



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Charulata Gaidhani (022) 67141446

## Result update@ Dalal & Broacha

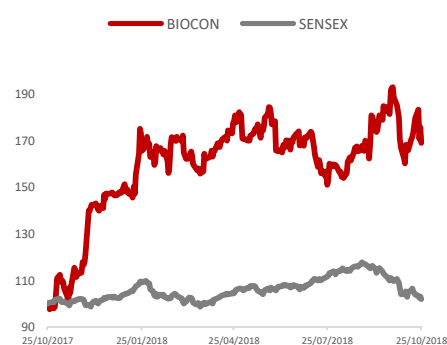
### BUY

Current Price	620
Target Price	<b>735</b>
Upside/Downside	19%
52 Week Range	718/343

### Key Share Data

Market Cap (Rs.bn)	370.50
Market Cap (US\$ mn)	5048
No of o/s shares (mn)	600
Face Value	5
Monthly Avg.vol (BSE+NSE) Nos'000	2808
BSE Code	532523
NSE Code	BIOCON
Bloomberg	BIOS IN Equity

### Price performance



### % Shareholding

	Sep-18	Jun-18
Promoters	60.67	60.67
FII	17.20	16.45
DII	3.24	3.12
Others	18.89	19.73
<b>Total</b>	<b>100</b>	<b>100</b>

### 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	15.1	7.9	15.3
FY17	39,216.0	17.5	9,795.0	25.0	6,121.0	6,121.0	150.8	30.6	20.3	13.9	9.5
FY18	41,297.0	5.3	8,354.0	20.2	3,787.0	3,787.0	(39.2)	6.3	98.2	8.5	6.0
FY19E	51,280.0	24.2	11,028.9	21.5	7,811.0	7,811.0	109.7	13.0	47.6	10.7	8.4
FY20E	61,517.7	20.0	14,351.8	23.3	11,442.1	11,442.1	46.5	19.1	32.5	12.6	11.1

\*Adjusted for bonus in the proportion of 2:1

Biocon Q2FY19 results were far better than expectations. The traction in Biologics segment due to Mylan's launch of pegfilgrastim in the US, and strong sales in Insulin and MABs in key emerging markets, improved profitability.

### Scale up in biologics on Pegfilgrastim launch, better mix improves profitability

Revenues increased 36% to Rs 13210 mn due to growth across businesses namely biologics (136% on low base), small molecules (23%) and research services (24%). The branded formulations business de-grew 7% to Rs 1639 mn.

EBITDA increased 86% to Rs 3349 mn. EBITDA margins were 690 bps higher at 25.7%. After marginally higher interest and depreciation, PBT grew 109% to Rs 2630 mn.

PAT increased 141% to Rs 1659 mn. There was an exceptional income of Rs 1888 mn on account of profits from the sale of 7.5 mn shares of Syngene.

EPS for the quarter was at Rs 5.9.

### Key business developments

- Mylan launched **FULPHILA** (Pegfilgrastim) in the US market.
- The EMA announced positive opinion on Biocon + Mylan's MAA for Trastuzumab and Pegfilgrastim. The company expects approval by December'18.
- Mylan launched Adalimumab in Europe. Biocon will receive share of profit for the same.
- Biocon's partner Equillum's application for Investigational New Drug (IND) of Itolizumab was accepted by the USFDA. Equillum has raised \$65 mn through an IPO to fund the trial.
- The company expects to launch SEMGLEE (Glargine) in Europe by end CY2018.
- The Malaysia facility is expected to break even in FY19.
- The company is in the process of site transfer of Glargine from Bengaluru to Malaysia.
- The trial for Tregopil IN 105 in India is progressing well.

### Outlook & Valuation

We are highly positive on the performance of Biocon. The launch of pegfilgrastim in the US and traction across businesses have helped scale up in operations. With Trastuzumab pending launch in the US, and some more approvals expected from USFDA and EMA, Biocon is well poised to scale up to its next level. At Rs 620, Biocon trades at 32x FY20E EPS of Rs 19.1. We recommend investors to BUY Biocon with a target price of Rs 735.



