

Mixed 2Q; biosimilar traction a key positive

BIOS' 2Q revenue grew 4% YoY (8% YoY adj. growth) at INR 35.9bn; in-line with JMFe/street, while Adj. EBITDA declined 16% YoY missing JMFe by 6% (street by 16%). Adjusting for one-offs BIOS reported a loss of INR 1bn. The generics business reported an 8% decline in revenue due to demand and pricing challenges along with a planned facility shutdown. Nonetheless, 2HFY25 should witness an improvement driven by new launches including Liraglutide in UK and Daptomycin and Micafungin in US. Syngene performance shows early signs of recovery particularly in discovery services. This led to the management maintaining lower end of the guidance. Biosimilars beat JMFe by 4% growing 11% YoY (19% YoY like-to-like basis) to INR 21.8bn. We note that market share in key molecules continue to expand but new launches remain contingent on site clearance. FY26/27 can potentially add bAspart, bBevacizumab, bStelara and bDenosumab. BBL has refinanced debt which will reduce total finance costs by 20-30bps. We are positive on the outlook and underlying potential of biosimilars business which continues to gain traction, Syngene and Generics pick-up from 2HFY25 are additional drivers. The management continues to consider multiple options to raise fund including Syngene stake sale, BBL listing and non-core asset sale could help de-lever the balance sheet. We maintain BUY with a Sep'25 TP of INR 380.

- Generics recovery in 2H:** The generics segment reported an 8% decline in revenue as the company faced demand and pricing challenges in API and formulations segments along with a planned facility shutdown which impacted performance. 2HFY25 should witness an improvement driven by new launches such Liraglutide in the UK. The company plans to launch Daptomycin and Micafungin in 2H. The company received 6 approvals including two ANDAs in USA for Sacubutril & Valsartan and Daptomycin. Over the medium term, management is confident of mid-teens growth driven by peptides, OSDs and additional volumes & better cost base on existing products.
- Syngene guidance maintained at lower end:** Syngene performance was flattish at INR 8.9bn (2% miss). There were signs of recovery for discovery services, largely driven by pilot projects from large and mid-sized biopharma companies. The management indicated that biotech funding has recovered to pre-pandemic levels and was more directed to late-stage programs. The company continues to receive healthy interest from clients including increased RFPs and clients visits/audits. We expect much better growth in FY26 given the macro tailwinds in the sector. The management remained sanguine on meeting lower-end of FY25 guidance (high single digit).
- FY26 - inflection year for biosimilars:** Biosimilars revenue grew 11% YoY (19% YoY like-to-like basis adj. for branded India sales) to INR 21.8bn (4% beat). The company gained market share (ms) in Ogivri (18%), maintained ms in Fulphila (21%), while Semglee share dropped marginally to 11% (18% incl. closed door networks & govt. biz.). In Europe, the company largely maintained stable market share across key markets and is the market leader in bAdalimumab in Germany.
- Pipeline promising but US FDA approvals key for stock performance:** BIOS is awaiting US

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	111,742	147,557	153,863	175,420	199,054
Sales Growth (%)	36.5	32.1	4.3	14.0	13.5
EBITDA	25,117	33,825	33,530	43,246	50,802
EBITDA Margin (%)	22.5	22.9	21.8	24.7	25.5
Adjusted Net Profit	7,541	11,179	3,554	17,740	25,588
Diluted EPS (INR)	6.3	9.3	3.0	14.8	21.3
Diluted EPS Growth (%)	-0.7	48.2	-68.2	399.2	44.2
ROIC (%)	3.8	3.8	3.4	4.9	6.4
ROE (%)	5.7	5.9	1.7	7.7	10.1
P/E (x)	51.1	34.5	108.5	21.7	15.1
P/B (x)	2.2	1.9	1.7	1.6	1.5
EV/EBITDA (x)	22.8	16.9	17.1	12.7	10.2
Dividend Yield (%)	0.5	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 30/Oct/2024

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	380
Upside/(Downside)	18.5%
Previous Price Target	385
Change	-1.3%

Key Data – BIOS IN

Current Market Price	INR321
Market cap (bn)	INR385.0/US\$4.6
Free Float	32%
Shares in issue (mn)	1,200.6
Diluted share (mn)	1,200.6
3-mon avg daily val (mn)	INR1,669.8/US\$19.9
52-week range	396/218
Sensex/Nifty	79,942/24,341
INR/US\$	84.1

Price Performance

%	1M	6M	12M
Absolute	-11.7	7.4	44.5
Relative*	-6.9	0.1	15.5

* To the BSE Sensex

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FDA inspection outcome for its Bengaluru (Biocon Park) and Malaysia facility. We have not built in any new product approvals in the US in FY25. FY26 seems to be a year of inflection subject to approvals – bStelara, bDenosumab, bBevacizumab and bAspart. We continue to await clarity on bAflibercept launch. While bStelara is among first wave of launches, the management hopes to replicate this for bDenosumab. Both these are likely to be 4-5 player markets albeit TAM is huge. bHumira interchangeability trials between high dose and low dose was successful. Concern on scoring product approvals and slower shift to biosimilars remain key risk.

