit	442	589	957	681	717	903	913
OPM %	19%	20%	25%	20%	21%	23%	23%
Other Income	48	-193	152	94	134	587	40
Interest	30	120	249	233	248	267	227
Depreciation	231	301	364	358	389	414	407
Profit before tax	229	-26	497	184	214	808	319
Tax %	64%	-19%	17%	19%	19%	7%	30%
Net Profit	82	-21	414	149	173	753	223

Source: Screener

Key Ratios

Key Financial Ratios

Particulars	FY24	FY23
Debtors days	117	96
Inventory days	240	195
Current ratio	1.2	1.45
Debt equity ratio	0.8	1.0
Operating profit margin (%)#	27%	25%
Net profit margin (%)*	7%	7%
Return on investment^	5%	4%

Source: Annual Report

Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	600	600	600
Reserves	7,832	17,267	19,183
Borrowings	5,147	18,019	16,277
Other Liabilities	6,763	15,856	19,693
Total Liabilities	20,342	51,742	55,753
Fixed Assets	6,569	29,468	30,644
CWIP	4,110	7,317	7,993
Investments	1,588	2,069	1,000
Other Assets	8,074	12,888	16,117
Total Assets	20,342	51,742	55,753

Synopsis Quarter Results

Key Highlights

Generics Business:

- Encouraging growth in formulations business expansion with new product launches and strengthening U.S. business footprint.
- Challenges in API business leading to a 1% year-on-year growth.
- Landmark success in securing approval for Liraglutide in the U.K.
- Focus on building formulation capabilities and product range.
- Maintained core EBITDA margins despite challenges.
- Regulatory approvals for various products across global markets.
- Acquisition of U.S. manufacturing facility in New Jersey.
- Facility in Vizag received Certificate of Suitability from EDQM.
- Peptide facility in Bengaluru completed process validation activities.
- Continued focus on enhancing capacities and capabilities.
- Expect formulations to be key growth driver in fiscal '25.

Biosimilars Business:

- Completed transition of acquired Biosimilar business globally with strong revenue growth momentum and volume growth.
- Improved market shares in all regions, especially in the U.S.
- Crossed USD 1 billion revenue threshold.
- Inertia in biosimilar Adalimumab market in the U.S.
- Prepaid USD 250 million of acquisition-related balance sheet debt.
- Strategic collaboration with Eris Lifesciences in India.
- Positive performance in Europe and Emerging Markets.
- Regulatory updates and agreements for Ustekinumab and Aflibercept.
- Appointment of Dwight Hanshaw as Chief Quality Officer.
- Focus on leveraging fully integrated model for growth and new product launches.
- R&D investments expected to be in the 8% to 9% of revenues range.

Overall Performance:

