



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Event update @ Dalal & Broacha

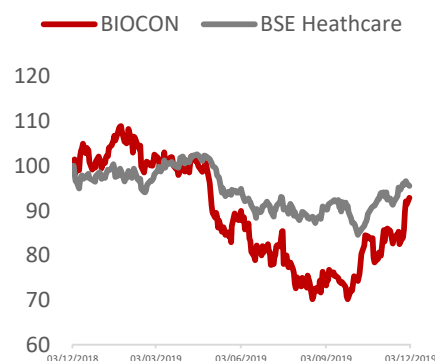
BUY

Current Price	286
Target Price	325
Upside/Downside	14%
52 Week Range	211/341

Key Share Data

Market Cap (Rs.bn)	343
Market Cap (US\$ Bn)	4.23
No of o/s shares (mn)	1200
Face Value	5
Monthly Avg.vol (BSE+NSE) Nos'000	4300
BSE Code	532523
NSE Code	BIOCON
Bloomberg	BIOS:IN

Price performance



% Shareholding	Sept-19	June-19
Promoters	60.67	60.67
FII	15.75	16.43
DII	4.85	4.27
Others	18.73	18.63
Total	100	100

Key Financials

Year	Net sales	% Growth	EBIDTA	OPM (%)	PAT ex EI	PAT incl EI	% Growth	EPS*	PE (x)	RoE (%)	RoCE (%)
FY17	39,216.0	17.5	9,795.0	25.0	6,121.0	6,121.0	150.8	30.6	9.3	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	45.3	8.5	6.0
FY19	55,144.0	33.5	13,937.0	25.3	7,107.0	9,053.0	90.8	11.8	24.1	13.2	13.1
FY20E	71,203.5	29.1	19,454.6	27.3	10,025.5	10,700.5	41.1	8.4	34.2	16.1	15.6
FY21E	91,268.0	28.2	27,270.4	29.9	15,538.7	15,538.7	55.0	12.9	22.1	20.6	19.6

*Adjusted for bonus in the proportion of 2:1 in FY18 and 1:1 in FY20

Biocon and Mylan announced the launch of OGI VRI (trastuzumab) in the US. The product is used in the treatment of breast cancer and gastric cancer, and is the **first biosimilar to HERCEPTIN be approved by the USFDA.**

OGI VRI supplies will be in both dosage forms of 420 mg and 150 mg.

Biocon and Mylan will supply Trastuzumab in both dosage forms of 420 mg and 150 mg. The supply of both the dosage forms will enable Biocon to garner a better market share. **We estimate** trastuzumab **revenues of \$40 mn in FY20** and scale up to **\$127 mn in FY21.** Going forward we expect Trastuzumab to contribute to **11% of Biocon's revenues in FY21.**

Pricing competitive, discount not disclosed

The pricing for the product will be competitive. The discount has not been disclosed. We are watchful of the market dynamics for Trastuzumab post the launch, and will revise our estimates accordingly.

Trastuzumab launch and USFDA approval to additional lines of FULPHILA

Biocon has sufficient capacities to fulfill the global demand for Trastuzumab. HERCEPTIN clocked global sales of CHF 4.8 bn for 9MCY19, of which CHF 2.2 bn were from US.

Further, **Biocon + Mylan's supplemental Biologics License Application (sBLA) for its additional capacity for Pegfilgrastim at Bengaluru received USFDA approval.** The approval will enable additional supplies of Pegfilgrastim to the US. The company was facing capacity constraints for US supplies which have been eased out.

Outlook & Valuation

We strongly believe Biocon is well positioned to benefit from the biosimilar launches in US, Europe, China and other markets. The OGI VRI launch at competitive prices should help gain market share, the additional capacities for FULPHILA are expected to improve market share therein.

USFDA approval to Glargine and a rich research pipeline are the near term triggers for the stock. The Upjohn Mylan joint venture is also expected to open up new markets for Biocon. At CMP, Biocon trades at 22x FY21E EPS of Rs 13.

