

Initiating Coverage

GlaxoSmithKline Pharmaceuticals Ltd.

Dec 06, 2021





GlaxoSmithKline Pharmaceuticals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Pharmaceuticals	Rs. 1731	Buy in the Rs 1731-1743 band & add more on dips of Rs 1568	Rs 1903	Rs 2038	2 quarters

HDFC Scrip Code	GLAPHAEQNR
BSE Code	500660
NSE Code	GLAXO
Bloomberg	GLXO IN
CMP Dec 3, 2021	1731
Equity Capital (Rs cr)	169
Face Value (Rs)	10
Equity Share O/S (cr)	16.9
Market Cap (Rs cr)	29343
Book Value (Rs)	88
Avg. 52 Wk Volumes	308391
52 Week High	1824
52 Week Low	1379

Share holding Pattern % (Sep, 2021)	
Promoters	75
Institutions	12.5
Non Institutions	12.5
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

GlaxoSmithKline Pharmaceuticals (GSK Pharma) is one of the leading MNC pharma companies with a market share of ~3% in the Indian Pharma market (IPM). GSK Pharma is the market leader in most of the therapeutic categories in which it operates, its leading brands include Augmentin (no.1 anti-infective brand), Calpol, Betnovate, T Bact, Betnesol, Ceftum, Cobadex CZS, Seretide, Phexin, Eltroxin and Neosporin. In Indian private channel vaccine market the company holds dominant position with Synflorix being 2nd largest vaccine brand (annual sales of Rs 200cr). Overall, it markets 9 vaccines in the domestic market and this contributed ~24% of sales in FY21. Its FY21 performance was optically muted, mainly due to high Zinetac (Ranitidine) business in FY20 which fell in FY21 due to global recall.

We remain positive on the long-term considering the company's strong growth powered by its key brands, robust return profile and cash rich balance sheet. Vaccine segment has been the key growth driver for the company registering a growth of CAGR 10% over FY17-21. Vaccines contribution to overall revenues increased from 17% in FY20 to 24% as on FY21. GSK is witnessing recovery in its key brands from the pandemic as lockdown restrictions are easing with healthy growth in newly launched products (Fluarix Tetra, Menveo and Nucala) which augurs well for future growth. As on Sep-2021, GSK had a cash balance of Rs 1188cr, which the management may use to reward shareholders by paying hefty dividends. The company will also receive pre-tax money around Rs 1649cr for the sale of its two brands. In July 2021 it had transferred its rights on two major OTC brands Iodex and Ostocalcium to GlaxoSmithKline Asia (Consumer) for Rs 1649Cr. The decision was taken as part of a global restructuring. Better margin and profitability along with minimal capex requirement would aid free cash flow generation of ~Rs 1800cr over the next three years.

Valuation & Recommendation:

GlaxoSmithKline (GSK) Pharma has strong parentage and product portfolio, healthy cash flows, robust return ratios and cash rich B/S. The top-20 focus brands continue to be key growth drivers. Building new specialty brands (parent's pipeline) would enable room for consistent growth. The recent launch pipeline holds Shingrix, Trelegy, indication expansion for Nucala and Fluarix Tetra, followed by oncology pipeline. The management focus on improving cost efficiency should be earnings accretive in the long term. The divestment of two brands has come at much better valuation post the Vemgal asset sale. Results for FY21 were impacted due to the voluntary global recall of ranitidine products including Zinetac in India and trigger-based impairment charges primarily towards manufacturing facility at Vemgal, Bengaluru. GSK took a decision to discontinue the manufacture and supply of Zinetac tablets (150 mg and 300 mg products) in India.

Board recommended Rs 30 per share dividend for FY21 and it was paid in Jul-2021. We estimate 10% CAGR in revenue over FY21-24E. We have not considered loss of revenue and cash inflow in our assumptions since timelines for the same is not yet announced.



GlaxoSmithKline Pharmaceuticals Ltd.

Company has registered strong surge of 340bps in operating margin to 23.3% in H1FY22. We expect margin to remain around 22-23% in the same period. Strong sales coupled with steady margin would lead to 18% CAGR in adj. net profit over FY21-24E. At CMP, the stock trades at 41.5x/36.2x of FY23E/FY24E EPS. We feel investors can buy in the band of Rs 1731-1743 and add more on declines at Rs 1568 (35x Sep-23E EPS) for base case target of Rs 1903 (42.5x Sep-23E EPS) and bull case target of Rs 2038 (45.5x Sep-23E EPS) over the next two quarters.

