Biocon Ltd

2025-06-19

Sector: Pharmaceuticals | Industry: Biotechnology

Buy

Price@Reco: ₹ 348.6 | Target Price: ₹ 405 | Target Period: 16 - 24 Months | Potential Returns: 16.18 %

Stock Info

Symbol	BIOCON
CMP	₹ 348.6
P/E Ratio (TTM)	43.7
Enterprise Value	₹ 55,320 Cr
Market CAP	₹ 41,078 Cr

Financial Ratios

ROE (TTM)	4.68
ROCE (TTM)	6.45
EV/EBIDTA (TTM)	70.53
Price/Book Value (TTM)	2.91
Debt to Equity (TTM)	0.15

Shareholding Pattern

PARTICULARS	SEP 24	DEC 24	MAR 25
Promoters	60.64	60.64	60.64
Share Holding Pledge	0	0	0
FII	5.93	5.66	5.66
Total DII	14.44	15.37	15.72
Public	19	18.34	17.97

Indexed Stock Performance

PARTICULARS	BIOCON	NIFTY50
1M	3.23%	-0.16%
6M	0.66%	3.99%
1Y	6.14%	5.91%
3Y	11.56%	62.26%
3Y-CAGR	3.71%	17.51%

Analyst

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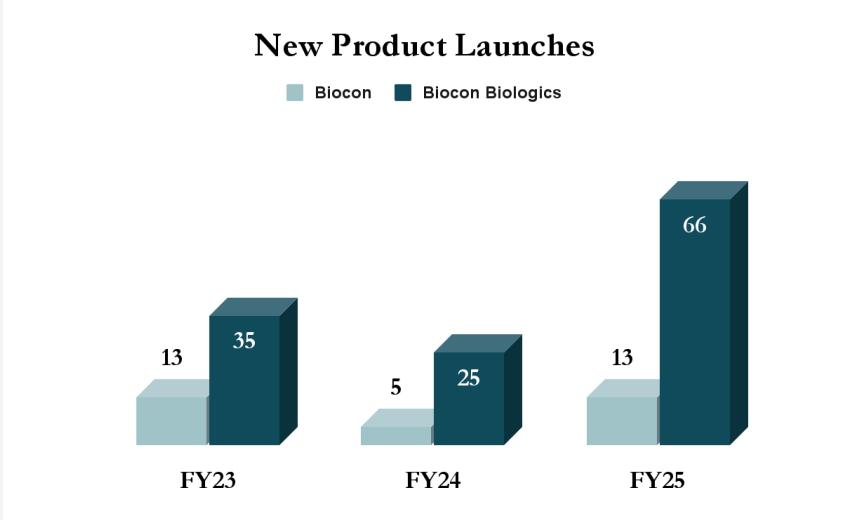
Company Overview

Biocon Ltd., set up in 1978, is India's leading biopharma company, changing people's lives in over 120+ countries to treat autoimmune disease, diabetes, and cancer by finding new and affordable ways. The company has a strong workforce of 18,200+ serving in generics, biosimilars, research services, and novel biologics segments of the business. Biocon has one of the largest bio-manufacturing facilities for insulin, monoclonal antibodies, and devices, and the largest integrated insulin manufacturing and R&D facility in Malaysia.