- Balanced progress in all core business verticals with operational successes and advances in preparation for future growth.
- Facing and addressing operational challenges.
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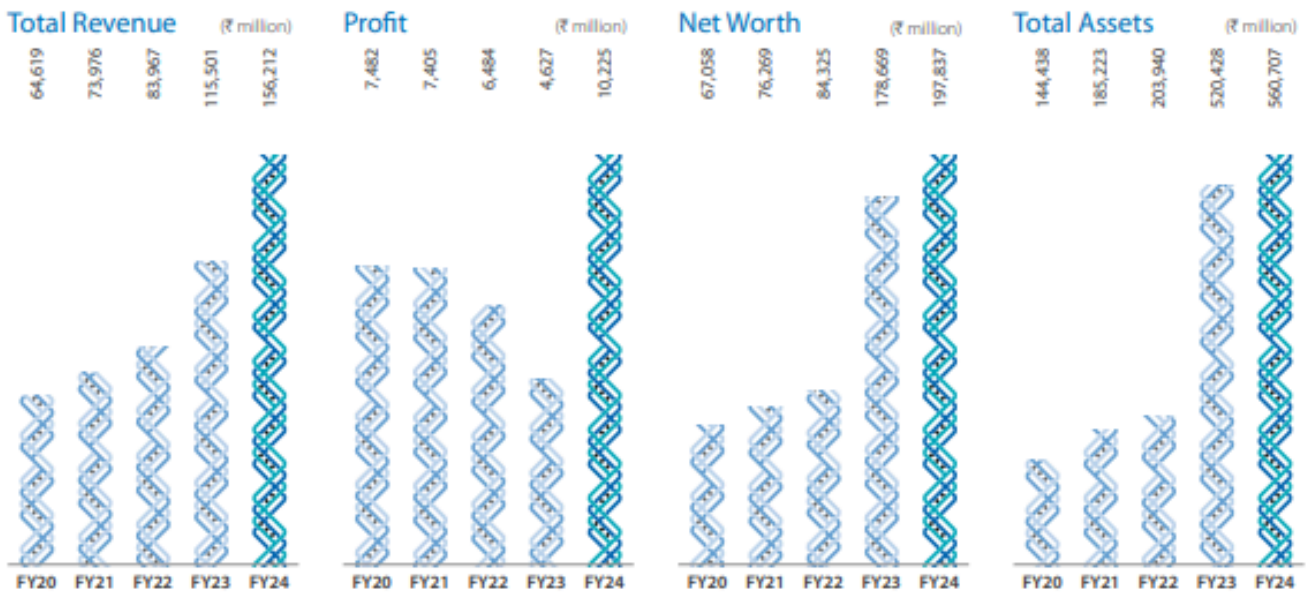
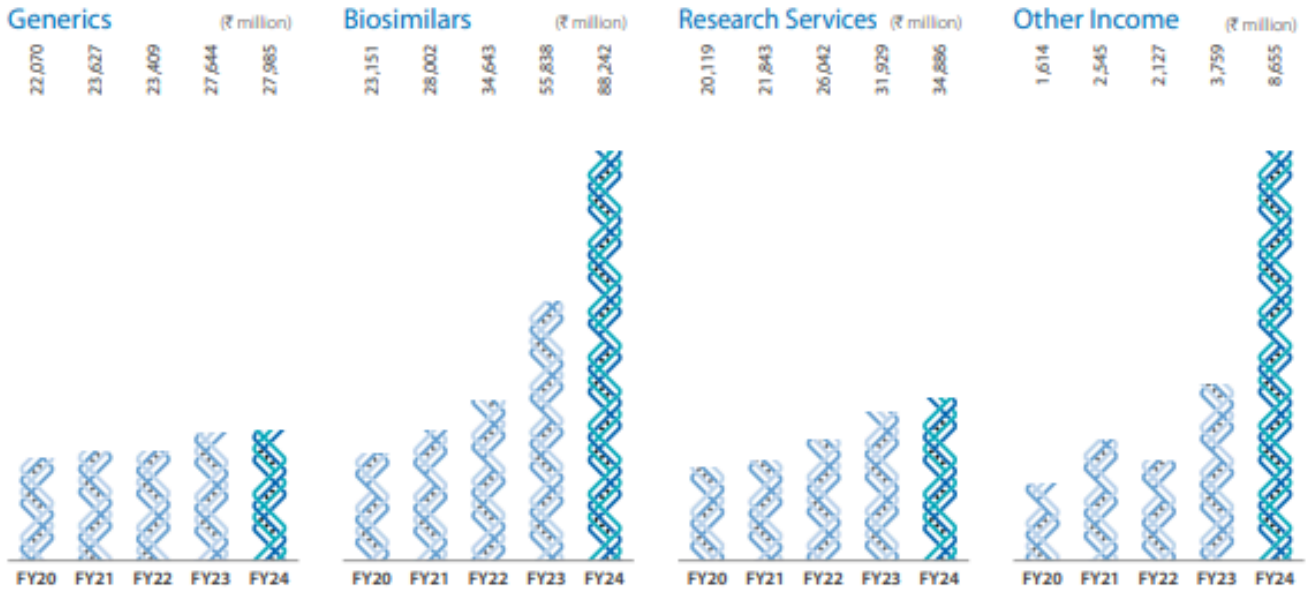
Commercial Biosimilars in the U.S.:

- Good pickup seen in products like Ogivri, Fulphila, and Semglee.
- New product launches expected to have a major impact in fiscal '26.
- Market opening up for Adalimumab in calendar year 2025.
- Efforts ongoing to secure payer coverage for Adalimumab.

