

BBL buyout: eliminate holdco discount, catalyse upside

Biocon announced the acquisition of the remaining 23.3% minority stake in Biocon Biologics (BBL), making it a wholly owned subsidiary. The transaction will be financed through the issuance of 171.3mn Biocon equity shares valued at USD 773mn and a cash outlay of USD 400mn. The implied valuation pegs BBL at USD 5.5bn equity value (~USD 6.6bn EV), broadly in line with expectations, and the merger is expected to eliminate the holding-company discount historically applied to BBL. In our understanding, this transaction could potentially add incremental ~10% on Biocon valuation due to removal of holdco discount as well as increased stake in BBL; yet to factored-in as further clarity is expected post the investor call. We remain constructive on Biocon's outlook driven by biosimilar scale-up (five launches over FY25-27), complex generic launches (incl. GLP-1), margin expansion and improving leverage; we forecast FY25-28 revenue/EBITDA/PAT CAGR of 14%/23%/42% and retain our BUY rating with a TP of INR 476 (SOTP-based).

- **Transaction overview:** BBL (Biocon Biologics), a subsidiary of Biocon Ltd, had minority shareholders of 23.3% which the parent company has approved to acquire. For this purpose, Biocon Ltd will issue equity shares on a preferential basis. Biocon Biologics Limited will now become a wholly owned subsidiary of Biocon Limited.
- **Acquisition financing:** Acquisition is to be funded through issuance of 171.3mn equity shares in Biocon Limited, amounting to USD 773mn, and cash consideration of USD 400mn.
- **Parties involved:** Biocon Ltd will acquire the remaining stake in BBL from Serum Institute Life Sciences (Serum), Tata Capital and Activ Pine through a share swap of 70.28 Biocon shares for every 100 Biocon Biologics shares, at a share price of INR 405.78 per Biocon share. Biocon will also acquire the residual stake held by Mylan for a total consideration of USD 815mn, of which USD 400mn will be payable in cash and USD 415mn through a share swap of 61.70 Biocon shares for every 100 Biocon Biologics shares at a share price of INR 405.78 per Biocon share.
- **Additional funding requirements:** For the purpose of cash consideration payment, the company will be raising additional capital, of up to INR 45,000mn (USD 500mn) through QIP. The company will be issuing commercial Papers for an amount up to INR 18,000mn on private placement basis, in order to discharge the cash remittance to Mylan in the interim, till the completion of fund raise
- **BBL valuation:** The share swap values Biocon Biologics Limited at USD 5.5bn. Including the debt, BBL would stand at ~USD 6.6bn, in-line with our estimates. Going ahead, once the merger is completed, the discount factor that has been associated with BBL will cease to exist at the combined level.
- **Value unlock:** We believe this transaction could potentially add incremental ~10% on Biocon valuation due to removal of holdco discount as well as increased stake in BBL. Though we await the investor call scheduled on Monday before officially updating our estimates.
- **Our view:** We remain constructive on Biocon's outlook driven by biosimilar scale-up (five launches over FY25-27), complex generic launches (incl. GLP-1), margin expansion and improving leverage. We estimate rev/EBITDA/PAT FY25-28 CAGR of 14%/23%/42%. The stock is currently trading at 14.4x/10.6x EV/EBITDA on FY27/FY28. We have a BUY rating on the name, valuing the company using SOTP methodology to arrive at a TP of INR 476.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	476
Upside/(Downside)	21.2%
Previous Price Target	424
Change	12.3%

Key Data – BIOS IN

Current Market Price	INR393
Market cap (bn)	INR525.0/US\$5.8
Free Float	39%
Shares in issue (mn)	1,336.9
Diluted share (mn)	1,336.9
3-mon avg daily val (mn)	INR1,390.9/US\$15.5
52-week range	425/291
Sensex/Nifty	85,712/26,186
INR/US\$	90.0

Price Performance

%	1M	6M	12M
Absolute	1.9	19.0	3.3
Relative*	-1.0	14.1	-1.5

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,47,557	1,52,617	1,70,544	1,93,410	2,23,859
Sales Growth (%)	32.1	3.4	11.7	13.4	15.7
EBITDA	32,987	31,663	33,725	45,630	59,554
EBITDA Margin (%)	22.4	20.7	19.8	23.6	26.6
Adjusted Net Profit	10,341	9,168	5,973	15,886	26,052
Diluted EPS (INR)	8.6	7.6	4.5	11.9	19.5
Diluted EPS Growth (%)	37.1	-11.3	-41.5	166.0	64.0
ROIC (%)	3.6	2.6	2.8	4.6	6.9
ROE (%)	5.5	4.4	2.5	5.8	8.8
P/E (x)	45.6	51.5	88.0	33.1	20.2
P/B (x)	2.4	2.2	2.0	1.9	1.7
EV/EBITDA (x)	21.6	22.7	19.7	14.0	10.3
Dividend Yield (%)	0.1	0.1	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 05/Dec/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