Financial Summary

Particulars (Rs cr)	Q2 FY22	Q2 FY21	YoY (%)	Q1 FY22	QoQ (%)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	1010	879	14.9	790	27.8	3,128	3,224	3,199	3,663	3,853	4,219
EBITDA	277	205	34.9	152	82.3	601	657	695	843	879	993
Depreciation	18	22	-20.0	18	-1.1	49	83	79	65	60	67
Other Income	15	-56	-126.1	32	-53.9	102	79	111	118	135	162
Interest Cost	0	0	66.7	0	100.0	1	6	4	2	2	1
Tax	69	51	37.2	44	58.2	237	213	192	232	246	277
PAT	204	77	166.9	122	67.4	445	93	358	662	707	810
EPS (Rs)						26.3	5.5	21.1	39.1	41.7	47.8
RoE (%)						21.2	23.3	21.6	42.5	43.4	48.8
P/E (x)						65.8	314.5	81.8	44.3	41.5	36.2
EV/EBITDA (x)						46.2	42.2	39.9	32.9	31.6	28.0

(Source: Company, HDFC sec)

Q2FY22 result update

Company delivered a strong performance in the quarter. As the acute market showed signs of recovery, the established brands grew in their respective therapeutic portfolios. Augmentin and Calpol regained their place amongst the top five brands in the Indian Pharmaceuticals Market (IPM). The promoted portfolio also gained market share, while products from innovation and specialty pipeline continued to make inroads to serve more patients. Company said that margin improvement was on the back of operational efficiencies, driven by sales growth and cost rationalisation. It has improved cash position backed by working capital improvements. Company expects positive momentum to continue through the second half of the year which would lead to a strong performance in FY22.

The top brands registered strong double digit growth, led by strong recovery in anti-infective therapy witnessed in the IPM. Revenue grew 15% YoY and 28% QoQ. Key brands growth in the quarter: Augmentin at 26%, Calpol - 88%, Betnovate - 14%, T-Bact - 24%, Neosporin - 19%, and Ceftum at 25%.



Gross margin stood at 60.1%, up 190bps YoY but down 70bps QoQ. EBITDA margin came in at 27.4% vs. 19.2% in Q1FY22 and 23.3% in Q2FY21. This was on the back of operating leverage driven by higher revenue growth. The Cx transaction would impact EBITDA margin while the focused Rx (prescription) brands growth and new launches would keep the growth momentum higher than the cost increase. The Vx (Vaccine) segment is also expected to post higher growth, with Shingrix launch; however, the margin contribution would be lower, given the traded nature of the Vx portfolio.

For H1FY22, revenue increased 18% at Rs 1800cr while operating margin witnessed 290bps expansion at 23.8%. Net profit stood at Rs 325cr. As on Sep-2021, GSK had a cash & equivalents of Rs 1188cr. It has recently received a grant of marketing authorization of rotavirus vaccine from SEC of the Central Drugs Standard control organization. The rotavirus vaccine is a liquid frozen vaccine that stimulates the immune system to create antibodies without actually infecting the child.

During FY21, Glaxo charged Rs 173cr as exceptional charges, largely comprising of impairment charge to reflect the estimated realizable value of the assets, reversal of associated costs and of earlier provisions no longer required on account of the Zinetac recall.

Accelerating focus on its top brands

GSK Pharma derives 99% of its revenue from domestic market while 1% from international markets. Company has presence across mainly three segments i.e. Specialty, General medicine and Vaccines. GSK has restructured product portfolio as it now focuses on marketing its top 20 brands (like Augmentin, Calpol, Betnovate, Synflorix, Ceftum, Eltroxin, Phexin and Neosporin) spread across five major therapeutic areas of Anti-infectives, Dermatology, Respiratory, Gastro-intestinal and Pain. Key brands like Augmentin, Ceftum, Eltroxin and CCM are growing faster than market rate and hence gaining market share. It had discontinued 10 brands in FY19 (Celin, Septran, Rabipur) and may further look to divest few more. Focus on key brands has helped the company to start reporting margins in excess of 20% which is likely to expand further from current levels.

