

June 30, 2022

Biocon Limited - Update on material event

Summary of ratings outstanding

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Ratings outstanding
Long-term term loans	183.83	183.83	[ICRA]AA+&
Long-term unallocated	6.17	6.17	[ICRA]AA+&
Long-term/short-term fund based/non-fund based	260.00	260.00	[ICRA]AA+& / [ICRA]A1+&
Total	450.00	450.00	

*Instrument details are provided in Annexure-1

Rationale

On June 21, 2022, Biocon Limited (rated [ICRA]AA+&/[ICRA]A1+&) had submitted to the stock exchange a statement issued by its subsidiary, Biocon Biologics Limited (BBL/the company) in response to media articles related to bribery allegations. As per these articles, the Central Bureau of Investigation (CBI) has alleged that the Joint Drugs Controller of Central Drugs Standard Control Organisation (CDSCO) has received bribe for waiving the phase III trials of one of its products, Insulin Aspart in India. Further, certain individuals, including an employee of the company have been arrested in connection with the allegation. BBL has denied the allegation stating all its product approvals are backed by clinical data and that the trial waiver was based on existing regulatory guidance. Also, the company has terminated its contract with the consulting company involved in its product approval process. BBL has appointed an external law firm to do a comprehensive review of its current governance processes involving its consultants and vendors. As per the management, the investigation is currently ongoing and BBL is cooperating with the CBI on this matter.

ICRA understands that there is no impact on the company's operations currently or banking channels. ICRA has noted the said developments and the ratings remain unchanged at [ICRA]AA+&/[ICRA]A1+&. ICRA will continue to monitor the developments in this regard and possible impact on the credit risk profile of the company, if any, and take an appropriate rating action as and when required.

Please refer to the following link for the detailed rationale that captures key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Pharmaceutical Industry
Parent/Group Support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Biocon Limited.

About the company

Biocon Limited was initially set up as a joint venture between Biocon Biochemicals Limited of Ireland and Indian entrepreneur Ms. Kiran Mazumdar Shaw in 1978 to manufacture and export enzymes. After Unilever acquired the JV partner and the businesses were restructured, Biocon became an independent entity, and the Indian promoters bought the entire stake in 1998. In 2000, the company commissioned its first fully automated submerged fermentation plant to produce specialty biopharmaceuticals and received USFDA approval for lovastatin in 2001. From being a predominantly fermentation-based APIs and enzymes manufacturer, the company has emerged as an R&D-based biotechnology company having developed its proprietary products and offering research services to global pharmaceutical majors. Biocon, through its subsidiary BBL, recently entered a collaboration with Adagio Therapeutics for a novel Covid antibody therapy and a strategic alliance with SILS for vaccines and infectious diseases antibodies. The alliance with SILS for vaccines enables BBL to generate a committed revenue stream and related margins, commencing H2 FY2023. BBL's proposed acquisition of biosimilar assets of Viatris Inc. is expected to be concluded by H2 CY2022.

Key financial indicators (audited)

Consolidated	FY2021	FY2022
Operating Income (Rs. crore)	7,105.8	8,184.0
PAT (Rs. crore)	925.4	978.5
OPBDITA/OI (%)	23.5%	24.1%
PAT/OI (%)	13.0%	12.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.1	1.1
Total Debt/OPBDIT (times)	2.7	2.6
Interest Coverage (times)	28.9	29.1

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; All ratios are as per ICRA calculations

Source: Company and ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2021 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					June 30, 2022	Mar 10, 2022	Jan 29, 2021	Oct 10, 2019
1	Long-term term loans	Long Term	183.83	75.00	[ICRA]AA+&	[ICRA]AA+&	[ICRA]AA+ (Stable)	-
2	Long-term fund based	Long Term	--	--	-	-	-	[ICRA]AA+ (Stable)
3	Long-term non-fund based	Long Term	--	--	-	-	-	[ICRA]AA+ (Stable)
4	Long-term unallocated	Long Term	6.17	--	[ICRA]AA+&	[ICRA]AA+&	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)

5	Long-term/short-term fund based/non-fund based	Long Term/Short Term	260.00	--	[ICRA]AA+&/[ICRA]A1+&	[ICRA]AA+&/[ICRA]A1+&	[ICRA]AA + (Stable)/[ICRA]A1+	[ICRA]AA+ (Stable)/[ICRA]A1+
6	Short-term non-fund based	Short Term	--	--	-	-	-	[ICRA]A1+

&: Under watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term term loans	Simple
Long-term unallocated	NA
Long-term/short-term fund based/non-fund based	Simple/Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term term loans	May 2020	3 Months LIBOR + 1.75% p.a.	June 2027	183.83	[ICRA]AA+&
	Long-term unallocated	-	-	-	6.17	[ICRA]AA+&
	Long-term/short-term fund based/non-fund based	-	-	-	260.00	[ICRA]AA+& / [ICRA]A1+&

Annexure-2: List of entities considered for consolidated analysis

Company Name	Biocon Ownership	Consolidation Approach
Syngene International Limited	70.24%	Full Consolidation
Syngene USA Inc.	100% by Syngene International Limited	Full Consolidation
Biocon Biologics Limited	93.47%	Full Consolidation
Biocon Pharma Limited	100%	Full Consolidation
Biocon Academy	100%	Full Consolidation
Biocon SA	100%	Full Consolidation
Biocon FZ LLC	100%	Full Consolidation
Biocon Pharma Inc.	100% by Biocon Pharma Limited	Full Consolidation
Biocon Pharma Ireland Limited		Full Consolidation
Biocon Pharma UK Limited		Full Consolidation
Biocon Pharma Malta Limited		Full Consolidation
Biocon Pharma Malta I Limited	100% by Biocon Pharma Malta Limited	Full Consolidation
Biocon Biosphere Limited	100%	Full Consolidation
Biofusion Therapeutics Limited	100%	Full Consolidation
Biocon Biologics UK Limited (formerly Biocon Biologics Limited)	100%	Full Consolidation
Biocon SDN BHD	100% by Biocon Biologics UK Limited	Full Consolidation
Biocon Biologics Inc.		Full Consolidation
Biocon Biologics Healthcare Malaysia SDN BHD		Full Consolidation
Biocon Biologics Do Brasil Ltda, Brazil		Full Consolidation
Biocon Biologics FZ LLC		Full Consolidation
Neo Biocon FZ LLC, UAE (JV)	49%	Equity Method
Bicara Therapeutics Inc.	87%	Equity Method

Source: Biocon's annual report FY2021

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