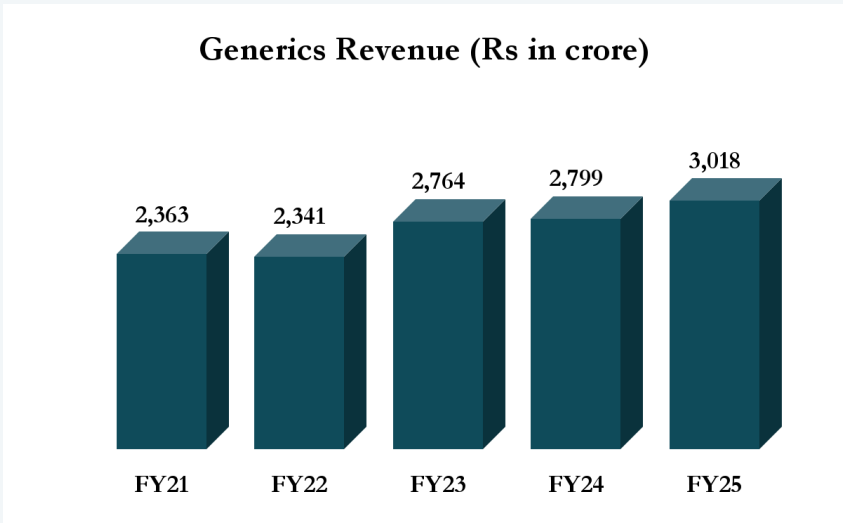
The group has four incubated businesses: Biocon Biologics, focused on biosimilars, contributing 58% of FY25 total revenue; the generics business, contributing 19% of FY25 total revenue; and its research services business, Syngene, contributing 23% of FY25 total revenue. The company has achieved 80 cGMP approvals, served 1,700+ patents, and has 9 manufacturing locations. The group is ranked 14th of the top 20 pharma companies served by the service portfolio.



(Source: Company Reports, Trade Brains Research)

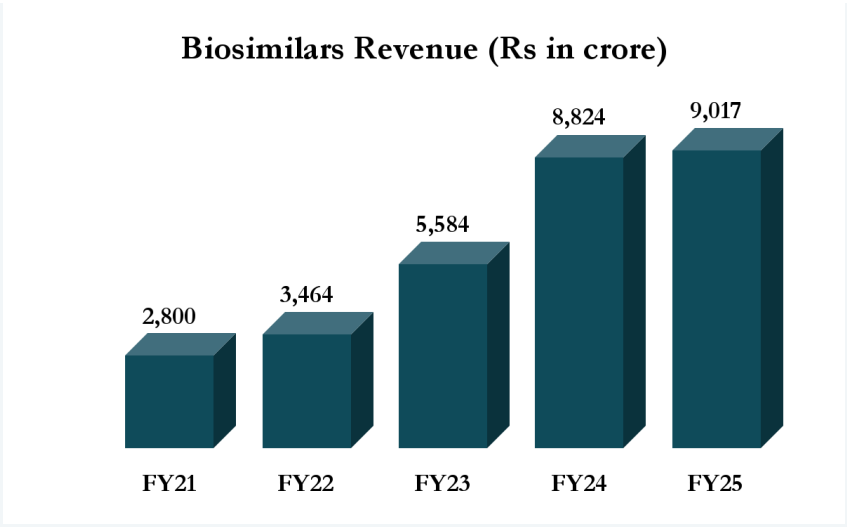
Business Segments

Generics: The company is a complex API and generic formulations player, and the first player in the world to obtain approval for a generic GLP-1 medicine. This generics segment focuses on manufacturing and supplying affordable generic bulk drugs and finished formulations. Currently, the segment has 79 APIs and 83 generic formulations. Further, 22 generic formulations were launched in the US, with 8 manufacturing sites and 900 MTPA capacity in API manufacturing as of March 2025. This generics segment focuses on oncology, diabetes, and emerging obesity opportunities.



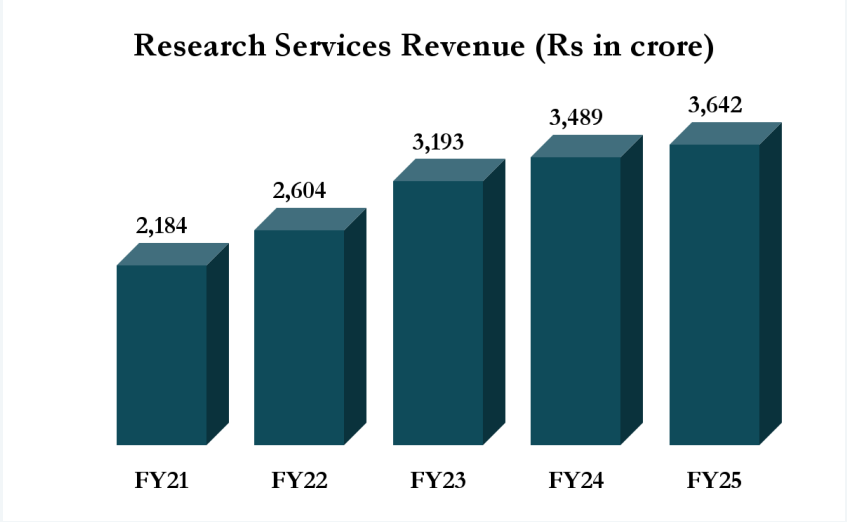
(Source: Company Reports, Trade Brains Research)