■ Key financials:

- Revenue of INR 35.9bn (+4% YoY) was in-line with JMFe;
- Adj. EBITDA of INR 6.2bn (-16% YoY) was 6%/16% below JMF/street estimates;
- Core EBITDA margin was 28% (vs. 32% YoY, 26% QoQ);
- The company recorded exceptional items of INR 290mn related to liquidation of previously provisioned/written off inventory and INR 650mn release of provision for inventory.
- The company has refinanced existing debt of USD 1.1bn, by raising USD 800mn through its debut bond issuance (>3x oversubscription) and a new syndicated debt facility on improved terms.

Exhibit 1. Valuation

	Sep'26 EBITDA	%	Gross Multiple	Valuation
Generics	8,111	100%	14	1,13,558
Syngene	15,994	55%	24	2,09,197
Biocon Biologics	25,294	66%	21	3,50,574
EV				6,73,329
Less: Holding Co. Discount for BBL and Syngene (20%)				1,11,954
Less: Net Debt				1,34,709
Equity Valuation				4,26,666
No of Shares				1,201
TP				355
bAflibercept NPV				25
TP				380

Source: JM Financial

Exhibit 2. Status of pipeline

Molecule	Status	Market Size	Remarks
Bevacizumab	Filed	532	Pending due to site clearance
Denosumab	Clinical Trials	4260	To be filed in a few months
Pertuzumab	Clinical Trials	1470	FY27 filing
Ustekinumab	Filed	6966	Filed and Settled for Feb25; approval pending
Glargine 300IU	Clinical Trials	1123	Beyond FY26
Aspart	Filed	668	Pending due to site clearance
Aflibercept	Filed	5720	Patent litigation - uncertain outcome and launch likely FY27
Humira interchangeability	Clinical Trials		Filed. Humira biosimilar already launched in Jul'23

