

# BIOCON

## COMPANY UPDATE

### KEY DATA

<b>Rating</b>	<b>BUY</b>
Sector relative	Outperformer
Price (INR)	384
12 month price target (INR)	480
52 Week High/Low	425/291
Market cap (INR bn/USD bn)	513/5.7
Free float (%)	45.5
Avg. daily value traded (INR mn)	1,390.9

### SHAREHOLDING PATTERN

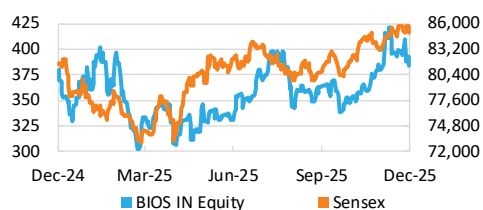
	Sep-25	Jun-25	Mar-25
Promoter	54.45%	54.45%	60.64%
FII	6.60%	6.04%	5.66%
DII	22.05%	22.82%	15.72%
Pledge	0%	0%	0%

### FINANCIALS

(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	1,44,057	1,52,617	1,77,960	2,04,499
EBITDA	29,487	31,663	37,888	46,597
Adjusted profit	2,886	2,611	6,625	12,899
Diluted EPS (INR)	2.4	2.0	5.0	9.6
EPS growth (%)	(46.5)	(18.8)	153.8	94.7
RoAE (%)	5.4	4.9	3.0	5.6
P/E (x)	159.7	196.5	77.4	39.8
EV/EBITDA (x)	21.9	20.4	16.8	13.3
Dividend yield (%)	0.1	0.1	0.1	0.1

### PRICE PERFORMANCE



## Building stake in BBL; boosting value

Biocon has unveiled plans to acquire the 23.3% minority stake in Biocon Biologics (BBL) through a mix of ~USD400mn cash to Viartis and a ~USD773mn share-swap with Viartis and remaining investors.

We view the merger as a strategic value unlock for Biocon shareholders, eliminating the holdco discount while driving operational synergies through fungible facilities. Although the share-swap shall lead to ~280mn incremental shares (~17% stake: BBL minority investors—10%, QIP participants—~7%), Biocon would consolidate 100% of BBL's economics. We maintain a neutral stance on the deal and retain 'BUY' amid improving fundamentals with an unchanged TP of INR480. At CMP, it trades at 13x FY27E EV/EBITDA.

### Biocon to consolidate Biologics arms; eyes USD500mn QIP

Biocon has unveiled plans to acquire the entire 23.3% minority stake in Biocon Biologics (BBL) from Viartis, Serum Institute, True North and Tata Capital. The USD1.17bn consideration comprises a cash payout of ~USD400mn to Viartis and a share-swap of ~USD773mn for remaining minority holders. The cash outlay would be initially funded through CPs and later refinanced through a proposed QIP of up to USD500mn (subject to shareholder's approval). The share-swap, benchmarked at INR405/share, entails the issuance of 171mn Biocon shares (10.5% dilution) and values Biocon Biologics at USD5.5bn, broadly in line with our expectation.

### Merger eliminates holdco discount; catalysing value creation

We believe the consolidation of BBL is a step in the right direction, eliminating the holding company discount, simplifying the corporate structure and possibly leading to credit enhancement. Management expects operational synergies across supply chain, procurement, manufacturing and infrastructure (such as fermentation and injectable capabilities); we await these benefits to materialise. With the swap ratio valuing BBL at USD5.5bn, the combined transaction—including QIP—could lead to issue of ~280mn incremental Biocon shares. We do note that this may introduce excess liquidity in the near term (six-month lock-in), but shall capture 100% of BBL's economics. Our preliminary estimates suggest no major changes in our EPS estimates or SotP valuation while synergies, if unlocked, could drive accretion.

