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# Ramp-up of biosimilar portfolio to boost Biocon

EU approval for Malaysian facility will provide fillip to its capacity and drive growth

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The receipt of European Union (EU) Good Manufacturing Practice approval for its Malaysian facility is a big positive for Biocon, which produces biologics (drugs manufactured from living organisms/components) in chronic therapies such as diabetes, oncology, and immunology for global markets.

The approval indicates that the drug regulator, after its inspections in May 2019, believes that the manufacturing facility is in compliance with the guidelines of GMP for drug substances, drug products, and insulin delivery devices. This approval provides a huge fillip to the company's existing capacity, besides allowing it to ramp up supplies to Europe (from this facility) where it has launched a majority of its portfolio along with its partner Mylan.

Biocon's biosimilar portfolio such as oncology treatment Pegfilgrastim and Trastuzumab, arthritis drug Adalimumab (in-licensed by Mylan from Fujifilm Kyowa Kirin Biologics) and insulin Glargine are all now seeing a ramp-up in Europe. Analysts say this portfolio will further drive Biocon's 2019-20 growth, which was expected to be strong, led by biosimilar launches in the US and its expanded portfolio in emerging markets.

The company is bearing fruit and had reported a strong 30.4 per



## STRONG MOMENTUM IN EARNINGS

in ₹ crore

	FY20E	FY21E	FY22E
Net sales	6,946	8,692	10,848
% change YoY	26	25.1	24.8
Ebitda	1,808	2,313	2,917
% change YoY	29.7	27.9	26.1
Net profit *	947	1,237	1,555
% change YoY	29.8	30.6	25.7

E: estimates; \* adjusted for one-time items; Ebitda: earnings before interest, tax, depreciation, and amortisation  
Source: HSBC Research

cent growth in revenues during the April-June quarter, driven by 96 per cent growth in its biologics portfolio. The launch of biosimilar Pegfilgrastim in the US saw higher volume share of 21 per cent, while contribution from its European biosimilar portfolio drove growth in the biologics segment.

While biosimilars drove the company's growth, it was well supported by other segments such as small molecules, which saw growth

momentum continue. Branded formulations, however, continued facing headwinds, led by re-pricing of products in the United Arab Emirates. Growth in research services, too, was just 4 per cent, but should gain pace with Biocon's Hyderabad facility coming online soon. The research services business though has strong prospects, with increased outsourcing in the global markets on the back of higher competition and low product

prices leading companies to rationalise their cost structures.

Biocon's share price, however, has been on a declining trend, down about 30 per cent from its highs in April this year. Analysts attribute the same to rich valuations the stock was trading at, as the Street was euphoric on biosimilar launches. The broader markets, too, have been correcting, while sentiment towards the pharma sector has also remained weak.

Analysts add that though the biosimilar market remains attractive, with many players focusing on the biosimilar market opportunity, any increased competition or moves by drug innovating companies to keep higher market share could lower the opportunity size of products, which has added to the Street's concerns.

The focus of investors thus, has now turned towards ramp-up in the biosimilar portfolio and the launch of Trastuzumab and Glargine in the US. Analysts say among challenges are that Amgen (a competitor) has already launched Trastuzumab in the US. Though a lag of a few months in launch may not make a huge difference, Biocon-Mylan's execution will be crucial for success in the US, they add. The European markets, however, remain attractive despite competition seen from the success of some peers who have executed well.

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