Revenue Highlights

Five-Year Financial Summary

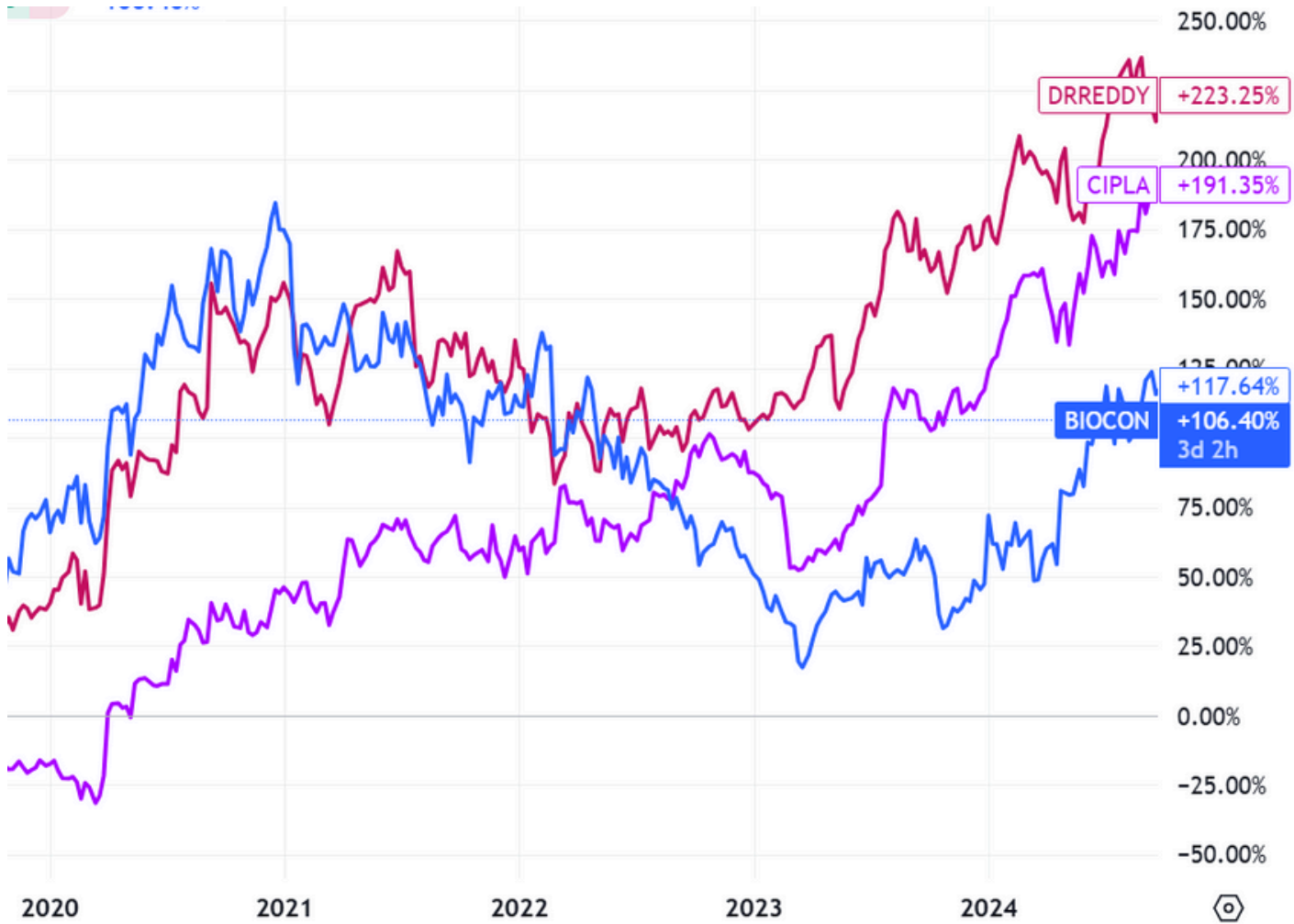
Segment-Wise Revenue**



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Cipla	1561.70	27.37	126122.20	0.82	1305.01	15.18	7051.02	5.58	22.80
Dr Reddy's Labs	1285.55	20.13	107264.33	0.63	1341.90	-15.28	8038.20	16.45	26.53
Biocon	349.50	29.08	41960.89	0.16	27.10	-85.63	3590.40	3.70	5.96

Source: Screener

Final Outlook

BIOCON: SELL | LTP: 349.15



Descending Channel Pattern:

Biocon's price is moving within a descending channel, indicating a bearish trend in the short term. The upper and lower channel lines provide resistance and support levels, respectively. It recently touched the lower boundary of this channel near the ₹315 support level and bounced slightly, which suggests some buying interest at this level.

Support and Resistance Levels:

Support: The primary support level lies around ₹305, and a secondary support zone is observed near ₹315 (within the grey shaded area), which has acted as a strong buying zone historically.

Resistance: The price has resistance around ₹340.70 and ₹367.30. A break above these levels could indicate a potential reversal in the downtrend.

Exponential Moving Averages (EMA):

The chart displays the 9-day and 20-day EMAs, with the 9-day EMA currently around ₹328.43 and the 20-day EMA around ₹338.21.

Since the 9-day EMA is below the 20-day EMA, it signals bearish momentum. A crossover above the 20-day EMA could signal the start of a bullish reversal.

Volume Analysis:

Volume levels (shown as bars at the bottom) indicate trading interest. Although volume has picked up slightly, it's still not at levels that might suggest a strong trend reversal.

Higher volume on green candles could indicate accumulating interest from buyers, especially if the price breaks above key resistance.

I will give **Sell** Recommendation for this stock

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