### Improving fundamentals to be key; recovery evident

While the transaction may create volatility until Mar-26, we believe, once closed, fundamentals would drive the stock price. We note the improving business prospects—driven by stronger biosimilar traction (Stelara ~15% share), anticipated bAspart and denosumab uptake, upcoming launches, better operating leverage in GLP-1/generics and new contracts at CRDMO—should all set the stage for a potential recovery in FY27. Moreover, after structured debt reduction, net debt to EBITDA shall be 2.5x (versus 4.5x in FY23) and improve further. We are building in 15%/19% overall revenue/EBITDA CAGR over FY25–28E while RoCE (ex-goodwill) shall improve from 4% in FY25 to 9%. Retain 'BUY' with an unchanged SotP-based TP of INR480.

## Financial Statements

### Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	1,44,057	1,52,617	1,77,960	2,04,499
Gross profit	95,078	1,00,642	1,15,140	1,33,947
Employee costs	26,641	31,444	34,809	38,986
R&D cost	11,540	8,590	10,055	11,554
Other expenses	27,410	28,945	32,389	36,810
EBITDA	29,487	31,663	37,888	46,597
Depreciation	15,688	16,870	19,028	19,337
Less: Interest expense	9,744	8,974	10,302	8,500
Add: Other income	8,655	12,082	3,013	3,040
Profit before tax	12,710	17,901	11,571	21,800
Prov for tax	2,274	4,572	2,256	4,578
Less: Exceptional item	3,384	965	0	0
Reported profit	10,225	10,133	6,625	12,899
Adjusted profit	2,886	2,611	6,625	12,899
Diluted shares o/s	1,201	1,337	1,337	1,337
Adjusted diluted EPS	2.4	2.0	5.0	9.6
DPS (INR)	0.5	0.5	0.3	0.6
Tax rate (%)	17.9	25.5	19.5	21.0

### Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Gross margin	66.0	65.9	64.7	65.5
R&D as a % of sales	8.0	5.6	5.7	5.7
Net Debt/EBITDA	4.5	4.2	3.2	2.3
EBITDA margin (%)	20.5	20.7	21.3	22.8
Net profit margin (%)	2.0	1.7	3.7	6.3
Revenue growth (% YoY)	28.9	5.9	16.6	14.9
EBITDA growth (% YoY)	13.9	7.4	19.7	23.0
Adj. profit growth (%)	(46.5)	(9.5)	153.8	94.7

### Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.5	86.0	86.0
Generics (USD mn)	337.2	357.1	389.2	424.3
Biosimilars (USD mn)	1,021.0	1,067.1	1,280.5	1,499.1
Research ser (USD mn)	420.3	431.1	454.8	523.0
Capex (USD mn)	296.6	277.3	143.0	143.0
Gross R&D	139.9	101.7	114.6	131.7

### Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	159.7	196.5	77.4	39.8
Price/BV (x)	2.3	2.4	2.3	2.2
EV/EBITDA (x)	21.9	20.4	16.8	13.3
Dividend yield (%)	0.1	0.1	0.1	0.1

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	6,003	6,003	6,003	6,003
Reserves	1,91,834	2,10,437	2,16,673	2,28,815
Shareholders funds	1,97,837	2,16,440	2,22,676	2,34,818
Minority interest	54,911	60,685	63,375	67,698
Borrowings	1,57,296	1,77,555	1,68,885	1,60,385
Trade payables	62,720	65,487	74,007	83,116
Other liabs & prov	62,896	24,350	24,350	24,350
Total liabilities	5,60,707	5,87,973	5,96,749	6,13,823
Net block	1,36,967	1,45,734	1,39,006	1,31,969
Intangible assets	40,081	44,067	44,067	44,067
Capital WIP	39,852	41,017	41,017	41,017
Total fixed assets	2,16,900	2,30,818	2,24,090	2,17,053
Non current inv	6,841	6,797	6,797	6,797
Cash/cash equivalent	25,743	45,675	46,302	54,091
Sundry debtors	62,306	54,879	63,992	73,535
Loans & advances	0	0	0	0
Other assets	63,743	62,308	68,072	74,851
Total assets	5,60,707	5,87,973	5,96,749	6,13,823

### Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	13,820	14,294	9,315	17,222
Add: Depreciation	15,688	16,870	19,028	19,337
Interest (net of tax)	8,001	6,682	8,293	6,715
Others	2,717	(7,556)	(681)	(2,538)
Less: Changes in WC	(10,687)	10,322	(6,357)	(7,213)
Operating cash flow	29,539	40,612	29,598	33,524
Less: Capex	(24,615)	(23,430)	(12,300)	(12,300)
Free cash flow	4,924	17,182	17,298	21,224

### Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	5.4	4.9	3.0	5.6
RoCE (%)	5.5	6.2	4.8	6.6
Inventory days	342	347	303	302
Receivable days	124	140	122	123
Payable days	382	450	405	406
Working cap (% sales)	0.3	17.9	18.9	20.0
Gross debt/equity (x)	0.6	0.6	0.6	0.5
Net debt/equity (x)	0.5	0.5	0.4	0.4
Interest coverage (x)	1.4	1.6	1.8	3.2

### Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	(46.5)	(18.8)	153.8	94.7
RoE (%)	5.4	4.9	3.0	5.6
EBITDA growth (%)	13.9	7.4	19.7	23.0
Payout ratio (%)	47.1	82.2	56.5	82.4

## Conference call: Key takeaways

### Deal rationale

- The Biocon stock remains undervalued due to holding-company discount and debt overhang; valuation of Biocon Biologics (BBL) was also affected. An IPO would not have resolved this. Combining the two businesses is likely to unlock greater value.
- BBL operated separately from a governance perspective; post-merger, synergies would emerge across supply chain harmonisation, procurement and distribution/commercial footprint. Synergy benefits cannot be quantified at this stage.
- BBL has a presence in advanced and key markets enabling Biocon to leverage this network for its own products. Significant synergies are likely from harmonising group resources with greater fungibility across teams and capabilities.
- **Commercial synergy:** Commercial organisation would be unified with anticipated workforce consolidation; operational synergies shall improve efficiency. Bond structure transfer to the main entity would be evaluated with current focus on deleveraging, operating cash flows, coupon payments, capex and working capital.
- **Manufacturing fungibility:** GLP-1 and insulin use similar infrastructure; fermentation capacities are fungible. Small molecule and synthesis facilities complement biologics; procurement efficiencies are likely.
- Biocon has a growing portfolio of generic GLP-1s; the combined business would expand presence across oncology, immunology and diabetes, which together account for ~40% of global pharma revenue.

### Transaction details

- Minority shareholders are likely to benefit significantly; undervaluation of both entities is the primary factor driving the transaction.
- Ms Mazumdar shall face majority of the dilution. She does not plan to participate in the QIP.
- Merger of Biocon and BBL removes holding-company discount; Viatris gains a five-year accelerated liquidity event. Viatris's non-compete in biosimilars would expire immediately at the time of close for all ex-US markets and in Nov-26 for US markets.
- **Lock-in period:** Six months regulatory lock-in period.
- **Post-integration focus:** Diabetes with interchangeable biosimilar insulin and GLP-1; oncology, immunology and metabolic segments. Oncology biosimilars scaling up; Biocon leads in immunosuppressants and adds its portfolio across segments.
- BBL was created as a division within Biocon to ring-fence biosimilars investments; over time, USD1bn was invested to build global-scale manufacturing and a research pipeline of ten biosimilars. When the opportunity arose to acquire the commercial segment of the partnership, BBL was formed as a subsidiary and an IPO was considered. Over time, the most effective way to unlock value was to return BBL to the original structure within Biocon rather than pursue an IPO.

- Viatris CCPS – Full CCPS structure collapses post this transaction. Edelweiss debt will be repaid by January 31; proceeds from the last QIP will be used along with commercial papers, which will be refinanced through the upcoming fundraise.
- Shreehas Tambe will lead transition and integration committee. Siddharth Mittal and Shreehas Tambe will continue in their roles until completion of the integration process.

