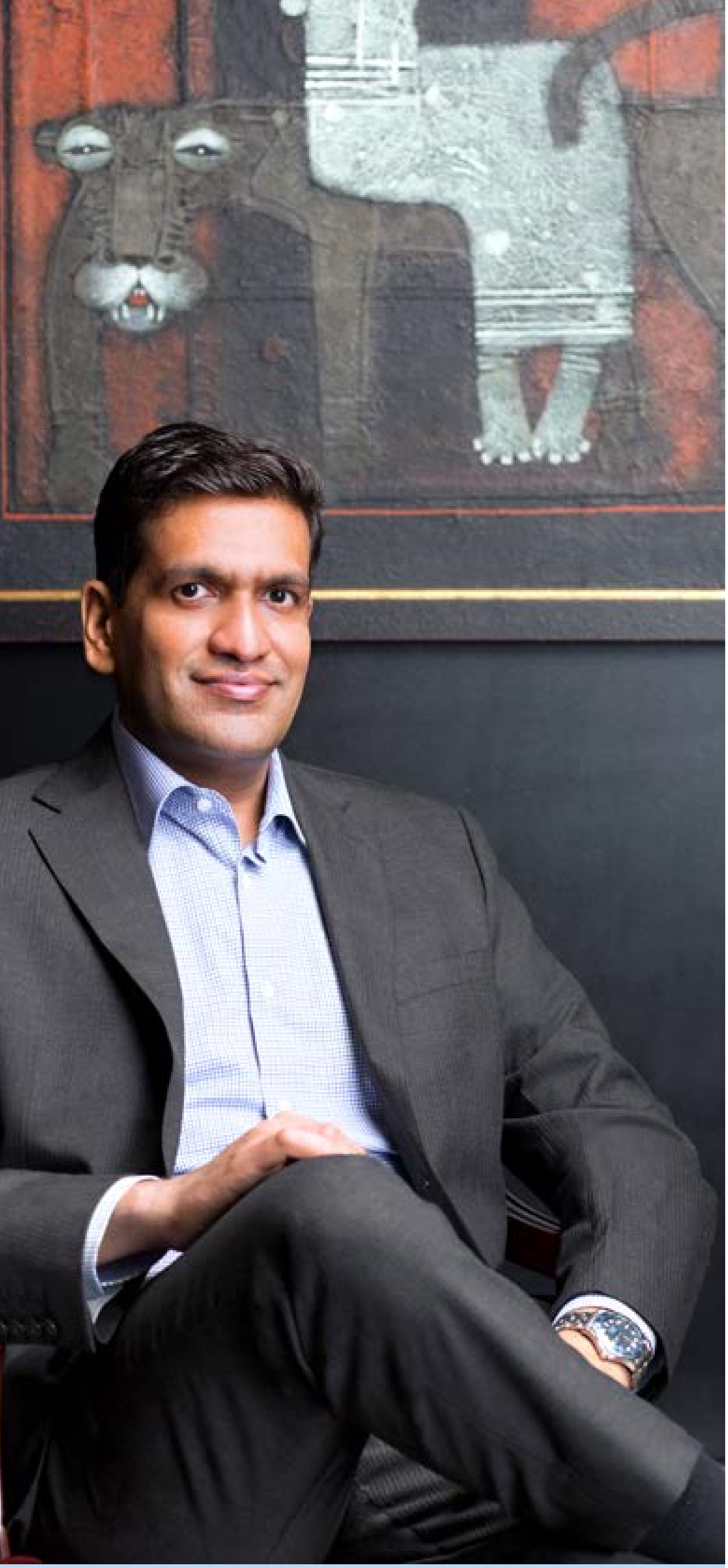

# Scaling up to expand **affordable access**

## Impacting lives in a rapidly changing landscape

At Biocon, we are working tirelessly to make life-changing medical therapies affordable and accessible to all. We had a strong year in FY20 despite economic weakness in some emerging markets including India, and the significant turmoil of the COVID-19 crisis, which has produced unprecedented uncertainty and an immense economic fallout the world over. Global growth prospects and business confidence suffered as evidenced by the volatility and capital flight in financial markets.

Despite these headwinds, global healthcare markets continue to grow on the back of ageing demographics, rising non-communicable diseases, advances in technology and specialty treatments, and accommodating regulatory environments. At the same time, the impact of these drivers will be tested against the longer-term outcome of the pandemic, increased payer scrutiny, loss of revenues from genericization and rising competition in biosimilars.

To make a significant impact amidst a challenging backdrop, companies will need to focus on developing innovative and differentiated products whilst monitoring costs and establishing new engines for growth, measures which have long been the mainstay of our strategy at Biocon.

**CEO's** Message

**Siddharth Mittal**
CEO and Managing Director

## Renewed focus on Small Molecules

We had a strong year in FY20 despite economic weakness in some emerging markets including India, and the significant turmoil of the COVID-19 crisis.

The Small Molecules business, which has been a key anchor of our success and the largest contributor to revenue, saw a renewed focus this year as the direct result of the restructuring exercise we commenced three years ago. Over FY20, the business revenues grew by 18% to ₹ 20,937 million, crossing the ₹ 20 billion revenue milestone. The Generic Formulations business in the U.S. was the main driver of this growth backed by consistent client acquisitions and increased market share for our key APIs.

Despite being a relatively late entrant in the generic formulations space, we have captured a mid- to high- teens share in a crowded U.S. market owing to our commitment to quality, affordability and reliability. Encouraged by this success and to avail the significant growth opportunities in the global generics space, we identified our key strategic priorities which coupled with our excellence in execution, will enable us to establish ourselves as the market leader in our targeted product and technology segments.

