


Blip in Biosimilars; Structural Story Intact

Est. Vs. Actual for Q3FY26: Revenue - MISS; EBITDA Margins - MISS; PAT - MISS
Changes in Estimates post Q3FY26

FY26E/FY27E: Revenue: -4.4%/-5.2%; EBITDA: -4.4%/-5.2%; PAT: -12%/-6.8%

Recommendation Rationale

- **Generics & Biosimilars Driving Growth, CRDMO Drags:** Biocon's Q3FY26 top line performance was a miss versus expectations, with reported revenue of Rs 4,173 Cr, up 9% YoY. Growth was primarily driven by a strong performance in the Generics segment, which surged 24% YoY to Rs 851 Cr, supported by the launch of generic Liraglutide in European markets and steady traction in the U.S. formulations business. The Biosimilars division, while witnessing some softness, remained the key contributor with revenue of Rs 2,497 Cr, up 9% YoY, aided by market share gains in North America and new launches such as Yesintek and Yesafili. However, overall topline momentum was tempered by a 3% YoY decline in the CRDMO segment, which faced transient headwinds due to challenges with a specific customer.
- **Gross Margin at 9-Quarter High; One-Offs Weigh on PAT:** Gross margin expanded sharply by 350 bps YoY to a nine-quarter peak of 67.9%, driven largely by a higher North America share in the biosimilars mix. Despite this, EBITDA margin expansion was limited, as elevated R&D and other expenses (up 25% and 21%, respectively) offset gross margin gains. EBITDA stood at Rs 834 Cr (up 11% YoY), with margins at 20% (+30 bps YoY). Profitability at the PAT level was impacted by multiple one-offs totalling Rs 293 Cr, making reported PAT not strictly comparable.
- **Biocon Deleveraging as Capex Eases:** Strategically, Biocon is entering a phase of financial discipline as its heavy investment cycle tapers. Management highlighted that annual capex, which averaged around \$275 Mn in recent years, has now reduced to below \$225 Mn and is expected to decline further toward maintenance levels after completion of the ongoing Malaysia expansion. The key remaining growth projects include doubling insulin drug product capacity in Malaysia (targeted for commercialisation in FY27), followed by the expansion of drug substance capacity roughly a year later. With approximately \$550–600 Mn of structured debt already retired, the company has reduced its net debt-to-EBITDA ratio to below 2.5x.

Sector Outlook: Positive

Company Outlook: Management indicated that Q3FY26 other expense levels should be treated as the new base. Following the restructuring and exit of structured debt holders, interest costs are expected to decline by ~Rs 3 Bn YoY in FY27. Capex is set to reduce from the earlier ~\$275 Mn run-rate to below \$225 Mn, with most major expansions completed. Incremental spending will largely be maintenance-driven, including doubling insulin drug product capacity in Malaysia by FY27 and drug substance expansion by FY28/29, while the generic peptide expansion has already been completed. Biosimilars are expected to grow faster, though margins may normalise to the mid-20% range. The portfolio now includes four biosimilars with over \$200 Mn in global sales. The insulin business remains steady, while GLP-1 growth will be driven by continued Liraglutide launches in Europe and upcoming launches in the U.S. and LatAm. Semaglutide has been filed in multiple international markets, with India approval under evaluation via a partnership route.

Current Valuation: Blended EV/EBITDA on SOTP on H1FY28E Earnings.

Current TP: Rs 435/share (Earlier TP: Rs 450/share)

Recommendation: BUY

Financial Performance

Biocon reported a steady financial performance in Q3FY26, with revenue rising 9% YoY (down 2.9% QoQ) to Rs 4,173 Cr. Growth was primarily driven by the Generics segment, which grew 24% YoY, supported by the continued ramp-up of Liraglutide in Europe and stable traction in the U.S. formulations business. The Biosimilars segment grew 9% YoY to Rs 2,497 Cr, aided by market share gains in North America and contributions from recent launches, including Yesintek and Yesafili, though growth moderated sequentially. The CRDMO business declined 3% YoY due to transient client-specific headwinds, tempering overall topline momentum.

Gross margins expanded sharply to 67.9% (+350 bps YoY), driven by a favourable biosimilars mix, particularly higher North America contribution. However, EBITDA margin expansion was limited as higher R&D and other operating expenses offset gross margin gains. Reported EBITDA stood at Rs 834 Cr, up 11% YoY, with margins at 20% (+30 bps YoY). Reported PAT Adj came in at Rs 144 Cr, reflecting a sharp YoY improvement, though impacted by certain one-off items during the quarter.

