

BIOCON - 'Cost' of Pfizer Deal Showing Up

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Abstracts

We reiterate our Market Perform rating on BIOS with a reduced target price following a cut in our estimates after is below than expected Q3FY12 result. Licensing income revenue decline of 62% and profit decline of 89% remained the biggest reason for a 17% and 14% Y-o-Y reduction in Q3 FY12 EBITDA and net profit. We have always maintained that the Pfizer-Biocon deal is at best a cash neutral deal for Biocon. This is due to the development expenses (including clinical trials) and capex related to the insulin manufacturing.

We cut our FY13 and 14 estimates by 20% largely owing to licensing income. At the same time, we now do not give any value to the Pfizer deal besides the profit earned from licensing income. We thus revise our target price by applying a PE of 17x on our FY13 earnings. We reiterate our Market Perform with reduced target price of Rs.283.

Contents

COMPANIES MENTIONED

BIOCON

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