## Financials/others

- BBL's debt structure remains intact; cash flows stay within BBL for interest payments and rollovers. FY30 repayment is manageable with expected USD250mn EBITDA and sustained commercial footprint. Debt metrics are likely to improve going ahead; objective is to have free cash flow in FY27E.
- Net debt has decreased from 4.3x in FY20 to 2.5x in Sep-25 and is likely to further post-merger. Biocon has settled structured debt obligations with Goldman and Kotak and executed a similar agreement with Edelweiss (that will be paid in Jan-26); PBT impact will be positive with full interest-cost benefit visible in FY27.
- QIP shall be used for cash component for Viatris and will not change gross and net debt scenario for Biocon.
- No further stake sale is planned in Syngene.
- **US dollar bonds:** Credit-enhancing event for the group; bond structure remains with BBL, no bondholder approval required.
- Minority shareholder's approval – Largely it allows all shareholders to vote.
- **Ratings upgrade** –This is a credit-enhancing event, Biocon will be in touch with the ratings agencies regarding the ratings upgrade.

**Exhibit 1: Overview of consideration—minority shareholders**

Consideration				
BBL Shareholders	Shares in BBL	Swap Ratio <sup>2</sup>	Shares in Biocon	Consideration ₹ Cr.
Viatris	14,90,56,984	61.70	9,19,67,019	3,732 [\$ 415 Mn]
Viatris	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	1,75,58,180	717 [\$ 80 Mn]

Source: Company, Nuvama Research

**Exhibit 2: Proposed cap**

Shareholders	Pre-Transaction % Holding	Post-Transaction % Holding
BL Promoters	54.45%	44.44%
BL non-promoters	45.55%	37.17%
BBL minority shareholders	-	10.48%
Trusts / RSUs / Individuals	-	1.20%
Proposed Fundraise (upto \$500Mn) <sup>3</sup>	-	6.72%
	100%	100%

Source: Company, Nuvama Research

**Exhibit 3: SotP valuation (current) (INR mn)**

Segments	EBITDA H1FY28	Multiple (x)	EV	Stake	Value for Biocon Shareholders
Generics	3,921	9	35285	100%	35285
Biosimilars	34,337	20	686730	79%	542517
Research services	13,493	22	296841	52%	155723
Total EV					733525
Net debt					94600
Market value					638925
No. of shares					1337
Value per share					480