## Q2FY19 Results

Particulars	Q2FY19	Q1FY19	Q2FY18	% yoy	% qoq	FY18	FY17
<b>Net Sales</b>	<b>13210.0</b>	<b>11238.0</b>	<b>9686.0</b>	<b>36%</b>	<b>18%</b>	<b>41297.0</b>	<b>39216.0</b>
Raw Material Consumed	(4467.0)	(4339.0)	(3776.0)			(16361.0)	(14466.0)
Employee Expenses	(2889.0)	(2614.0)	(2255.0)			(9311.0)	(7470.0)
Research & Development Exps	0.0	(440.0)	(539.0)			(2160.0)	(2690.0)
Other Expenses	(2458.0)	(1467.0)	(1293.0)			(5111.0)	(4490.0)
Excise	0.0	0.0	0.0				
Total Exp	(9814.0)	(8860.0)	(7863.0)	<b>25%</b>	<b>11%</b>	(32943.0)	(29116.0)
<b>PBDIT</b>	<b>3396.0</b>	<b>2378.0</b>	<b>1823.0</b>	<b>86%</b>	<b>43%</b>	<b>8354.0</b>	<b>10100.0</b>
<i>OPM (%)</i>	<i>25.7%</i>	<i>21.2%</i>	<i>18.8%</i>			<i>20.2%</i>	<i>25.8%</i>
Other Income	544.0	688.0	508.0			5887.0	8334.0
Interest	(188.0)	(176.0)	(138.0)			(615.0)	(260.0)
Depreciation	(1122.0)	(991.0)	(936.0)			(3851.0)	(2772.0)
<b>Profit before tax</b>	<b>2630.0</b>	<b>1899.0</b>	<b>1257.0</b>	<b>109%</b>	<b>38%</b>	<b>5887.0</b>	<b>8334.0</b>
Tax (incl. on exceptional income)	(732.0)	(521.0)	(425.0)			(1569.0)	(1616.0)
Profit After tax	1898.0	1378.0	832.0	<b>128%</b>	<b>38%</b>	4318.0	6718.0
<i>NPM (%)</i>	<i>14.4%</i>	<i>12.3%</i>	<i>8.6%</i>			<i>8.5%</i>	<i>15.2%</i>
Less: Minority interest	(230.0)	(186.0)	(203.0)			(807.0)	(760.0)
<b>PAT</b>	<b>1668.0</b>	<b>1192.0</b>	<b>629.0</b>			<b>3511.0</b>	<b>5958.0</b>
Share of Profit	(9.0)	5.0	59.0			213.0	163.0
Extraordinary Items after tax	1888.0	0.0	0.0			0.0	0.0
<b>Adjusted PAT</b>	<b>3547.0</b>	<b>1197.0</b>	<b>688.0</b>	<b>416%</b>	<b>196%</b>	<b>3724.0</b>	<b>6121.0</b>
<i>Adj. NPM (%)</i>	<i>26.9%</i>	<i>10.7%</i>	<i>7.1%</i>			<i>9.0%</i>	<i>15.6%</i>
Other Comprehensive Income	0.0	0.0	20.0				
<b>Total Comprehensive Income</b>	<b>3547.0</b>	<b>1197.0</b>	<b>708.0</b>				
Equity *	600	600	600			600	200
EPS - Diluted (Rs)	5.9	2.0	1.1			6.2	30.6

