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# Biosimilars to help Biocon hit \$1bn revenue in FY20

## With US And Europe Approving Its Drugs, The Business Nearly Doubled Last Year

Avik Das & Sujit John | TNN

**Bengaluru:** Searing growth in its biosimilar business is expected to help see Biocon cross \$1 billion in revenue this fiscal. Biosimilars or biologics are biological drugs that are developed to be highly similar and clinically equivalent to an existing biological drug, and they can be developed once the original drug's patent expires. Biological drugs are made from complex molecules manufactured using living microorganisms, plants, or animal cells.

Biocon's biosimilars, the first of which was insulin Glargine and which was launched in 2016 in Japan, contributed Rs 1,517 crore in the recently concluded fiscal, from just Rs 342 crore three years back, a CAGR of

### RAPID GROWTH

Biocon		2018-19	2017-18	2016-17	2015-16	CAGR (%)
Business segments	Small molecules	1,773	1,508	1,587	1,387	6.3
	Biologics	1,517	770	458	342	45
Total revenue		5,659	4,336	4,079	3,460	13

All numbers in Rs crore

Source: BSE

### GROWING GLOBAL PRESENCE

	Drug	Status
Oncology (breast and metastatic stomach cancer)	Trastuzumab	Launched in EU and key emerging markets; Approved in US and Australia; Under review in Canada
Diabetes	Insulin Glargine	Launched in EU and key emerging markets; Launched in Japan; Approved in Australia; Under review in US and Canada
Oncology (controls certain side effects in patients undergoing chemotherapy)	Pegfilgrastim	Launched in US; Approved in EU, Canada and Australia

maker Roche had sales of about \$3 billion from Herceptin in the US last year. The biosimilar, to be sold under the name Ogivri, has also been granted marketing authorisation by the European Medicines Agency (EMA), though the launch date is yet to be decided by its marketing partner Mylan.

Another drug Fulphila – used to control certain side effects in patients undergoing chemotherapy – already has an 18% share of the US market for such drugs. The company says it is a high volume but lower value product compared to Trastuzumab, which is costlier.

These lucrative businesses have helped raise margins. Operating margin went up to 27% last fiscal from 24% in the year before. "Biologics is boosting the quality of our earnings and now it's time to monetise the investments made," Mazumdar-Shaw said.

JP Morgan said in a recent note that since its first approval in 2016 in a developed market, Biocon has re-rated as recognition of its biosimilar development ca-

pabilities has grown. "Over the next few years, we expect the monetisation of its pipeline will contribute most of the EPS growth. Underlying earnings in the near-term do not reflect the value in the stock, given the gradual pick-up in biosimilars' market share from recent/upcoming launches and peak sales likely to be achieved over two to three years," it said. The company's share price rose dramatically from 2016 to early 2018, but has been somewhat steady since.

The company, however, cautioned that while biologics will remain the major driver of revenue and profit in the coming times, a heavy investment behind research and development (R&D) will be a challenge to margins. While core margins will be strong, overall margins may be impacted as it hires more scientists in India and abroad to be ahead of the curve. This will increase the cost of human capital, Mazumdar-Shaw said. Biocon has pegged its R&D spend at 15% of revenue for this year, up from 13% previously.