Key Brands





Differentiated products from parent to be launched in next 2-3 years

Management guided for double-digit CAGR in specialty drugs over FY21-26, supported by the parent's pipeline. Growth would be driven by new launches, such as Nucala (already launched) and Benlysta (under registration). Company will target new launches over the next 3-4 years, such as Zejula (Oncology) from the parent portfolio. It is also looking at a ramp-up in Nucala with state and central agency registrations. Company has shared its vision to ramp up contribution from specialty and vaccines business segment significantly over the next 4-5 years.

New launches / Better penetration to drive Vaccine business

Glaxo expects a high-single-digit CAGR in vaccines over FY21-26, with new product introductions such as Shingrix. The Vaccine business was heavily impacted in FY21 due to COVID outbreak, but the company expects 10-15% growth in FY22 as COVID cases decline. Being largely a distribution business, Vaccine operating margins are in the high single digits. Adult vaccinations are another interesting large opportunity for the company. Globally, the GSK group is working with Sanofi and Medicago to harness the adjuvant technology in developing Covid-19 vaccines while also collaborating with CureVac to develop mRNA vaccines that have the potential to address multiple Covid-19 variants that are emerging across the world. These are currently undergoing global trials (Sanofi conducting phase 3 trial in India) and would be considered for India when appropriate, depending on the trial outcome.

During the year, the vaccine segment gained more significance due to covid-19, GSK continues to be the No. 1 vaccines company in the self-pay segment, propelled by impressive growth towards the end of the year with almost 40% value market share in represented segments. In Sep-2020, the company launched Fluarix Tetra to combat influenza and continued to build on the momentum of recently launched brand Menveo which had demonstrated strong growth. Company said that it is positioning to focus on innovation pipeline and the prospect of introducing new launches in the coming years.

Plans to grow vaccines business by launching new brands

Five of the company's vaccines feature among the top 20 vaccines in the self-pay market (IMS MAT March 2021), in which it remains the No. 1 company. Though the vaccines self-pay market is estimated to be over Rs 2,500 crores, it is currently not reflecting any value growth (IMS MAT March 2021) on account of the slower uptake of vaccination due to the COVID-19 related lockdowns.

Company currently markets 10 vaccines across age groups - infants, adolescents and adults. They are Synflorix, Infanrix, Havrix, Boostrix, Menveo, Fluarix Tetra, Rotarix, Cervarix, Priorix, Varilrix. In September 2020, it launched tetravalent influenza Northern Hemisphere vaccine (Fluarix Tetra NH) to help combat influenza. Within three months of the launch, the vaccine had garnered 30% volume share in the market.



Company launched three engaging direct to consumer awareness campaigns during the year to strengthen its value proposition in this segment. It has also partnered with the Federation of Obstetric and Gynaecological Societies of India (FOGSI) and Indian Academy of Pediatrics (IAP) to increase awareness about vaccination and the benefits of its vaccines. Company plans to continue to grow its vaccines business by launching new brands to optimise its portfolio and by expanding into new consumer segments.

Efforts underway to sustain market share gains in general medicine

Company expects key promoted brands to grow at ~15% YoY over the medium term. Currently, 10 key brands account for 70% of general medicine segment. It expects the remaining brand sales to remain largely flat going forward. Company has decided against re-entering the Ranitidine market. Margin took hit due to price increases in the Paracetamol API. 35% of its products are manufactured in-house, and it has enough capacity to cater to an increase in demand. It would receive Rs 1649cr pre-tax from the sale of the Iodex and Ostocalcium brands to GSK Asia. The sale would have tax implications.

Sale of Iodex and Ostocalcium brands

In Jul-2021, the company announced transfer of its rights in relation to the Iodex and Ostocalcium brands to GlaxoSmithKline Asia Private Limited, subject to shareholder approval, for an aggregate consideration of Rs 1649 crores. The transaction is expected to be completed before the end of the year, subject to shareholder approval and the customary closing conditions, including relevant regulatory approvals. It is valued at ~16x EBITDA/~6x sales. Management believes valuation is fair, as GSK only owned the distribution rights for the brands.