Key Financials (Consolidated)

(Rs Cr)	Q3FY26	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	4,173	-2.9%	9.2%	4,438	-6.0%
EBITDA	834	-0.2%	10.9%	878	-5.1%
EBITDA Margin	20.0%	53	30	19.8%	-
Net Profit	-52	-138.9%	-163.7%	188	-127.4%
EPS (Rs)	-0.4			1.4	-127.4%

Source: Company, Axis Securities Research

(CMP as of 13th February, 2026)

CMP (Rs)	378
Upside /Downside (%)	15%
High/Low (Rs)	425/291
Market cap (Cr)	61,286
Avg. daily vol. (6m) Shrs.	36,98,000
No. of shares (Cr)	163

Shareholding (%)

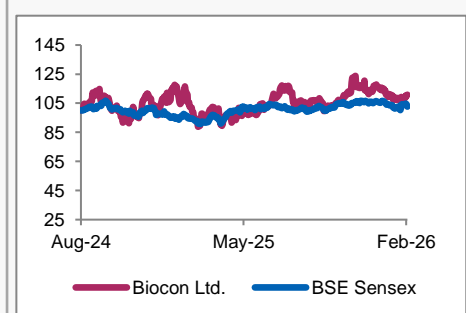
	Jun-25	Sep-25	Dec-25
Promoter	54.5	54.5	54.5
FIIs	6.0	6.6	7.4
MFs / UTI	15.2	14.1	13.8
Others	24.3	24.8	24.4

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	15,262	18,099	20,774
EBITDA	3,166	3,674	4,404
Net Profit	1,429	938	1,742
EPS (Rs.)	11.9	7.0	13.0
PER (x)	31.7	53.9	29.0
EV/EBITDA (x)	18.8	16.4	13.3
P/BV (x)	1.6	1.6	1.5
ROE (%)	5.2%	2.9%	5.2%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-4.4%	-5.2%
EBITDA	-4.4%	-5.2%
PAT	-12.0%	-6.8%

Relative Performance


Source: ACE Equity

Result Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

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Outlook

Biocon enters H2FY26 with improved financial flexibility and a clearer path to cash generation. Management indicated that Q3FY26 other expense levels represent the new operating base. Over the past two quarters, ~\$550–600 Mn of structured debt has been retired, with interest cost savings of ~Rs 3 Bn annually expected from FY27 (already down ~Rs 620 Mn QoQ in Q3). With restructuring complete and Biocon Biologics consolidated, the balance sheet is simpler and better positioned for deleveraging.

The heavy capex phase is largely behind, with group capex expected to taper from ~\$275 Mn to below \$225 Mn, as Malaysia expansion nears completion and peptide capacities were expanded last year. Going forward, capex will largely be maintenance-driven, enabling operating leverage to play out. In Biosimilars, four molecules which each generate over \$200 Mn in annualised revenues. Q3 margins for Biocon Biologics were elevated at 28% due to a higher North America mix (46%), but management reiterated guidance of mid-20% margins going ahead. Yesintek continues to gain share in the U.S. with ~70% market coverage. The insulin franchise remains steady, with Malaysia insulin DP capacity set to double in FY27, followed by DS expansion. Aspart's interchangeable approval in the U.S. is seeing strong initial traction. In GLP-1 generics, Liraglutide launches in the U.S., and LatAm are planned over the next few quarters. Semaglutide has been filed in multiple markets, with a commercialisation strategy in India under evaluation via a partnership route. Overall, Biosimilars are expected to drive growth, while lower capex and interest savings support gradual improvement in cash flows and profitability, albeit with margin normalisation and competitive intensity remaining key monitorables.

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. The company's strong assets, including bAspart, bDenosumab, GLP-1 and further insulin partnerships under the CalRx initiative is expected to drive sustained revenue growth and margin expansion in FY27. 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 435/share, implying an upside potential of 15% from the CMP.

Key Risks to Our Estimates and TP

- The USFDA inspection and issuing of WL/OAI or 483 observations may impact the 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 H1FY28E (Rs Cr)	Multiple EV/EBITDA (x)	Valuation (Rs Cr)
Generic	254	10	2,539
Biosimilars	3,599	19	69,460
Syngene Research	892	17	8,436
Enterprise Value			80,435
Net debt			10,445
Equity Value			69,991
Share Price			435