Biosimilars: In this segment, the company operates in research, manufacturing, and commercializing a differentiated and comprehensive biosimilars portfolio, including insulins, monoclonal antibodies, and conjugated recombinant proteins. Currently , the biosimilar segment has 20 products in its portfolio. In FY25, the company has 10 approved products that cater to oncology, immunology, diabetes, and ophthalmology. This segment has 2 R&D sites, 300+ active patents, and 450+ scientists on staff. In addition, the company is addressing a market opportunity of USD 130 bn+ in biosimilars.



(Source: Company Reports, Trade Brains Research)

Research services: Syngene International Ltd., a subsidiary of Biocon, is a leading CRDMO player with differentiated capabilities. This segment primarily focuses on comprehensive research, development, and manufacturing services for a range of industries, including consumer goods, specialty chemicals, biotechnology, nutrition, pharmaceuticals, and animal health. With more than 5,600 scientists on staff and a total 50KL capacity in bioreactors. Currently, the company has 400+ active clients, and the drug pipeline is growing at a healthy 8% CAGR.



(Source: Company Reports, Trade Brains Research)

Novel Biologics: Under the brand name ALZUMAb, Biocon launched Itolizumab, the first new anti-CD6 monoclonal antibody in the world, to treat psoriasis in India in 2013. They are now developing itolizumab for severe immune-inflammatory illnesses, including acute Graft-Versus-Host-Disease (aGVHD) and systemic lupus erythematosus/lupus nephritis, following the grant of a license to Equillium for specified markets in 2017.

Investment Rationale

Segmental Business Performance: Revenue is diversified across generics (19% of revenue in fiscal 2025), biosimilars (58%), and contract research services (23%). For FY25, in the generic business, revenue from operations was Rs 3,017.5 crore, up 8%. R&D investments rose to Rs 286 crore, which is about 9.5% of segment revenues. EBITDA was Rs 377 crore with an EBITDA margin of 12%. The biosimilar business reported revenues of Rs 9,017 crore, up 15% YoY, with 4 biosimilars recording revenues of $200 million each. EBITDA for the full year was Rs 1,971 crore with a margin of 22%. The R&D investments for the year were at 7% of revenue, which will fuel mid- to long-term growth. The Syngene business revenue from operations grew 4% to Rs 3,642 crore, and EBITDA stood at Rs 1,114 crore with an EBITDA margin at 30%.

Working capital and net debt position: The company's working capital position has substantially improved compared to last year. Under receivables, the number of days varied across each market and was around 90 days in terms of credit offered. The inventory has come down compared to last year. The net inventory as of 31st March was about $390 million. In terms of forward days, it will be less than 280 days. Net debt was about $1.1 billion as of 31st March, and an advance collection of $1.2 billion was made.

Sound operating capabilities: With a strong rate of utilization, Biocon has established and grown production facilities in several places in Malaysia and India throughout the years. Over the previous fiscal years, the operating margin stayed strong at 23–26 percent. Although delays in key product approvals, changes in revenue profiles, and operating deleverage following the sale of branded formulations hurt profitability in fiscal 2025, the operating margin is predicted to improve to about 25% over the medium term due to an anticipated rise in revenue contribution from the high-margin biosimilars and contract research segments.

Growth strategy: The company intends to invest $200–250 million in capital expenditures organically, annually, across a number of business divisions. BBL's capital expenditure plans include expanding its insulin facility in Malaysia, while Syngene will expand the capacity of its research centers and manufacturing facilities for large and small molecules. The generics segment's capital expenditure plan includes commercializing the greenfield immunosuppressant facility in Visakhapatnam, as well as the non-immuno fermentation, new injectables, synthetic API, and peptide facility in Bengaluru. With minimal reliance on outside borrowing, the capital expenditure is probably going to be mostly financed by cash accruals and liquid surplus.