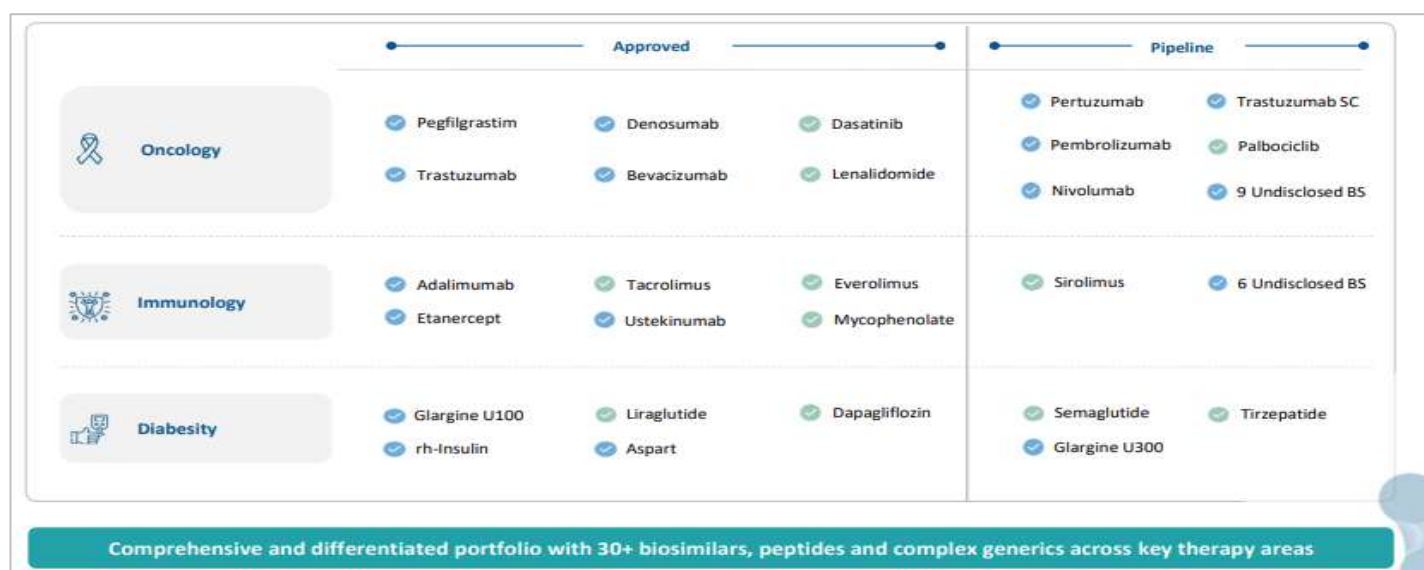
Source: Company, Nuvama Research

**Exhibit 4: SotP valuation—Adjusted for 100% stake and potential dilution**

Segments	EBITDA H1FY28	Multiple	EV	Stake	Value for Biocon Shareholders
Generics	3,921	9	35285	100%	35285
Biosimilars	34,337	20	686730	100%	686730
Research services	13,493	22	296841	52%	155723
Total EV					877738
Net debt					94600
Market value					783138
No. of shares					1619
Value per share					486

