

Investment Thesis

Biocon is at an important inflection point. Over the last five years, the company has transformed itself from a biosimilars R&D and manufacturing player into a fully integrated global commercial platform through the acquisition of Viatris' biosimilars business. The transaction provided Biocon with established commercialization capabilities, customer relationships, regulatory infrastructure, and market access across major developed markets, significantly accelerating its global ambitions.

While the acquisition temporarily increased leverage and weighed on reported earnings, much of the integration and balance-sheet restructuring is now behind the company. The next phase of value creation is expected to be driven by a strong biosimilar launch pipeline, operating leverage, and sustained deleveraging. Investors today are effectively buying a scaled global biosimilars franchise at the beginning of what could be a multi-year earnings growth cycle.

The Viatris Acquisition: Building Scale

The acquisition of Viatris' biosimilars business was transformational. Valued at approximately USD 3 billion, the transaction gave Biocon Biologics immediate access to a global commercial infrastructure spanning the United States, Europe, Canada, and several other regulated markets. More importantly, it shifted Biocon's role in the value chain from being primarily a developer and manufacturer of biosimilars to becoming an end-to-end commercial biosimilars company.

The transaction was financed through a combination of debt and equity, resulting in elevated leverage and near-term pressure on profitability. However, management has subsequently refinanced expensive borrowings, raised capital through a QIP, and simplified the capital structure. With the integration phase largely complete, investors can now focus on the earnings potential of the combined platform.

Key Growth Drivers

The most important driver of growth over the next few years is Biocon's biosimilar launch pipeline. Products such as Ustekinumab, Bevacizumab, Aflibercept, and Denosumab target large biologic markets across oncology, immunology, and bone health. Management estimates that each of these products has the potential to generate annual revenues of USD 150–200 million at maturity.

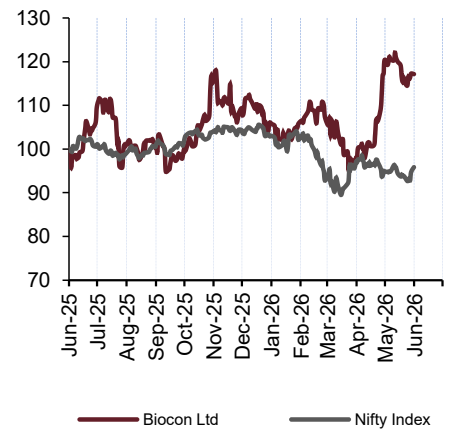
Rating	TP (Rs)	Up/Dn (%)
BUY	500	19

Market Data

Current price	Rs	419
Market Cap (Rs.Bn)	(Rs Bn)	679
Market Cap (US\$ Mn)	(US\$ Mn)	7,134
Face Value	Rs	5
52 Weeks High/Low	Rs	440.4 / 331
Average Daily Volume	('000)	1,750
BSE Code		532523
Bloomberg		BIOS.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	45	45
Public	55	55
Total	100	100

Source: Bloomberg

Yash Patil
+ 91 22 6714 1414
yash.patil@dalal-broacha.com

Beyond these near-term opportunities, the company has approximately 15 undisclosed biosimilar candidates under development. This creates long-term visibility and reinforces Biocon's position as one of the few global players with a meaningful biosimilars pipeline across multiple therapeutic areas.

The significance of these launches extends beyond revenue growth. As more products are commercialized through the same global infrastructure, the business should benefit from operating leverage, leading to margin expansion and stronger cash generation.

Earnings and Margin Expansion

Biocon appears to be approaching a meaningful earnings inflection. Revenue is projected to increase from approximately ₹13,000 crore in FY26 to more than ₹20,000 crore by FY29, driven by both the existing biosimilars portfolio and upcoming launches.

At the same time, EBITDA margins are expected to improve from approximately 19% to nearly 26% over the same period. The combination of revenue growth, operating leverage, and lower financing costs could result in earnings growing substantially faster than sales over the medium term.

Importantly, the market has historically focused on acquisition-related costs and leverage. As these concerns diminish, investor attention is likely to shift toward the earnings power of the underlying biosimilars platform.

Deleveraging as a Key Catalyst

One of the most attractive aspects of the investment case is the potential for rapid deleveraging. Following the acquisition, Biocon carried a significant debt burden. However, improving EBITDA, growing cash flows, and maturing launch portfolio should allow the company to steadily reduce debt over the next few years.

This creates a virtuous cycle: higher EBITDA drives lower leverage, which reduces interest costs and further supports earnings growth. Historically, companies undergoing successful deleveraging often benefit from both earnings upgrades and valuation re-rating.

Strategic Optionality

Beyond the core biosimilars business, Biocon owns several valuable strategic assets that provide additional optionality.

The company owns approximately 52% of Syngene, one of India's leading CRDMO companies. Syngene offers exposure to the structural outsourcing trend in pharmaceutical research and manufacturing and represents a valuable asset within the group.

Biocon also owns a stake in Bicara Therapeutics, a U.S.-listed oncology-focused biotechnology company. While this investment is not central to the thesis, it provides potential upside through future value creation and strategic monetization opportunities.

These assets provide investors with exposure to multiple healthcare growth themes beyond the core biosimilars franchise.

Risks

The key risks include delays in regulatory approvals, slower-than-expected biosimilar adoption, pricing pressure in developed markets, and execution challenges around multiple product launches. Given the company's leverage profile, delays in commercialization could also postpone the pace of deleveraging.

However, these risks are mitigated by the company's diversified portfolio, established commercial infrastructure, and growing scale in global biosimilars.

Conclusion

Biocon is transitioning from an acquisition and integration story to an execution and monetization story. The company now possesses a globally scaled biosimilars platform, a visible launch pipeline, improving profitability, and a clear path toward deleveraging.

With multiple large product launches approaching commercialization, meaningful operating leverage embedded in the business model, and additional optionality from Syngene and Bicara, Biocon appears well positioned for a multi-year earnings upgrade cycle. The investment case is no longer about building the platform—it is about monetizing it.

We believe the market continues to underappreciate the earnings potential of the integrated biosimilars platform and the pace at which leverage can decline over the next few years. As new launches contribute and cash flows strengthen, we expect investor focus to shift from acquisition-related concerns to earnings growth, return ratios, and free cash flow generation.

We recommend a BUY on Biocon with a target price of ₹500 per share, implying meaningful upside from current levels. Our constructive view is supported by a combination of strong biosimilar launch visibility, improving margins, balance-sheet deleveraging, and strategic value embedded in Syngene and Bicara. Over the next three to five years, we believe Biocon has the potential to emerge as one of the most compelling earnings growth stories within the Indian pharmaceutical sector.

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | : equity.research@dalal-broacha.com