Key developments: The company launched Liraglutide in the U.K. and Dasatinib in the U.S., which boosted revenue performance in Q4 FY25, and received approvals for Liraglutide in the EU and Everolimus (Zortress) tablets in the U.S. Also had a successful launch of YesintekTM, its biosimilar of ustekinumab, which was widely adopted by doctors and covered by formularies. In FY25, Biocon commenced supplies of tacrolimus to China, whose commercialization is expected in the first quarter of FY26, and also received key product and site approvals from global regulators, including the U.S. FDA and EMA.

Management outlook: The management expects capex spending of about $100 million over the next couple of years, of which a large part will go to enhance its capacities in Malaysia, which remains rewarding for the company, given the global demand for the product. For generics, capex spending of $50 million is expected for the next year. The company expects to launch liraglutide in the U.S. and is expecting approval for generic Copaxone in the U.S. The management says there will be an unlimited volume launch of Lenalidomide and more launches coming in FY26, and the launch of five more products—Stelara, Bevacizumab, Aspart, Aflibercept, and Denosumab in the next 12-18 month window.

FY25 Highlights:

- The company has successfully launched its first GLP-1 formulation, Liraglutide, in the UK and launched Lenalidomide and Dasatinib in the U.S.
- Has launched Yesintek (bUstekinumab), one of the first biosimilars to Stelara in the U.S., the fifth product from the portfolio in the U.S.
- In order to help satisfy the growing demand for biologics CDMO services from a US base, Syngene acquired a biologics manufacturing plant in the United States.
- In Q4 FY25, revenue from operations reached Rs 4,417 crore, a solid 15% YoY increase and a 16% sequential growth, driven by a 46% YoY growth for Generics, 9% for Biosimilars, and 11% for Research Services.
- Core EBITDA for the quarter stood at Rs 1,363 crore, a 16% increase from last year, with a healthy core operating margin of 31%. R&D investment for the quarter was Rs 231 crore, accounting for 7% of revenues, excluding Syngene.
- Reported EBITDA for Q4 was Rs 1,115 crore, which is a 16% year-on-year growth. Profit before tax, excluding exceptional items, was Rs 466 crore, a strong 45% increase on a like-for-like basis.
- In FY25, revenue from operations totalled Rs 15,262 crore, an increase of 10% YoY; group core EBITDA for the year was Rs 4,264 crore with a margin of 28%; EBITDA reached Rs 4,374 crore, reflecting a 3% YoY growth with a margin of 27%; and net profit was Rs 1,013 crore, which is a significant turnaround when considering the performance on a like-for-like basis.
- Received the U.S. FDA approval for JobevneTM, its biosimilar bevacizumab, and a positive EU CHMP opinion for biosimilar denosumab.
- Strong commercial momentum and a notable rise in market share across all regions were achieved. Its biosimilars are Ogivri (trastuzumab) and Fulphila (pegfilgrastim), which recorded market shares of 26% and 30%, respectively, in the U.S. market, a twofold gain over the previous year.
- The company partnered with Civica Inc., a U.S.-based not-for-profit supporting affordable insulin access for people with diabetes.

▸Risks and concerns

Uncertainty regarding payoff in the R&D-driven biosimilar business: The business is exposed to lengthy gestation periods and uncertainty about the timing and magnitude of returns on investments in new compounds, as uncertainties surround revenue visibility and return on R&D expenditures. In FY25, net R&D accounted for 7% of revenue (without Syngene), whereas it should have remained between 7% and 9%.

Regulatory risks and intense competition: Their biosimilar business may lose out on opportunities if approvals are delayed from the European Medicines Agency, the US Food and Drug Administration, and those in the markets of Asia and Latin America. Besides, the company has stiff competition distinguished by multiple cost-competitive Indian firms and vigorous defense strategies by innovative companies through the production of approved generics.

Technological changes in product development: Significant and quick changes in technology and occasionally large changes in therapeutic preferences pose risks to the company. Others may develop a new technology that the business is unaware of, rendering its products outdated. Sales of their products will decline, doctors will be less willing to prescribe their products, and their operational outcomes may suffer.

