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# Strong growth outlook for Biocon's biosimilars

Launches in developed markets will nearly double profit in FY20, say analysts

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Even as pharmaceutical peers are struggling with pricing pressures for their generics in the US market, Biocon is steadily increasing its presence in developed markets through its biosimilars portfolio. Given the strong earnings outlook, it is not surprising that the stock has gained 19 per cent this year — its peer index, the S&P BSE healthcare index, is down around 6 per cent.

With the European Commission's approval and marketing authorisation to Biocon and partner Mylan for the Ogivri biosimilar (for Trastuzumab), used for treating cancer, the duo will be targeting a large market. Since brand sales of Herceptin (Trastuz-umab) were pegged at \$1.9 billion a year, this would be an \$80-100 million sales opportunity for Biocon/Mylan, say analysts.

Last month, the company got approval for another drug, Fulphila, a biosimilar of Pegfilgrastim, used during chemotherapy. Fulphila could also be another \$40-50 million sales opportunity, feel analysts.

The company is also banking on Hulio (biosimilar of Humira), used for treating autoimmune diseases in Europe. Humira's European Union (EU) market was estimated at \$4.3 bil-



ILLUSTRATION: AJAY MOHANTY

## ROBUST EARNINGS GROWTH

in ₹ bn	FY18	FY19E	FY20E
<b>Net sales</b>	<b>41.3</b>	<b>53.9</b>	<b>74.6</b>
% change y-o-y	5.3	30.5	38.4
<b>Ebidta</b>	<b>8.3</b>	<b>13.2</b>	<b>21.0</b>
Ebidta (%)	20.1	24.6	28.1
<b>Net profit</b>	<b>3.7</b>	<b>7.9</b>	<b>12.5</b>
EPS (₹)	6.2	10.5	20.9
% change y-o-y	-39.2	68.4	99.8
E-Estimates			Source: Motilal Oswal Securities

lion in annual brand sales. Assuming a 60-70 per cent price drop (given multiple entrants and largely tender-driven sales) and a market share of 10-15 per cent (overall biosimilar penetration of 60-70 per cent), this is estimated to be a \$120-240 mn sales opportunity for the company, according to Morgan Stanley's research.

The Street will also await progress on a launch in the diabetes segment (insulin Glargine). Analysts expect the company to

launch the product by the March quarter. With all four of the planned biosimilars for Europe are progressing well, analysts expect Biocon to benefit from commercialisation of its entire advanced pipeline in the market there by mid-2019. This should give a major fillip to the financial performance.

Its biosimilar launches in America have already been doing so. During the September quarter, the biologics segment (27 per cent of overall revenue) saw 136

per cent year-on-year growth. This was led by the US launch of the Pegfilgrastim biosimilar, while the traction in biosimilars/insulins in EMs had also gained momentum. This is likely to be better with more launches in the EU.

Syngene, its research services arm, is also contributing well. The segment contributed a third to overall revenue during the September quarter, with 25 per cent year-on-year growth. Buoyed by good momentum in discovery services and the dedicated research & development (R&D) centres. With international pharma majors looking to curtail their expenditure on R&D and to lower the cost of manufacturing, the outsourcing trend is expected to accelerate, to the benefit of Syngene.

In the domestic arena, Biocon saw its second highest year-on-year growth for the quarter (up 22 per cent). Led by more than 100 per cent growth in the anti-neoplastic and anti-infective segments, according to Motilal Oswal Research.

While product launches are progressing, 2018-19 is also seen as an inflection year for the biosimilars portfolio. The share price, however, is already factoring in a large part of the expected upside, with the re-rating triggers from here on depending on the competitive landscape.