Blip in Biosimilars; Structural Story Intact

Est. Vs. Actual for Q2FY27: Revenue - MISS; EBITDA Margins - MISS ; PAT - MISS

Changes in Estimates post Q2FY27

FY27E/FY28E: Revenue: -2/-4%; **EBITDA:** -3%/-4%; **PAT:** -5%/-6%

Recommendation Rationale

- **Biopharmaceuticals Lead Top-Line Growth; Services Segment Recovers Sequentially:** Biocon reported revenue from operations of Rs 4,389 Cr in Q2FY27, registering 2% YoY growth. Revenue growth was primarily driven by the Biopharmaceuticals division, with the Biosimilars business growing 3% YoY to Rs 2,809 Cr, supported by strong traction in North America and new product launches like Yesafili and Yesintek, though tempered by a 5% shipment revenue deferral into Q3. The Generics segment also delivered healthy growth of 10% YoY to Rs 774 Cr, driven by the scale-up of generic Liraglutide across global markets, including the US, along with improved capacity utilization. However, overall revenue growth was partially offset by a 9% YoY decline in the Services segment (Syngene) to Rs 833 Cr, despite a 13% QoQ rebound.
- **Operational Efficiencies Support Margins; Lower Interest Costs Aid Deleveraging:** EBITDA for Q2FY27 stood at Rs 865 Cr, down 7% YoY, with the EBITDA margin at 20%. Profitability was supported by sustained turnaround in the Generics business, where EBITDA increased to Rs 64 Cr with an 8% margin, representing an improvement of over 700 bps YoY. The Biosimilars business delivered EBITDA of Rs 623 Cr with a 22% margin, impacted by shipment deferrals. R&D expenditure remained well-controlled at Rs 237 Cr, representing around 7% of revenue, excluding Syngene. Lower balance sheet leverage reduced interest expenses by 12% YoY to Rs 240 Cr, while net profit before exceptional items stood at Rs 44 Cr.
- **Disciplined Capital Allocation and Strategic Commercial Milestones:** Biocon continues to transition towards stronger cash generation and a healthier balance sheet. Management indicated that free cash flow will primarily be utilized for debt reduction and improving ROCE. Key operational milestones included commercial supplies commencing from the second Malaysia insulin line following EMA/MHRA approvals, alongside a landmark 10-year, $400 Mn Pertuzumab partnership in Brazil and a global Genentech settlement. Working capital increased marginally due to higher inventory levels to support the expected scale-up in Biosimilars and Generics during H2FY27. Management remains confident of delivering stronger revenue growth, improved cash flows, and better return ratios during the second half of FY27, backed by accelerating operational momentum.

Sector Outlook: Positive

Company Outlook: Management highlighted that integration synergies and Opex rationalization across its biopharmaceutical businesses are enhancing operating leverage, supporting Biosimilars EBITDA margins in the mid-20% range, with margins at 25% in Q1FY27. Following the retirement of structured debt, interest expenses declined 23% YoY to Rs 213 Cr, and management indicated that future free cash flows will be primarily utilized for further debt reduction. Capital allocation remains disciplined, with a key milestone being the EMA approval for the second drug product line at the Malaysia insulin facility, effectively doubling production capacity to support rising global demand from Q2FY27 onwards. Management expects Biosimilars growth to accelerate meaningfully during H2FY27, driven by the US launch of bAflibercept (Yesafili) and bDenosumab (Bosaya/Okelso). In the Generics business, growth in the GLP-1 portfolio is expected to be supported by the continued scale-up of generic Liraglutide across the US and other global markets, leveraging the company's established peptide and fermentation manufacturing capabilities.

Current Valuation: Blended EV/EBITDA on SOTP on FY29E Earnings.

Current TP: Rs 485/share (Earlier TP: Rs 485/share)