Key Products and its revenue

Product	Therapy	MAT Sep-2021 (Rs cr)
Augmentin	Anti-Infectives	522
Calpol	Pain/Analgesics	348
Betnovate N	Dermatology	267
T Bact	Dermatology	253
Betnovate C	Dermatology	250
Eltroxin	Hormones	233
Ceftum	Anti-Infectives	228
Synflorix	Vaccines	192
Infanrix Hexa	Vaccines	132
Betnesol	Hormones	130



Hetero bought Vemgal facility for Rs 180cr

GSK announced sale of its newly constructed manufacturing plant at Vemgal, Karnataka along with the land, plant and machinery, assets to Hetero Labs for a cash consideration of Rs 180cr. Company had intended to use ~60% of the manufacturing capability towards Zinetac (ranitidine), however, after the NDMA impurity issue, GSK stopped its manufacturing and sale of the product. In 2019, GSK was contacted by regulatory authorities regarding the detection of NDMA, a potential human carcinogen, in Zantac (ranitidine) products. Based on information received and correspondence with regulatory authorities, GSK made the decision in Sep-2019 to initiate a voluntary recall (pharmacy/retail level recall) of Zantac products in all markets globally as a precautionary action. There was a voluntary recall of Zinetac in India, following which a strategic review of all associated assets was initiated and the company took a decision to sell Vemgal facility. This would have led to severe under utilisation of the Vemgal plant which was yet to commercialise. In a prudent decision, GSK impaired the asset to the tune of Rs 650cr.

MNC Pharma and its outlook

The Indian Pharmaceutical Market (IPM) features among the top 15 global markets after US, China, Japan and EU with annual market size of US\$ 20 bn and growing in low double digits. While China has emerged as world's 2nd largest pharma market at ~US\$ 120bn, it remains distant 2nd as compared to largest market that is US with annual size of US\$ 350bn. In comparison, Indian market is much smaller than US and China but considering low drug prices and demand potential, it can sustain double digit growth for the next 5-10 years.

Historically, volume growth of IPM has increased steadily over the past two decades (~8-10% CAGR). With rising per capita income, low penetration and access to quality medicines, we believe healthy volume growth is likely to sustain in the coming years. Key hurdles could well be pricing (NLEM revisions, addition of new drugs to NLEM) and lack of new launches.

With most of the MNC pharma players enjoying dominant position (ranked no.1 in their respective therapies), full support from their parent and enjoy access to their parent portfolio of patented drugs, it provides an advantage over domestic peers in current scenario where launch of new molecules have turned scarce. Over the last 10 years, MNC pharma have increased their IPM market share from ~12% in 2010 to 20% in 2019 purely driven by organic growth. Among top 20 selling brands in India, 12 belong to MNC pharma.

Strong set of brands has helped MNCs in the past to successfully tackle issues like mandatory price cuts (NLEM). Evolution of online pharmacy (market share of 3% in Indian pharma retail market) in India is expected to disrupt the distribution/supply chain of most of the pharma companies. MNCs with over six decades of experience in the Indian market are expected to tide over this wave due to deeper understanding of the domestic market and strong brand equity among doctors and patients.



Access to parent pipeline for new products

Most MNC pharma plays are 100% focused on domestic markets (barring Sanofi India which also does some exports amounting to ~10-15% of sales) unlike domestic peers for whom India business is usually 30-50% of their revenues while the balance from international markets. Hence, MNC pharma qualifies as pure domestic plays comparable to FMCG plays. Despite NLEM policy disruption (average price decline of ~30% in key brands/products), MNC pharma have consistently increased their market share and earnings.

MNC's enjoy full support for new launches/patented products emanating from their parent pipeline (Toujeo for Sanofi, Prevenar and Zavicefta for Pfizer, Vaccines range for GSK Pharma) which get launched within one-two years of their global launch. In comparison, domestic players are required to either in-licence or co-market with MNCs to launch new drugs. Gone are the days when domestic players used to launch 5-10 new molecules annually besides several line extensions/ combinations which used to drive high growth.

Blockbuster brands driving growth ahead of IPM

As MNCs typically want to own the segment/therapy they are present in, they tend to dominate their respective therapy and are ranked as largest player with large gap between their brand and no.2 competitor. As stakes are huge in growth market like India where there are more than 20 MNC firms besides several Indian companies, brand loyalty with Doctors remains a key driving factor resulting in strong prescription growth. Key examples of blockbuster brands are Augmentin and Vaccines range for GSK Pharma, Lantus for Sanofi, Prevenar and Becosules for Pfizer, Duphaston and Thyronorm for Abbott, etc. For most of the MNCs, we find that their top 10-15 brands usually account for 65-80% of their domestic sales driving growth and margins.

