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Biologics business more than doubled in Q2: Biocon CFO Siddharth Mittal

**K GIRIPRAKASH
VENKATESH GANESH**
Bengaluru, October 31

Biocon reported better-than-expected revenue and profit in the second quarter of FY19 on the back of good performance by its Biologics, Research Services and Small Molecules business segments. Siddharth Mittal, President (Finance) and CFO, spoke to *BusinessLine* about the company's results and prospects. Excerpts from the interview.



The Biologics segment witnessed quite a good traction this quarter. What led to this growth and will it be sustainable?

Revenue from the Biologics segment, comprising Novel Biologics and Biosimilars, more than doubled to ₹367 crore in the quarter, driven by the commercial launch of biosimilar Pegfilgrastim (drug for cancer patients) in the US and strong sales of insulins as well as biosimilar MABs (monoclonal antibodies) in key emerging markets. During the quarter, our insulins business recorded a strong growth led by sales in several emerging markets, including Malaysia and Mexico, where Biocon, through its local partners, continues to hold a dominant market share of the rh-insulin market. We expect momentum in the Biologics segment to continue.

The EMA CHMP's (Committee for Medicinal Products for Human Use of the European Medicine Authority, which is a

European regulatory body), positive opinions recommending approvals of Biocon and Mylan's Trastuzumab (cancer therapy) and Pegfilgrastim augur well for the future growth of our Biologics business. These positive opinions will now be considered by the European Commission and the decisions on approvals are expected later in 2018.

Your Branded Formulations business seems to

have taken a hit this quarter. What went wrong? Our Branded Formulations business, which includes sales in India and the UAE, reported a revenue of ₹164 crore slipping 7 per cent on a year-on-year (y-o-y) basis. This was largely due to muted performance of the India business (BFI) on account of higher base of Q2 FY18, which benefited from channel restocking post GST implementation. Otherwise, in Q2 FY19, some of our key brands like BIOMAB EGFR®, TACROGRAF, and Renodapt (both nephrology products) reported double-digit growth.

Also, lower sales seen in some divisions was offset by good growth in Comprehensive Care and Nephrology. For some of our key brands we had to face severe pricing pressures which led to lower-than-expected sales. Similarly, in the UAE too, our Branded Generics division underwent challenges due to repricing of products by the Ministry of Health. However, our in-li-



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SIDDHARTH MITTAL
President (Finance) and CFO,
Biocon

censed Metabolics portfolio and Glaricon, our brand of Insulin Glargine, continued to gain market share in the UAE and on a MAT (moving annual total over the course of the previous 12 months) basis our business is growing ahead of the market.

Could you explain the exceptional income that boosted net profit in Q2 FY19?

The net profit for the quarter, at ₹355 crore, reported a growth of 416 per cent aided by an exceptional income related to fair valuation of our investment in Equillium Inc, a US-based biotech company to which we have licensed out our novel anti-CD6 molecule, Itolizumab (novel antibody for auto-immune conditions),

for development in the US and Canada. Pursuant to the licensing agreement with Equillium, Biocon owned 19.5 per cent equity stake in the company and the investment was accounted as an Associate in accordance with Ind AS 23 given the significant influence in terms of board composition.

During the quarter ended September 30, Equillium initiated its initial public offering (IPO) process, which resulted in a change in Biocon's shareholding and board representation in the company. Following this, Biocon applied fair value principles to re-evaluate its equity stake in Equillium in accordance with Ind AS accounting requirements. The fair valuation exercise resulted in a gain of ₹171 crore, net of tax expenses, which was disclosed as an Exceptional Item in the financial results for the quarter.

Besides Biologics, the Small Molecules and Research Services businesses seems to have performed well. What were the factors that boosted the performance?

The Small Molecules business delivered strong revenue growth in Latin American, Europe and the Middle East markets driven by a better product mix across immunosuppressants, statins and other key APIs (active pharma ingredients) Over the past few years, we have been investing in diversifying this business by getting into generic finished dosages. This strategy is starting to pay off.