

Published Date:	Wednesday 16th January, 2019	Publication:	Business Standard [Bangalore]
Journalist:	Sohini Das	Page No:	2
MAV/CCM:	64,370/78.5	Circulation:	6,455

# Biocon focus may shift to non-insulins

This is because returns in the insulin business have come under pressure globally

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Mumbai, 15 January

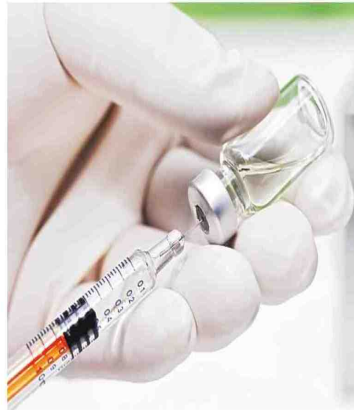
The country's largest biologics player Biocon, which has put in a big chunk of its funds into developing insulin products, is likely to channel its investments towards non-insulin biologics in the coming years.

This is because returns in the insulin business have come under pressure globally.

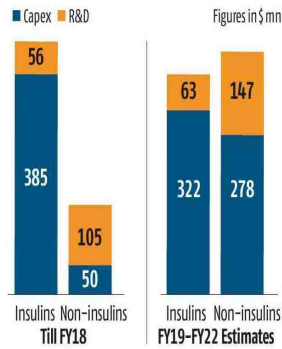
Around 75 per cent of the company's overall \$600 million investments in biosimilars made so far is in insulins and the remaining in non-insulins (oncology and other drugs). Analysts feel that Biocon's investments towards non-insulins is set to rise and the share of insulin business in overall investments would taper down to 47 per cent between FY19 and FY22.

As such, Biocon intends to invest an additional \$810 million over the next four years to generate a \$500 million revenue by FY23.

Deepak Malik, analyst at Edelweiss, is of the opinion that insulins, unlike monoclonal antibodies (MAbs), have a high entry barrier and the global market is dominated by Sanofi, Eli Lilly and Novo Nordisk, which have 88 per cent share. He feels insulins thus have a low asset run, as well as unattractive profitability



## FRESH STRATEGY



and return on capital employed (RoCE).

The company did not respond to queries sent citing silent period before quarterly results.

Malik highlighted that other biologics players like Sandoz, Pfizer, Samsung and Celltrion do not have much presence in the insulin business. In contrast, Biocon has bulk of its investments in the insulin space.

The global insulin market has been pegged at \$43 billion and is expected to expand at a compound annual growth rate or CAGR of 8.8 per cent over the next five years.

Malik felt that market share gain for Biocon is likely to be challenging as precedents show that the third player often settles for a single digit market share. There are around 40 players in the global insulin market, but it is dominated by three players.

Sources, however, claimed, "The world of biologics is much more complex, involving higher investments over a long period of time due to long development cycle during R&D, manufacturing, qualification and regulatory approvals, among others. These long gesta-

tional periods also lead to longer periods for returns on your investments. Similarly, being a differentiated market place with very few players, the value creation in this segment is much higher than the almost commoditised small molecule generics space."

Biocon is now planning to focus on other molecules and has tied up with Sandoz for the development of second generation biosimilar products. While Sandoz would be responsible for commercialisation in the US and EU, Biocon would lead the commercialisation in the remaining markets of the world.

"Most key biosimilar projects tied up with Mylan have concluded and Biocon's R&D costs related to the Mylan partnership have started decreasing. However, we expect R&D costs associated with the Sandoz agreement to begin in 2019, as some products will move into the preclinical and clinical phase," India Infoline analysts noted.

The new biosimilars launched have already started contributing to the revenues — in fact, company biologics segment's revenue increased over 40 per cent sequentially in Q2FY19, driven by the launch of Pegfilgrastim (chemotherapy drug) in the US as well improved sales of other biosimilars in the emerging markets. The profit share from Pegfilgrastim's US launch led to the biologics business's Ebitda margins improving quarter on quarter from 11 per cent in Q1FY19 to 25 per cent in Q2FY19.