Strong cash flows annually, huge cash surplus

Unlike most Indian companies which are required to invest regularly on capex and R&D programmes for growth, MNC pharma are not burdened with such requirements. As a result, their brands drive strong operational cash flows and with sale of assets/tail-end brands and global divestments, they have accumulated strong cash reserves which average 5-10% of their current market cap. Cash position for most MNCs are quite healthy which can be used for one-time dividend payment or can be used for M&A activity or buy-backs. Minimal capex requirement for Glaxo would aid free cash flow generation of ~Rs 1800cr over the next three years.

Global Developments

R&D pipeline comprises 59 vaccines and medicines, predominantly in the areas of infectious diseases, oncology and immune-mediated diseases. The parent has identified over 20 potential product approvals which could take place by 2026.

Since the pandemic began, the parent entity GSK plc. has been working with several partners to develop potential COVID-19 vaccines and treatments as quickly and safely as possible.



Some of its key highlights include:

Collaboration with Vir Biotechnology to develop new dual action monoclonal antibodies, which could be used as therapeutic or preventive options for COVID-19. Company had received Emergency Use Authorisation (EUA) from the US FDA for the same monoclonal antibody for treatment of mild-to-moderate COVID-19 in high risk adults and pediatric patients.

Collaboration with Sanofi, combining their vaccine candidate with GSK's adjuvant technology to develop an adjuvanted COVID-19 vaccine candidate. A Phase-III clinical trial has been initiated.

Collaboration with Medicago to develop a COVID-19 vaccine by combining their plant-derived vaccine candidate with GSK's adjuvant technology. This vaccine candidate entered Phase III clinical trials in March 2021, with positive interim Phase II clinical trial data published in May 2021.

Collaboration with CureVac to jointly develop next generation mRNA vaccines for COVID-19 with the potential to address multiple emerging variants. The company had said that it aims to support manufacturing of 100 million doses of CureVac's first-generation COVID-19 vaccine candidate in 2021.

Appointed Mr. Sridhar Venkatesh as MD & CEO

In March-2020, the company appointed Mr. Sridhar Venkatesh as MD & CEO. Mr. Venkatesh is a senior business leader with more than 24 years of diverse experience in pharmaceuticals & healthcare and has a strong track record of success in multiple roles within GSK. He joined GSK in 2011 as Head of Commercial, Established Products, Branded Generics, and moved as General Manager, Singapore before taking up the role of Commercial Head, India from 2014 to 2016. Then, he was promoted as VP of Central America & Caribbean before taking the role as Vice President, Emerging Markets East with direct management of six markets (Philippines, Vietnam, Thailand, Malaysia, Indonesia, and Sri Lanka). Mr. Venkatesh is a Registered Pharmacist, with a Master's in Pharmacy (Pharmaceutical Marketing).

Company Background

Established in 1924, GlaxoSmithKline Pharmaceuticals (GSK Pharma) is India's leading MNC pharma company with market share of ~3%. GSK Pharma is the market leader in most of the therapeutic categories in which it operates, its leading brands include Augmentin (India's no.1 anti-infective brand), Calpol, Betnesol, Neosporin, Synflorix, Ceftum, Cobadex CZS, Phexin, Eltroxin. It also offers a range of vaccines, for the prevention of hepatitis A, hepatitis B, invasive disease caused by influenza, chickenpox, diphtheria, pertussis, tetanus, rotavirus, cervical cancer, streptococcus pneumonia etc. In Indian private channel vaccine market it retains dominant position with Synflorix becoming 2nd largest vaccine brand. Company operates in the domestic market and has presence across therapeutic areas such



as Anti-Infectives, Dermatology, Pain/Analgesics, Vaccines, Hormones and Vitamins. Overall, it markets nine vaccines in the domestic market and they contributed ~24% of sales in FY21. GSK Pharma has manufacturing unit at Nashik, India as well as a clinical development centre in Bengaluru.

Key Risks

Regulatory risk

Government policies like revised NLEM list, price revision measures, ban on irrational combinations / FDCs are common risk factors for all domestic participants, including MNCs. In comparison, exporters face international regulatory compliance issues (like US FDA, UK MHRA audit), manufacturing challenges, volatile currency movements, huge R&D investments, price erosion pressures/tender-based pricing, etc. which are more challenging aspects as compared to domestic risk factors. Currently, 24% of Glaxo's portfolio is under NELM. Management has taken nearly 5% price hike in this fiscal. In view of the addition of CEFTUM, T Bact and ZIMIG to NLEM 2021, the revenue will be impacted by Rs 38cr over FY22 and FY23, assuming the price revision will come in Q4FY22.