Source: Company, Axis Securities Research

Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	18,099	20,774	18,939	21,909	-4.4%	-5.2%
EBITDA	3,674	4,404	3,845	4,645	-4.4%	-5.2%
PAT	938	1,742	1,066	1,869	-12.0%	-6.8%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY%	QoQ %
Net Sales	3,821	4,417	3,942	4,296	4,173	9.2%	-2.9%
Growth (%)	6.0%	12.8%	14.8%	25.1%	9.2%		
Total Expenditure	3,070	3,339	3,176	3,460	3,340	8.8%	-3.5%
Raw Material Consumed	1,359	1,473	1,405	1,547	1,339		
Gross margins (%)	64.4%	66.7%	64.4%	64.0%	67.9%	348	392
Employee Expenses	788	811	833	888	875		
% of sales	20.6%	18.4%	21.1%	20.7%	21.0%		
Other Expenses	922	1,055	938	1,025	1,125		
% of sales	24.1%	23.9%	23.8%	23.9%	27.0%		
EBITDA	752	1,078	766	835	834	10.9%	-0.2%
EBITDAM (%)	19.7%	24.4%	19.4%	19.4%	20.0%	30	53
Interest	223	212	277	272	210		
Depreciation	425	436	455	473	515		
Other Income	35	37	80	93	117		
Associate P/L	0	0	0	0	0		
Exceptional Items	18	20	-17	-12	-293		
PBT	156	487	97	171	-68	-143.4%	-139.5%
Tax	75	27	8	39	-16		
Tax (%)	48.0%	5.6%	7.9%	22.5%	23.6%		
Reported PAT	81	459	89	133	-52	-163.7%	-138.9%

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

Revenue Breakup

Particulars (Rs Cr)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY%	QoQ %
Generics	686	1048	697	774	851	24.0%	10.0%
Biosimilars	2289	2463	2458	2721	2497	9.1%	-8.2%
Research services	944	1018	875	911	917	-2.8%	0.7%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Net Sales	15,262	18,099	20,774	21,694
Growth (%)	3.4%	18.6%	14.8%	4.4%
Total Expenditure	12,095	14,425	16,370	17,051
Raw Material Consumed	5,198	6,154	7,001	7,311
Gross margins %	66.0%	66.0%	67.0%	67.0%
Employee Expenses	3,144	3,783	4,259	4,426
% of sales	21.0%	20.9%	20.5%	20.4%
Other Expenses	3,754	4,489	5,110	5,315
% of sales	25.0%	24.8%	24.6%	24.5%
EBITDA	3,166	3,674	4,404	4,642
EBITDAM (%)	20.7%	20.3%	21.2%	21.4%
Interest	897	900	588	510
EBIT	2,269	2,774	3,816	4,133
EBITM (%)	14.9%	15.3%	18.4%	19.0%
Depreciation	1,687	1,824	1,954	2,074
Other Income	1,208	300	400	430
Share of profit/ (or loss) of joint venture and associate, net	0	0	0	0
Exceptional items, net	97	0	0	0
PBT	1,887	1,250	2,262	2,489
Tax Rate (%)	24.2%	25.0%	23.0%	23.0%
Tax	457	313	520	572
Reported PAT	1,429	938	1,742	1,916

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Share Capital	600	815	815	815
Reserves & Surplus	27,112	31,272	32,954	34,810
Shareholders Fund	27,713	32,087	33,769	35,626
Total Debt	18,362	10,445	9,045	7,845
Long Term Provisions	3,807	2,715	2,908	3,037
Total Non-Current Liabilities	16,751	12,659	11,453	10,382
Trade Payables	6,549	7,438	8,367	8,499
Other Current Liabilities	2,368	2,715	3,116	3,254
Capital Employed	58,797	55,399	57,205	58,260
Gross Block	17,038	18,238	19,538	20,738
Depreciation	8,330	10,154	12,108	14,182
Net Block	8,708	8,084	7,431	6,557
CWIP	2,588	2,588	2,588	2,588
Fixed Assets	38,958	38,334	37,680	36,806
Deferred Tax Asset (Net)	0	0	0	0
Other Non-Current Assets	3,554	4,344	4,986	5,206
Current Investments	447	447	447	447
Inventories	4,931	5,703	6,545	6,538
Trade Receivables	5,488	4,959	5,692	5,943
Cash & Cash Equivalents	4,120	889	1,024	2,452
Other Current Assets	1,300	724	831	868
TOTAL ASSETS	58,797	55,399	57,205	58,260