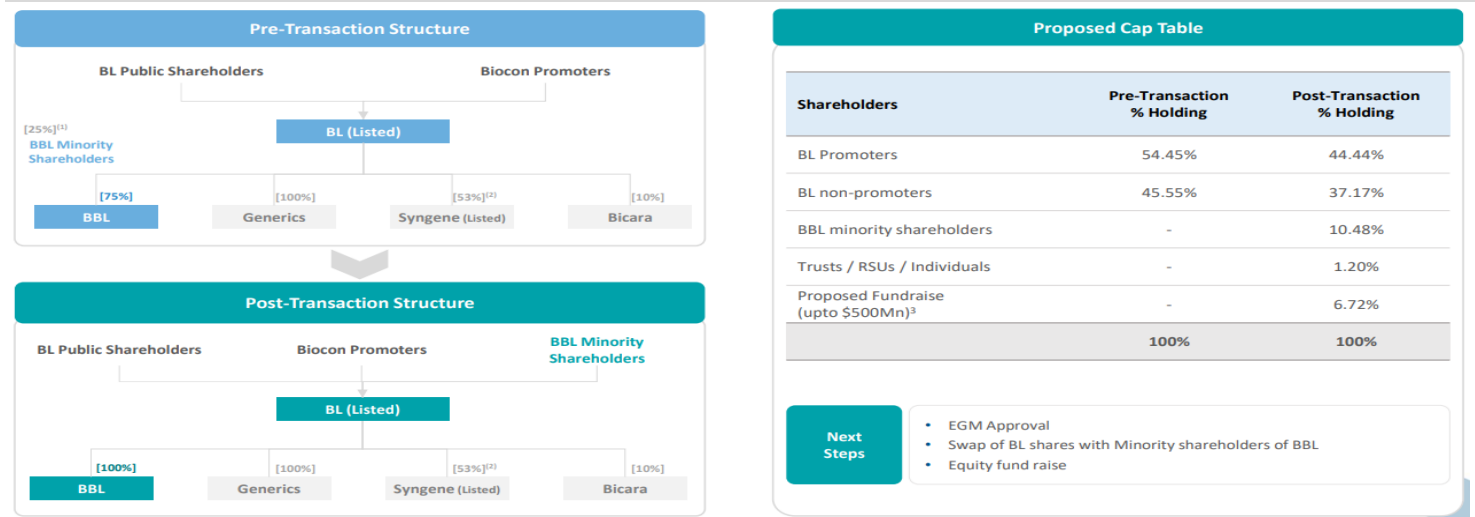
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Exhibit 1. Consideration overview

BBL Shareholders	Shares in BBL	Swap Ratio ²	Shares in Biocon	Consideration ₹ Cr.
Viatis	14,90,56,984	61.70	9,19,67,019	3,732 [\$ 415 Mn]
Viatis	14,36,69,382	NA	NA	3,597 [\$ 400 Mn]
Serum	7,89,02,725	70.28	5,54,48,765	2,250 [\$ 250 Mn]
Tata	88,30,456	70.28	62,05,589	252 [\$ 28 Mn]
True North	2,51,27,315	70.28	1,76,58,180	717 [\$ 80 Mn]