Product Concentration Risk

The company derives around 55-60% of revenue from its top-10 brands. Any negative impact on the top 10 brands / high growth products would impact its growth in revenue and profitability.

Addition of products under NLEM

Company operates in a price-regulated market. Adverse regulations on product prices may impact revenues and profit margins. If in case any of Glaxo's products are included under this, it may adversely impact the overall performance.

Generic penetration

Govt.'s focus has been on incrementally bringing down healthcare prices in India, mainly by pushing generic-generic products through Jan Aushadhi stores, where prices are usually at 20-25% of branded products.

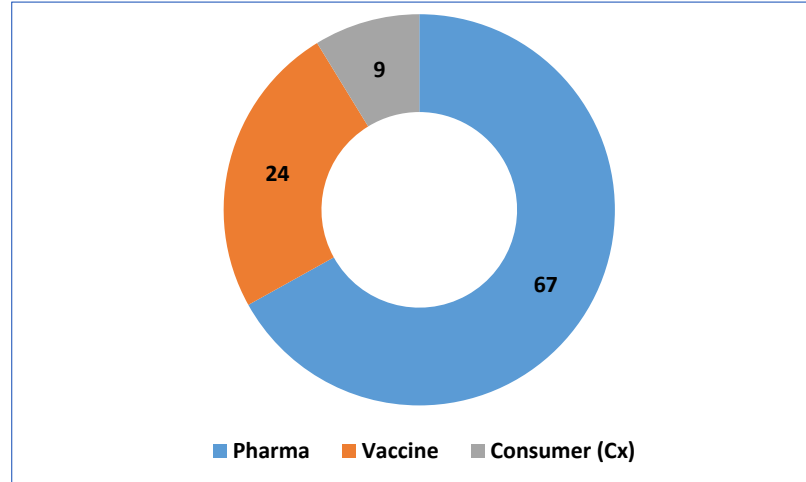
Trade Generics

Unlike generic-generic where drugs were sold as un-branded products in name of Active ingredient, Trade Generics are sold as branded products (slight discount to Rx Brand) but with huge Trade margins to switch over from Rx Prescriptions. This remains an important segment, which is causing disruption across segments and affecting growth of branded players.

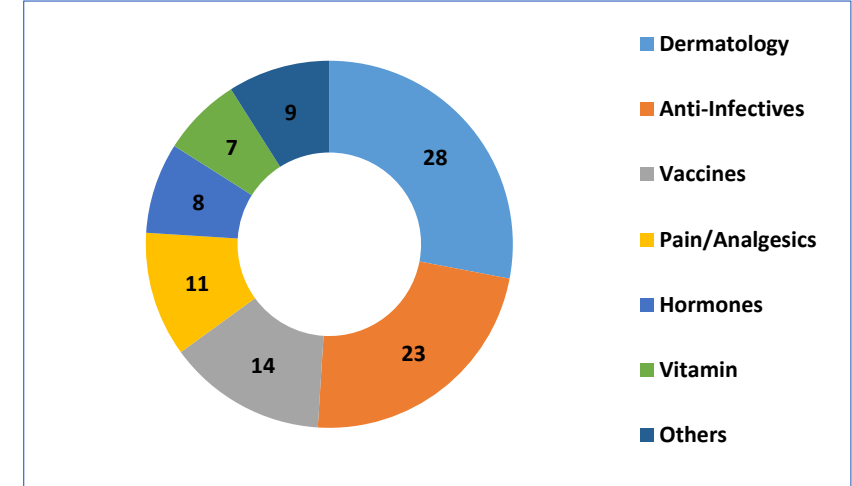


GlaxoSmithKline Pharmaceuticals Ltd.

