

- **In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.**
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP (Rs)*	Target Price	Potential Upside (%)	Reco
BIOCON LTD	48,432	404	474	17%	BUY

* Note: Investment horizon Approx. 6-9 months., CMP as on 30th October, 2020

Pick of the Week

 2nd November, 2020

Biocon Limited

Pharma


Buy
 Target Price
474

Biocon Ltd is an integrated biotechnology enterprise with a presence in biopharmaceuticals, enzymes, custom research and clinical research. The Company's pharmaceutical products include statins, immune suppressants and anti-diabetic drugs. Biocon is world's leading player with an exhaustive pipeline of Biologics and Biosimilars. Further, Biocon Limited is Asia's largest biopharmaceutical company based in Bangalore, India, led by Kiran Mazumdar-Shaw, the founder.

Investment Rationale

- ❑ **Company is on track to reach its long term targets:** The company has gained market share in three biosimilar drugs Pegfilgrastim (7.4%, 130 bps qoq), Trastuzumab (5.2%, 30 bps) and Glagarine (0.5%). Biocon has launched Insuline Glagarine biosimilar in US market, as per orange book Biocon is the third player to launch it after White Lilly and Sanofi Ltd. This drug could add yearly revenue USD\$ 40-USD\$ 50 mn over the next two years. We believe company could achieve USD\$700-USD\$800 mn sales in biosimilars vs target of USD\$1 bn in FY22E.
- ❑ **Pipeline of new products:** Biocon's target to have at least eight biosimilars available in developed markets through the partner- Mylan, by the end of FY22 viz. Trastuzumab, Pegfilgrastim, Adalimumab, Bevacizumab, Etanercept, Insulin Glargine, Insulin Aspart and rh-Insulin, addressing an estimated market opportunity of up to USD \$33 billion. Their pipeline is expected to deliver three additional molecules between FY23 and FY25 which are undisclosed now. Biocon remain committed to impact 5 million patient lives and attain a revenue milestone of USD 1 billion in Biosimilars Division which translates into 70% CAGR for next two years.
- ❑ **Long term prospects intact:** Biocon has a strong pipeline of biosimilars to be launched over next 3-5 years across various markets. Given its record, the biosimilar products have good potential to garner market share despite the competition. Biocon is expected to invest aggressively thereby ploughing back substantial capital over next couple of years to build its product portfolio, conduct trials and support it with adequate manufacturing capacities which would limit free cash flow generation.
- ❑ We recommend to BUY with a target price of Rs. 474.

Financial Summary (Consolidated)

Y/E March	Revenue (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	FDEPS (Rs)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	D/E (X)
2019	5,514	1,394	905	7.5	143.1	41.1	14.8	9.2	0.3
2020	6,301	1,603	748	6.2	(17.4)	56.8	11.2	8.6	0.3
2021E	8,302	2,328	1,246	10.4	66.6	38.9	15.7	12.0	0.2
2022E	9,970	2,917	1,626	13.6	30.5	29.8	17.0	14.4	0.2