Recommendation: BUY

Financial Performance

Biocon reported a steady financial performance in Q2FY27, with revenue increasing 2% YoY (up 1% QoQ) to Rs 4,389 Cr. Growth was primarily driven by the Biosimilars segment, which grew 3% YoY to Rs 2,809 Cr, supported by strong traction in North America and key launches including Yesafili and Yesintek, despite shipment deferrals. The Generics segment reported healthy growth of 10% YoY to Rs 774 Cr, driven by the scale-up of generic Liraglutide across key markets, including the US. However, the Services (CRDMO) segment declined 9% YoY to Rs 833 Cr due to lower demand from a key biologics' client, although recovering 13% sequentially, partially offsetting overall revenue growth. Group EBITDA stood at Rs 865 Cr, down 7% YoY, with EBITDA margins moderating slightly to 20%. The Generics business reported a meaningful improvement in EBITDA margin to 8%, an increase of over 700 bps YoY, while the Biosimilars business maintained a resilient EBITDA margin of 22%. Net R&D expenditure remained well controlled at Rs 237 Cr, representing around 7% of revenue excluding Syngene. A 12% YoY decline in interest expenses to Rs 240 Cr aided profitability, resulting in PAT of Rs 41 Cr.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	4,336	1.2%	2.2%	4,587	-5.5%
EBITDA	846	-1.7%	-0.5%	907	-6.8%
EBITDA Margin	19.5%	-57	-52	19.8%	-28
Net Profit Adj	135	-58.1%	-57.3%	143	-5.2%
EPS (Rs)	0.8			0.9	-5.2%

Source: Company, Axis Securities Research

(CMP as of 04th November, 2026)

CMP (Rs)	344
Upside /Downside (%)	41%
High/Low (Rs)	447/318
Market cap (Cr)	56,078
Avg. daily vol. (6m) Shrs.	36,98,000
No. of shares (Cr)	163

Shareholding (%)

	Mar-26	Jun-26	Sep-26
Promoter	44.9	44.7	44.7
FIIs	7.5	8.1	8.6
MFs / UTI	16.5	15.5	22.1
Others	31.0	31.6	24.5

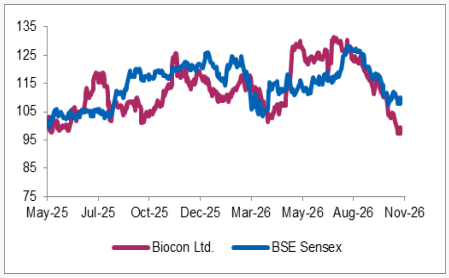
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	16,927	20,971	22,000
EBITDA	3,455	4,446	4,708
Net Profit	369	1,590	1,783
EPS (Rs.)	2.3	9.8	10.9
PER (x)	158.7	35.3	31.5
EV/EBITDA (x)	20.5	13.7	12.4
P/BV (x)	1.6	1.5	1.4
ROE (%)	1.0%	4.2%	4.5%

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-2%	-4%
EBITDA	-3%	-4%
PAT	-5%	-6%

Relative Performance



Source: ACE Equity, Axis Securities Research

Result Gallery
Q1FY27
Q3FY26
Q2FY26
Q1FY26

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Outlook

Biocon continues FY27 operating from a position of strategic strength, with a simplified balance sheet and enhanced financial flexibility following integration. Synergy realization across biopharma operations continues to drive Opex rationalization and fiscal discipline. With structured debt retired, interest expenses fell 12% YoY to Rs 240 Cr, reflecting the benefits of past structural debt retirements. Though interest expenses experienced a minor sequential increase driven by working capital investments for inventory build-up, management reiterated that free cash generation will be strictly prioritized toward ongoing deleveraging. With major investment cycles tapering, capital allocation remains disciplined to enable operating leverage across integrated platforms. A key operational milestone was achieved with EMA approval for the second drug product line at the Malaysia insulin facility, doubling capacity and initiating commercial supplies during Q2FY27. Biosimilars generated an EBITDA margin of 22%, remaining aligned with mid-20s guidance, with growth momentum expected to accelerate meaningfully in H2FY27. Revenue scale-up is driven by recent commercial launches, including Yesafili (bAflibercept) in the U.S. and Yesintek (bUstekinumab) surpassing the originator's market share, supported by steady market share gains in Insulin Glargine and a landmark $400M Pertuzumab Brazil partnership. In Generics, GLP-1 growth is powered by generic Liraglutide expansion in the U.S. and global markets, leveraging past investments in peptides and fermentation. Overall, Biosimilars remain the main growth driver, while manufacturing expansion, lower interest costs, and cost synergies support long-term profitable growth.

Valuation & Recommendation

In light of Biocon's robust biosimilars momentum, improving generics profitability, and healthy balance sheet post-debt reduction, we maintain a BUY rating on the stock. Although we feel FY27 might not be as great a year as FY28 or FY29, the company's strong assets, including bAspart, bDenosumab, and GLP-1, ensure sustained value creation. We value Biocon on a SOTP basis, assigning higher multiples to the biosimilars business given its strong global traction. **We arrive at a target price of Rs 485/share, implying an upside potential of 41% from CMP.**