Source: Company, JM Financial

Exhibit 3. 2QFY25 review

Biocon (INR mn)	P&L	2Q24A	2Q25E	% YoY	2Q25E	% change	2Q25E (cons)	% change	1Q25A	% QoQ
Net Sales		34,623	35,904	3.7%	35,846	0.2%			34,329	4.6%
Other op income		0	0		0				0	
Revenue		34,623	35,904	3.7%	35,846	0.2%	36,203	-1%	34,329	4.6%
Raw Material/FG		15,380	11,826	-23.1%	12,188	-3.0%			11,827	0.0%
Gross Profit		19,243	24,078	25.1%	23,658	1.8%			22,502	7.0%
- % of revenue		55.6%	67.1%	1148 bps	66.0%				65.5%	151 bps
Staff Cost		6,224	7,896	26.9%	7,707	2.5%			7,554	4.5%
Other expenses		9,713	9,328	-4.0%	9,320	0.1%			8,744	6.7%
EBITDA		7,416	6,854	-7.6%	6,632	3.4%	7,409	-7%	6,204	10.5%
EBITDA (%)		21.4%	19.1%	-233 bps	18.5%	59 bps	20.5%	-138 bps	18.1%	102 bps
Adj. EBITDA		7,416	6,204	-16.3%	6,632	-6.4%	7,409	-16%	6,204	0.0%
Adj. EBITDA (%)		21.4%	17.3%	-414 bps	18.5%	-122 bps	20.5%	-319 bps	18.1%	-79 bps
Other Income		1,579	325		750	-57%			772	
Interest		2,477	2,256		2,350				2,360	
Depreciation		3,893	4,199		4,100				4,054	
Add: Share of profit/(loss) of Associates		-242	0		0				0	
Exceptional items		-240	260		0				10,893	
PBT		2,383	724	-69.6%	932	-22.3%			562	28.8%
Tax		416	713		168				2,837	
Tax Rate (%)		17.5%	98.5%		18.0%				504.8%	
Minority Interest		471	431		600				2021	
PAT (Reported)		1,256	-160		164				6,597	
PAT Margin (%)		3.6%	-0.4%		0.5%				19.2%	
Adjusted PAT		1,454	-1,070		164		239	-548%	-4,296	-75.1%
Biocon - Cost margins		2Q24A	2Q25E	% YoY	2Q25E	% change			4Q24A	% QoQ
Raw material cost/sales		44.4%	32.9%	-1148 bps	34%	-106 bps			34.5%	-151 bps
Staff cost/sales		18.0%	22.0%	402 bps	22%	49 bps			22.0%	-1 bps
Other expenditure/sales		28.1%	26.0%	-207 bps	26%	-2 bps			25.5%	51 bps
Biocon - Segmental Revenue		2Q24A	2Q25E	% YoY	2Q25E	% change	2Q25E (cons)	% change	1Q25A	% QoQ
Generics		6,764	6,243	-7.7%	6764	-7.7%	6880	-9.3%	6,590	-5.3%
Biosimilars		19,687	21,816	10.8%	21,065	3.6%	21,520	1.4%	20,830	4.7%
Novel Biologics		0	0		0				0	
Research services		9,101	8,910	-2.1%	9,101	-2.1%	9,020	-1.2%	7,900	12.8%
Less: Inter-segmental revenue		-929	-1,065	14.6%	-900				-1,000	6.5%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	111,742	147,557	153,863	175,420	199,054	
Sales Growth	36.5%	32.1%	4.3%	14.0%	13.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	111,742	147,557	153,863	175,420	199,054	
Cost of Goods Sold/Op. Exp	36,631	48,979	49,852	56,134	63,697	
Personnel Cost	21,810	26,641	31,388	29,821	33,043	
Other Expenses	16,994	27,410	27,695	32,453	35,830	
EBITDA	25,117	33,825	33,530	43,246	50,802	
EBITDA Margin	22.5%	22.9%	21.8%	24.7%	25.5%	
EBITDA Growth	27.5%	34.7%	-0.9%	29.0%	17.5%	
Depn. & Amort.	11,131	15,688	16,341	17,282	17,804	
EBIT	13,986	18,137	17,189	25,963	32,998	
Other Income	3,759	8,655	3,231	5,263	6,569	
Finance Cost	4,190	9,744	8,985	6,732	5,087	
PBT before Excep. & Forex	13,555	17,048	11,435	24,494	34,479	
Excep. & Forex Inc./Loss(-)	-2,914	-116	10,893	0	0	
PBT	10,641	16,932	22,328	24,494	34,479	
Taxes	2,541	2,274	4,002	4,654	6,551	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	133	1,911	3,279	2,700	2,940	
Reported Net Profit	4,627	11,063	14,447	17,740	25,588	
Adjusted Net Profit	7,541	11,179	3,554	17,740	25,588	
Net Margin	6.7%	7.6%	2.3%	10.1%	12.9%	
Diluted Share Cap. (mn)	1,200.6	1,200.6	1,200.6	1,200.6	1,200.6	
Diluted EPS (INR)	6.3	9.3	3.0	14.8	21.3	
Diluted EPS Growth	-0.7%	48.2%	-68.2%	399.2%	44.2%	
Total Dividend + Tax	1,801	0	0	0	0	
Dividend Per Share (INR)	1.5	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	178,669	197,837	222,284	240,024	265,612	
Share Capital	6,003	6,003	6,003	6,003	6,003	
Reserves & Surplus	172,666	191,834	216,281	234,021	259,609	
Preference Share Capital	0	0	0	0	0	
Minority Interest	46,219	54,911	58,490	60,890	63,530	
Total Loans	177,707	157,296	152,296	122,396	92,496	
Def. Tax Liab. / Assets (-)	-2,735	-3,387	-3,387	-3,387	-3,387	
Total - Equity & Liab.	399,860	406,657	429,682	419,923	418,251	
Net Fixed Assets	366,643	380,624	402,723	396,441	389,636	
Gross Fixed Assets	123,512	135,512	147,512	157,512	167,512	
Intangible Assets	275,469	277,739	304,179	305,179	306,179	
Less: Depn. & Amort.	58,213	72,479	88,820	106,102	123,907	
Capital WIP	25,875	39,852	39,852	39,852	39,852	
Investments	30,076	20,248	20,248	20,248	20,248	
Current Assets	117,156	152,533	149,212	152,546	165,776	
Inventories	42,437	49,439	50,585	55,269	59,989	
Sundry Debtors	35,732	62,306	63,231	67,284	70,896	
Cash & Bank Balances	13,235	12,336	9,325	4,848	8,451	
Loans & Advances	704	1,384	1,384	1,384	1,384	
Other Current Assets	25,048	27,068	24,687	23,760	25,055	
Current Liab. & Prov.	114,015	146,748	142,501	149,312	157,409	
Current Liabilities	91,276	81,476	80,217	86,425	93,797	
Provisions & Others	22,739	65,272	62,284	62,887	63,612	
Net Current Assets	3,141	5,785	6,711	3,234	8,367	
Total - Assets	399,860	406,657	429,683	419,923	418,251	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	8,971	15,252	22,028	24,794	34,779	
Depn. & Amort.	11,131	15,688	16,341	17,282	17,804	
Net Interest Exp. / Inc. (-)	3,066	8,131	8,985	6,732	5,087	
Inc (-) / Dec in WCap.	-5,010	-6,352	-3,937	-1,000	-1,529	
Others	2,653	-257	0	0	0	
Taxes Paid	-2,286	-2,923	-4,002	-4,654	-6,551	
Operating Cash Flow	18,525	29,539	39,415	43,154	49,591	
Capex	-180,344	-56,791	-40,940	-11,000	-11,000	
Free Cash Flow	-161,819	-27,252	-1,525	32,154	38,591	
Inc (-) / Dec in Investments	158,464	50,832	0	0	0	
Others	1,233	1,446	0	0	0	
Investing Cash Flow	-20,647	-4,513	-40,940	-11,000	-11,000	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-718	-2,030	0	0	0	
Inc / Dec (-) in Loans	136,061	-12,823	-5,000	-29,900	-29,900	
Others	-4,856	-8,474	-8,985	-6,732	-5,087	
Financing Cash Flow	130,487	-23,327	-13,985	-36,632	-34,987	
Inc / Dec (-) in Cash	6,411	-3,804	-3,011	-4,477	3,603	
Opening Cash Balance	6,824	16,140	12,336	9,325	4,848	
Closing Cash Balance	13,235	12,336	9,325	4,848	8,451	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		6.7%	7.6%	2.3%	10.1%	12.9%
Asset Turnover (x)		0.4	0.3	0.3	0.4	0.4
Leverage Factor (x)		2.4	2.4	2.1	2.0	1.8
RoE		5.7%	5.9%	1.7%	7.7%	10.1%