Increase in raw materials and fuel costs: Since the company's API and enzyme production methods require the use of numerous petrochemicals, particularly solvents like ethyl acetate, methanol, and acetone, many of its raw materials are somewhat reliant on the cost of petrochemicals worldwide. Its petrochemical input costs rise in tandem with worldwide petrochemical prices, thereby having a materially negative impact on its profitability.

Industry Overview:

With 4% of the global market, India is the third-largest biotechnology destination in the Asia-Pacific area and one of the top 12 worldwide. The nation owns 3-5 percent of the world's biotechnology market. One of the first nations to create a department dedicated to biotechnology was India. From US$ 8 billion in 2014 to US$ 100 billion in the last eight years in 2022, India's bio-economy sector is expected to reach US$ 130 billion in 2024 and US$ 300 billion by 2030. In 2024, the biotechnology sector in India is expected to generate US$130 billion, with 75 bio-incubators spread across 21 states and Union Territories (UTs) supporting 1,800+ incubates and 6,500+ biotech start-ups, with the number expected to climb to 10,000 by 2025. Nearly 79% of the Indian bioeconomy market is contributed by the two major industry segments, biopharmaceuticals and medical devices. The Indian vaccine market is expected to reach a valuation of Rs. 252 billion by 2025.

In terms of infrastructure, India has 73 bio-incubators supported by BIRAC and 9 biotech parks supported by DBT. Increased funding for the Department of Biotechnology (DBT) to promote R&D, biomanufacturing, and startups is one recent move that boosts India's biotechnology sector in the Union Budget 2025–2026. To encourage innovation and sustainability, it establishes the National Manufacturing Mission, provides Rs. 20,000 crore (US$ 2.30 billion) for private research, and supports genetic research, AI-driven biotech, precision farming, and biofuels. India permits 100% FDI in greenfield pharmaceuticals and medical device manufacturing through the automatic method, which exempts non-resident or Indian companies from government approval.

▸Outlook and Valuation

Income Statement (Extract)

Particulars (Rs in Cr)	2023	2024	2025	2026E	2027E	2028E
Revenue from operations	11,174	14,756	15,262	16,330	17,636	19,224
Other income	376	866	1,208	1,293	1,396	1,522
Total Income	11,550	15,621	16,470	17,623	19,033	20,746

Operating Expenses	8,663	11,457	12,095	12,763	13,510	14,534
Cost of goods sold	3,663	4,898	5,198	5,561	5,732	6,152
Employee benefits expense	2,181	2,664	3,144	3,365	3,634	3,961
Other expenses	2,818	3,895	3,754	3,838	4,145	4,421
EBITDA	**2,888**	**4,164**	**4,375**	**4,859**	**5,523**	**6,212**
EBITDA margin	**26%**	**28%**	**29%**	**30%**	**31%**	**32%**
Depreciation and amortisation expense	1,113	1,569	1,687	1,821	2,017	2,181
EBIT	**1,775**	**2,595**	**2,688**	**3,038**	**3,505**	**4,031**
EBIT margin	**16%**	**18%**	**18%**	**19%**	**20%**	**21%**
Finance costs	419	974	897	798	802	758
Profit before exceptional items & Share of loss of Joint venture	1,356	1,621	1,790	2,240	2,704	3,273
Exceptional items & Share of loss of Joint venture	-458.4	-95.8	97	0	0	0
Profit befor tax	897	1,525	1,887	2,240	2,704	3,273
Effective tax rate	28%	15%	24%	25%	25%	25%
Tax expenses	254.1	227.4	457	560	676	818
Net Profit	**643**	**1,298**	**1,429**	**1,680**	**2,028**	**2,455**
NPM %	**5.57%**	**8.31%**	**9%**	**10%**	**11%**	**12%**
Profit/ (loss) attributable to owners	462.7	1022.5	1013	1176	1318	1473
No. of outstanding shares	119	120	120	120	120	120
EPS Basic	**4**	**9**	**8**	**10**	**11**	**12**

(Source: Company Reports, Trade Brains Research)

Balance sheet (Extract)