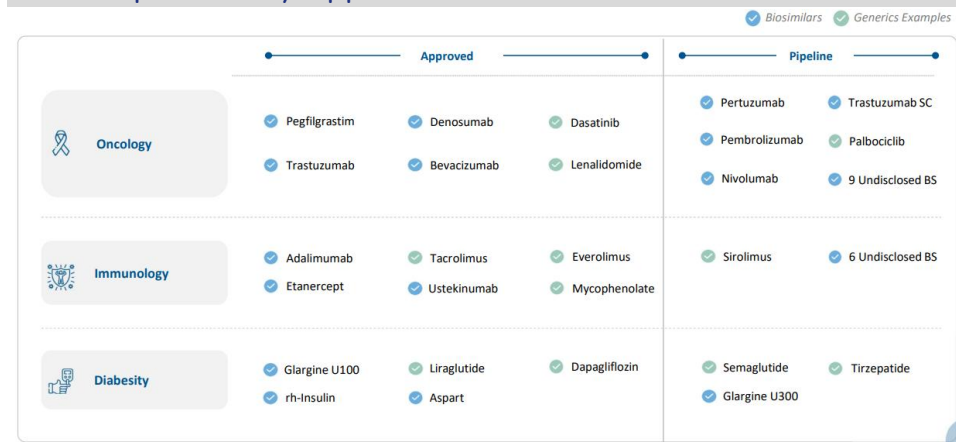
Source: Company

Exhibit 2. Change in ownership structure



Source: Company

Exhibit 3. Improved visibility on pipeline



Source: Company

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,47,557	1,52,617	1,70,544	1,93,410	2,23,859
Sales Growth	32.1%	3.4%	11.7%	13.4%	15.7%
Other Operating Income	0	0	0	0	0
Total Revenue	1,47,557	1,52,617	1,70,544	1,93,410	2,23,859
Cost of Goods Sold/Op. Exp	48,979	51,975	60,372	66,726	74,993
Personnel Cost	26,641	31,444	34,961	38,295	42,533
Other Expenses	27,410	28,945	30,698	31,332	33,579
EBITDA	32,987	31,663	33,725	45,630	59,554
EBITDA Margin	22.4%	20.7%	19.8%	23.6%	26.6%
EBITDA Growth	31.3%	-4.0%	6.5%	35.3%	30.5%
Depn. & Amort.	15,688	16,870	18,111	18,907	20,174
EBIT	17,299	14,793	15,614	26,722	39,379
Other Income	8,655	12,082	3,581	4,835	4,477
Finance Cost	9,744	8,974	8,979	7,471	6,075
PBT before Excep. & Forex	16,210	17,901	10,216	24,087	37,781
Excep. & Forex Inc/Loss(-)	-116	965	0	0	0
PBT	16,094	18,866	10,216	24,087	37,781
Taxes	2,274	4,572	2,043	5,781	9,068
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	1,911	4,161	2,200	2,420	2,662
Reported Net Profit	10,225	10,133	5,973	15,886	26,052
Adjusted Net Profit	10,341	9,168	5,973	15,886	26,052
Net Margin	7.0%	6.0%	3.5%	8.2%	11.6%
Diluted Share Cap. (mn)	1,200.6	1,200.6	1,336.9	1,336.9	1,336.9
Diluted EPS (INR)	8.6	7.6	4.5	11.9	19.5
Diluted EPS Growth	37.1%	-11.3%	-41.5%	166.0%	64.0%
Total Dividend + Tax	600	600	0	0	0
Dividend Per Share (INR)	0.5	0.5	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	15,252	18,866	10,216	24,087	37,781
Depn. & Amort.	15,688	16,870	18,111	18,907	20,174
Net Interest Exp. / Inc. (-)	8,131	7,887	8,979	7,471	6,075
Inc (-) / Dec in WCap.	-6,352	9,230	-4,537	-2,043	-10,046
Others	-257	-7,645	0	0	0
Taxes Paid	-2,923	-4,596	-2,043	-5,781	-9,068
Operating Cash Flow	29,539	40,612	30,726	42,641	44,917
Capex	-56,791	-1,05,617	-9,500	-9,500	-8,000
Free Cash Flow	-27,252	-65,005	21,226	33,141	36,917
Inc (-) / Dec in Investments	13,124	1,665	-476	-523	-576
Others	1,446	1,172	0	0	0
Investing Cash Flow	-42,221	-1,02,780	-9,976	-10,023	-8,576
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-2,030	-829	0	0	0
Inc / Dec (-) in Loans	-12,823	5,512	17,100	-11,300	-27,900
Others	-8,474	-23,223	-8,382	-6,814	-5,352
Financing Cash Flow	-23,327	-18,540	8,718	-18,114	-33,252
Inc / Dec (-) in Cash	-3,804	20,043	29,469	14,503	3,089
Opening Cash Balance	16,140	12,228	32,271	61,740	76,243
Closing Cash Balance	12,336	32,271	61,740	76,243	79,333