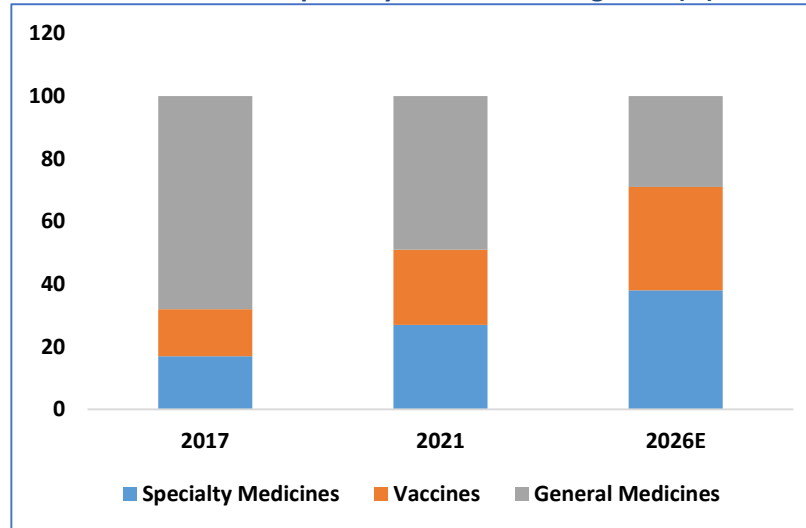
Revenue Mix



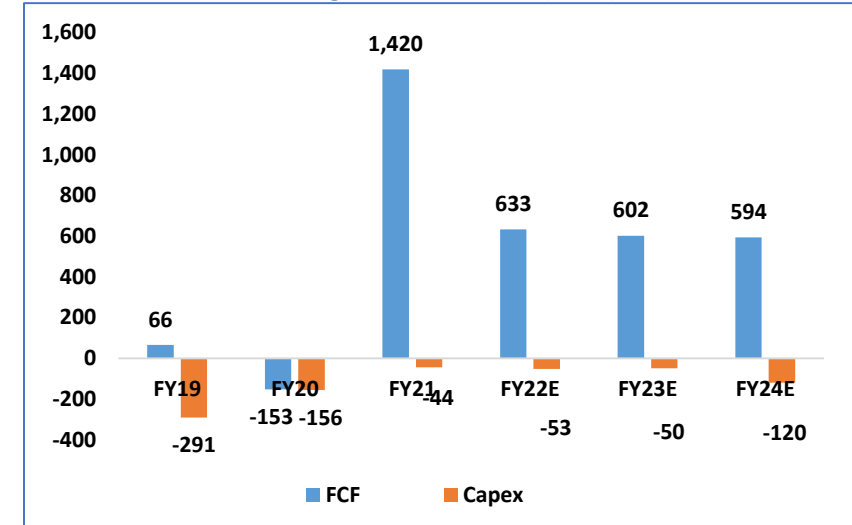
Therapeutic revenue split (%)



Shift towards specialty and vaccines segment (%)



Strong FCF Generation (Rs cr)



(Source: Company, HDFC sec)



Financials

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Revenue	3128	3224	3199	3663	3853	4219
Growth (%)	8.9	3.1	-0.8	14.5	5.2	9.5
Operating Expenses	2527	2567	2503	2820	2974	3227
EBITDA	601	657	695	843	879	993
Growth (%)	18.8	9.4	5.8	21.2	4.4	12.9
EBITDA Margin (%)	19.2	20.4	21.7	23	22.8	23.5
Depreciation	49	83	79	65	60	67
EBIT	552	574	616	778	819	926
Other Income	102	79	111	118	135	162
Interest expenses	1	6	4	2	2	1
PBT	683	306	551	894	953	1087
Tax	237	213	192	232	246	277
RPAT	445	93	358	662	707	810
Growth (%)	26.9	-79.1	284.4	84.6	6.9	14.6
APAT	445	461	499	662	707	810
EPS	26.3	5.5	21.1	39.1	41.7	47.8

Balance Sheet

As at March	FY19	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS						
Share Capital	169	169	169	169	169	169
Reserves	1970	1651	1330	1446	1470	1510
Shareholders' Funds	2140	1821	1499	1615	1640	1680
Lease & Derivative Liabs	0	27	20	19	18	17
Net Deferred Taxes	-375	-420	-450	-432	-422	-408
Long Term Provisions & Others	317	264	262	274	286	298
Total Source of Funds	2082	1691	1331	1477	1522	1587
APPLICATION OF FUNDS						
Net Block	1367	827	354	378	368	421
Intangibles	66	50	43	43	43	43
Long Term Loans & Advances	94	62	64	75	86	106
Total Non-Current Assets	1527	938	462	497	498	571
Inventories	487	483	547	540	568	622
Trade Receivables	121	100	216	171	158	162
Cash & Equivalents	1171	1083	1158	1381	1444	1436
Other Current Assets	231	109	102	116	131	148
Total Current Assets	2011	1776	2202	2350	2444	2508
Trade Payables	406	358	465	473	493	535
Other Current Liab & Provisions	956	385	614	632	651	671
Short-Term Provisions	92	281	254	264	275	286
Total Current Liabilities	1455	1023	1333	1370	1419	1492
Net Current Assets	555	753	869	980	1025	1017
Total Application of Funds	2082	1691	1331	1477	1522	1587