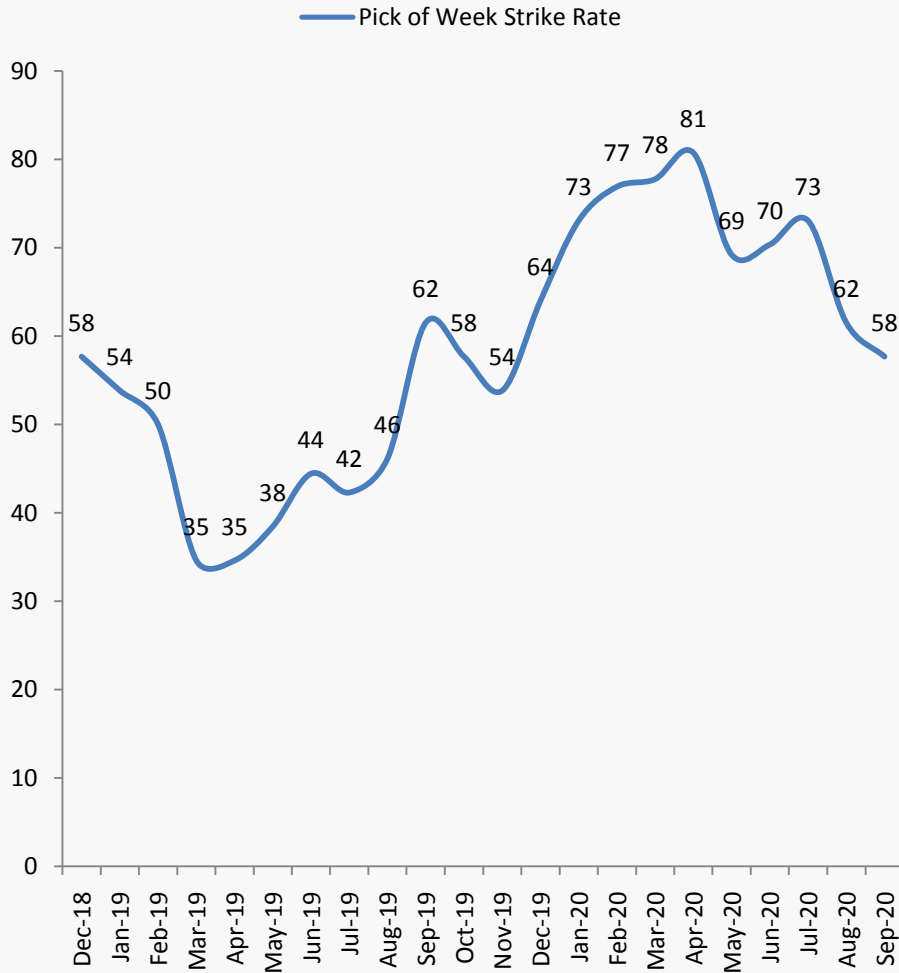
Source: Axis Securities

CMP (Rs)	Target (Rs)
404	474

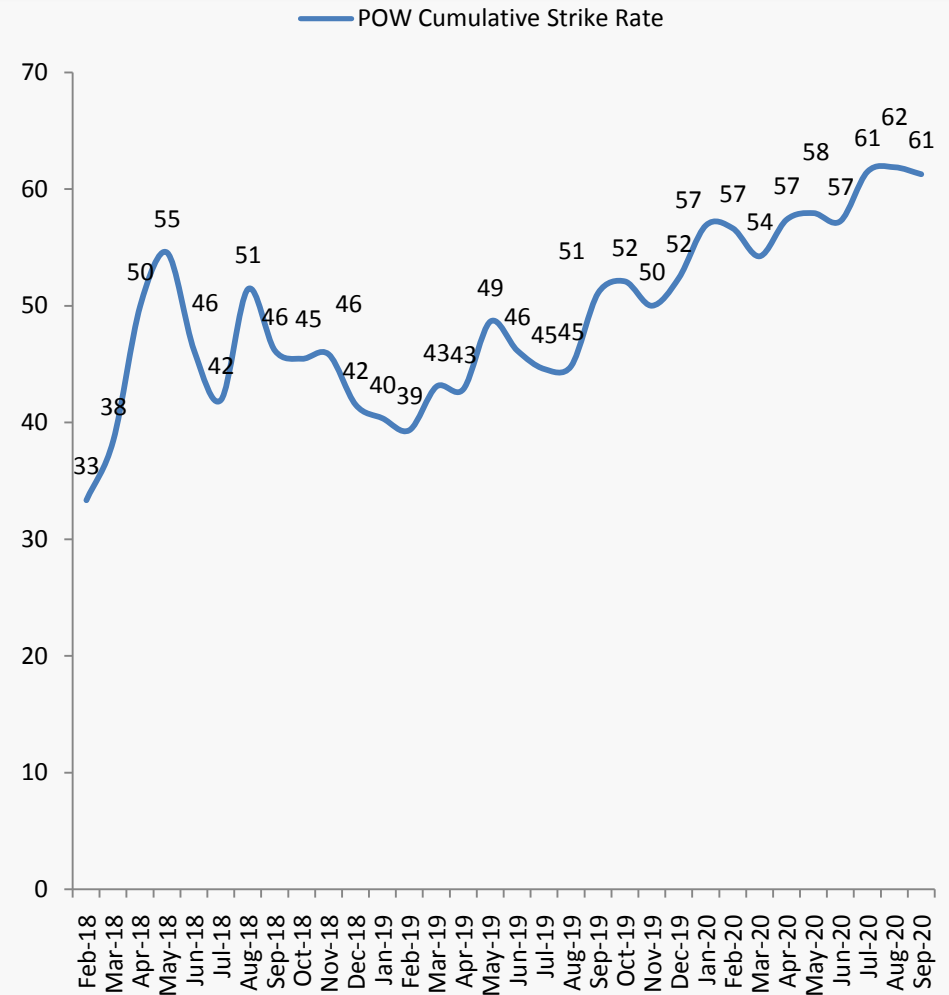
MARKET DATA

No. of Shares	: 119.97 cr
Market Cap	: Rs. 48,432 Cr
52-week High / Low	: Rs. 478 /212
BSE Code	: 532523
NSE Code	: BIOCON

Strike rate based on rolling 6 months



Strike rate since Jan 2018



Note: We have changed our methodology of calculation of strike rates for PoW product from July 2020; and shifted to calculations using 6 months rolling returns method and cumulative basis as against earlier method of calculating the strike rate for last 9 months. The performance under the revised methodology is as above.

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