We maintain our BUY rating on Biocon with a target price of Rs 325.


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BIOCON FINANCIALS											
P&L (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	39,216.0	41,297.0	55,144.0	71,203.5	91,268.0	Net Profit	6,121.0	3,724.0	9,053.0	10,700.5	15,538.7
Raw materials	(16,109.0)	(16,361.0)	(18,966.0)	(22,785.1)	(29,205.8)	Add: Dep. & Amort.	2,772.0	3,851.0	4,478.0	5,108.7	5,495.8
Employee costs	(6,872.0)	(9,311.0)	(11,653.0)	(14,566.3)	(18,207.8)	Cash profits	8,893.0	7,575.0	13,531.0	15,809.2	21,034.5
Other Expenses	(3,778.0)	(5,111.0)	(7,688.0)	(10,378.8)	(12,454.6)	(Inc)/Dec in					
Research & Devt	(2,662.0)	(2,160.0)	(2,900.0)	(4,018.7)	(4,129.4)	-Sundry debtors	(1,687.0)	(1,807.0)	(2,279.0)	(2,688.2)	(4,397.7)
Cost of sales	(29,421.0)	(32,943.0)	(41,207.0)	(51,748.8)	(63,997.6)	-Inventories	(929.0)	(872.0)	(3,091.0)	(1,578.6)	(3,260.3)
Operating Profit	9,795.0	8,354.0	13,937.0	19,454.6	27,270.4	-Loans/advances	(1,264.0)	224.0	(1,475.0)	(1,148.4)	(1,378.1)
Depreciation	(2,772.0)	(3,851.0)	(4,478.0)	(5,108.7)	(5,495.8)	-Sundry creditors	1,299.0	2,656.0	1,930.0	1,253.7	3,730.0
PBIT	7,023.0	4,503.0	9,459.0	14,345.9	21,774.7	-Others	2,893.0	1,898.0	6,057.0	3,358.4	4,030.1
Other income	1,571.0	2,062.0	1,444.0	1,155.2	924.2	Change in WC	312.0	2,099.0	1,142.0	(803.2)	(1,276.0)
Interest	(260.0)	(615.0)	(709.0)	(721.1)	(721.1)	CF from Oper. activities	9,205.0	9,674.0	14,673.0	15,006.1	19,758.4
Profit before tax	8,334.0	5,950.0	10,194.0	14,780.0	21,977.7	CF from Inv. activities	(10,034.0)	(8,485.0)	(12,263.0)	(8,815.8)	(11,579.0)
Provision for tax	(1,616.0)	(1,569.0)	(2,123.0)	(3,695.0)	(5,274.7)	CF from Fin. activities	(2,466.0)	2,306.0	(3,215.0)	(4,328.5)	(5,817.5)
Profit after Tax	6,718.0	4,381.0	8,071.0	11,085.0	16,703.1	Cash generated/(utilised)	(3,295.0)	3,495.0	(805.0)	1,861.8	2,361.9
Minority Interest	(760.0)	(807.0)	(973.0)	(1,070.3)	(1,177.3)	Cash at start of the year	15,386.0	10,443.0	13,228.0	10,572.0	11,791.0
Share of Profit	163.0	213.0	9.0	10.8	13.0	Cash at end of the year	10,443.0	13,228.0	10,572.0	11,791.0	13,445.8
Adjusted PAT	6,121.0	3,787.0	7,107.0	10,025.5	15,538.7	Ratios	FY17	FY18	FY19	FY20E	FY21E
Extraordinary Items	-	-	1,946.0	675.0	-	OPM	25.0	20.2	25.3	27.3	29.9
Reported PAT	6,121.0	3,787.0	9,053.0	10,700.5	15,538.7	NPM	15.0	8.7	16.0	14.8	16.9
Balance Sheet	FY17	FY18	FY19	FY20E	FY21E	Tax rate	(19.4)	(26.4)	(20.8)	(25.0)	(24.0)