Concall Highlights

- **One-Off Shipment Deferral Flowing into Q3**: Management explained that approximately 5% of quarterly biosimilar revenues (~$20 Mn) were deferred past September into October due to geopolitical freight and logistics disruptions. Operating expenses were already absorbed in Q2, meaning these revenues will flow directly into Q3 profitability with only minor shipping costs.
- **Confidence in Stronger H2FY27**: Reaffirming previous guidance, leadership expects the second half of FY27 to be substantially stronger than H1. Growth will be driven by new product rollouts, expanded insulin supplies, improving Generics profitability, and sequential normalization at Syngene.
- **Landmark Brazil PDP Pertuzumab Contract**: Biocon Biologics was awarded a 10-year exclusive partnership under the Brazilian Government's PDP program in consortium with Bahiafarma and Bionovis, carrying a total contract value of $400 Mn. Commercial shipments will commence in Q4FY27, with the full annual run-rate visible in FY28.
- **Global Genentech Settlement for Pebrilzo**: Following a positive CHMP opinion in Europe, a worldwide patent settlement and licensing agreement with Genentech secured clear launch timelines for biosimilar Pertuzumab: early calendar year 2027 in Europe/UK and Q3 calendar year 2028 in the US.
- **Commercial Ramp-up of Yesafili & Yesintek**: In North America, Yesintek (biosimilar Ustekinumab) reached a 34% US market share, overtaking the originator. Yesafili (biosimilar Aflibercept) achieved greater than 50% US market access, established partnerships with the category's largest GPO, and has already seen low competitive crowding.
- **Insulin Dynamics & Malaysia Capacity Addition**: Global demand for Insulin Glargine continues to outpace existing capacity. With the Malaysian facility's second fill-finish line securing regulatory approvals from EMA and UK MHRA, commercial supplies began in Q2, with US supplies slated to follow in upcoming quarters. Commercial expansion for Insulin Aspart is being deliberately paced to balance line allocation with Glargine.
- **Part B vs. Part D Commercial Philosophy**: Addressing US pricing and volume dynamics, management emphasized that chasing the lowest price in Medicare Part B (medical benefit oncology products like Bevacizumab and Trastuzumab) erodes ASP and margins without guaranteeing volume. The company focuses on value maximization and channel segmentation rather than unhedged market share chasing.
- **GLP-1 Positioning & Fermentation Strategy**: Generic Liraglutide continues to gain traction across global markets. For Semaglutide, Biocon is advancing both synthetic and fermentation routes; management stressed that its fermentation expertise will provide a structural cost advantage and higher yields when GLP-1 consumption shifts to higher-volume oral tablets.
- **Syngene Entering Sequential Recovery**: While FY27 remains a transition period as Syngene navigates lower biologics demand from a large client, performance rebounded sequentially in Q2, with management projecting continued recovery through the second half.
- **Organizational Restructuring & Direct Commercial Reporting**: Leadership announced a streamlined structure where regional commercial heads for North America, Europe, and Emerging Markets report directly to CEO Shreehas Tambe. Planned transitions include George Kaliviotis succeeding retiring COO Rhonda Duffy in April 2027, Mukesh Rathi stepping in as CTO in January 2027, and Joshua Salsi taking an expanded role overseeing both Generics and Biologics in North America.

Key Risks to Our Estimates and TP

- The USFDA inspection and issuing of WL/OAI or 483 observations may impact revenue growth
- Entry of new players may increase pricing pressure in the injectable portfolio
- Delay in launching new Biosimilars in the market

Valuations: SOTP-based Value Per Share

	EBITDA FY29E (Rs Cr)	Multiple EV/EBITDA (x)	Valuation (Rs Cr)
Biologics	302	16	4,830
Generics	3,740	15	56,099
Syngene	1,073	16	17,164
Enterprise Value			78,092
Debt			7,983
Cash			8,535
Equity Value			78,644
Price			485

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27	YoY%	QoQ %
Net Sales	**4,296**	**4,173**	**4,517**	**4,336**	**4,389**	**2.2%**	**1.2%**
Growth (%)	**25.1%**	**9.2%**	**2.3%**	**10.0%**	**2.2%**		
Total Expenditure	3,460	3,340	3,496	3,490	3,558	2.8%	1.9%
Raw Material Consumed	1,547	1,339	1,399	1,468	1,521		
Gross margins (%)	**64.0%**	**67.9%**	**69.0%**	**66.2%**	**65.3%**	**135**	**-82**
Employee Expenses	888	875	912	916	892		
% of sales	20.7%	21.0%	20.2%	21.1%	20.3%		
Other Expenses	1,025	1,125	1,185	1,107	1,145		
% of sales	23.9%	27.0%	26.2%	25.5%	26.1%		
EBITDA	**835**	**834**	**1,020**	**846**	**831**	**-0.5%**	**-1.7%**
EBITDAM (%)	**19.4%**	**20.0%**	**22.6%**	**19.5%**	**18.9%**	**-52**	**-57**
Interest	272	210	232	213	240		
Depreciation	473	515	513	547	564		
Other Income	93	117	53	55	35		
Associate P/L	0	0	0	0	0		
Exceptional Items	-12	-293	-80	-14	-7		
PBT	**171**	**-68**	**248**	**126**	**55**	**30.0%**	**-49.1%**
Tax	39	-16	49	-9	-2		
Tax (%)	22.5%	23.6%	19.7%	-7.3%	-3.5%		
Reported PAT	**133**	**-52**	**199**	**135**	**57**	**-57.3%**	**-58.1%**