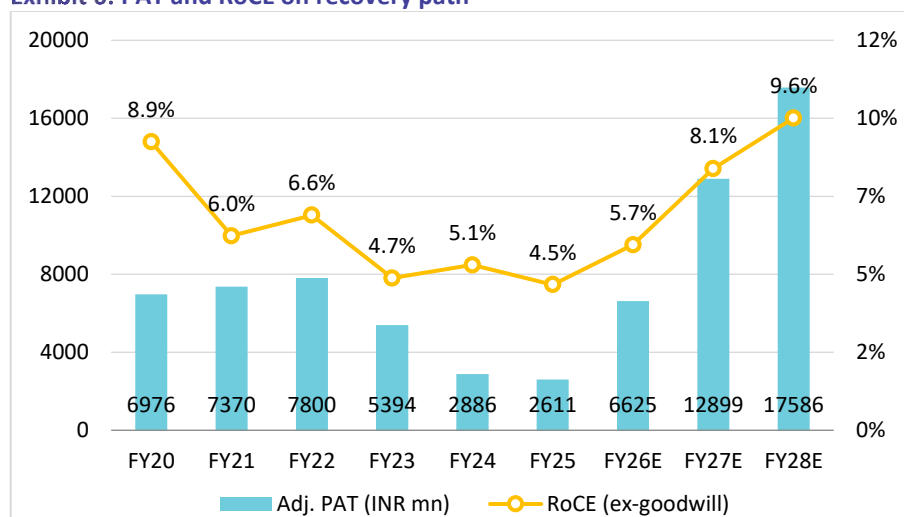
Source: Company, Nuvama Research

**Exhibit 5: Comprehensive portfolio across high-growth therapy areas**



Source: Company, Nuvama Research

**Exhibit 6: PAT and RoCE on recovery path**



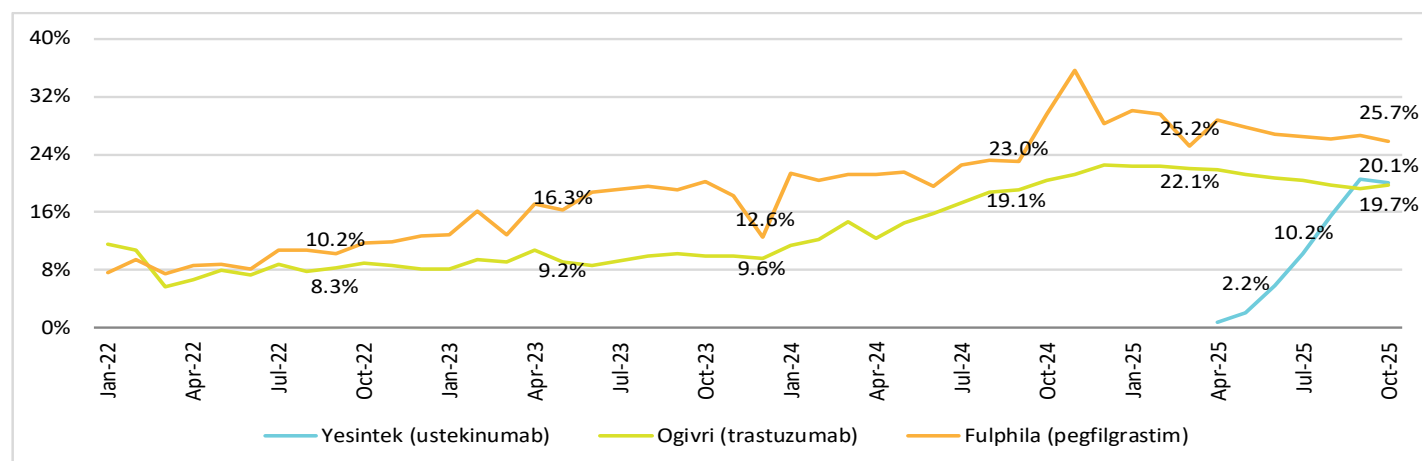
Source: Company, Nuvama Research

**Exhibit 7: FY27E poised for positive consolidated FCF generation**

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net Profit</b>	<b>7,482</b>	<b>7,523</b>	<b>6,484</b>	<b>4,627</b>	<b>10,225</b>	<b>10,133</b>	<b>6,625</b>	<b>12,899</b>
Depreciation	5,522	7,151	8,142	11,131	15,688	16,870	19,028	19,337
Changes in WC	-1,651	-4,238	-7,895	-5,010	-6,352	9,230	-6,357	-7,213
Others	1,478	1,161	5,035	7,777	9,978	4,379	10,302	8,500
<b>CFO</b>	<b>12,831</b>	<b>11,597</b>	<b>11,766</b>	<b>18,525</b>	<b>29,539</b>	<b>40,612</b>	<b>29,598</b>	<b>33,524</b>
Capital Expenditure	-18,294	-17,367	-19,227	-1,73,877	-24,615	-23,430	-12,300	-12,300
<b>FCF</b>	<b>-5,463</b>	<b>-5,770</b>	<b>-7,461</b>	<b>-1,55,352</b>	<b>4,924</b>	<b>17,182</b>	<b>17,298</b>	<b>21,224</b>

Source: Company, Nuvama Research

Exhibit 8: Yesintek posts robust pickup; Ogivri and Fulphila continue to build momentum in market share



Source: Company, Nuvama Research

## Company Description

Biocon (BIOS) is primarily a play on the emerging biosimilars segment in India. It is the only Indian pharmaceutical player with i) a serious commitment to biosimilars, ii) a good product mix of near- to long-term opportunity, and iii) diversification across emerging and developed markets. BIOS operates across four segments: generics, biologics, biosimilars and research services.

## Investment Theme

Biocon's efforts in garnering higher share in commercialised products particularly in US is encouraging. The addition of closed door pharmacy in insulin glargine, new contract wins and pricing stability is welcome. Biocon's pipeline too holds promise - bNovolog and bAvastin, followed by bProlia, bStelara, bEylea FY26 onwards. However, the continuous pipeline delay and pricing pressures hinder its progress. We await for sustained growth momentum. We expect generics and research services business to pick up pace in FY26.