Equity capital *	1,000.0	3,000.0	3,000.0	6,000.0	6,000.0	Growth Ratios (%)					
Reserves	47,377.0	48,808.0	57,980.0	62,680.5	75,219.2	Net Sales	17.5	5.3	33.5	29.1	28.2
Net worth	48,377.0	51,808.0	60,980.0	68,680.5	81,219.2	Operating Profit	35.3	(15.4)	68.1	39.6	40.2
Def. Tax Liab.+Minority Int.	3,761.0	4,677.0	6,089.0	6,697.9	7,367.7	PAT excl. EI	150.8	(39.2)	90.8	41.1	55.0
Secured loans	21,082.0	17,898.0	15,416.0	15,416.0	15,416.0	Per Share (Rs.)*					
Unsecured loans	972.0	1,303.0	2,612.0	2,612.0	2,612.0	Adj. Net Earnings (EPS)	30.6	6.3	11.8	8.4	12.9
Total debt	22,054.0	19,201.0	18,028.0	18,028.0	18,028.0	Cash Earnings (CPS)	44.5	12.7	22.6	13.2	17.5
Other liab	3,516.0	3,423.0	8,052.0	9,662.4	11,594.9	Dividend	10.0	5.0	5.0	6.0	6.0
CAPITAL EMPLOYED	77,708.0	79,109.0	93,149.0	103,068.8	118,209.7	Book Value	241.9	86.3	101.6	57.2	67.7
Gross block	53,269.0	57,532.0	68,596.0	78,596.0	91,596.0	Free Cash Flow	(4.1)	2.0	4.0	5.2	6.8
Accumulated depreciation	(17,740.0)	(21,591.0)	(26,069.0)	(31,177.7)	(36,673.5)	Valuation Ratios					
Net block	35,529.0	36,297.0	42,527.0	47,418.3	54,922.5	P/E(x)	9.3	45.3	24.1	34.2	22.1
Capital WIP	5,327.0	7,789.0	12,869.0	12,869.0	12,869.0	P/B(x)	1.2	3.3	2.8	5.0	4.2
Total fixed assets	40,856.0	44,086.0	55,396.0	60,287.3	67,791.5	EV/EBIDTA(x)	7.0	7.6	4.6	3.3	2.3
Intangible Assets	3,787.0	5,937.0	8,303.0	8,303.0	8,303.0	EV/SALES (x)	1.8	1.5	1.2	0.9	0.7
Investments	12,538.0	6,752.0	10,118.0	12,055.4	15,542.7	Div. Yield(%)	3.5	1.7	1.7	2.1	2.1
Other non current assets	2,775.0	3,186.0	2,131.0	2,557.2	3,068.6	FCF Yield(%)	(1.4)	0.7	1.4	1.8	2.4
Inventories	6,353.0	7,225.0	10,316.0	11,894.6	15,154.9	Return Ratios (%)					
Sundry debtors	8,832.0	10,639.0	12,918.0	15,606.2	20,004.0	ROE	13.9	8.5	13.2	16.1	20.6
Cash & bank	10,443.0	13,228.0	10,572.0	11,791.0	13,445.8	ROCE	9.50	6.05	13.10	15.59	19.64
Loans & advances	4,491.0	4,267.0	5,742.0	6,890.4	8,268.5						
Other current assets	997.0	1,370.0	1,488.0	1,636.8	1,800.5						
Sundry creditors	(7,397.0)	(10,053.0)	(11,983.0)	(13,236.7)	(16,966.6)						
Acceptances	(8,009.0)	(9,777.0)	(15,326.0)	(18,391.2)	(22,069.4)						
Provisions	(828.0)	(958.0)	(1,466.0)	(1,759.2)	(2,111.0)						
Working capital	17,752.0	19,148.0	17,201.0	19,865.9	23,503.9						
CAPITAL DEPLOYED	77,708.0	79,109.0	93,149.0	103,068.8	118,209.7						

* Increase in Equity on account of bonus issue in FY17 (2:1) and FY19 in the proportion of 1:1



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