\* Increase in Equity through bonus issue of 2:1



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BIOCON FINANCIALS											
P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	33,372.0	39,216.0	41,297.0	51,280.0	61,517.7	Net Profit	8,195.0	6,121.0	3,724.0	7,811.0	11,442.1
Raw materials	(14,805.0)	(16,109.0)	(16,361.0)	(20,616.1)	(24,324.8)	Add: Dep. & Amort.	2,423.0	2,772.0	3,851.0	4,291.1	4,411.1
Employee costs	(5,582.0)	(6,872.0)	(9,311.0)	(10,987.0)	(12,635.0)	<b>Cash profits</b>	<b>10,618.0</b>	<b>8,893.0</b>	<b>7,575.0</b>	<b>12,102.1</b>	<b>15,853.2</b>
Other Expenses	(3,003.0)	(3,778.0)	(5,111.0)	(6,133.2)	(7,053.2)	(Inc)/Dec in					
Research & Devt	(2,742.0)	(2,662.0)	(2,160.0)	(2,514.8)	(3,152.9)	-Sundry debtors	560.0	(1,687.0)	(1,807.0)	(1,302.9)	(2,384.1)
Cost of sales	(26,132.0)	(29,421.0)	(32,943.0)	(40,251.1)	(47,165.9)	-Inventories	(897.0)	(929.0)	(872.0)	(2,311.0)	(1,863.5)
<b>Operating Profit</b>	<b>7,240.0</b>	<b>9,795.0</b>	<b>8,354.0</b>	<b>11,028.9</b>	<b>14,351.8</b>	-Loans/advances	1,279.0	(1,264.0)	224.0	(853.4)	(1,024.1)
Depreciation	(2,423.0)	(2,772.0)	(3,851.0)	(4,291.1)	(4,411.1)	-Sundry creditors	1,805.0	1,299.0	2,656.0	941.1	1,977.8
PBIT	4,817.0	7,023.0	4,503.0	6,737.8	9,940.7	-Others	(7,500.0)	2,893.0	1,898.0	2,147.0	2,576.4
Other income	1,230.0	1,571.0	2,062.0	2,268.2	2,495.0	Change in WC	(4,753.0)	312.0	2,099.0	(1,379.2)	(717.5)
Interest	(293.0)	(260.0)	(615.0)	(572.5)	(572.5)	<b>CF from Oper. activities</b>	<b>5,865.0</b>	<b>9,205.0</b>	<b>9,674.0</b>	<b>10,723.0</b>	<b>15,135.7</b>
Profit before tax	5,754.0	8,334.0	5,950.0	8,433.5	11,863.2	<b>CF from Inv. activities</b>	<b>(14,330.0)</b>	<b>(11,937.0)</b>	<b>(5,199.0)</b>	<b>(11,406.0)</b>	<b>(3,288.2)</b>
Provision for tax	(2,569.0)	(1,616.0)	(1,569.0)	(2,361.4)	(3,677.6)	<b>CF from Fin. activities</b>	<b>14,476.0</b>	<b>(2,211.0)</b>	<b>(3,277.0)</b>	<b>(2,669.3)</b>	<b>(2,636.2)</b>
<b>Profit after Tax</b>	<b>3,185.0</b>	<b>6,718.0</b>	<b>4,381.0</b>	<b>6,072.1</b>	<b>8,185.6</b>	<b>Cash generated/(utilised)</b>	<b>6,011.0</b>	<b>(4,943.0)</b>	<b>1,198.0</b>	<b>(3,352.3)</b>	<b>9,211.3</b>
Minority Interest	(744.0)	(760.0)	(807.0)	(887.7)	(976.5)	Cash at start of the year	9,375.0	15,386.0	10,443.0	13,228.0	9,875.7
Share of Profit	-	163.0	213.0	255.6	306.7	Cash at end of the year	15,386.0	10,443.0	13,228.0	9,875.7	19,086.9
Share of Profit- Trastuzumab	-	-	-	2,370.9	3,926.2	<b>Ratios</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>
<b>Adjusted PAT</b>	<b>2,441.0</b>	<b>6,121.0</b>	<b>3,787.0</b>	<b>7,811.0</b>	<b>11,442.1</b>	OPM	21.7	25.0	20.2	21.5	23.3
Extraordinary Items	5,754.0	-	-	-	-	NPM	23.7	15.0	8.7	14.6	17.9
<b>Reported PAT</b>	<b>8,195.0</b>	<b>6,121.0</b>	<b>3,787.0</b>	<b>7,811.0</b>	<b>11,442.1</b>	Tax rate	(44.6)	(19.4)	(26.4)	(28.0)	(31.0)
<b>Balance Sheet</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>Growth Ratios (%)</b>					
Equity capital *	1,000.0	1,000.0	3,000.0	3,000.0	3,000.0	Net Sales	8.0	17.5	5.3	24.2	20.0
Reserves	39,338.0	47,377.0	48,808.0	53,619.0	62,061.1	Operating Profit	4.1	35.3	(15.4)	33.0	30.1
<b>Net worth</b>	<b>40,338.0</b>	<b>48,377.0</b>	<b>51,808.0</b>	<b>56,619.0</b>	<b>65,061.1</b>	PAT excl. EI	(37.8)	150.8	(39.2)	109.7	46.5