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	1,97,837	2,16,440	2,67,413	2,83,298	3,09,350
Share Capital	6,003	6,003	6,685	6,685	6,685
Reserves & Surplus	1,91,834	2,10,437	2,60,728	2,76,614	3,02,665
Preference Share Capital	0	0	0	0	0
Minority Interest	54,911	60,685	62,885	65,305	67,967
Total Loans	1,57,296	1,77,555	1,49,655	1,38,355	1,10,455
Def. Tax Liab. / Assets (-)	-3,387	-2,706	-2,706	-2,706	-2,706
Total - Equity & Liab.	4,06,657	4,51,974	4,77,247	4,84,252	4,85,066
Net Fixed Assets	3,80,624	3,98,675	3,90,064	3,80,657	3,68,483
Gross Fixed Assets	1,35,512	1,56,878	1,71,878	1,86,878	2,01,878
Intangible Assets	2,77,739	2,87,894	2,82,394	2,76,894	2,69,894
Less: Depn. & Amort.	72,479	87,114	1,05,225	1,24,133	1,44,307
Capital WIP	39,852	41,017	41,017	41,017	41,017
Investments	20,248	20,201	11,270	11,270	11,270
Current Assets	1,52,533	1,62,814	2,17,850	2,42,227	2,67,369
Inventories	49,439	49,311	53,733	58,288	67,464
Sundry Debtors	62,306	54,879	65,414	68,886	79,731
Cash & Bank Balances	12,336	32,271	70,671	85,174	88,264
Loans & Advances	1,384	964	964	964	964
Other Current Assets	27,068	25,389	27,068	28,915	30,946
Current Liab. & Prov.	1,46,748	1,29,716	1,41,937	1,49,901	1,62,055
Current Liabilities	81,476	1,02,758	1,13,693	1,20,243	1,30,842
Provisions & Others	65,272	26,958	28,244	29,658	31,213
Net Current Assets	5,785	33,098	75,913	92,326	1,05,314
Total - Assets	4,06,657	4,51,974	4,77,247	4,84,252	4,85,066

Source: Company, JM Financial

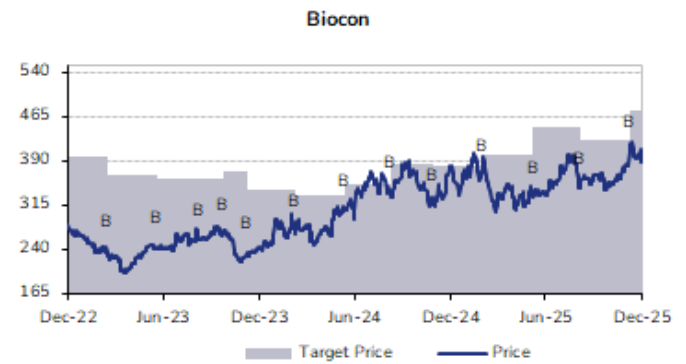
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.0%	6.0%	3.5%	8.2%	11.6%
Asset Turnover (x)	0.3	0.3	0.3	0.4	0.4
Leverage Factor (x)	2.4	2.3	2.1	1.9	1.8
RoE	5.5%	4.4%	2.5%	5.8%	8.8%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	164.8	180.3	200.0	211.9	231.4
ROIC	3.6%	2.6%	2.8%	4.6%	6.9%
ROE	5.5%	4.4%	2.5%	5.8%	8.8%
Net Debt/Equity (x)	0.7	0.6	0.3	0.2	0.1
P/E (x)	45.6	51.5	88.0	33.1	20.2
P/B (x)	2.4	2.2	2.0	1.9	1.7
EV/EBITDA (x)	21.6	22.7	19.7	14.0	10.3
EV/Sales (x)	4.8	4.7	3.9	3.3	2.7
Debtor days	154	131	140	130	130
Inventory days	122	118	115	110	110
Creditor days	200	198	203	203	205

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
16-Sep-22	Buy	395	
15-Nov-22	Buy	395	0.0
30-Nov-22	Buy	395	0.0
15-Feb-23	Buy	365	-7.6
24-May-23	Buy	360	-1.4
12-Aug-23	Buy	360	0.0
27-Sep-23	Buy	370	2.8
12-Nov-23	Buy	340	-8.1
11-Feb-24	Buy	330	-2.9
16-May-24	Buy	350	6.1
12-Aug-24	Buy	385	10.0
31-Oct-24	Buy	380	-1.3
3-Feb-25	Buy	400	5.3
12-May-25	Buy	447	11.8
8-Aug-25	Buy	424	-5.1
12-Nov-25	Buy	476	12.3

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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