Source: Company, Axis Securities Research, *Reported & Adjusted Financials

Revenue Breakup

Particulars (Rs Cr)	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27	YoY%	QoQ %
Generics	774	851	847	760	774	**0.1%**	**1.9%**
Biosimilars	2721	2497	2756	2885	2809	**3.2%**	**-2.6%**
Research services	911	917	1037	736	833	**-8.5%**	**13.2%**

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
Net Sales	**16,927**	**20,971**	**22,000**	**22,353**
Growth (%)	**10.9%**	**23.9%**	**4.9%**	**1.6%**
Total Expenditure	13,472	16,525	17,292	17,569
Raw Material Consumed	5,691	7,067	7,414	7,533
Gross margins %	**66.0%**	**67.0%**	**67.0%**	**67.0%**
Employee Expenses	3,508	4,299	4,488	4,560
% of sales	21.0%	20.5%	20.4%	20.4%
Other Expenses	4,273	5,159	5,390	5,476
% of sales	25.0%	24.6%	24.5%	24.5%
EBITDA	**3,455**	**4,446**	**4,708**	**4,783**
EBITDAM (%)	**20.4%**	**21.2%**	**21.4%**	**21.4%**
Interest	990	675	597	519
EBIT	2,465	3,771	4,111	4,265
EBITM (%)	14.6%	18.0%	18.7%	19.1%
Depreciation	1,957	2,106	2,226	2,346
Other Income	343	400	430	430
Share of profit/(loss) of joint venture and associate, net	0	0	0	0
Exceptional items, net	-403	0	0	0
PBT	**448**	**2,065**	**2,315**	**2,349**
Tax Rate (%)	17.7%	23.0%	23.0%	23.0%
Tax	79	475	533	540
Reported PAT	**369**	**1,590**	**1,783**	**1,808**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
Share Capital	811	811	811	811
Reserves & Surplus	35,811	37,341	39,064	40,812
Shareholders Fund	**36,622**	**38,152**	**39,874**	**41,623**
Total Debt	15,434	10,383	9,183	7,983
Long-Term Provisions	1,677	2,936	3,080	3,129
Total Non-Current Liabilities	12,960	12,819	11,763	10,613
Trade Payables	6,772	8,446	8,619	8,757
Other Current Liabilities	3,146	3,146	3,300	3,353
Capital Employed	**63,651**	**63,062**	**64,057**	**64,846**
Gross Block	19,760	21,060	22,260	23,460
Depreciation	10,287	12,393	14,619	16,965
Net Block	9,473	8,667	7,641	6,495
CWIP	4,613	2,588	2,588	2,588
Fixed Assets	43,473	38,916	37,890	36,744
Deferred Tax Asset (Net)	0	0	0	0
Other Non-Current Assets	2,998	5,033	5,280	5,365
Current Investments	690	447	447	447
Inventories	6,086	6,607	6,630	6,736
Trade Receivables	5,987	5,745	6,028	6,124
Cash & Cash Equivalents	3,194	5,474	6,902	8,535
Other Current Assets	1,224	839	880	894
TOTAL ASSETS	**63,651**	**63,062**	**64,057**	**64,846**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar, Rs Cr	FY26	FY27E	FY28E	FY29E
PBT	448	2,065	2,315	2,349
Add: Depreciation	1,957	2,106	2,226	2,346
Add: Interest	990	675	597	519
Cash flow from operations	3,395	4,846	5,138	5,213
Change in working capital	3,664	-1,002	121	61
Taxes	79	475	533	540
Miscellaneous expenses	0	0	0	0
Net cash from operations	-348	5,373	4,484	4,612
Capital expenditure	-4,958	2,451	-1,200	-1,200
Change in Investments	-243	243	0	0
Net cash from investing	-5,200	2,693	-1,200	-1,200
Increase/Decrease in debt	-2,928	-5,051	-1,200	-1,200
Dividends	-60	-60	-60	-60
Proceeds from equity	210	0	0	0
Interest	-990	-675	-597	-519
Others	8,390	0	0	0
Net cash from financing	4,622	-5,786	-1,857	-1,779
Net Inc./(Dec.) in Cash	-926	2,280	1,427	1,633
Opening cash balance	4,120	3,194	5,474	6,902
Closing cash balance	3,194	5,474	6,902	8,535