Def. Tax Liab.+Minority Int.	3,623.0	3,761.0	4,677.0	5,144.7	5,659.2	<b>Per Share (Rs.)*</b>					
Secured loans	20,724.0	21,082.0	17,898.0	17,898.0	17,898.0	<b>Net Earnings (EPS)</b>	<b>41.0</b>	<b>30.6</b>	<b>6.3</b>	<b>13.0</b>	<b>19.1</b>
Unsecured loans	3,949.0	972.0	1,303.0	1,303.0	1,303.0	Cash Earnings (CPS)	53.1	44.5	12.7	20.2	26.4
Total debt	24,673.0	22,054.0	19,201.0	19,201.0	19,201.0	Dividend	10.0	10.0	5.0	5.0	5.0
Other liab	3,905.0	3,516.0	3,423.0	4,107.6	4,929.1	Book Value	201.7	241.9	86.3	94.4	108.4
<b>CAPITAL EMPLOYED</b>	<b>72,539.0</b>	<b>77,708.0</b>	<b>79,109.0</b>	<b>85,072.3</b>	<b>94,850.3</b>	Free Cash Flow	(42.3)	(13.7)	7.5	(1.1)	19.7
Gross block	33,113.0	53,269.0	69,519.0	71,519.0	73,519.0	<b>Valuation Ratios</b>					
Accumulated depreciation	(16,302.0)	(17,740.0)	(21,591.0)	(25,882.1)	(30,293.3)	<b>P/E(x)</b>	<b>15.1</b>	<b>20.3</b>	<b>98.2</b>	<b>47.6</b>	<b>32.5</b>
Net block	16,811.0	35,529.0	36,297.0	45,636.9	43,225.7	P/B(x)	3.1	2.6	7.2	6.6	5.7
Capital WIP	20,597.0	5,327.0	7,789.0	5,000.0	5,000.0	EV/EBIDTA(x)	18.4	13.8	15.6	12.1	8.6
<b>Total fixed assets</b>	<b>37,408.0</b>	<b>40,856.0</b>	<b>44,086.0</b>	<b>50,636.9</b>	<b>48,225.7</b>	EV/SALES (x)	4.0	3.5	3.1	2.6	2.0
Intangible Assets	2,470.0	3,787.0	5,937.0	5,937.0	5,937.0	Div. Yield(%)	1.6	1.6	0.8	0.8	0.8
Investments	9,015.0	12,538.0	6,752.0	7,363.4	8,708.5	<b>FCF Yield(%)</b>	<b>(6.8)</b>	<b>(2.2)</b>	<b>1.2</b>	<b>(0.2)</b>	<b>3.2</b>
Other non current assets	2,287.0	2,775.0	3,186.0	3,823.2	4,587.8	<b>Return Ratios (%)</b>					
Inventories	5,424.0	6,353.0	7,225.0	9,536.0	11,399.5	ROE	7.9	13.9	8.5	10.7	12.6
Sundry debtors	7,145.0	8,832.0	10,639.0	11,941.9	14,326.0	ROCE	15.34	9.50	6.05	8.43	11.15
Cash & bank	15,386.0	10,443.0	13,228.0	9,875.7	19,086.9						
Loans & advances	3,227.0	4,491.0	4,267.0	5,120.4	6,144.5						
Other current assets	2,219.0	997.0	1,370.0	1,507.0	1,657.7						
Sundry creditors	(6,098.0)	(7,397.0)	(10,053.0)	(10,994.1)	(12,972.0)						
Acceptances	(5,271.0)	(8,009.0)	(9,777.0)	(11,732.4)	(14,078.9)						
Provisions	(673.0)	(828.0)	(958.0)	(1,149.6)	(1,379.5)						
<b>Working capital</b>	<b>21,359.0</b>	<b>17,752.0</b>	<b>19,148.0</b>	<b>17,311.8</b>	<b>27,391.3</b>						
<b>CAPITAL DEPLOYED</b>	<b>72,539.0</b>	<b>77,708.0</b>	<b>79,109.0</b>	<b>85,072.3</b>	<b>94,850.3</b>						

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



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**Result update@ Dalal & Broacha**

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subject company in the past twelve months	
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Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	<a href="mailto:Mayank.babla@dalal-broacha.com">Mayank.babla@dalal-broacha.com</a>	022 67141412	IT, Telecom, Media
Ms. Abhilasha Satale	<a href="mailto:Abhilasha.satale@dalal-broacha.com">Abhilasha.satale@dalal-broacha.com</a>	02267141439	Mid-Cap
Ms. Richa.Singh	<a href="mailto:richa.singh@dalal-broacha.com">richa.singh@dalal-broacha.com</a>	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667  
Fax: 91-22-2287 0092

E-mail: [research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com), [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)