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
PBT	1,887	1,250	2,262	2,489
Add: Depreciation	1,687	1,824	1,954	2,074
Add: Interest	897	900	588	510
Cash flow from operations	4,471	3,974	4,804	5,072
Change in working capital	2,209	312	801	103
Taxes	457	313	520	572
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,805	3,350	3,482	4,397
Capital expenditure	-2,008	-1,200	-1,300	-1,200
Change in Investments	-132	0	0	0
Net cash from investing	-2,139	-1,200	-1,300	-1,200
Increase/Decrease in debt	2,085	-7,918	-1,400	-1,200
Dividends	-60	-60	-60	-60
Proceedings from equity	0	215	0	0
Interest	-897	-900	-588	-510
Others	1,068	3,282	0	-0
Net cash from financing	2,196	-5,381	-2,048	-1,770
Net Inc./(Dec.) in Cash	1,862	-3,231	135	1,427
Opening cash balance	2,259	4,120	889	1,024
Closing cash balance	4,120	889	1,024	2,452

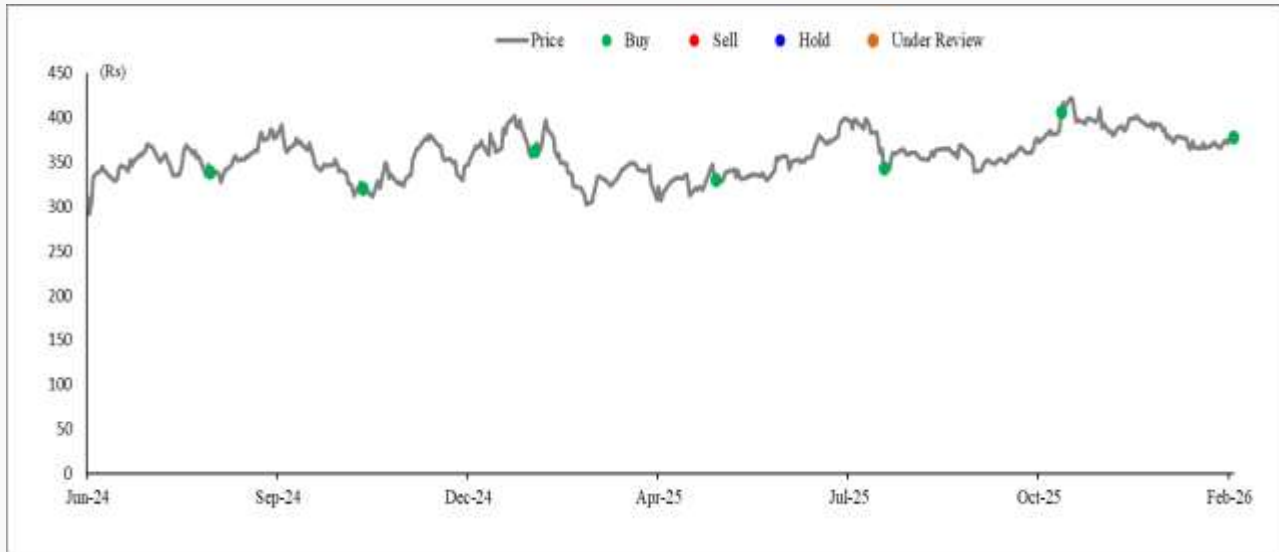
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Sales growth %	3.4	18.6	14.8	4.4
OPM (%)	20.7	20.3	21.2	21.4
Oper. profit growth %	-4.0	16.0	19.9	5.4
COGS / Net sales %	34.0	34.0	33.7	33.7
Overheads/Net sales %	0.1	0.1	0.1	0.1
Depreciation / G. block %	9.9	10.0	10.0	10.0
Effective interest rate %	24.2	25.0	23.0	23.0
Net wkg.cap / Net sales	0.2	0.3	0.3	0.3
Net sales / Gr block (x)	0.9	1.0	1.1	1.0
RoCE %	4.1	5.1	6.8	7.4
Debt/equity (x)	0.7	0.3	0.3	0.2
Effective tax rate %	24.2	25.0	23.0	23.0
RoE %	5.2	2.9	5.2	5.4
Payout ratio (Div/NP)	4.2	6.4	3.4	3.1
EPS (Rs.)	11.9	5.8	10.7	11.8
EPS Growth %	10.1	-34.4	85.8	10.0
CEPS (Rs.)	14.6	22.3	16.7	15.4
DPS (Rs.)	0.5	0.4	0.4	0.4

Source: Company, Axis Securities Research

Biocon Price Chart and Recommendation History



Date	Reco	TP	Research
09-Aug-24	BUY	390	Result Update
31-Oct-24	BUY	370	Result Update
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	450	Result Update
16-Feb-26	BUY	435	Result Update

Source: Axis Securities Research

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Ratings	Expected absolute returns over 12 – 18 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a 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, valuations or recommendations for the stock.

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