Our starting point was the identification of a product portfolio, which will set us apart from the competition and leverage our existing strength in differentiated APIs. This led us to select products where we can further integrate based on the strength of our APIs and develop technology-intensive formulations such as injectables and complex oral solids. Accordingly, we have built a pipeline of niche, difficult-to-make molecules with high barriers to entry. Our therapeutic areas of focus are diabetology, cardiology, nephrology, immunology and oncology. Therapies in each of these segments will contribute towards the lion's share of healthcare spending over the next five years.

Whilst we build these future engines of growth, we are conscious of retaining focus on our base business by expanding our existing customer base, focusing on cost control and efficiency, enlarging our manufacturing base and reducing our supply chain reliance on a single vendor or geography. In order to further increase our global scale in the manufacturing of fermentation products, we commenced construction on a greenfield, fermentation-based manufacturing facility in Visakhapatnam, Andhra Pradesh in FY20. We are investing ₹ 6 billion in this facility, which will enable us to deliver on our vertically integrated strategy of developing and commercializing our own generic formulations and meet the needs of our API customers.

Our key strategic priorities coupled with our excellence in execution will enable us to scale up our Small Molecules business and establish ourselves as the market leader.

Having achieved critical mass in generic formulations in the U.S., we now plan to grow our geographic footprint in the coming year and have identified 10-15 key emerging and developed markets where we will establish a presence either directly or through a business partner. In FY20, we entered China through a license and supply agreement with China Medical System Holdings Ltd.

Though we remain focused on growing our Generic Formulations business and sustaining our base business, we also believe that our impeccable quality compliance record and human capital are our key differentiators. As a result, we have embarked on a journey to digitize quality processes across the value chain and focus on people development initiatives across levels to further strengthen our organization.

## Continued momentum in Biologics

FY20 was yet another great year for the Biologics business, which grew 29% in revenues to end the year at ₹ 19,513 million. We became the first Indian player to launch biosimilar Trastuzumab, Ogivri, in the U.S. through our partner Mylan, and recently received U.S. FDA approval for Insulin Glargine, Semglee, paving the way for its launch by the partner.

A key development for the Biologics business in FY20 was the investment of USD 75 million against a 2.44% equity stake by Activ Pine LLP, an affiliate of the True North Fund.

This unlocking of value enables us to fund capex investments to further strengthen our business.

**We became the first Indian player to launch biosimilar Trastuzumab, Ogivri, in the U.S. through our partner Mylan.**

In our Novel Biologics portfolio, we progressed our Phase I trial for our novel first-in-class oral insulin molecule Tregopil. We strengthened the team of our subsidiary Bicara Therapeutics, which is focusing on the development of novel bi-functional fusion antibodies as part of our immuno-oncology program.

## Strong performance in Research Services

Over the year, our Research Services arm Syngene recorded a revenue growth of 10%, closing the year at ₹ 20,119 million driven by growth in Discovery, Development and Manufacturing Services. To meet their growing demand, the business continued to make technology and infrastructure investments commissioning new research facilities in Bengaluru and Hyderabad. The construction of the API manufacturing facility in Mangaluru has been completed and it will go through the process of qualification and validation during FY21 before it is ready for full-scale GMP commercial operations.

## Pricing pressures impact Branded Formulations

Over FY20, revenues from the Branded Formulations business declined 18% to end the year at ₹ 5,362 million. The business faced pricing pressures in both its markets, India and UAE. In India, we saw downward pricing pressures and increased competition in our key assets whilst in the UAE, the Ministry of Health mandated a re-pricing of branded generics, which resulted in a 40% price decline across 60% of our product range. On the positive side, our biosimilar Trastuzumab Canhera captured 30% of the market share by volume in its first year of launch and our diabetes products increased sales by 30% during the year under review.

Whilst we were addressing these challenges, our joint venture partner in the UAE came under investigation for governance issues which are likely to have a reputational impact on our joint venture entity, NeoBiocon. As a Company, we are committed to upholding the highest standards of governance, and consequently, we took the decision to wind up the entity.

## Strong consolidated financials: FY20

On a consolidated basis, over the year in focus, we delivered a robust 15% growth in revenue to end the year at ₹ 65,286 million. EBITDA also grew 15% to ₹ 17,645 million at a margin of 27%, similar to the previous year, whereas core EBITDA margins improved from 32% last year to 33% this year. Net profit before exceptional items grew 4% to ₹ 7,600 million at a margin of 12% for the year.

## Looking ahead

As we enter FY21, there are significant efforts underway to improve efficiencies, add to capacities & capabilities and enhance the quality of our human capital. Over the last decade, we embarked on a journey with the objective of unlocking value in our Biosimilars business, investing a billion dollars over the period. Today, we are positioned to emerge as the market leaders in biologics and monetize our assets to fund the next phase of our growth. We are now embarking on scaling up our Small Molecules business with a renewed focus to build a robust portfolio that will drive future growth. The progress we have made in the past year has laid the foundation for an inspiring future, creating long term value for all our stakeholders and impacting humanity in profound ways.

As we enter FY21, there are significant efforts underway to improve efficiencies, add to capacities & capabilities and enhance the quality of our human capital.

I would like to thank all our shareholders for the confidence they have placed in us and look forward to their continued support.

Thank You.

Yours sincerely,
**Siddharth Mittal**
CEO and Managing Director
June 15, 2020