



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Management Visit@ Dalal & Broacha

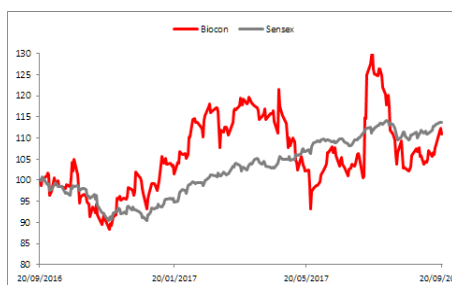
Buy on Dips

Current Price	355
Target Price	420
Upside/Downside	18%
52 Week Range	424/268

Key Share Data

Market Cap (Rs.bn)	217
Market Cap (US\$ mn)	3378
No of o/s shares (mn)	600
Face Value	5
Monthly Avg.vol (BSE+NSE) Nos'000	2107
BSE Code	532523
NSE Code	BIOCON
Bloomberg	BIOS IN Equity

Price performance



% Shareholding	Jun-17	Mar-17
Promoters	60.67	60.68
FII	15.07	17.71
DII	3.37	1.57
Others	20.89	20.04
Total	100	100

Key Financials

Year	Net sales	% Growth	EBIDTA	OPM (%)	PAT ex EI	PAT incl EI	% Growth	EPS*	PE (x)	RoE (%)	RoCE (%)
FY16	33,372.0	8.0	7,240.0	21.7	2,441.0	8,195.0	(37.8)	41.0	8.4	7.9	15.3
FY17	38,763.0	16.2	9,342.0	24.1	6,121.0	6,121.0	150.8	30.6	11.3	13.9	8.9
FY18E	46,188.9	19.2	10,615.0	23.0	4,702.3	4,702.3	(23.2)	7.8	44.0	10.7	7.5
FY19E	58,980.9	27.7	15,410.6	26.1	7,871.6	7,871.6	67.4	13.1	26.3	15.6	13.1

* Adjusted for bonus in the proportion of 2:1

We met the management of Biocon.

Key takeaways from our meeting were as follows:

1. The company has received EU GMP approval for its Malaysian facility manufacturing insulins. Insulins currently comprise 15% of consolidated revenues of Rs 3876 crs. The approval to the facility precedes the EMA approval for Glargine, expected around Q4FY18. Glargine has a market size of \$1bn in Europe.
2. Biocon expects to complete CAPA implementation by September. The company expects to receive an establishment inspection report (EIR) from USFDA in due course.
3. Regarding observations from NSM for EU, Biocon has completed the implementation of CAPA. The company expects to refile for Trastuzumab and Pegfilgrastim for Europe by Q4FY18.
4. The target action date from USFDA for Trastuzumab and Pegfilgrastim is December 3 and October 9 respectively. The company expects to commence supplies by H1FY19.
5. Biocon has tied up with (JDRF) for funding of its clinical trials of IN 105 (Tregopil) for type I diabetes in Europe. For type II diabetes, the company has filed for Phase II and III trials in India.

Outlook & Valuation

We are positive on the developments at Biocon. With approvals pending for Glargine (EU), Trastuzumab and Pegfilgrastim (US), and supplies expected to commence by H1FY19, FY19 will be a year of partial scale up and margin improvement. At Rs 355, Biocon trades at 26x FY19E EPS of Rs 13.1. We remain overweight on Biocon with a target price of Rs 420.