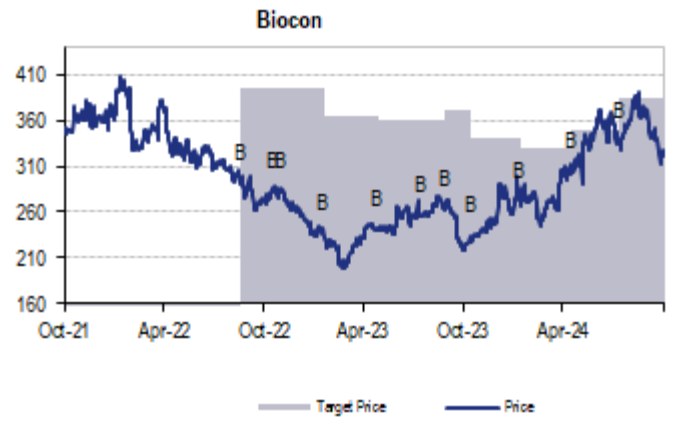
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		148.8	164.8	185.1	199.9	221.2
ROIC		3.8%	3.8%	3.4%	4.9%	6.4%
ROE		5.7%	5.9%	1.7%	7.7%	10.1%
Net Debt/Equity (x)		0.8	0.7	0.6	0.4	0.3
P/E (x)		51.1	34.5	108.5	21.7	15.1
P/B (x)		2.2	1.9	1.7	1.6	1.5
EV/EBITDA (x)		22.8	16.9	17.1	12.7	10.2
EV/Sales (x)		5.1	3.9	3.7	3.1	2.6
Debtor days		117	154	150	140	130
Inventory days		139	122	120	115	110
Creditor days		168	201	186	187	185

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
16-Sep-22	Buy	395	
15-Nov-22	Buy	395	0.0
30-Nov-22	Buy	395	0.0
15-Feb-23	Buy	365	-7.6
24-May-23	Buy	360	-1.4
12-Aug-23	Buy	360	0.0
27-Sep-23	Buy	370	2.8
12-Nov-23	Buy	340	-8.1
11-Feb-24	Buy	330	-2.9
16-May-24	Buy	350	6.1
12-Aug-24	Buy	385	10.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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