Source: Company, HDFC sec Research (Not factored into Cx brands sale consideration)

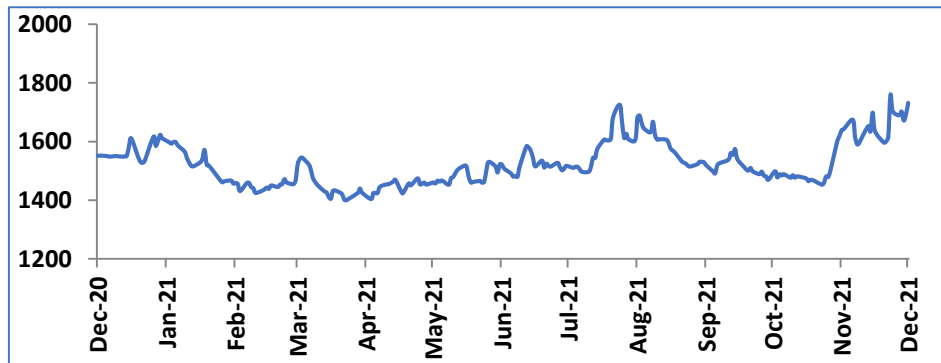


GlaxoSmithKline Pharmaceuticals Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	654	647	723	894	953	1,087
Non-operating & EO items	-102	-79	-111	-118	-135	-162
Interest Expenses	1	6	4	2	2	1
Depreciation	49	83	79	65	60	67
Working Capital Change	2	20	29	76	18	-2
Tax Paid	-204	-186	-147	-232	-246	-277
OPERATING CASH FLOW (a)	399	491	577	686	652	714
Capex	-291	-156	-44	-53	-50	-120
Free Cash Flow	66	-153	1,420	633	602	594
Investments	45	19	352	7	-1	-5
Non-operating income	102	79	111	118	135	162
INVESTING CASH FLOW (b)	-144	-58	418	72	84	36
Debt Issuance / (Repaid)	-83	-13	-13	12	12	12
Interest Expenses	-1	-6	-4	-2	-2	-1
FCFE	92	-213	1,414	643	612	605
Share Capital Issuance	85	0	0	0	0	0
Dividend	-358	-409	-678	-545	-683	-770
FINANCING CASH FLOW (c)	-357	-428	-694	-535	-672	-759
NET CASH FLOW (a+b+c)	-102	6	301	223	63	-9

One Year Price Chart



Key Ratios

	FY19	FY20	FY21	FY22E	FY23E	FY24E
Profitability (%)						
Gross Margin	56.6	59.4	59	60.1	60.4	61.2
EBITDA Margin	19.2	20.4	21.7	23	22.8	23.5
EBIT Margin	17.7	17.8	19.3	21.2	21.3	21.9
APAT Margin	14.2	14.3	15.6	18.1	18.3	19.2
RoE	21.2	23.3	21.6	42.5	43.4	48.8
RoCE	22.5	27.2	34.6	40.8	42.2	46.4
Solvency Ratio						
Net Debt/EBITDA (x)	-1.9	-1.6	-1.7	-1.6	-1.6	-1.4
D/E	0	0	0	0	0	0
Net D/E	-1	-1	-1	-1	-1	-1
PER SHARE DATA						
EPS	26.3	5.5	21.1	39.1	41.7	47.8
CEPS	29.2	10.4	25.8	42.9	45.3	51.8
BV	126	107	88	95	97	99.1
Dividend	20	40	30	32	40	45
Turnover Ratios (days)						
Debtor days	14	11	25	17	15	14
Inventory days	58	55	59	54	54	54
Creditors days	75	66	88	79	77	77
VALUATION						
P/E	65.8	314.5	81.8	44.3	41.5	36.2
P/BV	13.7	16.1	19.6	18.1	17.9	17.4
EV/EBITDA	46.2	42.2	39.9	32.9	31.6	28
EV / Revenues	8.9	8.6	8.7	7.6	7.2	6.6
Dividend Yield (%)	1.2	2.3	1.7	1.9	2.3	2.6
Dividend Payout	76.1	727.1	141.8	81.9	95.8	94.1

Source: Company, HDFC sec Research



HDFC Sec Retail Research Rating Description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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