

Jan 6, 2014

Biocon Ltd.

BSE Code: 532523 NSE Code: BIOCON Reuters Code: BION.BO Bloomberg Code: BIOS:IN

Biocon Ltd. established in 1978 is an India's largest and Asia's leading biotechnology company. Biocon is an emerging global biopharmaceutical enterprise focused on delivering affordable innovation. It is committed to reduce therapy costs of chronic diseases like diabetes, cancer and autoimmune diseases by leveraging India's cost advantage to deliver affordable healthcare solutions to patients, partners and healthcare systems across the globe. Biocon has received a regulatory approval for bio similar trastuzumab (world's first bio similar version of Herceptin) in India is an extremely important milestone for Biocon. On December 18th had entered into a Licensing and collaboration agreement for the development of a range of siRNA.

Investor's Rationale

Posted decent growth in topline by 23.9% YoY driven by an increased traction in emerging markets. – Biocon, the Bangalore based company, registered a significant growth in its consolidated topline by 23.9% at ₹7,342.1 mn for the second quarter ended September 30, 2013 as against ₹5924mn during the same period of previous fiscal. Immuno-suppressants and insulins continue to drive growth for the company, bolstered by capacity expansion of insulins plant. Bio-similar pipeline partnered with Mylan, continues to progress well and the company anticipate Indian regulatory approval for its bio similar Trastuzumab in the near future

EBITDA rose 15% to ₹1,760mn – The EBITDA of the company grew 15.1% at ₹1,758.6 mn against the ₹1,527.3 mn reported a year earlier, on better performance across the segments. The biopharmaceuticals and contract research divisions grew by 18% and 46% respectively on YoY basis during the quarter. On half yearly basis, Bio pharma Business reported at ₹8,860 mn up by 21%, Branded Formulations-India business reported at ₹2,000 mn up by 12% and Contract Research were at ₹3,430 mn up by 36%. However, margins contracted by 56bps YoY at 23.7% against 24.3% primarily due to higher employee cost and material cost.

Bottom-line grew by 13.90% YoY on strong top line – Biocon registered a marginal growth in bottom-line by 13.9% at ₹1,021.5 mn owing to better performance in contract research and significant decrease in finance cost by 68% at ₹3.4mn against ₹10.7mn. However, NPM contracted by 39.1bps YoY at 13.6% against 14.0%.

Market Data

Rating	BUY	
CMP (₹)	480	
Target Price	560	
Stop Loss	440	
Duration	Short-term	
52-week High-Low (₹)	489/253	
Rise from 52WL (%)	92	
Correction from 52WH (%)	1.0	
Beta	0.45	
1 year Average Volume (mn)	0.55	
Stock Return (%)	3M-	43.6
	6M-	70.2
	1Y-	66.1
Market Cap (₹bn)	96.63	
Book Value (₹)	110.34	

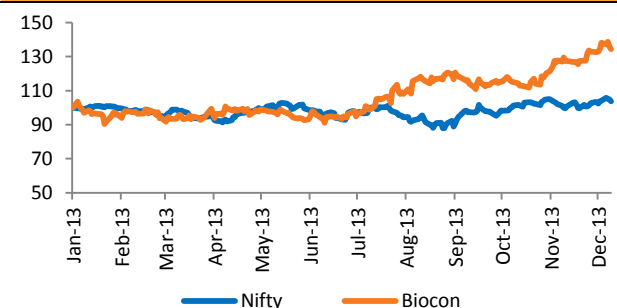
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	60.97	60.96	0.01
FII (%)	11.11	10.02	1.09
DII (%)	6.95	7.97	(1.02)
Public & Others (%)	20.97	21.05	(0.08)

Quarterly Performance (Consolidated)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	7,342.1	5,924.0	6,947.6	23.9	5.7
Op. exp	5,649.5	4,759.0	5,486.5	18.7	3.0
EBITDA	1,758.6	1,527.3	1,520.4	15.1	15.7
OPM (%)	23.7	24.3	21.7	(56bps)	204.bps
Net profit	1,021.5	896.5	935.0	13.9	9.3
NPM (%)	13.6	14.0	12.9	(39.1bps)	65bps
EPS (₹)	5.2	4.6	4.8	12.6	8.4

One Year Price Chart





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