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BIOCON FINANCIALS									
P&L (Rs mn)	FY16	FY17	FY18E	FY19E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18E	FY19E
Net Sales	33,372.0	38,763.0	46,188.9	58,980.9	Net Profit	8,195.0	6,121.0	4,702.3	7,871.6
Raw materials	(14,805.0)	(16,109.0)	(19,891.8)	(25,231.9)	Add: Dep. & Amort.	2,423.0	2,772.0	4,866.3	4,648.7
Employee costs	(5,582.0)	(6,872.0)	(7,902.8)	(9,088.2)	Cash profits	10,618.0	8,893.0	9,568.6	12,520.3
Other Expenses	(3,003.0)	(3,778.0)	(4,155.8)	(4,571.4)	(Inc)/Dec in				
Research & Devt	(2,742.0)	(2,662.0)	(3,623.6)	(4,678.8)	-Sundry debtors	560.0	(1,687.0)	(3,189.8)	(3,329.4)
Cost of sales	(26,132.0)	(29,421.0)	(35,573.9)	(43,570.4)	-Inventories	(897.0)	(929.0)	(1,622.3)	(2,141.1)
Operating Profit	7,240.0	9,342.0	10,615.0	15,410.6	-Loans/advances	1,279.0	(672.0)	(779.8)	(935.8)
Depreciation	(2,423.0)	(2,772.0)	(4,866.3)	(4,648.7)	-Sundry creditors	1,805.0	1,299.0	232.7	2,048.3
PBIT	4,817.0	6,570.0	5,748.6	10,761.8	-Others	(7,500.0)	1,866.0	1,562.0	1,874.4
Other income	1,230.0	2,024.0	2,327.6	2,560.4	Change in WC	(4,753.0)	(123.0)	(3,797.2)	(2,483.6)
Interest	(293.0)	(260.0)	(551.4)	(551.4)	CF from Oper. activities	5,865.0	8,770.0	5,771.4	10,036.7
Profit before tax	5,754.0	8,334.0	7,524.9	12,770.8	CF from Inv. activities	(15,416.0)	(9,440.0)	(5,598.0)	(5,065.0)
Provision for tax	(2,569.0)	(1,616.0)	(2,182.2)	(4,214.4)	CF from Fin. activities	14,476.0	(1,839.0)	(2,782.8)	(2,761.1)
Profit after Tax	3,185.0	6,718.0	5,342.7	8,556.5	Cash generated/(utilised)	4,925.0	(2,509.0)	(2,609.4)	2,210.7
Minority Interest	(744.0)	(760.0)	(836.0)	(919.6)	Cash at start of the year	9,375.0	15,386.0	10,443.0	7,994.4
Share of Profit	-	163.0	195.6	234.7	Cash at end of the year	15,386.0	10,443.0	7,994.4	10,398.1
Adjusted PAT	2,441.0	6,121.0	4,702.3	7,871.6	Ratios	FY16	FY17	FY18E	FY19E
Extraordinary Items	5,754.0	-	-	-	OPM	21.7	24.1	23.0	26.1
Reported PAT	8,195.0	6,121.0	4,702.3	7,871.6	NPM	23.7	15.0	9.7	12.8
Balance Sheet	FY16	FY17	FY18E	FY19E	Tax rate	(44.6)	(19.4)	(29.0)	(33.0)
Equity capital *	1,000.0	1,000.0	3,000.0	3,000.0	Growth Ratios (%)				
Reserves	39,338.0	47,377.0	47,079.3	51,950.9	Net Sales	8.0	16.2	19.2	27.7
Net worth	40,338.0	48,377.0	50,079.3	54,950.9	Operating Profit	4.1	29.0	13.6	45.2
Def. Tax Liab.+Minority Int.	3,623.0	4,725.0	5,101.1	5,514.8	PAT excl. EI	(37.8)	150.8	(23.2)	67.4
Secured loans	20,724.0	21,082.0	21,082.0	21,082.0	Per Share (Rs.)*				
Unsecured loans	3,949.0	972.0	972.0	972.0	Net Earnings (EPS)	41.0	30.6	7.8	13.1
Total debt	24,673.0	22,054.0	22,054.0	22,054.0	Cash Earnings (CPS)	53.1	44.5	15.9	20.9
Other liab	3,905.0	3,579.0	4,294.8	5,153.8	Dividend	10.0	10.0	5.0	5.0
CAPITAL EMPLOYED	72,539.0	78,735.0	81,529.2	87,673.4	Book Value	201.7	241.9	83.5	91.6
Gross block	33,113.0	53,269.0	69,519.0	71,519.0	Free Cash Flow	(47.8)	(3.4)	0.3	8.3
Accumulated depreciation	(16,302.0)	(17,740.0)	(22,606.3)	(27,255.1)	Valuation Ratios				
Net block	16,811.0	35,529.0	46,912.7	44,263.9	P/E(x)	8.4	11.3	44.0	26.3
Capital WIP	20,597.0	5,327.0	-	2,000.0	P/B(x)	1.7	1.4	4.1	3.8
Total fixed assets	37,408.0	40,856.0	46,912.7	46,263.9	EV/EBIDTA(x)	10.8	8.6	7.8	5.2
Intangible Assets	2,470.0	3,787.0	3,787.0	3,787.0	EV/SALES (x)	2.3	2.1	1.8	1.4
Investments	9,015.0	12,538.0	7,213.0	8,278.0	Div. Yield(%)	2.9	2.9	1.5	1.5
Other non current assets	2,287.0	2,775.0	3,330.0	3,996.0	FCF Yield(%)	(13.9)	(1.0)	0.1	2.4
Inventories	5,424.0	6,353.0	7,975.3	10,116.4	Return Ratios (%)				
Sundry debtors	7,145.0	8,832.0	12,021.8	15,351.2	ROE	7.9	13.9	10.7	15.6
Cash & bank	15,386.0	10,443.0	7,994.4	10,398.1	ROCE	15.34	8.88	7.52	13.10
Loans & advances	3,227.0	3,899.0	4,678.8	5,614.6					
Other current assets	2,219.0	1,589.0	1,747.9	1,922.7					
Sundry creditors	(6,098.0)	(7,397.0)	(7,629.7)	(9,678.0)					
Acceptances	(5,271.0)	(6,982.0)	(8,378.4)	(10,054.1)					
Provisions	(673.0)	(828.0)	(993.6)	(1,192.3)					
Working capital	21,359.0	18,779.0	20,286.5	25,348.5					
CAPITAL DEPLOYED	72,539.0	78,735.0	81,529.2	87,673.4					

* Increase in Equity on account of bonus issue in the proportion of 2:1



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