Particulars (Rs in Cr)	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Fixed Assets	36,923	38,637	40,472	42,024	43,623	45,638
Investments	605	684	680	714	749	787
Inventories	4,244	4,944	4,931	5,276	5,438	5,836
Trade receivables	3,573	6,231	5,488	5,682	5,895	6,057
Cash and cash equivalents	1,324	1,234	3,227	3,553	3,931	4,546
Other assets	5,375	4,342	4,000	4,080	4,161	4,245
Total assets	**52,043**	**56,071**	**58,797**	**61,328**	**63,797**	**67,108**
Total Equity	**22,489**	**25,275**	**27,713**	**29,295**	**31,205**	**33,518**
Borrowings	18,019	16,277	18,362	19,464	20,048	21,050
Trade payables	3,842	6,272	6,549	6,704	6,972	7,247
Other Liabilities	7,693	8,247	6,174	5,865	5,572	5,294
Total Equity & Liabilities	**52,043**	**56,071**	**58,797**	**61,328**	**63,797**	**67,108**

(Source: Company Reports, Trade Brains Research)

Cash Flow Statement (Extract)

Particulars (Rs in Cr)	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Profit for the year	643	1298	1429	1680	2028	2455
Depreciation and amortisation expense	1113	1569	1687	1821	2017	2181
Interest expense	419	974	897	798	802	758
Other adjustments	407	40	-416	0	0	0
Operating profit before changes in operating assets and liabilities	2582	3881	3598	4299	4847	5394
Movement in working capital	-501	-635	923	-464	-188	-369
Cash generated from operations	2081	3246	4521	3836	4659	5025
Income taxes paid (net of refunds)	229	292	460	0	0	0
Net cash flow generated from operating activities	**1853**	**2954**	**4061**	**3836**	**4659**	**5025**
Cash flows from investing activities						
Purchase of property, plant and equipment	-1596	-1681	-2137	-3373	-3616	-4196
Investments	-12686	676	1903	-34	-36	-37
Net cash flow used in investing activities	**-14282**	**-1005**	**-234**	**-3407**	**-3652**	**-4233**
Cash flows from financing activities						
Proceeds/Repayments of borrowings	12416	-1271	680	1102	584	1002

Dividend Paid	-72	-203	-83	-97	-118	-142
Other financing activities	705	-859	-2451	-1107	-1095	-1036
Net cash flow generated from/ (used in) financing activities	**13049**	**-2333**	**-1854**	**-102**	**-629**	**-176**
Net increase/ (decrease) in cash and cash equivalents	619	-383	1973	326	378	615
Effect of exchange differences on cash and cash equivalents	22	3	31	0	0	0
Cash and cash equivalents at the beginning of the year	654	1300	920	3227	3553	3931
Cash and cash equivalents at the end of the year	1295	920	2924	3553	3931	4546
Cash credits	29	314	303	0	0	0
Cash and cash equivalents at the end of the year	**1324**	**1,234**	**3,227**	**3,553**	**3,931**	**4,546**

(Source: Company Reports, Trade Brains Research)

Summary

We initiate a “Buy” rating on Biocon Ltd. with a target price of Rs 405, based on earnings and developments. The company reported a 15% growth YoY in biosimilars to Rs 9,017 crore, generics grew 8% to Rs 3,017 crore, and Syngene rose 4% to Rs 3,642 crore. Biosimilars achieved a 22% EBITDA margin, Syngene 30%, while generics faced margin pressure at 12%, with overall positive sentiment in margins. Net debt stood at $1.1B with improved working capital. Further, the R&D investments reached 7-9.5% of revenue. In addition, the $200-250M/year organic capex is planned and funded internally. Key launches (liraglutide, dasatinib) and upcoming biosimilars (Stelara, bevacizumab) to drive growth. US/EU approvals secured. Furthermore, with the growing opportunities in biosimilars, generics, and the CRDMO industry, the company will capitalize on these opportunities.

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Ratings	Expected absolute returns over 12 - 18 months
BUY	More than 10%
HOLD	Between 10% to -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stocks, but we refrain from assigning valuation and recommendation
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note : Returns stated in the rating scale are our internal benchmark .