## Key Risks

- Delay in plant clearances and resultant launches
- Higher than expected price erosion and lower than expected market share
- High debt

## Additional Data

### Management

Chairperson	Ms. Kiran Mazumdar-Shaw
CEO and MD	Siddharth Mittal
MD of Biocon Biologics	Dr. Arun Chandavarkar
CFO	Mr Indranil Sen
Auditor	B S R & Co. LLP

### Holdings – Top 10\*

% Holding		% Holding	
SBI Funds	4.96	ICICI Pru AMC	1.30
LIC	4.90	Franklin Resour	0.77
Nippon Life	2.14	Blackrock	0.73
Vanguard	1.79	HDFC Life	0.69
Kotak Mahindra	1.54	Mirae	0.67

\*Latest public data

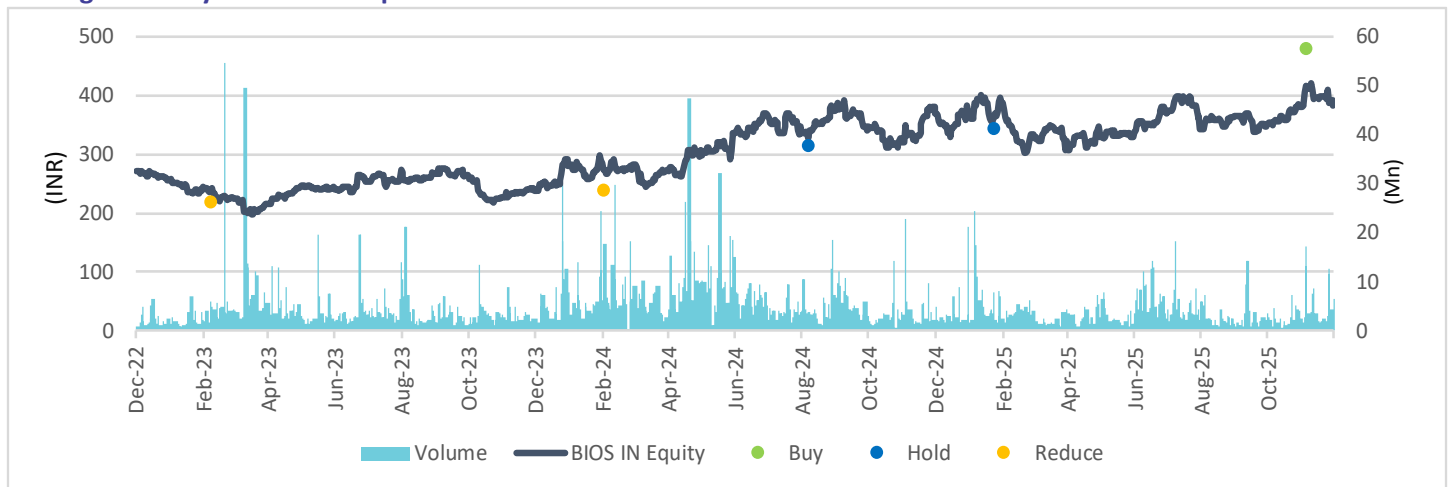
### Recent Company Research

Date	Title	Price	Reco
12-Nov-25	Gaining momentum; upgrade prescribed; <i>Result Update</i>	401	Buy
08-Aug-25	Soft start; watchful optimism; <i>Result Update</i>	343	Hold
09-May-25	Improving steadily; debt concerns linger; <i>Result Update</i>	330	Hold

### Recent Sector Research

Date	Name of Co./Sector	Title
24-Nov-25	Pharmaceuticals	CDMOs surge; domestic resilient; US flat; <i>Sector Update</i>
14-Nov-25	Natco Pharma	Post-gRevlimid phase begins; focus on M&; <i>Result Update</i>
13-Nov-25	Ipca Laboratories	Domestic levers intact; Unichem improves; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	207
Hold	<15% and >-5%	69
Reduce	<-5%	35

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