Source: Company, Axis Securities Research

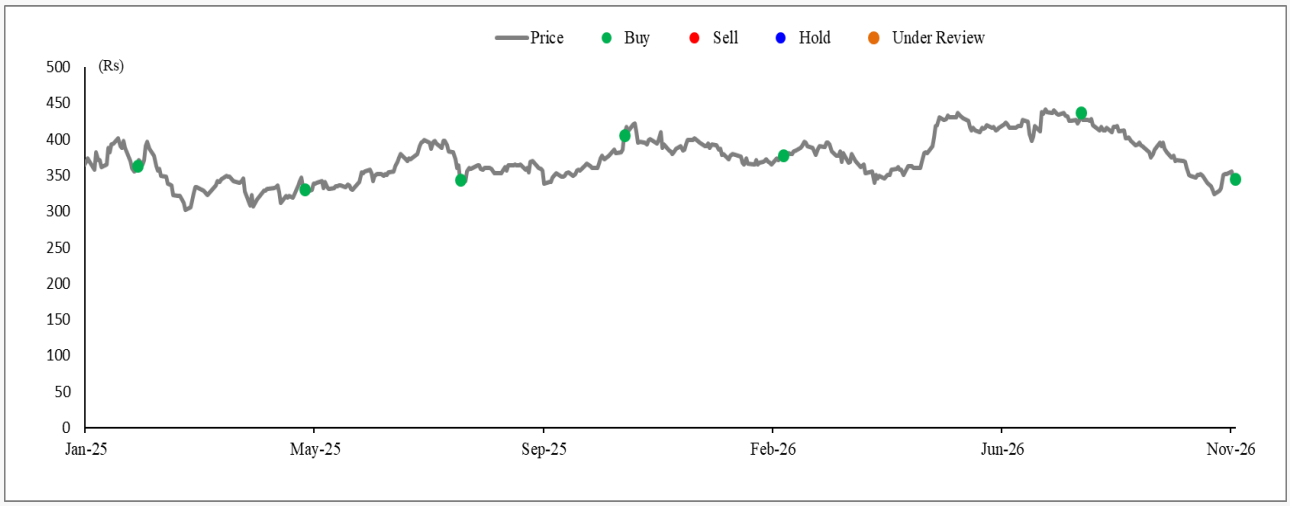
Ratio Analysis

(%)

Y/E March	FY26	FY27E	FY28E	FY29E
Sales growth %	10.9	23.9	4.9	1.6
OPM (%)	20.4	21.2	21.4	21.4
Oper. profit growth %	9.1	28.7	5.9	1.6
COGS / Net sales %	34.0	33.7	33.7	33.7
Overheads/Net sales %	0.1	0.1	0.1	1.1
Depreciation / G. block %	9.9	10.0	10.0	10.0
Effective interest rate %	17.7	23.0	23.0	23.0
Net wkg.cap / Net sales	0.3	0.3	0.3	1.3
Net sales / Gr block (x)	0.9	1.0	1.0	1.0
RoCE %	4.1	6.5	7.2	7.6
Debt/equity (x)	0.4	0.3	0.2	0.2
Effective tax rate %	17.7	23.0	23.0	23.0
RoE %	1.0	4.2	4.5	4.3
Payout ratio (Div/NP)	16.3	3.8	3.4	3.3
EPS (Rs.)	2.3	9.8	10.9	11.1
EPS Growth %	-74.2	331.1	12.1	1.4
CEPS (Rs.)	25.2	15.2	14.0	13.5
DPS (Rs.)	0.4	0.4	0.4	0.4

Source: Company, Axis Securities Research

Biocon Price Chart and Recommendation History



Date	Reco	TP	Research
01-Feb-25	BUY	405	Result Update
12-May-25	BUY	380	Result Update
11-Aug-25	BUY	380	Result Update
13-Nov-25	BUY	448	Result Update
16-Feb-26	BUY	435	Result Update
07-Aug-26	BUY	485	Result Update
05-Nov-26	BUY	485	Result Update

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
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